alviva
HOLDINGS

SUMMARISED CONSOLIDATED

FINANCIAL RESULTS

for the year ended **30 JUNE 2020**

and ordinary cash dividend declaration

Group structure

alviva HOLDINGS

ICT DISTRIBUTION

- Axiz
- Axiz 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

2020 at a glance

Revenue

AT **R14,8** billion

DOWN **7%**

EBITDA

AT **R708** million

DOWN **18%**

Core EPS

AT **225,9** cents

DOWN **36%**

HEPS

AT **149,4** cents

DOWN **50%**

Net asset value per share

1 763,9 cents

UP **6%**

Net tangible asset value per share

AT **1 040,2** cents

UP **6%**

Cash generated from operating activities

R1,8 billion

Dividend declared

OF **15** cents per share

Commentary

INTRODUCTION

The Board of Directors is pleased to present the audited summarised consolidated financial statements for the year ended 30 June 2020.

OVERVIEW

It has been an extraordinary year for the world, brought about by the events from the impact of COVID-19, and Alviva has been unable to avoid the economic fall-out that has ensued. Although the financial results are disappointing when compared to those in prior periods, a great deal has been achieved despite the enormous challenges. During the national lockdown, initiated by the South African government on 26 March 2020, Alviva's management had extensive discussions with employees, suppliers and customers regarding the sustainability of each entity within the Group. These interactions revealed an overwhelming support for all of the businesses and management was tremendously encouraged with the feedback and commitment. Alviva has assisted its customers, where possible, with extended terms and requested, and were granted, payment extensions with most of its significant suppliers. The Group's employees sacrificed some of their leave entitlement and the Company supported them by processing their basic salaries in full and assuring them that no retrenchments, related to the uncertainty created by COVID-19, would take place. Alviva's shareholders, although they have not been rewarded by the share price, may take tremendous comfort from this support from the Group's other stakeholders.

Of equal significance for the long-term sustainability of the Group, the migration from previously unsupported legacy systems continued with three more entities implementing Sage X3, the most recent two with effect from July 2020. This takes enormous effort and planning and the benefits of these actions will be felt in future periods.

The second half of the year was obviously affected by COVID-19. First of all, there was a delay in supplies of product from China and then the imposition of the national lockdown by the South African government on 26 March ensured that there would be no chance of the Group recovering lost ground in its financial performance. During the lockdown, most of Alviva's businesses were able to trade, albeit at a reduced capacity and within the limits set by the government. The distribution businesses then had to cope, using reduced resources, with handling April and May's order load in one month, when stage 4 was declared at the beginning of May. Notwithstanding these obstacles, May and June were reasonable trading periods.

Revenue for the year was approximately 7% below last year and attributable profit was down by a substantial 62%. As well as the factors mentioned already, there have been a number of one-off transactions that impacted the results that are worthy of mention.

- The Group recognised income on the release from its contingent consideration of approximately R24 million, in respect of its acquisitions of Merlynn Intelligence Technologies (Pty) Ltd ("Merlynn") and Obscure Enterprises (Pty) Ltd ("Obscure").
  - Merlynn, the artificial intelligence business that Alviva had acquired in 2019, has made progress in getting its offering into various entities but the time taken to sign up these sizeable international entities has been underestimated. Consequently, the profit targets were not reached and the additional payment of R9 million will not be made.
  - Obscure performed reasonably well during the period but did not meet its targeted income, largely affected by the economy and COVID-19, resulting in the release of approximately R14 million from the contingent consideration.
- Alviva has recognised significant estimated credit losses, largely in the second half, comprising, *inter alia*, the following:
  - An expected credit loss to the value of R28 million (2019: R23 million) on its loan to equity-accounted investee. This business was gaining traction in executing on the RT3 contract with government but was badly affected by COVID-19 and the national lockdown; and
  - Expected credit losses and write-offs of approximately R45 million on certain customers that found the lack of income during the lockdown too much of a burden. Some customers are either in business rescue, have ceased trading or are considered unlikely to survive.
- It is anticipated that the economy will take some time to recover from the effects of COVID-19 and Alviva has rigorously tested its intangible assets with this in mind. Substantial write-downs in the carrying value of goodwill, on VH Fibre particularly, amounted to R50 million.
- Foreign exchange losses that were recognised at the interim stage were entirely reversed and the profits would have been higher were it not for having to account for the exchange rate differences on the acquisition price of the Synerg international businesses for which no risk exposure management was readily available. The loss in this regard was R6 million included in the gain on foreign exchange line item in profit or loss.

A huge emphasis was placed on maintaining and improving liquidity since the imposition of the lockdown due to the uncertainty that it had created. The R100 million redemption of the preference share to Absa Bank was postponed for three months to 20 August 2020, the Share Repurchase programme was put on hold, despite the temptation of the attractive share price, and discretionary capital expenditure was suspended. The decrease in working capital at the reporting date, the consequent extraordinarily high cash generated from operations, and the substantial cash holdings at the reporting date, were largely due to the extension of credit terms granted by vendors to aid the businesses through the post-lockdown period. Substantial repayments to the supportive vendors have been made in the ensuing months, the R100 million preference shares have been redeemed and the cash holdings have decreased subsequent to the reporting date to normalised levels.

FINANCIAL RESULTS

Segment performance

The **ICT Distribution segment** has had a tough year from a financial results perspective, with the challenges of implementing new systems and coping with COVID-19 being most notable. Notwithstanding, the segment is in a solid position to commence the reporting period ahead. Revenue decreased by 11% and EBITDA by 25%.

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 cluster.

Axiz remains the leading distributor in the region and has implemented 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.

