alviva
HOLDINGS

UNREVIEWED CONDENSED CONSOLIDATED INTERIM RESULTS

for the six months ended

31 December 2021

CORPORATE INFORMATION

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: 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, 20 Morris Street East, Woodmead, 2191

Sponsor:

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

COMMENTARY

INTRODUCTION

The Board of Directors is pleased to present Alviva's unreviewed condensed consolidated interim financial results for the six months ended 31 December 2021.

OVERVIEW

The Group has delivered an excellent set of results, with all operating entities delivering either to or in excess of our expectations. The acquisition of Tarsus Technology Group Proprietary Limited ("Tarsus") with effect 1 July 2021 has had a material effect on these financial results and, in some cases, makes comparison with amounts in the prior reporting period less meaningful.

Revenue increased by 52% over that reported in the prior period, although without Tarsus it would have been 20%. This performance has been achieved in spite of the many challenges encountered, with the riots in July 2021, the cyber attack on Transnet, intermittent loadshedding and COVID-19 restrictions, all making commercial life perpetually demanding. The worldwide shortage of semiconductors and certain raw materials has remained in place, restricting the Group's ability to meet customer demand, albeit that this has been the case for some time and has not worsened. Logistic costs have increased dramatically, and the supply of all products has been volatile and unpredictable. Given these conditions, the Board is delighted with the results.

Following the application of IFRS 3 on the acquisition of Tarsus, Alviva recognised R75 million as other income in respect of the gain on bargain purchase. This amount has been excluded from headline earnings, but has had a material impact on Alviva's earnings per share ("EPS").

The amount payable for Synergy DWC-LLC ("Synerg UAE") is based on the after-tax income for that company for the reporting period ending 30 June 2022. An estimate of that income has been performed and the result has been the release of R11 million to other income in respect of the gain on remeasurement of contingent consideration. A final adjustment to the contingent consideration will be made at the end of June 2022, based on the final after-tax income.

There has been a significant increase in finance costs as a result of the following:

- The finance of working capital within the ICT Distribution segment;
- The continued extensions of foreign exchange contracts due to the shipment delays on orders agreed with customers; and
- The inclusion of Tarsus.

Headline earnings per share was up 142% to 265,4 cents per share (cps) (Dec 2020: 109,8 cps).

FINANCIAL RESULTS

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

Segment performance

The **ICT Distribution segment** is made up of Axiz (including Axiz Field Services), Obscure, Pinnacle, Tarsus and VH Fibre.

Axiz had an excellent six months and delivered a 58% increase in profit before tax, compared to the prior reporting period. During the reporting period, there has been an increased activity in the enterprise and software products portfolio, indicating a return to normalcy, and, given that this portfolio is Axiz' particular strength, bodes well for the ensuing reporting period.

Obscure concluded certain sizable transactions during the reporting period, which had been in the pipeline for a number of years, and ended with revenue growth of 95%. Profit before tax was up 79%. Their cyber security product portfolio is market leading and the Group remains confident that this business will continue to yield good returns.

Pinnacle had a stand-out performance on the back of certain retail deals and its success in winning a substantial part of the National Student Financial Aid Scheme ("NSFAS") tender. Although the NSFAS business has presented significant logistical challenges, the enhanced revenue has made this successful for the Group. Pinnacle has, additionally, just been awarded the 'Distributor of the Year' title by Channelwise.

Tarsus has bedded down well into the Alviva stable. Trading has been good, and Tarsus has delivered steady profits under a well-managed and disciplined team. Profitability has been ahead of expectations and the working capital and foreign exchange exposures have been well controlled. The cloud business, Tarsus on Demand, has produced sustained growth and increased Alviva's share of this developing market.

VH Fibre ("VHF") has continued on its path to recovery and recorded another improved profit performance.

In summary, the ICT Distribution segment has had a strong performance, is well-managed and delivering good returns in a difficult market.

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

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

Solutions and Integrators

Datacentrix has had a pleasing trading period with profit before tax increasing 20% over the prior comparable period, comfortably ahead of its main competitors. The Digital Business Solutions and Managed Services divisions exceeded budget and most other divisions were in line with expectations.

DG has recovered nicely from last year's decline, with revenue up 27% and profit before tax up 40%.

Centravoice/Intdev, the connectivity and managed solutions unit, has maintained its position in the market and secured some pleasing contracts recently.

Renewable Energy

Solareff has increased its order book to its highest levels, thanks in part to the constant loadshedding by Eskom. However, due to continued supply constraints, these orders have not yet been fulfilled. Consequently, similar to the prior reporting period, the business remains in a breakeven position.

GridCars has signed up with Audi and Mercedes for various initiatives and remains loss-making, but the amounts are insignificant.

Applications and IP

Sintrex improved its profit before tax by 22% with revenue remaining static. Sintrex' investment in locally developed products and services continues to satisfy the market demand for visibility products that focus on Application Performance, User Experience, Software-Defined Wide Area Networks, Working-From-Home and Cloud-Based Technologies.

Merlynn has encountered delays in getting their TOM technology and solutions implemented in first world countries. Proof of concept trials have largely been successful within North America, Europe and Asia Pacific and certain of these trials have recently been converted into revenue-generating licence agreements.

Synerg, Alviva's acquisition in the ERP solutions and implementation arena, has been hit hard with restrictions in movement during the various lockdown stages. The business remains profitable, albeit at lower levels than in the prior reporting period. There are some promising prospects in the UAE, but these may take some time to come to fruition.

The Financial Services segment has continued its steady growth in both its profitability and the growth of its assets. The book has grown by R107 million during the reporting period and estimated credit losses have been maintained at acceptable levels. Alviva is excited to have concluded, after the reporting date, an agreement whereby another investor has joined the securitisation structure and increased the funding available to Centrafin to R1 billion. This should satisfy its funding requirements for at least the next 18 months.

