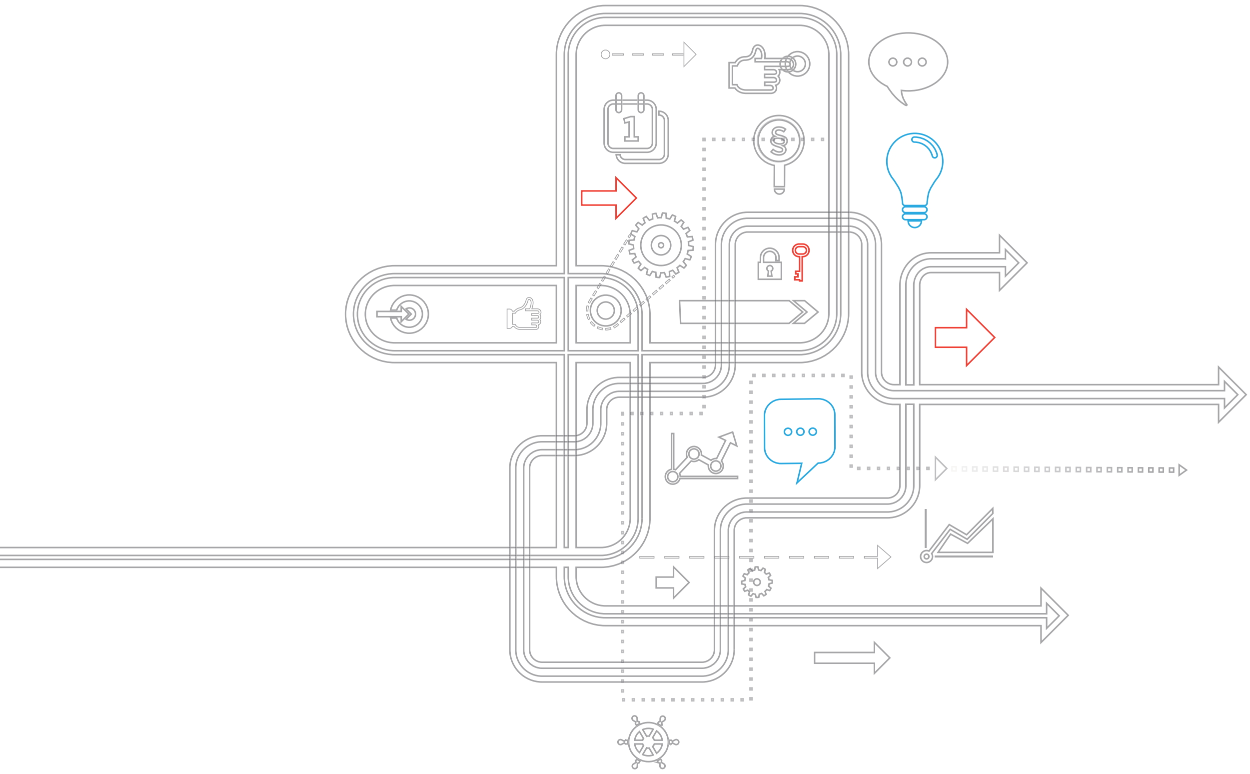
adapt IT



INTEGRATED ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE

2018

CONTENTS

SCOPE AND BOUNDARY

ABOUT THIS REPORT

The Adapt IT integrated annual report for the year ended 30 June 2018 covers information from all operating divisions and where additional information is available, this is clearly indicated. For a comprehensive overview, it is recommended that this review is read in conjunction with the information available on the Adapt IT website (www.adaptit.co.za).

This report has been prepared in compliance with applicable legislative reporting requirements, including principally, the International Financial Reporting Standards (IFRS), the Companies Act of South Africa and the Listings Requirements of JSE Limited (JSE Listings Requirements).

In drafting the report, Adapt IT has also been guided by the fundamental concepts and guiding principles of the Integrated Reporting Framework issued by the International Reporting Council, as well as the principles of the King IV Report on Corporate Governance for South Africa 2016, Institute of Directors Southern Africa (King IV), both of which Adapt IT remains committed to adopting.

ASSURANCE

Adapt IT has adopted a combined assurance framework that the Board of Directors (Board) believes is appropriate with respect to Adapt IT's stage of development and strategies. This framework is overseen by the Audit and Risk Committee and involves obtaining assurance from executive and senior management, internal assurance providers and external assurance providers on risk areas identified.

As part of the adoption of Adapt IT's assurance framework, the following specific external assurances were obtained:

- The annual financial statements have been audited by Deloitte & Touche, the group's independent external auditors;
- Broad-based Black Economic Empowerment (B-BBEE) verification is carried out by an organisation accredited by the South African National Accreditation System (SANAS); and
- Adapt IT's internal audit function has been carried out by KPMG.

BOARD APPROVAL

Adapt IT's Board acknowledges responsibility for ensuring the integrity of the integrated annual report. Following collective assessment, the Audit and Risk Committee, responsible for oversight of the integrated annual report, recommended approval of the report by the Board.

In the Board's opinion, the integrated annual report provides a fair and balanced representation of the integrated performance of the company and addresses all material issues and presents the integrated performance of Adapt IT fairly and without prejudice. The Board accordingly approved the 2018 integrated annual report on 16 August 2018 for release to shareholders.

Craig Chambers	**Sbu Shabalala**
Independent non-executive Chairman	*Chief Executive Officer*

ABOUT ADAPT IT

Adapt IT is a leader in the ICT market through the provision of software solutions to the Education, Manufacturing, Energy, Financial Services, Communications and Hospitality sectors, employing over 1 000 technology professionals and servicing more than 10 000 customers in 53 countries.

Adapt IT's South African offices are in Johannesburg, Durban and Cape Town, and international offices in Mauritius, Botswana, Ireland, Kenya, Australia and New Zealand.

STRATEGIC FOCUS

Adapt IT pursues a diversified growth strategy aimed at creating a global specialised software business with annualised turnover of R3 billion by year 2020 through a combination of organic growth and strategic acquisitions.

Adapt IT has, through strategic acquisitions, added deep industry expertise, robust entrepreneurial management teams, and improved annuity income from transitioning to cloud-based solutions.

Adapt IT continues to leverage the JSE-listed platform to enhance the value of the independent software businesses that it acquires.

LOOKING AHEAD

In the medium-term, Adapt IT will continue:

- Its focus on transformation to ensure alignment with the new Broad-Based Black Economic Empowerment Codes;
- To realise synergies between its specialised software businesses, through integration, to yield higher organic growth and margins;
- With its increased focus on diversification into other African countries; and
- Acquiring strategic, synergistic and earnings enhancing software businesses.

ADAPT IT IS COMMITTED TO AN INTEGRATED APPROACH CREATING VALUE FOR ITS STAKEHOLDERS AND THE ENVIRONMENT FOR A SUSTAINABLE FUTURE.

MARKET POSITIONING

VISION
To be a leading provider of specialised software.

VALUES
Respect, Honesty, Responsibility, Accountability.

PERSONALITY
Leading. Professional. Expertise.

POSITIONING
Achieve more.

10 YEARS OF GROWTH

OCT 2007 InfoWave merges with Adapt IT creating a software business.

OCT 2008 Adapt IT specialising in Manufacturing software, moves to the main board of the JSE.

AUG 2009 Education specialisation through the acquisition of Integrated Tertiary Software (ITS) – a leader in tertiary education ERP systems expanding the company into Europe and Australasia.

OCT 2012 The Swicon360 acquisition extends the manufacturing offering with SAP Human Capital Management Business Process Outsourcing.

OCT 2013 Energy sector entry through the Aquilon acquisition expands Adapt IT into Africa's growing energy, sector, serving major oil companies.

SEP 2014 Added Telecommunications intelligence management software through the AspiviaUnison acquisition.

JAN 2016 Financial Services Sector is entered through the acquisition of CQS.

JUL 2017 Micros South Africa, a leader in Hospitality Software, is acquired by Adapt IT.

JUN 2018 Adapt IT acquired LGR Telecommunications Group, provision and management of end-to-end data warehouse and business intelligence systems with presence in Africa and Australia.

OUR NEW CORPORATE IDENTITY

adapt IT
Delivering solutions for your environment

>>>

adapt IT
Achieve more.