In order to achieve this, the segment 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 successful implementation 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, has been bedded down and was deemed a success. Enhancement phases from 1 to 4 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 migration of the Group's Digital Cloud platform to 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 allowed for e-commerce of high run-rate physical goods for the segment's traditional channel;
- The challenging but now successful implementation of the Tricon Services business unit (renamed Axiz Services) that was purchased in September 2018. This unit is operationally profitable. Unfortunately, COVID-19 had a meaningful impact on the business but this division gives Axiz, partners and vendors access to over 150 technical resources in over 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 2021. It is expected that the unit will enhance and diversify operational profitability of the distribution business going forward; 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 from the previous base of South Africa.

Obscure, given the circumstances, had a reasonable second six months but the profit before tax for the reporting period decreased to R9,7 million (2019: R14,4 million) largely as a result of a comparatively poor first six months of the reporting period. Their cyber security product portfolio is market-leading and Alviva remains confident that this business will continue to yield good returns. Obscure has successfully expanded the product range and activity levels have increased.

Pinnacle has been 're-engineered' over the period and is now better positioned for the future. Unfortunately, Pinnacle had exposures to a number of businesses that had been struggling with the downturn in economic activity and, with the advent of COVID-19, these entities faced challenges to survive. Consequently, approximately R35 million of expected credit losses was recognised at the end of the reporting period. One of the key strategies at the beginning of the reporting period was to diversify by increasing the level of enterprise business. This has been achieved through products such as Nutanix, Commvault, SuperMicro, Dell, HPE and Huawei. In addition, much time has been invested into the move onto the same ERP system which took place on 1 July 2020. So far, the results have been pleasing.

VH Fibre ("VHF"): Since January 2019, the South African fibre market has seen a sharp contraction. VHF has also seen a marked slowdown in the demand for its exclusive high quality brand, Prysmian, as the major metropolitan areas reached saturation points and, as fibre network owners expand into the less dense and lower LSM areas, the uptake has been lower than the metropolitan areas. 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 reporting period are significantly lower at a R0,5 million loss before tax compared to a R14,2 million profit in the prior period.

In summary –

The main components of the downturn in profitability for this segment have been as follows:

- The lacklustre economic environment, COVID-19-related restrictions and uncertainty in general have had a significant impact on the results, although the quantum is difficult to estimate;
- 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; and
- The performance of VHF referred to above.

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

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

Solutions and Integrators

This part of the business has been more resilient than the ICT Distribution segment.

Datacentrix maintained its revenue despite the impact of the pandemic in the second half of the reporting period. Execution to customers was exceptional given the various levels of lockdown and this was expressed by the large number of customer compliments that were received, specifically in the Managed Services division. Due to a change in mix and competitive market pressures, margins weakened, resulting in the profit before tax declining by 35%. Cash flow was impressive though, with the cash generated from its operations reaching a healthy R339 million. The Cyber security and Digital transformation divisions showed encouraging growth in the reporting period and the implementation of new digital platforms and strategies in the Managed Services, Digital Business Solutions and eNetworks businesses have started to bear fruit. The overall business has been much diversified over the years and has evolved some way from pure box-dropping with services now contributing nearly half of total revenue.

Whilst Datacentrix has a robust execution capability and is well positioned, the uncertainties occasioned by the pandemic and economic conditions will weigh on the business. Datacentrix remains a key strategic component of the Group's service offering and has an enviable depth in skills in some exciting growth areas.

DG had a remarkable year, given the circumstances. Revenue increased by 9% and profit before tax went up by an extraordinary 31%. 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 and **IntDev,** the connectivity and managed solutions unit, had a tough second six months and their profitability decreased from the prior period by approximately 30%.

Renewable Energy

Solareff was on track to record a reasonable year but was impacted in the last quarter of the reporting period by being unable to get access to the sites in order to complete their orders. Despite this, Solareff turned in a small profit when compared to the loss in the prior period. 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 amounts are insignificant.

Applications and IP

Sintrex has had a difficult year, with certain maintenance and service contracts not renewed in the government sector. This has resulted in their turnover being 23% down on last year and a decline of 59% in profitability. Much effort is being expended to renew these contracts, sign up new annuity business and to find alternate sources of income. The cost structure has been re-aligned accordingly.

Merlynn has gained good traction but encountered frustrating delays with COVID-19 and 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 has changed its route to market and has signed 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 both Axiz and Pinnacle onto Sage X3. During the reporting 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 had to endure a significant shock to their impetus with the national lockdown. Debit order rejections doubled in April from those recorded in the prior month, applications completely dried up and many negotiations took place with customers to restructure their repayments. The book consequently reduced over the quarter and, at the end of the period, ended up almost where it was at the beginning of the period, after having grown by R66 million in the first half. Alviva is tremendously encouraged with the performance of the team and of the book. It is often said that bad loans are written during good times and Alviva's experience so far is that the selection of customers by the credit team has been exemplary. There has been strain as one would expect, given the economic conditions, but so far, the book has stood up well. The existing securitisation structure continues to provide the optimum funding and the relationship with financiers remains solid and beneficial to both parties.

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.

The value of inventory held at the end of June is more than usual, due to the receipt of two months of normal orders in the month of May, as noted previously. This should be brought into line within the following three to four months as the Group aligns the holdings to the anticipated demand.

The cash and cash equivalents, as noted previously, was exceptionally high at the end of June and has returned to normal levels during the ensuing two months.

The share repurchase programme was suspended to conserve and maintain liquidity during the exceptional suspension of trading activity with the lockdown. Notwithstanding, during the reporting period R102 million was spent on repurchasing more than 7 million shares and a further R10 million was spent on acquiring additional shares for the Forfeitable Share Plan. A dividend of R41 million was paid to shareholders.