FINANCIAL POSITION

The acquisition of Tarsus has significantly increased Alviva's investment into property, plant and equipment as Tarsus owns its main trading premises. The building is an excellent distribution facility, and Alviva intends to utilise it further within the Group.

Inventory held at the reporting period date is the highest that the Group has experienced for some time. A significant amount of product was received in December 2021, largely for the consumer market. Although these products were received ahead of schedule, this should stand the Group in good stead for meeting demand in the ensuing reporting period.

The significant increase in contract liabilities is mainly due to the value of the products that are held at the reporting date and that remain undelivered to students on the NSFAS tender. Alviva expects that the majority of these products will be delivered by 30 June 2022.

Alviva raised R100 million on 1 July 2021, by issuing preference shares to Absa Bank Limited ("Absa") and used these proceeds to settle the first payment of the consideration for Tarsus. In September 2021, Alviva redeemed R50 million of its preference shares held by Absa, bringing the total amount of preference share funding outstanding at the end of the reporting period to R250 million.

CORPORATE ACTIONS

Acquisition of Tarsus

As detailed in the announcement on SENS, dated 12 November 2020, Alviva entered into a share purchase agreement with Mamzen Proprietary Limited to acquire the entire issued share capital of Tarsus, for a maximum purchase consideration of R185 million (the "Acquisition"). The Acquisition became effective on 1 July 2021 and the consideration was finalised at R178 million (the "final consideration").

The Tarsus group has two main operating subsidiaries: Tarsus Distribution Proprietary Limited, the company that owns the South African, Botswana and Namibian IT distribution operations, and Tarsus on Demand Proprietary Limited, a company which operates a cloud solutions business.

The first payment of the final consideration, amounting to R100 million, was made on 1 July 2021.

The outstanding portion of the final consideration is payable in cash as follows:

- R20 million on 1 January 2022;
- R33 million on 1 January 2023; and
- R25 million on 1 January 2024.

The Acquisition is subject to warranties and indemnities normal to transactions of this nature.

Settlement of contingent consideration

Obscure Enterprises Proprietary Limited ("Obscure")

In terms of the agreement of purchase, the amount due in respect of the year ended June 2021 of R13 million was settled during the current reporting period. This concludes the settlement.

Effect of new acquisitions

Over the last few years, Alviva has paid approximately R761 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 return in annualised attributable profit to the Group, excluding the associated amortisation of intangibles, for the six months to December 2021, has been R242 million.

As the intangible assets have now largely been fully amortised, these acquisitions are contributing meaningfully to the Group.

Share repurchases

During the reporting period, the Group has repurchased 3,5 million shares at a cost of R51 million. The share repurchase programme, as approved by shareholders at Alviva's recent AGM, will continue along prudent lines and with due consideration to the Group's resources.

CHANGES TO THE BOARD AND COMMITTEES

There have been no changes to the Board, or any of its Committees, during the reporting period.

EVENTS AFTER THE REPORTING PERIOD

Settlement of Tarsus consideration

On 1 January 2022, tranche 2, amounting to R20 million, of the consideration in respect of the Tarsus acquisition was settled.

There were no other events material to the understanding of the results that occurred after the reporting date, except for the continuation of the risk-adjusted approach implemented by the South African government in relation to the COVID-19 pandemic.

DIVIDENDS

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

PROSPECTS AND STRATEGIC INITIATIVES

Alviva has had a strong start to the reporting period to 30 June 2022. Demand remains buoyant for the products and services that the Group supplies, albeit that both economic and logistical challenges remain. Consequently, the Board is optimistic that the Group will comfortably exceed its earnings from those generated in the previous year.

For and on behalf of the Board

A Tugendhaft
Chairperson

P Spies
Chief Executive Officer

Midrand
1 March 2022

Condensed consolidated
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 31 Dec 2021 R'000	Six months ended 31 Dec 2020 R'000	Twelve months ended 30 Jun 2021 Audited R'000
Revenue (note 2)	**11 481 817**	7 534 074	14 893 135
Cost of sales	**(9 731 284)**	(6 276 787)	(12 361 365)
Gross profit	**1 750 533**	1 257 287	2 531 770
Other income	**94 040**	10 470	61 050
Gain on discounting of finance lease agreements	**335**	575	767
Gain on foreign exchange	**7 564**	5 706	30 931
Profit on disposal of property, plant and equipment	**–**	191	76
Gain on remeasurement of contingent consideration	**10 994**	–	29 276
Gain on bargain purchase (note 6)	**75 147**	–	–
Impairment loss reversal on loan to equity-accounted investee	**–**	3 998	–
Operating expenses	**(1 225 895)**	(1 013 931)	(2 023 339)
Selling expenses	**(45 799)**	(26 906)	(52 054)
Impairment losses and write-offs on trade and finance lease receivables	**(13 911)**	(9 911)	(30 284)
Impairment loss on loan to equity-accounted investee	**(4 440)**	–	(7 646)
Impairment loss on goodwill	**–**	–	(11 062)
Impairment loss on intangible assets	**–**	–	(25 656)
Employee benefit expenses	**(828 188)**	(669 305)	(1 329 843)
Administration expenses	**(195 771)**	(138 355)	(249 292)
Loss on disposal of property, plant and equipment	**(30)**	–	–
Depreciation and amortisation	**(137 756)**	(169 454)	(317 502)
Operating profit before interest	**618 678**	253 826	569 481
Net finance costs	**(123 267)**	(63 864)	(135 813)
Finance income	**21 336**	7 458	23 904
Finance costs	**(144 603)**	(71 322)	(159 717)
Share of profit of equity-accounted investee	**1 206**	–	1 924
Profit before tax	**496 617**	189 962	435 592
Income tax expense	**(122 086)**	(59 493)	(135 095)
Profit for the period	**374 531**	130 469	300 497
Other comprehensive income:			
Items that may be reclassified to profit or loss	**4 005**	(9 202)	(7 549)
Exchange differences from translating foreign operations	**4 005**	(9 202)	(7 549)
Total comprehensive income for the period	**378 536**	121 267	292 948
Net profit for the period attributable to:	**374 531**	130 469	300 497
– Owners of the Company	**376 475**	139 305	325 846
– Non-controlling interests	**(1 944)**	(8 836)	(25 349)
Total comprehensive income attributable to:	**378 536**	121 267	292 948
– Owners of the Company	**380 480**	130 103	318 297
– Non-controlling interests	**(1 944)**	(8 836)	(25 349)
Earnings per ordinary share (cents)			
– Basic earnings per ordinary share	**331,6**	110,0	267,3
– Diluted earnings per ordinary share	**323,0**	107,2	258,9
Non-IFRS information *			
Earnings before interest, tax, depreciation and amortisation	**756 434**	423 280	886 983