As Adapt IT evolves in delivering specialised software solutions worldwide, we have similarly revived our corporate identity to reflect our core positioning and expertise. Our promise 'Achieve more.' is lucidly expressed in line with the rebranded logo which boldly incorporates the red icon and Adapt IT wordmark. The icon is the composite of the infinity sign and the Adapt IT letter A which represents a symbol of excellence and empowerment, while Adapt IT wordmark portrays our legacy and dynamic global approach as the leading provider of specialised software.

This rebranding initiative allows us to grow our people and solutions to enable our customers to achieve more as well as to accentuate how we are experienced as Leading. Professional. Experts.

ADAPT IT DIVISIONS

EDUCATION

The Adapt IT Education division provides solutions to higher and further education institutions worldwide. The division's operations span 32 years servicing more than 200 customers in Africa, Europe and Australasia, with the flagship product being the comprehensive administrative Enterprise Resource Planning (ERP) software solution – Integrated Tertiary Software (ITS Integrator).

The software fully supports the Statutory Department of Higher Education and Training (DHET) reporting requirements with integration to agencies such as DHET and National Student Financial Aid Scheme (NSFAS). The Adapt IT Education division has an in-depth understanding of the intricate and complex challenges faced by the education sector and utilises this deep industry expertise to design, develop, implement and maintain a range of software products and services, whilst offering a comprehensive process management service.

FLAGSHIP SOFTWARE

- Integrated Tertiary Software – ITS Integrator
- CELCAT Timetabling

SERVICES

- ITS Integrator support
- Implementation, customisation, development and integration
- Automated exam and class timetabling
- Training and consulting

Queensland Coal. Source: BHP

MANUFACTURING

The Adapt IT Manufacturing division develops software solutions for manufacturing, agri-processing, resources and utilities sectors, servicing over 120 clients in 27 countries. The division combines 23 years of experience with a consultative approach to design innovative solutions that address unique sector challenges ranging from the coordination of large-scale procurement; inventory management; control payment of cane growers; to solutions managing the safety of nuclear power plant refuelling shutdowns.

FLAGSHIP SOFTWARE

- Sugar Industry ERP solution – Tranquillity
- Weighbridge and Laboratory Testing Solution – CaneLAB
- Safety Health Environment and Quality Solution (SHEQ) – OpSUITE

SERVICES

- Business advisory
- Software development, implementations, systems integration
- Sustainability Reporting

FINANCIAL SERVICES

The Adapt IT Financial Services division is one of South Africa's leading software houses and has specialised in the design, development and deployment of software solutions for financial professionals for more than 21 years. Our 20 000 users come from more than 3 000 audit and accounting firms, government entities, municipalities and large Blue Chip companies across Africa. The team of 150 people is highly qualified and skilled in delivering innovative solutions for audit, financial reporting, tax, secretarial and practice management.

FLAGSHIP PRODUCTS

- CaseWare
- TaxWare
- Probe Audit Working Papers
- Audit International

SOLUTIONS

- Audit
- Financial reporting
- Practice Management
- Tax and Secretarial solutions

ENERGY

The Adapt IT Energy division provides for subject matter experts that design, implement and support SAP™ and supply chain solutions in the Oil and Gas sector globally. With deep industry knowledge, the Energy division provides thought leadership and innovation in Supply Chain, Terminal Automation Systems and Enterprise Asset Management. The flagship product is a cloud-based SAP™ Industry Solution template for Oil and Gas with integration to TechnipFMC's FUEL-FACS+ Terminal Automation Software. The division services major oil companies with the development and management of complex supply chain solutions that rely on close collaboration between the different operational areas of the Oil and Gas downstream supply chain.

FLAGSHIP PRODUCTS

- SAP™ Oil-in-One
- FUEL-FACS+ Terminal Automation Software SERVICES

SERVICES

- Supply Chain and Operational advisory
- Technology and ICT advisory
- Industry Solution development, deployment and integration
- SAP™ IS-OIL Services
- SAP™ Services and Support
- Business Process Outsourcing (BPO)

ADAPT IT DIVISIONS CONTINUED

COMMUNICATIONS

The Adapt IT Communications division is a leading provider of cloud-based communication technology expense management solutions, servicing over 1 000 corporate customers across multiple sectors. The Service Provider Solutions (SPS) competency further provides branded self-service capabilities to Mobile Network Operators across Africa as well as advanced Mobile Operator analytical applications.

The Communication division's cloud-based solutions have been successfully improving technology and telecommunication business efficiencies for over 31 years, with a long-term view to deliver continuous bottom-line value from telecommunication and technology investments.

FLAGSHIP PRODUCTS

- Technology Lifecycle Management (TLM)
- Corporate Carrier Self Service (CCSS) platform
- CDR Live

SERVICES

- Software as a Service (SaaS)
- Telecommunication industry benchmarking
- Telecommunication and technology expense management (TEM) best practice
- Customer experience (CX) and self-service advisory

HOSPITALITY

The Adapt IT Hospitality division was created through the acquisition of Micros South Africa and thus positions Adapt IT as a leader in the hospitality, retail, and food and beverage industries. Micros has over 21 years' experience and over 300 employees specialising in the resale, support, and deployment of software and hardware products. The Micros division complements these services with rapidly growing cloud solutions and the provision of professional services for the hospitality industry.

Micros distributes Oracle Hospitality products under Gold Partner agreements with global software vendor Oracle Inc. Micros provides best-of-breed software solutions to more than 4 000 customer sites in 18 countries. The portfolio of products and services form the platform used in the management of hotels, retailers and food and beverage facilities across large corporates, small and medium-sized enterprises and independent businesses.

FLAGSHIP PRODUCTS

- Oracle Hospitality Simphony POS
- Oracle Hospitality RES POS
- Oracle Hospitality Opera Property Management

SERVICES

- Consulting
- Project Management
- Implementation Services
- Hosting and Database Services
- Application Services

NON-FINANCIAL HIGHLIGHTS

STRATEGIC ACHIEVEMENTS

Streamlined operations by consolidating eight offices into the Adapt IT Johannesburg Campus.

Successfully entered the Hospitality sector through the acquisition of Micros South Africa.

Opened an office in Kenya to serve the East African market.

Successfully added an Advanced Telecommunications Analytics competency to the business with the acquisition and integration of LGR South Africa, Mauritius and Australia.

FAST FACTS

Adapt IT's Education solutions are deployed in over 200 Higher Education clients worldwide.

CaseWare is used by three out of four audit firms in South Africa.

Adapt IT's Streamline Technology Expense Management successfully manages over 750 000 devices each month.

Adapt IT won the best corporate reporting and communications award in 2017, awarded by the Investment Analysts Society of South Africa.

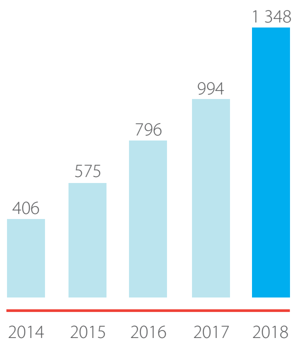
FINANCIAL HIGHLIGHTS

36%	39%	32%	14%	11%
TURNOVER	EBITDA	BASIC EARNINGS PER SHARE	HEADLINE EARNINGS PER SHARE	NORMALISED HEADLINE EARNINGS PER SHARE

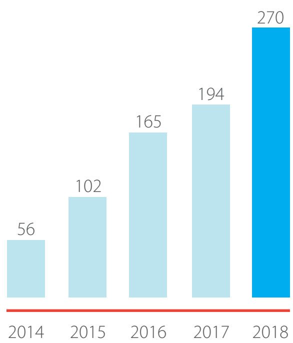
GROUP HIGHLIGHTS

		2018	2017	% Change
Basic earnings per share	(cents)	**77,51**	58,74	32,0
Headline earnings per share	(cents)	**66,97**	58,76	14,0
Normalised headline earnings	(cents)	**87,59**	78,96	10,9
Dividends paid per share	(cents)	**13,70**	13,40	2,2
Earnings before interest, tax, depreciation and amortisation (EBITDA) margin	(%)	**20,03**	19,56	2,4
Operating profit margin	(%)	**16,18**	15,19	6,5
Return on equity	(%)	**17,16**	15,45	11,1
Net asset value	(R'000)	**753 204**	668 537	12,7
Liquidity ratio	(times)	**1,19**	1,58	(24,6)
Turnover	(R'000)	**1 348 403**	993 671	35,7
EBITDA	(R'000)	**270 102**	194 326	39,0
Operating profit	(R'000)	**218 205**	150 983	44,5
Profit for the year	(R'000)	**129 612**	92 546	40,1