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 acquired 70% of the issued share capital of SynergERP Proprietary Limited ("Synerg SA") through its subsidiary DCT Holdings Proprietary Limited ("DCT") for a purchase consideration of R69 million.

In addition, the Company 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 AED12,8 million and GBP2,7 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* 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 R27 million in full for their shares and the balance of the sellers were paid R7 million for the component that relates to the June 2019 financial year. There now only 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 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%.

Effect of new acquisitions

Over the last few years, Alviva has paid approximately R629 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.

The annualised returns, based on the year to June 2020, in attributable profit to the Group has been R63 million, although this has been negated by the attributable annualised amortisation charges of R84 million. After accounting for the finance costs, annualised at R47 million, there has been a negative contribution of some R68 million.

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.

CHANGES TO THE BOARD AND COMMITTEES

Following Ms N Medupe resignation from the Board on 31 May 2019, Ms MG Mokoka and Mr PN Masemola were appointed as independent non-executive directors with effect from 29 July 2019.

Following the above changes, 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™.

SHARE REPURCHASES

At the annual general meeting ("AGM") held on 21 November 2019, 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 6 550 000 shares. Since then the Company has repurchased 1 990 309 ordinary shares, bringing the total number of shares repurchased for the year to 7 104 041.

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 15 cents (2019: 30 cents) per ordinary share for the year ended 30 June 2020.

Notice is hereby given that a final dividend of 15 cents per ordinary share for the year ended 30 June 2020 has been declared by the Board of the Company.

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

	Date
Last day of trade "cum" dividend	Tuesday, 10 November 2020
First day to trade "ex" dividend	Wednesday, 11 November 2020
Record date	Friday, 13 November 2020
Payment date	Monday, 16 November 2020

No share certificates may be dematerialised or rematerialised between Wednesday, 11 November 2020 and Friday, 13 November 2020, 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 15 cents per ordinary share for shareholders exempt from Dividends Tax;
- The net local dividend amount is 12,00000 cents per ordinary share for shareholders liable to pay Dividends Tax;
- Alviva Holdings Limited has 136 317 746 ordinary shares in issue (which includes 7 180 750 FSP shares); and
- Alviva Holdings Limited's income tax reference number is 9675/146/71/7.

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 AND STRATEGIC INITIATIVES

The outlook for the year to 30 June 2021 remains uncertain. The economy is under huge pressure following the measures taken to protect lives in connection with COVID-19 and yet we have seen healthy demand for our products and services due to remote working requirements. 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 acquired by the Group recently offer exciting prospects. Much will depend on how the economy reacts following all of the disruption that has taken place.

For and on behalf of the Board

A Tugendhaft
Chairperson

P Spies
Chief Executive Officer

28 September 2020
Midrand

Consolidated
Statement of profit or loss and other comprehensive income

for the year ended 30 June 2020

	2020 Audited R'000	2019 Audited R'000
Revenue (note 2)	14 804 155	15 922 641
Cost of sales	(12 370 493)	(13 314 503)
Gross profit	2 433 662	2 608 138
Other income	27 382	56 788
Gain on discounting of finance lease agreements	1 272	2 841
Gain on foreign exchange	630	8 068
Profit on disposal of property, plant and equipment	1 611	609
Gain on remeasurement of contingent consideration	23 869	45 270
Operating expenses	(2 072 507)	(1 995 153)
Selling expenses	(59 940)	(66 165)
Impairment losses and write-offs on trade and finance lease receivables	(45 645)	(37 361)
Impairment loss on loan to equity-accounted investee	(27 990)	(23 210)
Impairment loss on goodwill	(49 563)	–
Employee benefit expenses	(1 323 782)	(1 338 582)
Administration expenses	(246 505)	(307 683)
Loss on disposal of subsidiary	–	(32 141)
Depreciation and amortisation	(319 082)	(190 011)
Operating profit before interest	388 537	669 773
Finance income	50 666	52 059
Finance costs	(227 640)	(185 108)
Profit before tax	211 563	536 724
Income tax expense	(74 688)	(145 866)
Profit for the period	136 875	390 858
Other comprehensive income:		
Items that may be reclassified to profit or loss, net of tax:	4 609	447
Exchange differences from translating foreign operations	4 609	447
Total comprehensive income for the period	141 484	391 305
Net profit for the period attributable to:	136 875	390 858
Owners of the Company	148 724	394 500
Non-controlling interests	(11 849)	(3 642)
Total comprehensive income attributable to:	141 484	391 305
Owners of the Company	153 333	394 947
Non-controlling interests	(11 849)	(3 642)
Earnings per ordinary share (cents)		
– Basic earnings per ordinary share	112,7	275,3
– Diluted basic earnings per ordinary share	110,7	268,1
Non-IFRS information		
Earnings before interest, tax, depreciation and amortisation	707 619	859 784

Consolidated

Statement of financial position

as at 30 June 2020	2020 Audited R'000	2019 Audited R'000
ASSETS		
Non-current assets	**2 080 544**	1 784 247
Property, plant and equipment	**457 218**	122 312
Intangible assets	**320 127**	287 895
Goodwill	**614 454**	631 526
Investment in equity-accounted investees	**41 773**	88 119
Finance lease receivables	**556 138**	576 189
Deferred tax	**90 834**	78 206
Current assets	**5 711 445**	4 710 221
Inventory (note 8)	**1 228 187**	1 036 748
Trade and other receivables	**2 946 836**	3 264 856
Finance lease receivables	**298 383**	269 975
Current tax assets	**18 418**	14 096
Cash and cash equivalents	**1 219 621**	124 546
Total assets	**7 791 989**	6 494 468
EQUITY AND LIABILITIES		
Capital and reserves	**2 377 779**	2 335 027
Stated capital	**1 363**	1 434
Treasury shares	**(115 328)**	(125 819)
Other equity reserves	**46 289**	33 568
Retained earnings	**2 345 484**	2 355 661
Non-controlling interests	**99 971**	70 183
Non-current liabilities	**1 244 584**	915 171
Interest-bearing liabilities	**1 075 406**	778 342
Non-interest-bearing liabilities	**72 829**	46 205
Contract liabilities	**16 064**	11 528
Deferred tax	**80 285**	79 096
Current liabilities	**4 169 626**	3 244 270
Trade and other payables	**3 626 394**	2 806 046
Interest-bearing liabilities	**332 194**	106 285
Non-interest-bearing liabilities	**7 584**	44 130
Contract liabilities	**183 929**	114 847
Bank overdrafts	**–**	158 799
Current tax liabilities	**19 525**	14 163
Total equity and liabilities	**7 791 989**	6 494 468