* *This information is not required by IFRS but is presented as additional information to the users of the financial statements.*

Condensed consolidated

STATEMENT OF FINANCIAL POSITION

	As at 31 Dec 2021 R'000	As at 31 Dec 2020 R'000	As at 30 Jun 2021 Audited R'000
ASSETS			
Non-current assets	**2 444 203**	2 068 242	2 013 763
Property plant and equipment	**791 087**	515 658	456 638
Intangible assets and goodwill	**731 619**	811 944	742 817
Investment in equity-accounted investees	**62 981**	54 186	66 421
Finance lease receivables	**739 788**	591 150	648 793
Deferred tax assets	**118 728**	95 304	99 094
Current assets	**7 351 571**	4 313 944	4 982 969
Inventory (note 7)	**2 507 809**	815 001	1 153 743
Trade and other receivables	**3 634 728**	2 348 362	2 593 594
Finance lease receivables	**362 153**	303 823	324 970
Current tax assets	**32 902**	26 999	31 049
Cash and cash equivalents	**813 979**	819 759	879 613
Total assets	**9 795 774**	6 382 186	6 996 732
EQUITY AND LIABILITIES			
Capital and reserves	**2 838 143**	2 384 365	2 489 460
Stated capital	**1 217**	1 249	1 225
Treasury shares	**(119 003)**	(102 077)	(121 195)
Other equity reserves	**38 332**	31 044	25 010
Retained earnings	**2 817 226**	2 372 957	2 526 920
Non-controlling interests	**100 371**	81 192	57 500
Non-current liabilities	**1 281 278**	1 132 686	1 042 868
Interest-bearing liabilities	**1 191 476**	1 000 337	968 153
Non-interest-bearing liabilities	**14 612**	58 292	22 990
Contract liabilities	**13 093**	21 523	16 627
Deferred tax liabilities	**62 097**	52 534	35 098
Current liabilities	**5 676 353**	2 865 135	3 464 404
Trade and other payables	**4 127 662**	2 285 087	2 706 354
Interest-bearing liabilities	**370 079**	353 039	294 196
Non-interest-bearing liabilities	**–**	16 365	12 664
Contract liabilities	**509 749**	175 235	195 777
Current tax liabilities	**28 013**	35 409	35 413
Bank overdrafts	**640 850**	–	220 000
Total equity and liabilities	**9 795 774**	6 382 186	6 996 732

ADDITIONAL INFORMATION *

	As at 31 Dec 2021	As at 31 Dec 2020	As at 30 Jun 2021 Audited
Capital management			
Net asset value per share (cents)	**2 457,6**	1 944,3	2 120,2
Net tangible asset value per share (cents)	**1 800,9**	1 258,9	1 472,6
Working capital management			
Investment in working capital (R'000)	**1 505 126**	703 041	845 206
Liquidity and solvency			
Debt to equity (%)	**80,4**	58,8	51,9
Current ratio (excluding inventory in transit and work in progress)	**1,31**	1,80	1,47
Acid test (excluding inventory in transit)	**0,89**	1,23	1,17

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

Condensed consolidated

STATEMENT OF CHANGES IN EQUITY

	Six months ended 31 Dec 2021 R'000	Six months ended 31 Dec 2020 R'000	Twelve months ended 30 Jun 2021 Audited R'000
Opening balance	**2 489 460**	2 377 779	2 377 779
Ordinary shares repurchased and cancelled	**(11 014)**	(87 330)	(114 876)
Treasury shares acquired *1	**(39 916)**	–	(19 119)
Total comprehensive income for the period	**380 480**	130 103	318 297
Profit for the period	**376 475**	139 305	325 846
Other comprehensive income/(loss)	**4 005**	(9 202)	(7 549)
Settlement of equity-settled share-based payment (FSP 2) *2	**–**	–	–
Treasury shares	**–**	11 273	11 273
Retained earnings	**–**	2 880	2 880
Equity-settled share-based payment reserve	**–**	(14 153)	(14 153)
Treasury shares sold *3	**2 243**	1 097	1 979
Net movement in non-controlling interests *4	**42 871**	(24 946)	(54 575)
Equity-settled share-based payment reserve *5	**9 317**	8 110	423
Dividends paid	**(35 298)**	(20 448)	(20 448)
Closing balance	**2 838 143**	2 384 365	2 489 460
Attributable to:			
Owners of the Company	**2 737 772**	2 303 173	2 431 960
Non-controlling interests	**100 371**	81 192	57 500

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

*2 *During the prior reporting period, the equity-settled share-based payment plan "FSP 2" 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.*

*3 *Forfeited shares not transferred to other share repurchase programmes, were sold in accordance with the FSP rules. The loss on disposal was recognised in retained earnings.*

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

*5 *During the current reporting period, an additional forfeitable share plan ("FSP 6") became active. "FSP 6" has been classified as an equity-settled share-based payment plan and the vesting conditions are similar to those of the FSPs that were active at the reporting date 30 June 2021.*