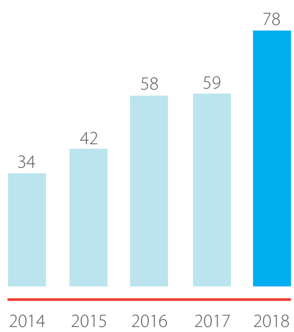
TURNOVER
(Rm)



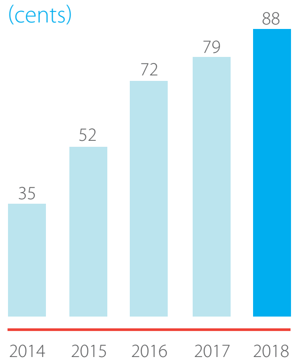
EBITDA
(Rm)



BASIC EARNINGS PER SHARE
(cents)



NORMALISED HEADLINE EARNINGS PER SHARE
(cents)



STAKEHOLDER ENGAGEMENT

INTRODUCTION

Adapt IT is cognisant of the fact that the activities of all businesses have an impact on a range of stakeholders from investors through to the communities in which it operates. The company is committed to building and maintaining open long-term mutually beneficial relationships with all of it stakeholder groups. Adapt IT's stakeholder engagement can be summarised as follows:

	STAKEHOLDER AND WHY ADAPT IT ENGAGES	NATURE OF ENGAGEMENT	MATERIAL ISSUES	ACTIONS AND AREAS OF FOCUS
Shareholders and investment community	Provides financial capital to finance future growth	• Interim and annual reports • Results announcements • Regular investor presentations • Corporate website • Annual general meeting	• Sustainable revenue and profit growth • Dividends • Return on investment	• Shareholder value creation • Share liquidity • Share price performance • Increasing dividends • Sustainability, social investment and corporate governance
Employees	Develop high-performance culture	• Monthly communication sessions • Quarterly newsletters • CEO roadshows • Interim and full-year performance reviews • Interim and full-year results presentations	• Provision of gainful employment • Fair labour practices • Career development • Competitive remuneration and benefits packages	• Equitable remuneration and recognition • Continuous personal development • Employment security, participation and empowerment • Workforce transformation

	STAKEHOLDER AND WHY ADAPT IT ENGAGES	NATURE OF ENGAGEMENT	MATERIAL ISSUES	ACTIONS AND AREAS OF FOCUS
Customers	Sustain revenue generation and growth	• Account management meetings and visits • Service management reports • Solution and service updates and launches • Contract negotiations • Corporate website and brochures • Media press releases • Tradeshows, exhibitions, conferences	• High quality service and solutions • Competitive pricing	• Consistent quality of service and delivery • Integrated service offering
Government and Regulatory authorities	Licences to operate and provide a clear and supportive regulatory environment	• Written correspondence	• Compliance with industry regulations • Contribution to shaping industry policy	• Job creation and retention • Fair and sustainable business practices • Providing regular and transparent information • Proactive consulting as required • Full contribution to the fiscus through taxation and levies
Communities	Contributing to betterment of communities around our business	• Corporate social investment (CSI) initiatives • Media releases	• Good corporate citizenship • Sustainable business practices	• Employment opportunities • Sponsorships and donations • Support for key community developments • Development of School Technology centres • Responsive contribution to community interests and needs • Focused CSI strategy
Suppliers and Partners	Good value, reliable and superior quality technology that supports our products	• Relationship management meetings and visits • Technology conferences • Technology certifications • Performance audits and reports • Supplier days • Contract negotiations	• Continued growth and meaningful relationships	• Efficient payment cycles • Long-term relationships • B-BBEE preferential spend

IN CONCLUSION

Adapt IT is dedicated to the building and maintaining of open and sustainable relationships with all stakeholders. The company will continue to implement systems to facilitate this dialogue, measure the quality and effectiveness of engagement and ensure that it is responsive to the views and interests of its stakeholders going forward. Stakeholders are welcome to engage management at any time.

NON-EXECUTIVE DIRECTORS

CRAIG CHAMBERS

CFA, PDM, BCom

Independent non-executive Chairman

Appointed to the Board
3 May 2011

Craig is a certified Chartered Financial Analyst, having obtained a BCom degree majoring in accounting from the University of the Witwatersrand and a postgraduate Business Administration Certificate (PDM) from Wits Business School. Craig has been an asset manager for 21 years, with five years at Standard Corporate and Merchant Bank (SCMB) Asset Management as a small cap Unit Trust Manager. Craig is currently head of global new business at Old Mutual Investment group. In October 2012, Craig was appointed independent non- executive Chairman.

Chairperson
Nominations Committee

Member
Remuneration Committee

BONGIWE NTULI

CA(SA), AMP (Harvard)

Independent non-executive Director

Appointed to the Board
27 May 2008

Bongiwe is a Chartered Accountant, an Executive Director and CEO for the Freight Services division at Grindrod Limited. She has previously held various finance, treasury and risk management positions within Anglo American head office and in subsidiaries in South Africa, Europe, Canada and the United Kingdom. Bongiwe joined Grindrod on her return to South Africa in 2008 as the Chief Financial Officer of Grindrod Freight Services. In May 2014, Bongiwe was appointed to the Board of Atlatsa Resources Corporation as a non-executive director.

Chairperson
Audit and Risk Committee

Member
Nominations Committee
Remuneration Committee

OLIVER FORTUIN

MBA

Independent non-executive Director

Appointed to the Board
8 February 2013

Oliver has in excess of 27 years' experience in the technology industry, having held various leadership positions in the ICT sector. Having been with the IBM Corporation for over 17 years, Oliver has held various executive positions including General Manager of the IBM PC business for Africa as well as General Manager of IBM South Africa and sub-Saharan Africa. Oliver was a Hewlett Packard South Africa Director for HP Services, and headed HP's Technology Services group (TSG) and also served as Managing Director of Hewlett Packard South Africa. Oliver is the former Managing Director of i1 Solutions (a privately-owned technology company) and has been director and Lead Independent non-executive director for the Ellis Holdings group since April 2011. In May 2014, Oliver was appointed Managing Director of British Telecommunications sub-Saharan Africa (BT). In February 2017, Oliver left BT to join MTN, where he assumed the position of Executive Head of Business Enterprise, effective 1 March 2017.

Chairperson
Social and Ethics Committee

Member
Audit and Risk Committee

CATHERINE KOFFMAN

BA, LLB, LLM, Admitted Attorney

Independent non-executive Director

Appointed to the Board
9 February 2015

Catherine is a qualified attorney, having obtained her law degree at the University of the Witwatersrand. Catherine has 22 years' experience in the legal, commercial and financial services sectors. She joined Arthur Andersen (later KPMG) in 1999 as a tax lawyer and in 2004 Catherine joined Nedbank Capital as Internal Legal Counsel supporting the Infrastructure Project Finance team in evaluating and structuring limited recourse transactions. Following a period as a fund manager for PAIDF, a sub-Saharan African private equity infrastructure development fund, Catherine was appointed as the Head of Infrastructure and Telecommunications Project Finance at Nedbank Limited in January 2015. Effective 1 January 2018, Catherine's responsibilities increased to co-manage the Infrastructure, Public Sector and TMT business at Nedbank Corporate and Investment bank. Catherine is also serving as a non-executive director for Food Forward SA.

Chairperson
Remuneration Committee

Member
Audit and Risk Committee
Nominations Committee
Social and Ethics Committee

EXECUTIVE DIRECTORS

SIBUSISO (SBU) SHABALALA

BCom

Chief Executive Officer

Appointed to the Board
5 December 2007

Sbu attained a Bachelor of Commerce degree and a postgraduate diploma in Financial Information Systems. With over 23 years IT experience, Sbu joined the group where he gained project management expertise in the implementation of Oracle applications throughout the Illovo group, with operations in various African countries. He founded Adapt IT 14 years ago as a black-owned SME in the IT sector. As Managing Director, Sbu grew Adapt IT (Pty) Ltd into a successful ICT business. Through a merger with InfoWave Holdings in 2007, Sbu effected the listing of Adapt IT onto the Johannesburg Stock Exchange (JSE) and has been Chief Executive Officer and Director of Adapt IT Holdings Limited since January 2008.