Additional information *

Capital management		
Net asset value per share (cents)	**1 763,9**	1 658,2
Net tangible asset value per share (cents)	**1 040,2**	985,0
Working capital management		
Investment in working capital (R'000)	**364 700**	1 380 711
Liquidity and solvency		
Debt to equity (%)	**61,8**	39,1
Current ratio (excluding inventory in transit and work in progress)	**1,48**	1,46
Acid test (excluding inventory in transit)	**1,08**	1,17

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

Consolidated

Statement of cash flows

for the year ended 30 June 2020

	2020 Audited R'000	2019 Audited R'000
Profit before tax	**211 563**	536 724
Adjusted for:		
Finance income	**(50 666)**	(52 059)
Finance costs	**227 640**	185 108
Non-cash flow items	**396 446**	209 426
– Depreciation and amortisation	**319 082**	190 011
– Gain on remeasurement of contingent consideration	**(23 869)**	(45 270)
– Profit on disposal of property, plant and equipment	**(1 611)**	(609)
– Loss on disposal of subsidiary	**–**	32 141
– Foreign exchange losses on contingent consideration	**6 162**	–
– Impairment loss on goodwill	**49 563**	–
– Impairment loss on loan to equity-accounted investee	**27 990**	23 210
– Debt forgiveness relief on leases	**(1 242)**	–
– Equity-settled share-based payment expense	**20 458**	9 943
– Other non-cash flow items	**(87)**	–
Changes in working capital	**1 016 060**	(604 123)
Cash generated from operating activities	**1 801 043**	275 076
Net finance costs	**(176 974)**	(133 049)
Finance income received	**50 666**	52 059
Finance costs paid	**(227 640)**	(185 108)
Income tax paid	**(115 736)**	(172 331)
	1 508 333	(30 304)
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(96 578)**	(64 964)
Proceeds on disposal of property, plant and equipment	**15 946**	3 012
Acquisition of intangible assets	**(47 188)**	(17 134)
Proceeds on disposal of intangible assets	**592**	3 540
Proceeds on disposal of subsidiary	**–**	14 988
Receipts/(advances) of loan to equity-accounted investee	**18 356**	(49 252)
Acquisition of subsidiaries, net of cash acquired	**(48 619)**	(153 474)
Net investment in finance lease receivables	**(8 357)**	(165 726)
	(165 848)	(429 010)
Cash flows from financing activities		
Interest-bearing liabilities raised	**205 000**	96 464
Interest-bearing liabilities repaid	**(60 967)**	(8 331)
Non-interest-bearing liabilities repaid	**(57 724)**	(68 679)
Repurchase of shares	**(102 194)**	(150 792)
Treasury shares acquired	**(10 378)**	(36 018)
Transactions with non-controlling interests, including dividends	**(25 465)**	(58 794)
Dividends paid	**(41 492)**	(40 694)
	(93 220)	(266 844)
Increase/(decrease) in net cash, cash equivalents and overdrafts	**1 249 265**	(726 158)
Net cash and cash equivalents at 1 July	**(34 253)**	691 458
Effects of exchange rate changes on the balance of cash held in foreign currencies	**4 609**	447
Net cash and cash equivalents at 30 June	**1 219 621**	(34 253)

Consolidated

Statement of changes in equity

for the year ended 30 June 2020

	2020 Audited R'000	2019 Audited R'000
Opening balance	**2 335 027**	2 227 404
Ordinary shares repurchased and cancelled	**(102 194)**	(150 791)
Shares purchased*	**(10 378)**	(36 019)
Total comprehensive income	**153 333**	391 305
Profit for the period	**148 724**	390 858
Other comprehensive income	**4 609**	447
Settlement of equity-settled share-based payment (FSP1)**	**–**	–
Treasury shares	**20 869**	–
Retained income	**(8 523)**	–
Equity-settled share-based payment reserve	**(12 346)**	–
Net movements in non-controlling interest ***	**23 025**	(66 121)
Equity settled share-based payment reserve ****	**20 458**	9 943
Dividend paid	**(41 492)**	(40 694)
Closing balance	**2 377 779**	2 335 027
Attributable to:		
Owners of the Company	**2 277 808**	2 264 844
Non-controlling interests	**99 971**	70 183

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

** *During the reporting 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 reporting 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.*

Segment analysis

for the year ended 30 June 2020

	Segment revenue		Inter-segment revenue		External revenue	
	2020 Audited R'000	2019 Audited R'000	**2020 Audited R'000**	2019 Audited R'000	**2020 Audited R'000**	2019 Audited R'000
Business unit						
ICT Distribution	**10 542 572**	11 802 282	**(674 816)**	(679 127)	**9 867 756**	11 123 155
Services and Solutions	**4 819 613**	4 657 418	**(80 719)**	(50 291)	**4 738 894**	4 607 127
Financial Services	**199 819**	192 359	**(2 314)**	–	**197 505**	192 359
	15 562 004	16 652 059	**(757 849)**	(729 418)	**14 804 155**	15 922 641