Condensed consolidated

STATEMENT OF CASH FLOWS

	Six months ended 31 Dec 2021 R'000	Six months ended 31 Dec 2020 R'000	Twelve months ended 30 Jun 2021 Audited R'000
Profit before tax	496 617	189 962	435 592
Adjusted for:			
Finance income	(21 336)	(7 458)	(23 904)
Finance costs	144 603	71 322	159 717
Non-cash flow items	66 231	173 448	323 430
– Depreciation and amortisation	137 756	169 454	317 502
– Gain on remeasurement of contingent consideration	(10 994)	–	(29 276)
– Foreign exchange loss/(gain) on contingent consideration	2 616	–	(7 462)
– Loss/(profit) on disposal of property, plant and equipment	30	(191)	(76)
– Equity-settled share-based payment expense	9 317	8 110	423
– Impairment loss on goodwill and intangible assets	–	–	36 718
– Impairment loss/(reversal) on loan to equity-accounted investee	4 440	(3 998)	7 646
– Share of profit of equity-accounted investee	(1 206)	–	(1 924)
– Gain on remeasurement of lease liabilities	(581)	–	(121)
– Gain on bargain purchase	(75 147)	–	–
– Other non-cash flow items	–	73	–
Changes in working capital	(555 673)	(338 341)	(521 433)
Cash generated by operating activities	130 442	88 933	373 402
Net finance costs	(123 267)	(63 864)	(135 813)
Finance income received	21 336	7 458	23 904
Finance costs paid	(144 603)	(71 322)	(159 717)
Income tax paid	(142 702)	(84 070)	(185 285)
	(135 527)	(59 001)	52 304
Cash flows from investing activities			
Acquisition of property, plant and equipment	(18 942)	(22 346)	(45 229)
Proceeds on disposal of property, plant and equipment	3 068	9 191	1 373
Acquisition of intangible assets	(10 124)	(5 759)	(20 948)
Proceeds on disposal of intangible assets	–	–	8 751
Receipts from/(advances of) loan to equity-accounted investee	206	(8 415)	(30 370)
Acquisition of subsidiaries, net of cash acquired	(184 346)	–	–
Net investment in finance lease receivables	(128 178)	(40 452)	(119 242)
	(338 316)	(67 781)	(205 665)
Cash flows from financing activities			
Interest-bearing liabilities raised	208 777	15 413	83 507
Interest-bearing liabilities repaid	(75 182)	(125 858)	(224 777)
Non-interest-bearing liabilities raised	–	5 459	-
Non-interest-bearing liabilities repaid	(16 198)	(5 756)	(8 021)
Repurchase of shares	(50 928)	(87 330)	(114 876)
Proceeds on disposal of of treasury shares	2 241	755	755
Payment of lease liabilities	(43 737)	(30 003)	(68 117)
Treasury shares acquired	–	–	(19 119)
Transactions with non-controlling interests, including dividends	(6 321)	(16 110)	(28 002)
Dividends paid to ordinary shareholders	(35 298)	(20 448)	(20 448)
	(16 646)	(263 878)	(399 098)
(Decrease)/increase in net cash, cash equivalents and overdrafts	(490 489)	(390 660)	(552 459)
Net cash and cash equivalents at the beginning of the period	659 613	1 219 621	1 219 621
Effects of exchange rate changes of cash held in foreign currencies	4 005	(9 202)	(7 549)
Net cash and cash equivalents at the end of the period	173 129	819 759	659 613
Cash and cash equivalents	813 979	819 759	879 613
Overdrafts	(640 850)	–	(220 000)

SEGMENT ANALYSIS

	Segment revenue			Inter-segment revenue			External revenue		
	Six months ended 31 Dec 2021 R'000	Six months ended 31 Dec 2020 R'000	Twelve months ended 30 Jun 2021 Audited R'000	Six months ended 31 Dec 2021 R'000	Six months ended 31 Dec 2020 R'000	Twelve months ended 30 Jun 2021 Audited R'000	Six months ended 31 Dec 2021 R'000	Six months ended 31 Dec 2020 R'000	Twelve months ended 30 Jun 2021 Audited R'000
Business unit									
ICT Distribution	**9 297 859**	5 523 502	10 868 650	**(418 443)**	(340 169)	(598 765)	**8 879 416**	5 183 333	10 269 885
Services and Solutions	**2 530 623**	2 287 474	4 488 150	**(33 902)**	(34 366)	(65 164)	**2 496 721**	2 253 108	4 422 986
Financial Services	**106 153**	97 724	200 404	**(473)**	(91)	(140)	**105 680**	97 633	200 264
	11 934 635	7 908 700	15 557 204	**(452 818)**	(374 626)	(664 069)	**11 481 817**	7 534 074	14 893 135

	Segment EBITDA *		
	Six months ended 31 Dec 2021 R'000	Six months ended 31 Dec 2020 R'000	Twelve months ended 30 Jun 2021 Audited R'000
Business unit			
ICT Distribution	**464 899**	216 607	475 141
Services and Solutions	**161 376**	140 160	278 842
Financial Services	**66 284**	60 943	125 879
Group Central Services	**63 875**	5 570	7 121
EBITDA *	**756 434**	423 280	886 983
Depreciation and amortisation	**(137 756)**	(169 454)	(317 502)
Net finance costs	**(123 267)**	(63 864)	(135 813)
Share of profit of equity-accounted investee	**1 206**	–	1 924
Net profit before tax	**496 617**	189 962	435 592

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

	Net operating assets		
	Six months ended 31 Dec 2021 R'000	Six months ended 31 Dec 2020 R'000	Twelve months ended 30 Jun 2021 Audited R'000
Business unit			
ICT Distribution	**1 550 566**	1 154 472	1 170 468
Services and Solutions	**574 704**	584 400	598 217
Financial Services	**297 023**	265 378	269 441
Group Central Services	**415 850**	380 115	451 334
	2 838 143	2 384 365	2 489 460

The segments of the Group are based on the information reported to the chief decision maker (CEO), under advice from his senior executive team, and have not changed from the prior reporting period.