TIFFANY DUNSDON

CA(SA)

Commercial Director

Appointed to the Board
18 April 2002

Tiffany is a Chartered Accountant who qualified with Deloitte and is registered in South Africa, Australia and New Zealand. She was involved with several major business re-engineering and IT outsourcing projects as a consultant to British Airways in the United Kingdom where she entered the ICT sector. Tiffany joined InfoWave Holdings in 2000 in a consulting capacity and was appointed as Financial Director in April 2002 and Chief Executive Officer in December 2003. Tiffany became the Commercial Director of Adapt IT Holdings Limited after the merger of InfoWave Holdings and Adapt IT (Pty) Ltd in 2007 and is responsible for acquisitive growth of the group. She is also Managing Director of International operations, and is based in Perth, Australia.

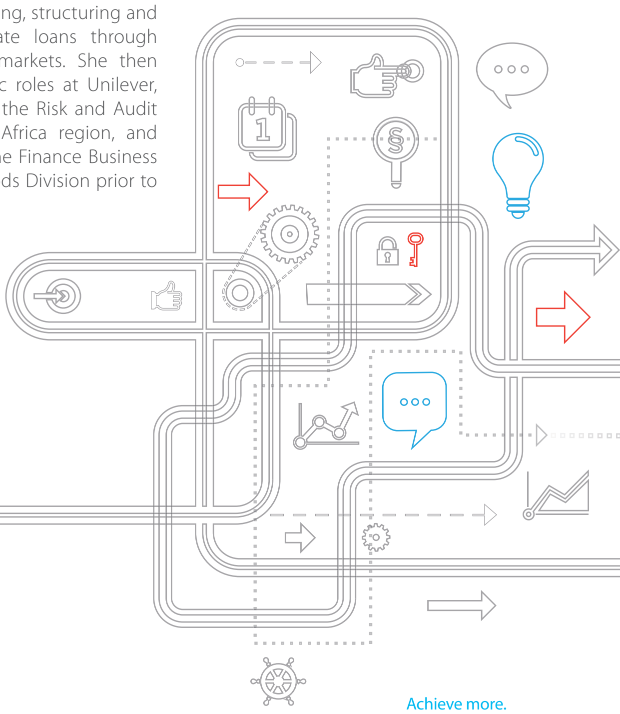
NOMBALI MBAMBO

CA(SA)

Chief Financial Officer

Appointed to the Board
18 August 2016

Nombali was appointed as Chief Financial Officer and Director of Adapt IT Holdings Limited in 2016. She is a Chartered Accountant who completed articles with EY and thereafter joined Alexander Forbes as an accounting specialist. Nombali then joined ABSA Capital, rising from managing a Special Purpose Vehicle for debt capital market backed corporate finance to originating, structuring and executing corporate loans through the loan capital markets. She then moved to strategic roles at Unilever, initially serving as the Risk and Audit Manager for the Africa region, and subsequently as the Finance Business Partner for the Foods Division prior to joining Adapt IT.



CHAIRMAN'S REPORT

"ADAPT IT IS A SOFTWARE BUSINESS SERVING CUSTOMERS IN THE EDUCATION, MANUFACTURING, ENERGY, FINANCIAL SERVICES, COMMUNICATIONS AND HOSPITALITY SECTORS, ACROSS 53 COUNTRIES AND EMPLOYING OVER 1 000 TECHNOLOGY SPECIALISTS."

Craig Chambers
Chairman

Adapt IT is a software business serving customers in the Education, Manufacturing, Energy, Financial Services, Communications and Hospitality sectors, across 53 countries and employing over 1 000 technology specialists.

SUSTAINABLE GROWTH STRATEGY

We continue to pursue a growth strategy aimed at creating a global specialised software business that has annualised turnover of R3 billion by 2020, through a combination of Organic Growth and Strategic Acquisitions.

Adapt IT is a stable, high-performing business with a platform to assist like-minded high-performing entrepreneurial software businesses leverage B-BBEE credentials, listed status and a strong track record of unlocking synergistic growth.

It is the diligent implementation of this strategy that has transformed Adapt IT into a diversified provider of software services across the Manufacturing, Education, Energy, Financial Services, Communications and Hospitality sectors.

The Board is committed to achieving the 2020 target, which will see Adapt IT develop into a Pan-African software business.

PERFORMANCE OVERVIEW

Adapt IT turnover increased by 36% to R1,348 billion. It was pleasing to see organic growth from continuing operations improving to 13% despite the challenging economic environment persisting in South Africa in 2017 and the first half of 2018. This was complemented by 30% acquisitive growth.

Headline earnings grew 20% and normalised headline earnings grew 16%. Headline earnings have been normalised to provide additional disclosure on the IFRS related impact of acquisitions on earnings.

ACQUISITIONS

Micros South Africa was acquired effective 1 July 2017. This has further diversified our sector exposure by introducing the Hospitality segment, thus providing exposure to the growing South African tourism market. This business has performed in line with our expectations in the year under review.

Furthermore we finalised the acquisition of LGR and CDR Live effective 1 June 2018. This enhances our Telecoms product offerings and extends our reach into new African Markets as well as Australia.

SHARE BUYBACK

We also undertook a share repurchase programme during the year as the boarder software and computer services sector was impacted by negative sentiment, unrelated to our specific operations, which we believe resulted in our share being undervalued. We repurchased 9,3 million shares and will continue this programme while these circumstances persist.

INTEGRATION

All of our Johannesburg offices were consolidated into a new campus during the year. This allows for better integration and collaboration between divisions. This exciting milestone has ensured that the working environment and facilities for our people has been significantly enhanced.

TRANSFORMATION

We view transformation as a strategic imperative. Adapt IT is committed to continuing its investment in improving transformation and diversity through various programmes, as reported in the Sustainability Report on page 30.

GOVERNANCE AND SUSTAINABILITY

Adapt IT complies fully with the letter and spirit of good corporate governance. The Board and individual directors of Adapt IT strive to ensure that the company is managed in an efficient, accountable, responsible and moral manner and to this end, endorse its application of King IV.

Adapt IT remains committed to the pillars of sustainability – encompassing economic, employment, social, and environmental practices. We believe that commitment to all our stakeholders is fulfilled by intentionally strengthening our reputation as a trusted company in touch with the evolving needs and aspirations of our society. Consequently – time, effort and money are invested in responding to the needs of all stakeholders. This integrated annual report reflects the progress made this year towards integrated sustainability reporting.

DIRECTORATE

There were no changes to the composition of the Board since the last report. The Board has reviewed the independence of Ms B Ntuli who has served 10 years on the Board as a non-executive director, and is satisfied of her independence. The Board believes it has the right mix of tenure, diverse industry experience and skills to create an effective combination between depth of institutional knowledge and fresh, innovative thinking. Accordingly, the Board has retained the services of Ms Ntuli until the 2019 annual general meeting. In the interest of succession planning the Board also intends to supplement its skills with a further non-executive chartered accountant.

The current executive team is focused and committed and is being supplemented with specific additional skills to ensure sustainability as we grow.

DIVIDENDS

The Board declared ordinary dividend number 16 of 17,10 cents per share payable in September 2018 and further detailed on page 55. This represents a four times dividend cover ratio. The company has a policy of declaring a dividend at the end of the financial year and not at the interim reporting date.

ANNUAL GENERAL MEETING

Our annual general meeting will be held on 23 November 2018. Notice of the meeting appears on page 110.

OUTLOOK

In the face of challenging economic conditions, we will continue to pursue our strategy of enhancing our competitive position across all sectors in which we operate in order to deliver real growth – through organic expansion and value accretive acquisitions.

The Board will focus on the following key performance areas in the forthcoming financial year:

- Delivering profitable organic growth;
- Value adding strategic acquisitions;
- Further improving our B-BBEE status and programmes;
- Continuing to diversify the business into the rest of Africa and global markets; and
- Providing the best value solutions to our customers.

We are very confident that we have the right people, skills and technologies to take advantage of opportunities in our identified markets and to service customers effectively.

Our outlook for the year ahead is positive and our longer-term outlook is optimistic as we continue to build upon the strong foundation we have established to create a sizeable, scalable, leading ICT business.