	Segment EBITDA *	
	2020 Audited R'000	2019 Audited R'000
Business unit		
ICT Distribution	**346 348**	463 046
Services and Solutions	**176 465**	254 423
Financial Services	**133 498**	111 791
Group Central Services	**51 308**	30 524
EBITDA *	**707 619**	859 784
Depreciation and amortisation	**(319 082)**	(190 011)
Net finance costs	**(176 974)**	(133 049)
Profit before tax	**211 563**	536 724

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

	Net operating assets	
	2020 Audited R'000	2019 Audited R'000
Business unit		
ICT Distribution	**1 169 630**	1 254 375
Services and Solutions	**598 512**	640 405
Financial Services	**239 004**	209 963
Group Central Services	**370 633**	230 284
	2 377 779	2 335 027

The segments of the Group 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 SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

The summarised consolidated financial statements comprise the summarised consolidated statement of financial position at 30 June 2020, the summarised consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows and selected notes for the reporting period then ended.

Responsibility for annual results

The Board takes full responsibility for the preparation of the summarised consolidated financial statements and that the financial information has been correctly derived and are consistent in all material respects with the underlying audited consolidated financial statements. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the summarised consolidated financial statements that are free from material misstatement, whether owing to fraud or error.

Basis of preparation and statement of compliance

The summarised consolidated financial statements for the reporting period ended 30 June 2020 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 summarised consolidated financial statements of the Group are prepared as a going concern on a historical basis, except for derivative financial instruments and contingent consideration, which are stated at fair value as applicable.

Accounting policies, estimates and judgements

All accounting policies, inclusive of reasonable judgements and estimates, applied by the Group in these summarised consolidated financial statements are the same as those applied by the Group in the underlying audited consolidated financial statements as at and for the reporting period ended 30 June 2020. All accounting policies are consistent with the prior reporting period except for the policy on lessor accounting, and comply with IFRS.

The Group has initially applied IFRS 16 from 1 July 2019.

IFRS 16: *Leases*

IFRS 16: *Leases* was effective from 1 January 2019 and was adopted by the Group on 1 July 2019. The Group applied IFRS 16 using the modified retrospective approach. Accordingly the comparative information throughout these financial statements has not been restated to reflect the requirements of the new standard, i.e., it is presented as previously reported under IAS17. In addition, the disclosure requirements in IFRS 16 have not been applied to comparative information.

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.

Group as lessee

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.

1. SALIENT FEATURES OF THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

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 lessee, the Group enters into leases in respect of properties utilised for administrative and storage purposes, and ad hoc leases over equipment.

On transition, lease liabilities were measured at the present value of remaining lease payments discounted at the Group's incremental borrowing rate at 1 July 2019. Right-of-use assets were measured at an amount equal to the lease liability.

The Group has tested its right-of-use assets for impairment on the date of transition and concluded there is no indication of impairment.

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.

The Group leases equipment, previously classified as finance leases under IAS 17. For these leases, the carrying amounts of the right-of-use asset and lease liability at1 July 2019 were determined at the carrying amounts of the leased asset and finance lease liability under IAS 17 at 30 June 2019.

Group as lessor

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

The sale-and-leaseback transactions which existed at the transition date, were not reassessed to determine whether the transfer of the underlying asset satisfied the IFRS 15 requirements to treat the transfer as a sale.

Sale-and-leaseback transactions were previously accounted for as sale and operating lease transactions. At transition date, the Group recognised a right-of-use asset and lease liability in respect of these leases.

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 Group assessed the classification of of sub-lease contracts with reference to the right-of-use asset and concluded that they are operating leases under IFRS 16.

Impact

At transition date, the Group recognised a right-of-use asset to the value of R308 million (included in property, plant and equipment) and a lease liability of R308 million (included in interest-bearing liabilities) in relation to property leases.

The Group recognised property, plant and equipment to the value of R34 million and a lease liability of R34 million (included in interest-bearing liabilities) in relation to sale-and-leaseback transactions over equipment that existed at transition date. The Group recognised a financial liability of R19 million in relation to sale-and-leaseback transactions entered into during the reporting period.

As a result of adopting IFRS 16, the operating profit before tax for the reporting period ended 30 June 2020 has decreased by R107 million due to the replacement of operating lease expenses with depreciation on the underlying assets (R76 million) and finance costs on lease liabilities (R31 million), totalling an amount of R107 million. The operating lease expenses in terms of IAS 17 would have amounted to R87 million for the period.

for the year ended 30 June 2020

1. SALIENT FEATURES OF THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

The impact of adopting IFRS 16 is as follows:

Statement of financial position	At transition 1 July 2019 R'000	Movements during the reporting period R'000	As at reporting date 30 June 2020 R'000
ASSETS			
Increase in property, plant and equipment	**342 196**	**(46 311)**	**295 885**
Property leases	**307 832**	**(32 185)**	**275 647**
Right-of-use assets – recognised at transition	**307 832**	**–**	**307 832**
Movements			
– Right-of-use assets – leases entered into during the reporting period	**–**	**33 256**	**33 256**
– Lease modifications*	**–**	**(773)**	**(773)**
– Accumulated depreciation for the period	**–**	**(64 668)**	**(64 668)**
Sale-and-leaseback transactions (equipment)	**34 364**	**(14 126)**	**20 238**
Right-of-use asset (previously treated as sale and operating lease transactions)	**34 364**	**–**	**34 364**
Movements			
– Derecognition of underlying assets subject to sub-leases	**–**	**(2 763)**	**(2 763)**
– Accumulated depreciation for the period	**–**	**(11 363)**	**(11 363)**
Increase in deferred tax			
Movements			
– Deferred tax recognised in profit or loss	**–**	**5 565**	**5 565**
Total assets	**342 196**	**(40 746)**	**301 450**
LIABILITIES			
Increase in lease liabilities (included in interest-bearing liabilities)	**342 196**	**(23 787)**	**318 409**
Property leases	**307 832**	**(12 331)**	**295 500**
Lease liabilities – recognised at transition	**307 832**	**–**	**307 832**
Movements			
– Lease liabilities – leases entered into during the reporting period	**–**	**33 256**	**33 256**
– Lease modifications*	**–**	**(773)**	**(773)**
– Repayments during the period	**–**	**(44 815)**	**(44 815)**
Sale-and-leaseback transactions (existing at transition)	**34 364**	**(11 455)**	**22 909**
Lease liabilities – recognised at transition	**34 364**	**–**	**34 364**
Movements			
– Repayments during the period	**–**	**(11 455)**	**(11 455)**
Increase in financial liabilities (included in interest-bearing liabilities)	**–**	**18 870**	**18 870**
Sale-and-leaseback transactions (entered into during the reporting period)	**–**	**18 870**	**18 870**
Transactions entered into net of capital repayments	**–**	**18 870**	**18 870**
Total liabilities	**342 196**	**(4 917)**	**337 279**
Operating lease commitments at 30 June 2019 as disclosed under IAS 17	**–**	**–**	**289 116**
Effect of extension options reasonably certain to be exercised and short-term leases	**–**	**–**	**157 366**
	–	**–**	**446 482**
Discounted using incremental borrowing rate as at 1 July 2019 (property leases and sale-and-leaseback transactions)	**–**	**–**	**342 196**
Finance leases liabilities as at 30 June 2019	**–**	**–**	**8 121**
Lease liabilities recognised at 1 July 2019	**–**	**–**	350 317

* *The Group recognised the modification of leases in relation to leased properties during the reporting period. The lease modification was in terms of the lease payments over the remaining lease period.*

1. SALIENT FEATURES OF THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

Statement of profit or loss and other comprehensive income	Movements during the reporting period 30 June 2020 R'000
Increase in depreciation (included in depreciation and amortisation)	(76 031)
Decrease in operating profit before interest	(76 031)
Increase in finance costs	(31 108)
Decrease in profit before tax	(107 139)
Decrease in income tax expense	5 565
Decrease in profit for the period (refer below for total impact on profit or loss)	(101 574)
Effect on basic earnings per ordinary share (cents) *	(10,8)
Effect on diluted earnings per ordinary share (cents) *	(10,6)
Reconciliation of impact on earnings for the period	
Increase in depreciation	(76 031)
Increase in finance costs	(31 108)
Decrease in operating lease expense (as per IAS 17)	87 378
Decrease in earnings before considering tax impact	(19 761)
Decrease in income tax expense	5 565
Total impact including adjustment for decrease in operating lease expense	(14 196)

** The impact of adopting IFRS 16 includes the adjustment for the decrease in operating lease expenses that would have been recognised as cost of sales (sale-and-lease back transactions) and operating expenses (property leases) in the calculation of the earnings per ordinary share for the period under IAS17.*

During the reporting period, the Group re-assessed the terms of the property leases in relation to fixed lease payments. Fixed lease payments in terms of parking and operating costs were identified and included, resulting in an additional right-of-use asset of R24 million and corresponding lease liability of R24 million when compared to the interim results.

COVID-19-related rent concessions (amendment to IFRS 16)

During the reporting period, IFRS 16 was amended to include a practical expedient in relation to the COVID-19 pandemic. The effective date of the amendment is for reporting periods commencing on 1 June 2020 and early adoption was permitted. The Group early adopted the amendment during the reporting period.

Under the amendment, a lessee may elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession consistently with how it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient would apply only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments in that extend beyond 30 June 2021); and
- there is no substantive change to other terms and conditions of the lease.

The Group received a minimal rent concession in relation to some property leases during the reporting period which was directly associated to the COVID-19 pandemic and which did not result in any substantive change to other terms and conditions of the lease.

The impact of applying the practical expedient resulted in the recognition of other income (off-set in administration expenses) amounting to R1 million in profit or loss of the Group in the current reporting period.

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

1. SALIENT FEATURES OF THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

Estimates and judgements

The preparation of the consolidated 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 and amended 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.

Functional and presentation currency

The summarised 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 summarised consolidated financial statements.

Comparative figures

Unless otherwise indicated, comparative figures refer to the 12-month reporting period ended 30 June 2019.

Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the reporting period ended 30 June 2019.

Independent audit

The summarised consolidated financial statements have been derived from the audited consolidated financial statements.

The summarised consolidated financial statements for the reporting period ended 30 June 2020 have been audited by the Company's auditors, SNG Grant Thornton Inc., who have expressed an unmodified opinion thereon.

The auditors also expressed an unmodified opinion on the consolidated financial statements from which the summarised consolidated financial statements were derived. A copy of the auditor's report on the consolidated financial statements is available for inspection at the Company's registered office or can be downloaded from the Company's website: www.alvivaholdings.com, together with the financial statements identified in the auditor's report.

Any forward-looking financial information disclosed in this results announcement has not been reviewed or audited or otherwise reported on by the Company's auditors.

2. REVENUE

	2020 Audited R'000	2019 Audited R'000
Revenue from contracts with customers	**14 586 277**	15 711 229
Other revenue	**217 878**	211 412
– Revenue related to leases	**217 878**	211 412
Total revenue	**14 804 155**	15 922 641

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.