1. SALIENT FEATURES OF THE UNREVIEWED CONDENSED CONSOLIDATED INTERIM RESULTS

The condensed consolidated interim financial results comprise the condensed consolidated statement of financial position at 31 December 2021, the condensed 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 (referred to as "condensed consolidated financial statements").

Responsibility for interim results

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

Basis of preparation and statement of compliance

The condensed consolidated financial statements for the reporting period ended 31 December 2021 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 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 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.

The condensed consolidated financial statements 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 2021.

Neither the condensed consolidated financial statements as at and for the six month period ended 31 December 2020, nor this set of condensed consolidated financial statements, 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, judgements and estimates

All accounting policies, inclusive of reasonable judgements and estimates, applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in the audited consolidated financial statements as at and for the reporting period ended 30 June 2021. All accounting policies are consistent with the prior reporting period and comply with IFRS.

Significant estimates and judgements

The preparation of the condensed 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 andvarious 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. Revisions to estimates are recognised prospectively.

New and revised Standards and Interpretations issued but not yet effective

Management assessed all of the standards and interpretations issued but not yet effective 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. The Group has not early adopted any new or amended standards and interpretations not yet effective.

Functional and presentation currency

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

Comparative figures

Unless otherwise indicated, comparative figures refer to the 6-month reporting period ended 31 December 2020 and the 12-month reporting period ended 30 June 2021.

Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements as at and for the reporting period ended 30 June 2021.

2. REVENUE

The Group generates revenue primarily from the sale of IT-, fibre- and solar-related products and provision of installation, distribution, supply chain, freight, marketing campaign and maintenance services. Other sources of revenue for the Group include rental income from equipment and finance income from finance leases entered into with customers.

	Six months ended 31 Dec 2021 R'000	Six months ended 31 Dec 2020 R'000	Twelve months ended 30 Jun 2021 Audited R'000
Revenue from contracts with customers	11 360 109	7 423 868	14 664 917
Other revenue	121 708	110 206	228 218
– Revenue related to leases	121 708	110 206	228 218
Total revenue	11 481 817	7 534 074	14 893 135

Disaggregation of revenue

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

Six months ended 31 December 2021

TIMING OF REVENUE RECOGNITION

	Reportable segments			Six months ended 31 Dec 2021 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	8 521 647	1 488 027	–	10 009 674
Over a period of time	357 769	992 666	–	1 350 435
Revenue from contracts with customers	8 879 416	2 480 693	–	11 360 109
Revenue related to leases	–	16 028	105 680	121 708
Total revenue	8 879 416	2 496 721	105 680	11 481 817

MAJOR SERVICE OFFERING

	Reportable segments			Six months ended 31 Dec 2021 Total R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	
Service offerings				
IT-related products	8 449 202	1 463 299	–	9 912 501
Fibre-related products	72 445	–	–	72 445
Solar-related products	–	24 728	–	24 728
Electric charge-point sales	–	676	–	676
Installation services	29 869	120 005	–	149 874
Infrastructure management	–	61 969	–	61 969
Maintenance services	–	174 508	–	174 508
Consulting services – usage	264 823	109 150	–	373 973
Consulting services – labour hours	43 604	526 358	–	569 962
Supply chain services	11 566	–	–	11 566
Customer freight services	1 301	–	–	1 301
Marketing campaign services	6 606	–	–	6 606
Revenue from contracts with customers	8 879 416	2 480 693	–	11 360 109
Revenue related to leases	–	16 028	105 680	121 708
Total revenue	8 879 416	2 496 721	105 680	11 481 817

2. REVENUE (continued)

CONTRIBUTING INDUSTRY	Reportable segments			Six months ended 31 Dec 2021 Total R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	
Industries				
ICT	8 777 102	2 297 481	–	11 074 583
Fibre solution	102 314	–	–	102 314
Renewable energy	–	119 135	–	119 135
Infrastructure management	–	64 077	–	64 077
Revenue from contracts with customers	8 879 416	2 480 693	–	11 360 109
Revenue related to leases	–	16 028	105 680	121 708
Total revenue	8 879 416	2 496 721	105 680	11 481 817

GEOGRAPHIC REGIONS	Reportable segments			Six months ended 31 Dec 2021 Total R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	
Regions				
South Africa	7 701 842	2 374 651	–	10 076 493
Africa (excluding South Africa)	1 139 795	56 201	–	1 195 996
Other *	37 779	49 841	–	87 620
Revenue from contracts with customers	8 879 416	2 480 693	–	11 360 109
Revenue related to leases	–	16 028	105 680	121 708
Total revenue	8 879 416	2 496 721	105 680	11 481 817

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

Six months ended 31 December 2020

TIMING OF REVENUE RECOGNITION	Reportable segments			Six months ended 31 Dec 2020 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	5 084 821	1 301 188	–	6 386 009
Over a period of time	98 512	939 347	–	1 037 859
Revenue from contracts with customers	5 183 333	2 240 535	–	7 423 868
Revenue related to leases	–	12 573	97 633	110 206
Total revenue	5 183 333	2 253 108	97 633	7 534 074

2. REVENUE (continued)

MAJOR SERVICE OFFERING	Reportable segments			Six months ended 31 Dec 2020 Total R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	
Service offerings				
IT-related products	5 024 618	1 260 632	–	**6 285 250**
Fibre-related products	64 363	–	–	**64 363**
Solar-related products	–	40 556	–	**40 556**
Electric charge-point sales	–	814	–	**814**
Installation services	1 141	101 823	–	**102 964**
Infrastructure management	–	66 692	–	**66 692**
Maintenance services	–	75 440	–	**75 440**
Consulting services – usage	53 221	108 351	–	**161 572**
Consulting services – labour hours	39 990	586 227	–	**626 217**
Revenue from contracts with customers	5 183 333	2 240 535	–	**7 423 868**
Revenue related to leases	–	12 573	97 633	**110 206**
Total revenue	5 183 333	2 253 108	97 633	**7 534 074**