APPRECIATION

We believe that Adapt IT is in the hands of a high quality Board. I wish to thank my fellow Board members for their support and expert contribution during the period under review. The skills and diversity of the Board are well matched to Adapt IT's current requirements and are appropriately reflected in the allocation of responsibilities to members of the various sub-committees.

I wish to thank the Chief Executive Officer, Sbu Shabalala, and his executive team for their sustained efforts over what has been another difficult year. The Board and I are extremely confident in their ability to execute Adapt IT's approved strategy and to continue to ensure the success of the company in years to come.

I would also like to thank the management team and employees for their role in the execution of our growth strategy in a tough economic climate.

Finally, my sincere thanks go to our customers, shareholders and partners for their ongoing support of Adapt IT.

Craig Chambers
Independent non-executive Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

"THE ORGANIC GROWTH RATE FROM CONTINUING OPERATIONS IMPROVED SUBSTANTIALLY TO 13%."

Sbu Shabalala
Chief Executive Officer

INTRODUCTION

Adapt IT had a pleasing performance in the 2018 financial year demonstrated by revenue growth of 36% to R1,348 billion in a low growth domestic market (South Africa). The Adapt IT revenue model, which is largely annuity-based, has provided a defensive position in a capital-scarce economy, demonstrated by the ability to defend and improve EBITDA margin to 20% resulting in EBITDA of R270 million.

Adapt IT remains an industry-focused software provider that grows revenue and profit at an above-industry rate than the domestic market, through the implementation of the sustainable growth and diversification strategy, and through focus on building towards the 2020 business target of reaching R3 billion annualised turnover and beyond.

DELIVERING ON STRATEGY

The sustainable growth and diversification strategy implementation has been measured through the following key strategic execution elements in the 2018 financial year:

TARGETING ABOVE INDUSTRY REVENUE GROWTH

Adapt IT's strategic focus of improving the ability of existing divisions to increase sales revenue and to innovate in their key markets has assisted in securing more customers, diversifying products and services in a low growth market. The organic growth rate from continuing operations improved substantially to 13% (2017: 6%) aided mainly by software sales into these targeted sectors.

REINVESTING CAPITAL

The acquisition strategy as a means for capital reinvestment has proven successful in supplementing organic growth efforts and continues to be a key focus area, allowing Adapt IT to rapidly build new technology capabilities into existing established operations, removing barriers to entry to adjacent markets, and increasing customer reach. The acquisitive growth rate reached 30% mainly through the inclusion of the Hospitality division.

Our approach remains to seek to attract high quality and profitable technology companies, in targeted sectors and geographies, that will improve Adapt IT's market share in South Africa, and to gain exposure in higher margin and growth markets internationally.

EXTENDING THE PAN-AFRICAN REACH

Adapt IT is building a Pan-African presence to create a software distribution network beyond the domestic market. East Africa Regional presence was created through the establishment of a Kenyan office. Adapt IT now distributes software across the African continent and is working to diversify from the domestic market which currently forms 81% of turnover.

INTEGRATING THE BUSINESS

The creation of One-Adapt IT business is prioritised through a continuous integration programme aimed at ensuring strategic and cultural alignment of the business. The co-location of eight Johannesburg-based offices into the newly built Adapt IT headquarters in Johannesburg has further accelerated the business integration. A strategic disposal of a non-core business was executed in the year.

DIVISIONAL PERFORMANCE

The Adapt IT divisions namely: Education, Manufacturing, Financial Services, Energy and Hospitality, operate under a single Adapt IT brand in a sector-focused approach and service customers in both domestic markets and the Rest of Africa. The operational and financial performance in the 2018 financial year was recorded as follows:

THE EDUCATION DIVISION

The Education division provides a turnkey Enterprise Resource Planning (ERP) product, ITS Integrator, and services to the Higher and further Education sector worldwide. The division had an improved performance growing revenue by 4% to R178 million and delivered a higher EBITDA of R32 million for the year (2017: R30 million).

The recovery performance was brought about by the resolution of the funding challenges faced by the Higher Education Institutions in South Africa and software sales in the Rest of Africa markets.

THE MANUFACTURING DIVISION

The Manufacturing division provides Tranquillity ERP; Safety Health Environment and Quality (SHE-Q) solutions; SAP® HCM Cloud Services; Workforce Management Solutions and Telecommunications Business Intelligence solutions. The division grew its revenue by 31% to R373 million at the back of an improved sales environment. EBITDA increased to R92 million for the year (2017: R71 million).

THE FINANCIAL SERVICES DIVISION

The Financial Services division provides the auditing and accounting profession with internal and external auditing software offerings and business intelligence (BI) solutions. The division grew its revenue from continuing operations by 15% to R332 million driven by improved sales emanating from changes in technology for account submissions to CIPC and general changes in reporting standards. EBITDA increased to R56 million for the year (2017: R50 million from continuing operations).

THE ENERGY DIVISION

The Energy division provides consulting and software solutions and services to the Oil and Gas, Power, Renewables and other Energy sectors globally.

Due to a slowdown in project revenue, the division contributed R175 million to revenue for the year (2017: R188 million). EBITDA was R36 million for the year (2017: R44 million).

THE HOSPITALITY DIVISION

Adapt IT announced its entry into the Hospitality Software Sector, effective 1 July 2017, through the acquisition of 100% of the Micros South Africa group (Micros), a leading provider of integrated software and hardware solutions to the hospitality and retail industries in Africa. The division contributed R290 million to revenue and R35 million to EBITDA in a contracting trading environment brought about by the low South African economic growth environment.

STRATEGIC KEY PERFORMANCE INDICATORS (KPIS)

The Board monitors implementation of the strategy and reviews the following measures when examining the successes of the strategy:

- **Financial performance:** The Board monitors financial performance metrics for the divisions including revenue growth, gross/operating margins, working capital metrics and cash generation;
- **Share performance:** The company's share price is an independent measure of the value of the business set by trading on the JSE. Although the share price is affected by market trends over which the company has no control, the Board considers the share price to be the key external metric reflecting the investors' view of the company's performance and compares it against the Software and Services sector, as well as general market trends; and
- **Non-financial metrics:** The Board and divisional executive teams monitor the environmental, employee and social aspects of company's operations, and have adopted the most appropriate aspect of the GRI framework and guidelines in describing the organisation's activities and operations.

INVESTMENT CASE

Adapt IT offers shareholders an opportunity to invest in a diversified South African based software provider which is positioned to take advantage of specialised technology platforms across the fastest growing market segments. Our software focus provides investors with a unique quality of earnings that can only be derived in a high-annuity based business, like Adapt IT, diversified across several sectors and geographies.

Adapt IT has a strong operational and dynamic strategic management team with extensive experience in the Software industry and a successful track record in delivering organic and acquisition-led growth.

LOOKING AHEAD

In the 2019 financial year, Adapt IT will continue to position itself for growth in targeted sectors by accelerating organic growth through further innovation, whilst supplementing same with an acquisition strategy targeted at companies that own differentiated software that could be additive to the Adapt IT market reach. Our software reach will be extended across the Rest of Africa and International markets, extending our reach beyond the 53 countries we service worldwide.

GRATITUDE

Sincere thanks to our customers for entrusting us with key aspects of their businesses, where we strive to add long term sustainable business value. Our solutions for our clients would not be possible without the great drive from the entire Adapt IT family. As colleagues with individual strengths and skills, we make a strong team because of shared goals and commitment. We thank every member of the team for their part in what we have achieved and are excited to pursue the goals we have set for the business.

Sbu Shabalala
Chief Executive Officer

CHIEF FINANCIAL OFFICER'S REPORT

"ADAPT IT CONTINUES TO GROW IN A TOUGH TRADING ENVIRONMENT THROUGH THE DIVERSIFICATION STRATEGY THAT CONTINUES TO PROVIDE RESILIENCE AND SYNERGISTIC OPPORTUNITIES."

Nombali Mbambo
Chief Financial Officer

Adapt IT has delivered pleasing results in the 2018 financial year, achieving strong turnover growth and profitability in a challenging economic environment. Steady progress continues towards reaching the 2020 target of R3 billion annualised turnover due to the consistent pursuit of the sustainable growth and diversification strategy.