2020

Timing of recognition

	Reportable segments			
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	2020 Total R'000
Timing of revenue recognition				
At a point in time	9 629 391	2 972 845	–	**12 602 236**
Over a period of time	238 365	1 745 676	–	**1 984 041**
Revenue from contracts with customers	9 867 756	4 718 521	–	**14 586 277**
Revenue related to leases	–	20 373	197 505	**217 878**
Total revenue	9 867 756	4 738 894	197 505	**14 804 155**

Major service offering

	Reportable segments			
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	2020 Total R'000
Service offerings				
IT-related products	9 508 021	2 899 384	–	**12 407 405**
Fibre-related products	125 530	–	–	**125 530**
Solar-related products	–	73 461	–	**73 461**
Electric charge-point sales	–	4 578	–	**4 578**
Installation services	13 260	241 217	–	**254 477**
Infrastructure management	–	103 137	–	**103 137**
Maintenance services	–	215 206	–	**215 206**
Consulting services – usage	104 449	180 528	–	**284 977**
Consulting services – labour hours	116 496	1 001 010	–	**1 117 506**
Revenue from contracts with customers	9 867 756	4 718 521	–	**14 586 277**
Revenue related to leases	–	20 373	197 505	**217 878**
Total revenue	9 867 756	4 738 894	197 505	**14 804 155**

2. REVENUE continued

Contributing industry	Reportable segments			
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	2020 Total R'000
Industries				
ICT industry	9 728 966	4 365 744	–	**14 094 710**
Fibre solution industry	138 790	–	–	**138 790**
Renewable energy industry	–	245 996	–	**245 996**
Infrastructure management industry	–	106 781	–	**106 781**
Revenue from contracts with customers	9 867 756	4 718 521	–	**14 586 277**
Revenue related to leases	–	20 373	197 505	**217 878**
Total revenue	9 867 756	4 738 894	197 505	**14 804 155**

Geographical regions	Reportable segments			
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	2020 Total R'000
Regions				
South Africa	8 318 072	4 442 623	–	**12 760 695**
Africa (excluding South Africa)	1 549 684	209 643	–	**1 759 327**
Other *	–	66 255	–	**66 255**
Revenue from contracts with customers	9 867 756	4 718 521	–	**14 586 277**
Revenue related to leases	–	20 373	197 505	**217 878**
Total revenue	9 867 756	4 738 894	197 505	**14 804 155**

* *Includes Group entities in the UK and Middle East.*

2. REVENUE continued

2019

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

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

for the year ended 30 June 2020

2. REVENUE continued

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

Geographical 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

* *Includes Group entities in the Middle East.*

for the year ended 30 June 2020

3. FINANCIAL REVIEW

	2020 Audited	2019 Audited
Performance per ordinary share (cents)		
Basic and diluted earnings per ordinary share		
– Basic earnings per ordinary share	**112,7**	275,3
– Diluted basic earnings per ordinary share	**110,7**	268,1
Headline basic and headline diluted earnings per ordinary share		
– Headline earnings per ordinary share	**149,4**	297,1
– Diluted headline earnings per ordinary share	**146,7**	289,3
Core and diluted core earnings per ordinary share		
– Core earnings per ordinary share	**225,9**	352,9
– Diluted core earnings per ordinary share	**222,0**	343,6
Dividend cover	**3,6**	9,7
Returns (%)		
Gross profit	**16,4**	16,4
EBITDA *	**4,8**	5,4
Operating profit before interest and tax	**2,6**	4,2
Effective tax rate	**35,3**	27,2
Profit for the period	**0,9**	2,5
Return on equity	**6,5**	17,8

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

for the year ended 30 June 2020

4. RECONCILIATION OF HEADLINE AND CORE EARNINGS

	2020 Audited R'000	2019 Audited R'000
Earnings attributable to ordinary shareholders	**148 724**	394 500
Profit on disposal of property, plant and equipment net of tax	**(1 160)**	(438)
Profit on disposal of property, plant and equipment	**(1 611)**	(609)
Less: Tax thereon	**451**	171
Impairment of goodwill	**49 563**	–
Loss on disposal of subsidiary net of tax	**–**	31 561
Loss on disposal of subsidiary	**–**	32 141
Less: Tax thereon	**–**	(580)
Headline earnings	**197 127**	425 623
Acquisition costs net of tax	**790**	1 770
Amortisation of intangible assets net of tax	**100 255**	78 244
Core earnings **	**298 172**	505 637
Number of ordinary shares in issue ('000)		
– Total number of shares in issue *	**129 137**	136 587
– Weighted average number of shares in issue *	**131 987**	143 281
– Weighted average number of shares in issue for purpose of dilution*	**134 351**	147 141

** Excluding 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

	2020 Audited R'000	2019 Audited R'000
Opening balance	**631 526**	564 235
Business combinations during the reporting period	**32 491**	93 871
– SynergERP Proprietary Limited	**18 928**	–
– Synergerp Limited – UK	**11 062**	–
– Synergerp Limited – DWC LLC	**2 501**	–
– Tricon Services	**–**	38 265
– Merlynn Intelligence Technologies Proprietary Limited	**–**	55 606
Impairment losses	**(49 563)**	–
Derecognition of subsidiary (Modrac)	**–**	(26 580)
Closing balance	**614 454**	631 526

6. BUSINESS COMBINATIONS

SynergERP Proprietary Limited ("Synerg SA")

On 1 July 2019, Alviva, through its subsidiary DCT Holdings Proprietary Limited, acquired 70% of the issued share capital 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 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 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.

In the 12 months to the reporting date, Synerg SA contributed revenue of R79 million and profit of R5 million to the Group's 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 and the balance of R14 million during May 2020 (contingent consideration).

The final payment was based on the audited results of the company for their year ended 31 December 2019.