CONTRIBUTING INDUSTRY	Reportable segments			Six months ended 31 Dec 2020 Total R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	
Industries				
ICT	5 117 828	2 047 233	–	**7 165 061**
Fibre solution	65 505	–	–	**65 505**
Renewable energy	–	123 639	–	**123 639**
Infrastructure management	–	69 663	–	**69 663**
Revenue from contracts with customers	5 183 333	2 240 535	–	**7 423 868**
Revenue related to leases	–	12 573	97 633	**110 206**
Total revenue	5 183 333	2 253 108	97 633	**7 534 074**

GEOGRAPHIC REGIONS	Reportable segments			Six months ended 31 Dec 2020 Total R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	
Regions				
South Africa	4 430 129	2 137 531	–	**6 567 660**
Africa (excluding South Africa)	753 204	57 211	–	**810 415**
Other *	–	45 793	–	**45 793**
Revenue from contracts with customers	5 183 333	2 240 535	–	**7 423 868**
Revenue related to leases	–	12 573	97 633	**110 206**
Total revenue	5 183 333	2 253 108	97 633	**7 534 074**

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

2. REVENUE (continued)

Twelve months ended 30 June 2021

TIMING OF REVENUE RECOGNITION

	Reportable segments			Twelve months ended 30 June 2021 Audited
	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	10 075 760	2 448 021	–	12 523 781
Over a period of time	194 125	1 947 011	–	2 141 136
Revenue from contracts with customers	10 269 885	4 395 032	–	14 664 917
Revenue related to leases	–	27 954	200 264	228 218
Total revenue	10 269 885	4 422 986	200 264	14 893 135

MAJOR SERVICE OFFERING

	Reportable segments			Twelve months ended 30 June 2021 Audited
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	Total R'000
Service offerings				
IT-related products	9 929 631	2 362 146	–	12 291 777
Fibre-related products	146 409	–	–	146 409
Solar-related products	–	85 875	–	85 875
Electric charge-point sales	–	3 190	–	3 190
Installation services	1 256	225 895	–	227 151
Infrastructure management	–	119 882	–	119 882
Maintenance services	–	206 447	–	206 447
Consulting services – usage	111 050	207 670	–	318 720
Consulting services – labour hours	81 539	1 183 927	–	1 265 466
Revenue from contracts with customers	10 269 885	4 395 032	–	14 664 917
Revenue related to leases	–	27 954	200 264	228 218
Total revenue	10 269 885	4 422 986	200 264	14 893 135

2. REVENUE (continued)

CONTRIBUTING INDUSTRY	Reportable segments			Twelve months ended 30 June 2021 Audited Total R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	
Industries				
ICT	10 122 220	3 992 631	–	14 114 851
Fibre solution	147 665	–	–	147 665
Renewable energy	–	278 695	–	278 695
Infrastructure management	–	123 706	–	123 706
Revenue from contracts with customers	10 269 885	4 395 032	–	14 664 917
Revenue related to leases	–	27 954	200 264	228 218
Total revenue	10 269 885	4 422 986	200 264	14 893 135

GEOGRAPHIC REGIONS	Reportable segments			Twelve months ended 30 June 2021 Audited Total R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	
Regions				
South Africa	8 799 690	4 231 013	–	13 030 703
Africa (excluding South Africa)	1 470 186	71 793	–	1 541 979
Other *	9	92 226	–	92 235
Revenue from contracts with customers	10 269 885	4 395 032	–	14 664 917
Revenue related to leases	–	27 954	200 264	228 218
Total revenue	10 269 885	4 422 986	200 264	14 893 135

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

3. FINANCIAL REVIEW

	Six months ended 31 Dec 2021 R'000	Six months ended 31 Dec 2020 R'000	Twelve months ended 30 Jun 2021 Audited R'000
Performance per ordinary share (cents)			
Basic and diluted earnings per ordinary share			
– Basic earnings per ordinary share	**331,6**	110,0	267,3
– Diluted earnings per ordinary share	**323,0**	107,2	258,9
Headline and diluted headline earnings per ordinary share			
– Headline earnings per ordinary share	**265,4**	109,8	285,0
– Diluted headline earnings per ordinary share	**258,5**	107,1	276,1
Core and diluted core earnings per ordinary share			
– Core earnings per ordinary share	**285,3**	150,6	356,0
– Diluted core earnings per ordinary share	**277,9**	146,8	344,8
Dividend cover	**10,7**	6,8	9,2
Returns (%)			
Gross profit	**15,2**	16,7	17,0
Operating expenses	**(10,7)**	(13,5)	(13,6)
EBITDA *	**6,6**	5,6	6,0
Operating profit before interest and tax	**5,4**	3,4	3,8
Effective tax rate	**24,6**	31,3	31,0
Profit for the period	**3,3**	1,7	2,0
Return on equity	**29,9**	12,2	13,8

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

4. RECONCILIATION OF HEADLINE AND CORE EARNINGS

	Six months ended 31 Dec 2021 R'000	Six months ended 31 Dec 2020 R'000	Twelve months ended 30 Jun 2021 Audited R'000
Earnings attributable to ordinary shareholders	**376 475**	139 305	325 846
Loss/(profit) on disposal of property, plant and equipment net of tax	**21**	(137)	(55)
Gain on bargain purchase	**(75 147)**	–	–
Impairment loss on goodwill net of tax	**–**	–	11 062
Impairment loss on intangible assets net of tax	**–**	–	10 598
Headline earnings	**301 349**	139 168	347 451
Acquisition costs net of tax	**446**	396	2 880
Amortisation of intangible assets net of tax	**22 106**	51 186	83 554
Core earnings **	**323 901**	190 750	433 885
Number of ordinary shares in issue ('000)			
– Total number of shares in issue *	**111 398**	118 459	114 705
– Weighted average number of shares in issue *	**113 548**	126 691	121 895
– Weighted average number of shares in issue for purpose of dilution*	**116 558**	129 959	125 853