FINANCIAL PERFORMANCE

Turnover increased by 36% to R1,348 billion from R994 million. Turnover growth comprised an improved 13% organic growth from continuing operations and 30% from acquisitions. Acquisitive growth comprises mainly Micros, consolidated for 12 months during the reported financial year.

Annuity turnover is a healthy 58% over the period and the five-year compound annual growth rate for turnover was 27%.

Earnings before interest, tax, depreciation and amortisation (EBITDA) rose by 39% to R270 million (2017: R194 million) representing 20% EBITDA margin (2017: 20%). R26 million of EBITDA is attributable to the once-off profit on disposal of a non-core business contributing to 2% of EBITDA margin.

Interest-bearing borrowings increased to R214 million (2017: R102 million), including the Micros facilities. Finance costs consequently increased to R29 million (2017: R26 million) due to interest on the facilities together with imputed interest on financial liabilities arising from the deferred portion of the purchase consideration for EasyRoster which was R5 million.

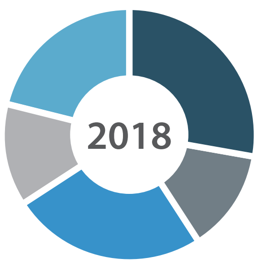
The effective tax rate is 34% (2017: 28%), due to expenses of a capital nature which relate to acquisitions and capital gains tax on the once-off profit on disposal of a non-core business.

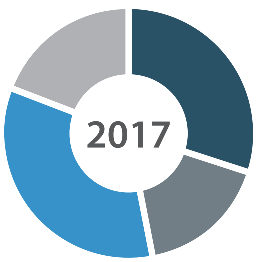
Amortisation of intangible assets acquired increased to R34 million (2017: R29 million) arising from the allocation of the purchase consideration for acquisitions, mainly Micros, to intangible assets being customer relationships and internally developed software.

Profit attributable to ordinary shareholders of R122 million was 38% up on the prior year (2017: R88 million). Earnings per share (EPS) increased by 32% (2017: 2%) to 77,51 cents and headline earnings per share (HEPS) increased by 14% to 66,97 cents. Normalised HEPS increased by 11% (2017: 10%) to 87,59 cents, as reconciled in note 6.1 on page 78.

ACQUISITIONS AND STRATEGIC DISPOSALS

Adapt IT (Pty) Ltd acquired 100% of Micros for a consideration of R134,9 million, creating an entry into the Hospitality industry, further diversifying the sector exposure of the group. Micros was consolidated effective 1 July 2017 subsequent to Competition Commission approval and has performed in line with expectations during the reporting period.





TURNOVER BY SEGMENT	2018	2017
Manufacturing	28	30
Education	13	17
Financial Services	25	34
Energy	13	19
Hospitality	21	–

Adapt IT (Pty) Ltd also acquired the LGR group for a maximum consideration of R74 million, further bolstering the Communications product offering. LGR was consolidated effective 1 June 2018, contributing to comprehensive income for one month during the current financial year.

EasyRoster achieved its second profit warranty in the period from 1 July 2017 to 30 June 2018.

As part of a three-year Enterprise Development programme, Adapt IT entered into an agreement to allow Uyandiswa Project Management Services (Pty) Ltd (Uyandiswa) to become an independent sizeable black women-owned business. Effective 1 July 2017, Uyandiswa repurchased all of Adapt IT (Pty) Ltd's shares in Uyandiswa and Adapt IT (Pty) Ltd sold the business of its BI resourcing business to Uyandiswa, these transactions incorporating a significant enterprise development discount, consistent with our ongoing commitment to sustainable transformation.

Adapt IT (Pty) Ltd received and accepted an offer to purchase its shares in CQS GRC Solutions (Pty) Ltd (CQS GRC), a subsidiary acquired with the CQS business. The transaction was concluded through a sale of certain CQS GRC assets and liabilities, for a consideration of R20 million on 31 May 2018, and Adapt IT (Pty) Ltd disposing of its share in CQS GRC on 1 June 2018, for a consideration of R23 million. The disposal of CQS GRC resulted in the group recognising a profit on disposal net of tax amounting to R18 million, which represents the main adjustment in the reconciliation to HEPS. CQS GRC therefore contributed to comprehensive income for eleven months (R5 million net of minority interest), till 31 May 2018, during the current financial year.

TURNOVER DIVERSIFICATION

Turnover is well diversified across several sectors and geographies monitored in the operating divisions of Adapt IT. The operating divisions are driven and reported in sectors, namely Manufacturing, Education, Financial Services, Energy and Hospitality.

Turnover from Financial Services grew 15% from continuing operations, post the disposal of the BI resourcing business and CQS GRC contributing 25% to total turnover. The Manufacturing division maintained healthy turnover growth of 31% year on year, contributing 28% to total turnover. The South African higher education sector experienced reduced disruptions, resulting in an increase in turnover of 4% from the Education division during the period contributing 13% to total turnover. The Energy division experienced a decrease in turnover from a decrease in project revenue after several years of strong project revenue, contributing 13% to total turnover.

The Hospitality division has performed in line with expectations and contributed 21% of total turnover. The sector analysis of turnover is provided on page 108, and shown graphically below, demonstrating a good balance and spread of risk.

Turnover from foreign customers comprises 19% of total turnover with 68% of this being from 34 other African countries.

Foreign exchange profit in the period totalled R4 million (2017: R3 million loss). The foreign currency exposure at year-end totalled R23 million (2017: R17 million) and is set out on page 106.

Diversification by geography and growing hard currency revenue streams is a key factor in diversifying market risk and continues to remain a strategic focus.

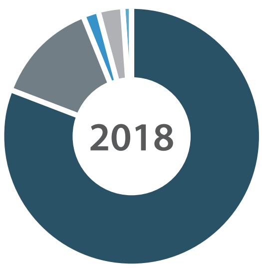
FINANCIAL POSITION

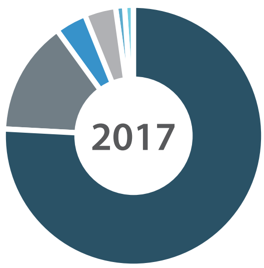
Equity attributable to shareholders of the company increased from R662 million to R751 million. This was primarily a result of the increase in retained earnings from comprehensive income of R122 million (2017: R88 million) and fresh share issues totalling R69 million during the year, made up as follows:

- Micros share consideration: 6 463 255 shares issued in July 2017;
- Executive share incentive plan: 17 930 shares issued in July 2017 based on share appreciation units exercised; and
- Earn-in scheme: 461 665 shares issued in September 2017 based on an earn-in bonus scheme obligations settled relating to a 2015 acquisition.

Adapt IT repurchased 9,3 million of its issued ordinary shares in the open market under the general authority granted by shareholders for R72,7 million at an average price of 784 cents per share during the reporting period. 8,2 million treasury shares are held at period end, with 1,1 million shares issued in December 2017 as consideration for the EasyRoster acquisition.

The 15th dividend of 13,70 cents per share, covered four times by earnings, was paid to shareholders in September 2017. The 16th dividend of 17,10 cents per share will be paid to shareholders in September 2018, representing a four times dividend cover ratio.





TURNOVER BY GEOGRAPHY	2018	2017
South Africa	**81**	76
Other African countries	**13**	14
The Americas	**2**	4
Australasia	**3**	4
Europe	**1**	1
Asia	**–**	1

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Goodwill increased from R500 million to R572 million due to the Micros and LGR acquisitions, slightly offset by the CQS GRC disposal. The consideration paid for Micros and LGR effectively includes amounts in relation to the benefit of the expected synergies, revenue growth, new market penetration and future market development.

Intangible assets arising from the allocation of value to intangible assets at acquisition, mainly internally generated software and customer relationships, increased by R58 million, relating mainly to the Micros and LGR acquisitions, to R239 million. Refer to note 25 for further details.

Property and equipment is R96 million, mainly from leasehold improvements and furniture and fittings acquired during the year relating to the new Johannesburg Campus and computer equipment. Total capital commitments of R34 million, disclosed on page 101, relate mainly to future capital requirements for the Johannesburg Campus and computer equipment, financed through internal cash resources.

Finance lease receivables of R35 million and Inventory of R22 million, introduced through the Micros acquisition, relate to finance lease arrangements with customers for IT equipment and finished goods held at year-end.