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

6. BUSINESS COMBINATIONS continued

The fair value of the identifiable assets and liabilities included in the consolidated results of the Group 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, was as follows:

	Fair value recognised at acquisition date R'000	Previously recognised carrying amounts by acquiree R'000
Property, plant and equipment	**810**	810
Intangible asset: 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 asset: 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	**68 800**	
Goodwill on acquisition	**18 928**	
The impact of the acquisition on the statement of cash flows was as follows:		
Consideration to be settled in cash	**55 419**	
Cash and cash equivalents acquired	**(5 944)**	
Net cash outflow of acquisition	**49 475**	

At 31 December 2019, management estimated the purchase price as R76 million and reported a contingent consideration of R21 million. During the measurement period, it came to light that the ECL amount on which the estimate was based, had been incorrectly calculated. The purchase consideration was subsequently adjusted to R69 million. This is seen as a change within the measurement period and not information which was obtained post the finalisation of the acquisition and goodwill had been ajusted accordingly.

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 current tax asset or liability of the acquirer or acquiree.

6. BUSINESS COMBINATIONS continued

SynergERP Limited – DWC LLC ("Synerg DWC")

On 1 November 2019, Alviva, through its subsidiary Alviva International Investments Proprietary Limited, acquired 51% of the issued share capital of Synerg DWC for a maximum purchase consideration of R53 million.

Synerg DWC 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 DWC 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 8 months to the reporting date, Synerg DWC contributed revenue of R3 million and a loss of R147 thousand to the Group's results. If the acquisition had occurred at the beginning of the reporting period, the company would have contributed revenue of R5 million and a loss of R420 thousand to the Group's results.

The full consideration will be calculated based on Synerg DWC's audited results for their year ended 30 June 2022. An amount of R24 million has been recognised as contingent consideration included in non-interest-bearing borrowings, 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 the Group 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, was as follows:

	Fair value recognised at acquisition date R'000	Previously recognised carrying amounts by acquiree R'000
Intangible asset: 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 of the acquisition on the statement of cash flows was as follows:		
Consideration to be settled in cash	**–**	
Cash and equivalents at acquisition date	**545**	
Net cash inflow of acquisition	**545**	

6. BUSINESS COMBINATIONS 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 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 current tax asset or liability of the acquirer or acquiree.

SynergERP Limited – UK ("Synerg UK")

On 1 November 2019, Alviva, through its subsidiary Alviva International Investments Proprietary Limited, acquired 51% of the issued share capital of Synerg UK for a maximum purchase consideration of R53 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 8 months to the reporting date, Synerg UK contributed revenue of R682 thousand and a loss of R504 thousand to the Group's results. If the acquisition had occurred at the beginning of the reporting period, the company would have contributed revenue of R1 million and a loss of R1 million to the Group's results.

The full consideration will be calculated based on Synerg UK's audited results for their year ended 30 June 2022. An amount of R28 million has been recognised as contingent consideration included in non-interest-bearing borrowings, 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

The fair value of the identifiable assets and liabilities included in the consolidated results of the Group 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, was as follows:

	Fair value recognised at acquisition date R'000	Previously recognised carrying amounts by acquiree R'000
Intangible asset: 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 asset: 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 of the acquisition on the statement of cash flows was as follows:		
Consideration to be settled in cash	**–**	
Cash and equivalents at acquisition date	**311**	
Net cash outflow 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 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 current tax asset or liability of the acquirer or acquiree.

Alignment of accounting policies

The individual company accounting policies of the acquirees are not aligned to the accounting policies of the Group. This will result in certain line items provided in this note, not reconciling to the notes of the Group, for example, that or certain financial liabilities are recognised as trade and other payables.

7. CHANGES TO NON-CONTROLLING INTERESTS

DG Store SA Proprietary Limited ("DG")

On 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%.

8. INVENTORY

	2020 Audited R'000	2019 Audited R'000
Inventory on hand	**1 059 851**	892 522
Inventory in transit	**148 685**	116 504
Work in progress	**19 651**	27 722
	1 228 187	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	**2020 Audited R'000**	2019 Audited R'000
Derivatives related to risk management	2	**11 772**	24 827
Contingent consideration *	3	**79 976**	89 898

** The contingent consideration included in the non-interest-bearing liabilities in the statement of financial position.*

The fair value of forward exchange contracts have been determined based on valuations obtained from the Group's bankers. These valuations are performed internally by each financial institution with internally specific inputs.

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. Based on the expected timing of the cash flows related to the contingent consideration and the respective acquisition dates of the respective entities, the fair value at the reporting date approximates the contingent consideration recognised on the acquisition dates of the business combinations.

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

10. EVENTS AFTER THE REPORTING DATE

Other than as disclosed below, there were no events material to the understanding of the results that occurred after the reporting date, except the continuation of the risk-adjusted approach implemented by the South African government in relation to the COVID-19 pandemic.

Redemption of preference shares

As announced on SENS on 20 May 2020 and 21 May 2020, respectively, Absa Bank Limited (acting through its Corporate and Investment Banking Division) is the holder of 40 (forty) redeemable preference shares of R10 million each in DCT Holdings (RF) Proprietary Limited, a subsidiary of Alviva.

In terms of the Preference Share Subscription Agreement entered into on 4 April 2017, the redemption date of 10 (ten) preference shares was scheduled for 20 May 2020. By mutual consent, the scheduled redemption date was amended by three months and, on 20 August 2020, the Company redeemed R100 million preference shares to Absa Bank Limited.

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:

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

Sponsor:

Deloitte & Touche Sponsor Services (Pty) Ltd, Deloitte Place, 5 Magwa Crescent, Waterfall City, Midrand, 2090

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