* *Excluding treasury shares.*

** *Core earnings 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 of intangible assets recognised on business combinations and related business combination acquisition costs. This is not an IFRS measure.*

5. ANALYSIS OF GOODWILL

	As at 31 Dec 2021 R'000	As at 31 Dec 2020 R'000	As at 30 Jun 2021 Audited R'000
Opening balance	**603 392**	614 454	614 454
Impairment losses	–	–	(11 062)
Closing balance	**603 392**	614 454	603 392

6. BUSINESS COMBINATIONS

Tarsus Technology Group Proprietary Limited ("Tarsus")

On 1 July 2021, Alviva, through its subsidiary DCT Holdings Proprietary Limited, acquired 100% of the issued share capital of Tarsus for a purchase consideration of R178 million.

Included in the identifiable assets and liabilities acquired at the date of acquisition of Tarsus are inputs (a property utilised for administrative and warehouse purposes, inventories and customer relationships), distribution processes and an organised workforce. The Group has determined that together the acquired inputs and processes significantly contribute to the ability to create revenue. The Group has concluded that the acquired set of assets and activities is a business.

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

Tarsus has two main operating subsidiaries: Tarsus Distribution Proprietary Limited, the company that owns the South African, Botswana and Namibian IT distribution operations, and Tarsus on Demand Proprietary Limited, a company which operates a cloud solutions business.

Tarsus Distribution is a distributor that is focused on making leading IT hardware brands available to the Southern African reseller channel similarly to the Alviva subsidiaries, Axiz Proprietary Limited and Pinnacle Micro Proprietary Limited. The company is well-positioned to meet the channel's needs for credit funding, stock availability and efficient logistics.

Tarsus on Demand provides customers and partners with leading and advanced Cloud solutions.

For the six months ended 31 December 2021, Tarsus contributed revenue of R2,5 billion and profit of R136 million (including gain from bargain purchase) to the Group's results. Tarsus contributed to the Group's revenue and profit for the full interim reporting period.

Purchase consideration

The purchase price for the 100% shareholding in Tarsus amounts to a total cash consideration of R178 million. The consideration is payable as follows:

Tranche	Date payable	Amount
Tranche 1	1 July 2021	R100 million
Tranche 2	1 January 2022	R20 million
Tranche 3	1 January 2023	R33 million
Tranche 4	1 January 2024	R25 million

Tranche 1 was paid on the acquisition date. The discounted value of the remaining deferred payments in respect of the purchase consideration amounts to R70 million, which has been recognised as a financial liability and included in interest-bearing liabilities.

The Group incurred acquisition-related costs in respect of legal fees and due diligence costs. These costs have been recognised in profit or loss and included in administration expenses.

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	**393 504**	277 277
Intangible assets: software and trademarks	**14 265**	19 765
Intangible assets: customer relationship	**16 889**	–
Deferred tax assets	**50 455**	50 455
Inventories	**245 745**	245 745
Trade and other receivables	**585 369**	585 369
Cash and cash equivalents	**100 686**	100 686
Total assets	**1 406 913**	1 279 297
Interest-bearing liabilities	**(136 615)**	(136 615)
Deferred tax liabilities	**(37 528)**	(37 528)
Deferred tax liabilities: customer relationship	**(4 729)**	–
Deferred tax liabilities: property, plant and equipment	**(26 035)**	–
Trade and other payables	**(694 203)**	(694 203)
Contract liabilities	**(10 538)**	(10 538)
Current tax liabilities	**(892)**	(892)
Overdrafts	**(185 032)**	(185 032)
Provisions	**(14 665)**	(14 665)
Total liabilities	**(1 110 237)**	(1 079 473)
Identifiable net assets	**296 676**	
Non-controlling interest *	**(51 136)**	
Acquirer's interest	**245 540**	
Purchase consideration	**(170 393)**	
Bargain purchase gain on acquisition recognised in profit or loss	**75 147**	
The impact of the acquisition on the statement of cash flows was as follows:		
Consideration settled in cash	**(100 000)**	
Cash and cash equivalents acquired	**(84 346)**	
Net cash outflow of acquisition	**(184 346)**	

** Tarsus Property Holdings (RF) Proprietary Limited, a subsidiary of Tarsus, is not wholly-owned. The NCI recognised is in respect of this subsidiary which owns the property utilised for administrative and warehouse purposes.*

6. BUSINESS COMBINATIONS (continued)

Measurement of fair values

The valuation techniques used for measuring the fair value of assets acquired were as follows:

Identified asset	Valuation technique
Property, plant and equipment	Market comparison technique and cost technique: The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangible assets	Multi-period excess earnings method: The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional assets or liabilities that existed at the date of acquisition, then the accounting for the acquisition 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 two largest contributors to the bargain purchase gain are the property, having been measured at fair value, and the customer relationship intangible asset, having been recognised at fair value as an identifiable asset in accordance with IFRS 3. The consideration negotiated did not include the market value of the property acquired.

Furthermore, Tarsus is expected to benefit from the identified synergies expected to be achieved from the integration into Alviva. This integration, amongst other aspects, will allow Tarsus to expand existing, and foster new, relationships and partnerships with various vendors with which Alviva has a significant history of dealings. These synergies and relationship building are expected to grow the customer base of Tarsus, and allow various cost-savings to emerge, significantly improving Tarsus' financial performance. The acquisition consideration was based on the historical performance of Tarsus and a comparatively low net asset value, compared to the financial support required to fund the operation. The consideration did not include the potential opportunities that these synergies and relationship building may realise for the Group.