Trade and other receivables increased from R228 million to R273 million largely due to the acquisition of Micros. The average debtors' days outstanding at the end of the year improved to 68 days (2017: 72 days). Management believes the provision for impairment is adequate. The ageing of the debtors is provided on page 104 and compared to the prior year.

Deferred income increased from R71 million to R105 million. Deferred income is mainly in the Education and Hospitality sectors where revenue in respect of license fees for product development and support is received annually in advance at the beginning of each calendar year. Furthermore, there are certain project revenues, including other license and support revenues, received in advance across the sectors.

Provisions increased from R25 million to R52 million. This was mainly due to an increase in the bonus provision during the current financial year compared with the prior year under performance against key performance indicators in most operating divisions, where bonuses were not awarded.

BORROWINGS, CASH FLOW AND LIQUIDITY

Cash generated from operations after working capital changes improved to R258 million (2017: R140 million). Net cash and cash equivalents was R86 million at the end of the period.

The gearing ratio is 29% and Adapt IT has borrowing capacity, limited to a gearing ratio of 50%, to fund further growth.

Adapt IT has adequate working capital for all operational and capital commitments through its cash resources and bank facilities and will raise funding as and when required for further acquisitive growth.

FINANCIAL CONTROLS AND RISK MANAGEMENT

The combined assurance model including the internal control framework detailing financial controls, has been approved by the Audit and Risk Committee and the control environment is continuously evaluated by management, together with the internal audit function, to improve both the identification of risks and internal controls.

The combined assurance approach has been dealt with under the Audit and Risk Committee Report. The financial risk management is covered on page 103.

ACCOUNTING POLICIES

The accounting policies adopted and methods of computation used in the preparation of the annual financial statements are in keeping with IFRS and consistent with those used in the previous financial year. The adoption of new or revised accounting standards, interpretations and circulars have been described on page 72.

GOING-CONCERN ASSERTION

The Board has formally considered the going-concern assertion for Adapt IT and is of the opinion that it is appropriate.

MERGER

In accordance with the company's strategy to build an integrated business, Cash Bases South Africa (Pty) Ltd merged with Adapt IT (Pty) Ltd effective 1 July 2018. This will result in greater operational and governance efficiencies and strengthened internal controls. The merger was undertaken to achieve efficiencies and savings in administrative and operational expenditure thereby simplifying the group structure.

CONCLUSION

Adapt IT is strategically well positioned in all of its operations and continues to grow as we continue to build on the strong well diversified foundation. The company's diversification and geographic reach provides resilience in challenging market conditions and synergistic opportunities between operating divisions.

Nombali Mbambo
Chief Financial Officer

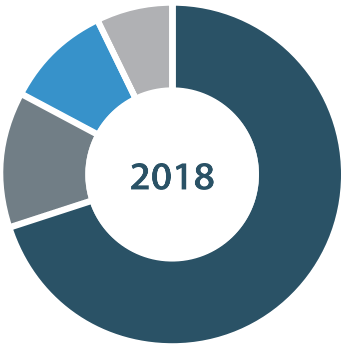
"The acquisition strategy has proven successful in supplementing organic growth efforts and continued to be a key focus area."

FIVE-YEAR REVIEW

		30 June 2018	30 June 2017	30 June 2016	30 June 2015	30 June 2014
OPERATING RESULTS						
Revenue	(R'000)	**1 353 896**	996 425	803 338	578 049	408 546
Turnover	(R'000)	**1 348 403**	993 671	796 178	575 324	406 301
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(R'000)	**270 102**	194 326	165 140	102 385	55 834
Operating profit	(R'000)	**218 205**	150 983	136 389	86 500	49 688
Profit for the year	(R'000)	**129 612**	92 546	80 957	52 679	38 123
Profit attributable to equity holders of the parent	(R'000)	**122 020**	88 133	78 357	52 679	38 123
Headline earnings	(R'000)	**105 426**	88 150	78 259	52 639	38 235
Normalised headline earnings	(R'000)	**137 879**	118 461	97 480	64 728	–
Cash generated from operations	(R'000)	**257 710**	139 325	173 602	105 387	60 642
FINANCIAL POSITION						
Total equity	(R'000)	**753 204**	668 537	472 688	321 094	185 101
Total assets	(R'000)	**1 387 515**	1 086 447	964 877	561 852	296 726
Total current assets	(R'000)	**413 361**	355 666	259 556	153 805	111 485
Total liabilities	(R'000)	**634 311**	417 910	492 189	240 758	111 626
Total current liabilities	(R'000)	**346 561**	224 733	301 422	141 809	107 064
FINANCIAL RATIOS						
EBITDA margin	(%)	**20,03**	19,56	20,74	17,80	13,74
Operating profit margin	(%)	**16,18**	15,19	17,13	15,03	12,23
Return on equity	(%)	**17,16**	15,45	19,74	20,81	27,49
Return on assets	(%)	**9,86**	8,59	10,26	12,27	16,04
Interest-bearing liabilities to equity/gearing ratio	(%)	**28,96**	15,47	34,94	7,58	3,94
Average debtors days	(days)	**68,46**	71,76	71,92	60,07	78,86
Solvency ratio	(times)	**2,19**	2,60	1,96	2,33	2,66
Liquidity ratio	(times)	**1,19**	1,58	0,86	1,08	1,04
Number of permanent employees	(number)	**943**	670	664	450	357
SHARE PERFORMANCE						
Number of shares in issue at year-end	('000)	**160 540**	153 597	140 062	129 201	111 499
Basic earnings per share	(cents)	**77,51**	58,74	57,61	42,34	34,45
Diluted basic earnings per share	(cents)	**77,51**	58,74	55,28	41,33	33,48
Headline earnings per share	(cents)	**66,97**	58,76	57,54	42,31	34,55
Normalised headline earnings per share	(cents)	**87,59**	78,96	71,67	52,02	34,55
Diluted headline earnings per share	(cents)	**66,97**	58,75	55,21	41,30	33,58
Net asset value per share	(cents)	**469,17**	435,25	337,49	248,52	167,25
Tangible net asset value per share	(cents)	**56,26**	68,51	(34,18)	47,70	46,73
Closing share price at year-end	(cents)	**900**	968	1 242	842	774
Dividend per share (paid)	(cents)	**13,70**	13,40	10,90	8,23	5,56

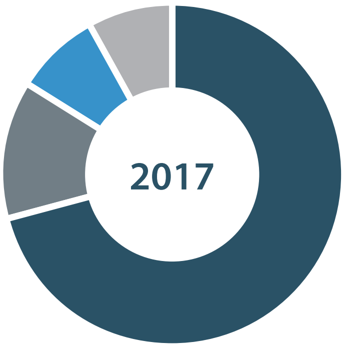
VALUE-ADDED STATEMENT

	Group 2018 R'000	%	Group 2017 R'000	%
Turnover	**1 348 403**		993 671	
Less:				
Net cost of products and services	**(610 426)**		(453 762)	
Value added	**737 977**		539 909	
Wealth created	**737 977**		539 909	
Applied to:				
Employees				
Salaries, wages and other benefits	**514 857**	**69,8**	385 370	71,4
Providers of capital	**50 554**	**6,9**	45 239	8,3
Interest on borrowings	**28 560**	**3,9**	25 605	4,7
Dividends to shareholders	**21 994**	**3,0**	19 634	3,6
Government				
Taxation	**72 540**	**9,8**	40 801	7,6
Income taxation: normal and deferred	**65 526**	**8,9**	35 498	6,6
Skills development levies	**7 014**	**0,9**	5 303	1,0
Retained in the group	**100 026**	**13,5**	68 499	12,7
Wealth distributed	**737 977**	**100,0**	539 909	100,0



VALUE ADDED

	2018 %	2017 %
Salaries, wages and other benefits	**70**	71
Retained in the group	**13**	13
Taxation	**10**	8
Providers of capital	**7**	8



CORPORATE GOVERNANCE

The Board takes ultimate responsibility for Adapt IT's adherence to sound corporate governance standards and is fully committed to the promotion of good corporate governance, which is considered pivotal to the sustainable growth of the Adapt IT business.

KING IV

The King IV Report on Corporate Governance advocates an outcomes-based approach and defines corporate governance as the exercise of ethical and effective leadership by the governing body (Board) towards the achievement of the following governance outcomes:

- Ethical culture;
- Good performance;
- Effective control; and
- Legitimacy.