7. INVENTORY *

	As at 31 Dec 2021 R'000	As at 31 Dec 2020 R'000	As at 30 Jun 2021 Audited R'000
Inventory on hand	**2 251 275**	696 658	930 475
Inventory in transit	**222 317**	104 844	203 938
Work in progress	**34 217**	13 499	19 330
	2 507 809	815 001	1 153 743

* *The various categories have been presented net of the allowance for obsolete inventory.*

8. CAPITAL MANAGEMENT AND DEBT COVENANTS

Type of debt/facility	Subsidiary	Imposed covenant(s)/triggers
Banking facilities – Direct	Axiz Proprietary Limited	Debt cover ratio in respect of utilised facility not to be less than 1, based on a specific debtors book formula applied by the bank. Retained earnings must exceed R450 million.
	Centrafin Proprietary Limited	Debt cover ratio in respect of utilised facility not to be less than 2, based on a specific debtors book formula applied by the bank.
	Datacentrix Proprietary Limited	Debt cover ratio in respect of utilised facility not to be less than 2, based on a specific debtors book formula applied by the bank.
	Obscure Technologies Proprietary Limited	Debt cover ratio in respect of utilised facility not to be less than 1, based on a specific debtors book formula applied by the bank.
	Pinnacle Micro Proprietary Limited	A collateral cover ratio of 167%.
	Sintrex Integration Systems Proprietary Limited	Debt cover ratio in respect of utilised facility not to be less than 3, based on a specific debtors book formula applied by the bank. Dividend cover of at least 2 times.
	Tarsus Distribution Proprietary Limited Tarsus Shared Services Proprietary Limited Tarsus on Demand Proprietary Limited	No more than 10% of gross trade debtors may be "older than 90 days from statement date. Limitation of credit notes issued in a single month to less than 10% of the total sales of that same month. Asset cover ratio shall be greater than 1.2 times the total utilised amounts, based on a specific asset cover ratio formula applied by the bank. A required achieved level of EBITDA of Tarsus Technology Group and its subsidiaries.
Banking facilities – Contingent	Datacentrix Proprietary Limited	None required by the bank(s).
	Obscure Technologies Proprietary Limited	
	Pinnacle Micro Proprietary Limited	
	Tarsus Shared Services Proprietary Limited	
Banking facilities – Settlement	Axiz Proprietary Limited	None required by the bank(s).
	Datacentrix Proprietary Limited	
	Sintrex Integration Systems Proprietary	
	Tarsus on Demand Proprietary Limited	
	Tarsus Distribution Proprietary Limited	
Redeemable preference share liability	Alviva Holdings Limited	Net leverage ratio may not exceed 3. Interest cover ratio of equal or more than 3.5.
	Datacentrix Proprietary Limited	Net leverage ratio may not exceed 2. Interest cover ratio of equal or more than 3.5.
Asset-backed senior loan: Nedbank	Centrafin Receivables (RF) Proprietary Limited	The covenants are directly linked to the lease book (balance disclosed as part of 'finance lease receivables') applicable to the securitisation agreement with the financial institution: • Debt cover ratio of at least 1, based on a specific lease book formula applied by the bank; and • Specific portfolio covenants and transactional criteria determined by the bank.

8. CAPITAL MANAGEMENT AND DEBT COVENANTS (continued)

The Group provides the relevant banks with the calculations as frequently as is required in terms of the covenants. The Group was not in proximity to breaching any of the covenants, as tabled above, at the reporting date and does not expect this to change.

The Board considers the Group's debt to be of an acceptable level. The Board, as an internal measure, excludes the debt relating to Centrafin Receivables in respect of the Asset-backed senior loan with Nedbank, when considering debt levels, since the debt is ring-fenced as part of a securitisation structure.

The Group is considered to be a cash-generating business and current cash resources, amounting to R173 million (Dec 2020: R820 million; Jun 2021: R660 million), would be utilised if the Group were to trigger a breach of any of the imposed covenants. The Board assesses the triggers on a regular basis, in line with the frequency of reporting to the banks, to identify and address any possible concerns timeously.

The debt covenant ratio is presented on page 20.

9. FAIR VALUE HIERARCHY

A summary of the financial instruments measured at fair value are 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 financial instruments that are measured at fair value:

	Level	As at 31 Dec 2021 R'000	As at 31 Dec 2020 R'000	As at 30 Jun 2021 Audited R'000
Derivatives related to risk management *				
– Derivative asset	2	49 335	–	–
– Derivative liability	2	–	84 195	10 742
Contingent consideration **	3	14 612	74 219	35 654

* *Derivatives are included in trade and other receivables (asset) or trade and other payables (liability).*

** *Contingent consideration is included in non-interest bearing liabilities.*

Derivatives related to risk management (Level 2)

The fair value of foreign exchange contracts has been determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies, i.e., forward pricing. The valuations are performed internally by each financial institution with internally specific inputs.

9. FAIR VALUE HIERARCHY (continued)

Contingent consideration (Level 3)

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

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Contingent consideration	Discounted cash flows: • The valuation models considers the present value of the expected future payments, discounted using risk-adjusted discount rate.	In respect of Synerg UAE: • Assumed probability adjusted profit after tax R3 148 458. • Risk-adjusted discount rate of 5,22%	In respect of Synerg UAE: • 10% increase or decrease in the assumed probability-adjusted profit after tax would result in an increase or decrease in fair value of R1 461 199.

For all other financial assets and liabilities, the carrying amount is considered to approximate the fair value, except for finance lease receivables for which the fair value is considered to represent the undiscounted cash flows.

10. EVENTS AFTER THE REPORTING PERIOD

Settlement of Tarsus consideration

On 1 January 2022, tranche 2, amounting to R20 million, of the consideration in respect of the Tarsus acquisition was settled.

There were no other events material to the understanding of the results that occurred after the reporting date, except for the continuation of the risk-adjusted approach implemented by the South African government in relation to the COVID-19 pandemic.