The Board has endorsed the principles and practices of King IV as such, the Board has embarked on a journey to further enhance its corporate governance practices.

CORPORATE GOVERNANCE STRUCTURE

Adapt IT's corporate governance structure during the reporting period is represented in the diagram below.

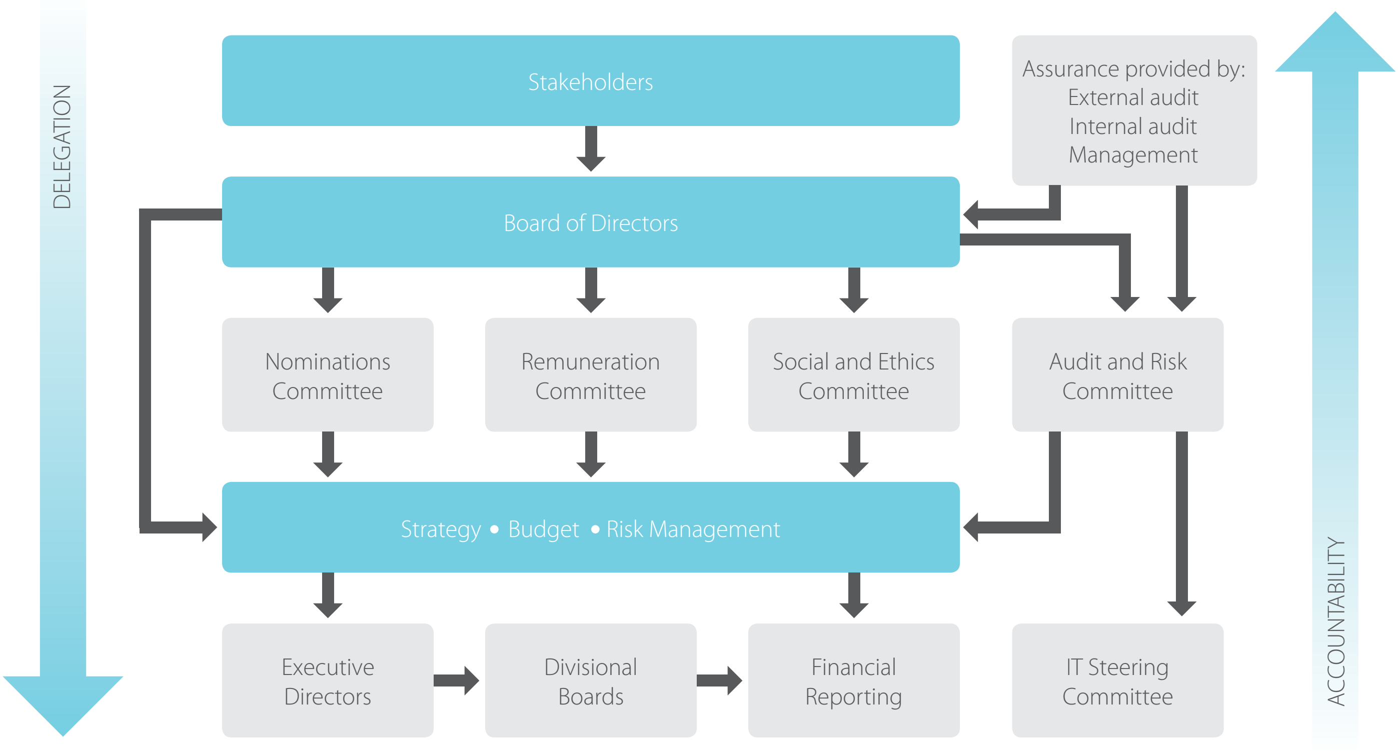
BOARD OF DIRECTORS

COMPOSITION

The Board is suitably constituted and comprises a balance of four independent non-executive directors and three executive directors, with the majority non-executive directors being independent. The Chairman of the Board is an independent non-executive director and furthermore, the Board is considering the appointment of an independent non-executive director as the Lead Independent director of the Board.

In line with best practice, the roles of the Chairman and the Chief Executive Officer are separate and a clear division of authority exists between these roles. The non-executive directors represent a wide range of skills and experience including information technology, financial, legal and commercial.

ADAPT IT CORPORATE GOVERNANCE STRUCTURE



GOVERNANCE FRAMEWORK					
	BOARD COMMITTEES				
	Board of Directors	Audit and Risk Committee	Remuneration Committee	Nominations Committee	Social and Ethics
Independent non-executive directors					
C Chambers	Chairman		Member	Chairperson	
B Ntuli	Member	Chairperson	Member	Member	
C Koffman	Member	Member	Chairperson	Member	Member
O Fortuin	Member	Member			Chairperson
Executive directors					
S Shabalala *(Chief Executive Officer)*	Member	Attendee	Attendee	Attendee	Attendee
T Dunsdon *(Commercial Director)*	Member	Attendee	Attendee	Attendee	Member
N Mbambo *(Chief Financial Officer)*	Member	Attendee	Attendee	Attendee	Attendee

Assisted by the Nominations committee, the Board formalised the Board Diversity policy on the promotion of gender and race diversity at Board level. The Board is therefore satisfied that the composition of the Board is in line with the King IV recommendations, that the governing body comprises the appropriate balance of knowledge, skills, experience and is fully compliant with the Board Diversity policy.

In accordance with the Memorandum of Incorporation, non-executive directors are required to retire after three years in office, or, if appointed by the Board between shareholders' meetings, at the next shareholders' meeting and, if eligible, may offer themselves for re-election by shareholders. Appointment to the Board is made in a formal, objective and transparent manner in accordance with the Nominations committee terms of reference, as managed by the Nominations committee on behalf of the Board.

The Board has considered the independence of B Ntuli, appointed to the Board in May 2008 serving as a non-executive director, and having awareness of the interests, positions, associations and relationships of the non-executive director, the Board has concluded that she is not unduly influenced or biased in her decision-making with regard to the group and accordingly, continues to categorise her as independent.

ACCOUNTABILITY

The Board takes overall responsibility for Adapt IT's success and is responsible for approving the strategic direction of Adapt IT's business, as set out in the Board charter. The Board conducts its business in the best interest of the company and ensures that Adapt IT performs in the interests of its broader stakeholder group, including present and future investors in Adapt IT, its customers and clients, business partners, employees and the societies in which it operates.

BOARD CHARTER AND RESPONSIBILITIES

The general powers of the Board and the directors are conferred in the company's Memorandum of Incorporation.

The terms of reference for the Board are set out in the Board charter which has been updated during the financial year to include the principles recommended by King IV and sets out the powers and authority of the Board. It also provides a clear and concise overview of the roles and responsibilities of the Board members.

The Board has a fiduciary duty to act in good faith, with due care, skill and diligence, and in the best interest of all stakeholders.

The powers and responsibilities of the Board include the following:

- Retaining full effective control and providing ethical leadership in the best interest of the company;
- Informing and setting the strategic direction of the Adapt IT business;
- Determining policy and processes to ensure the integrity of aspects such as director selection, orientation, evaluation and remuneration;
- Considering its composition, including its size, diversity and demographic make-up;
- Ensuring that strategy, risk, performance and sustainability are effectively integrated and balanced;
- Reviewing the implementation of the strategic plan by management;
- Reserving specific powers to itself and delegating other matters to key senior management;
- Monitoring performance through various Board committees; and
- Monitoring compliance with all relevant laws, regulations and codes of business practice and ensuring that Adapt IT communicates effectively with its stakeholders.

REGULATORY COMPLIANCE

Board members are kept appraised of changes to all relevant legislation, including the JSE Listings Requirements. These updates are provided by the company's Sponsor and the Company Secretary.

CORPORATE GOVERNANCE CONTINUED

DELEGATION OF AUTHORITY

The Board has delegated authority for specific matters to a number of well-structured board committees which have formal terms of reference and report to the Board on a regular basis.

COMMITTEES

The Audit and Risk committee members were formally appointed in terms of the Companies Act at the annual general meeting held on 24 November 2017.

Furthermore, the Board has powers to establish committees as it deems appropriate. The Board therefore has constituted the following committees, which is in accordance with the recommendation of the King IV guidelines:

- Remuneration committee;
- Nominations committee; and
- Social and Ethics committee.

Each of these committees of the Board is chaired by an independent non-executive director. The executive directors attend certain committee meetings by invitation. The Board acknowledges its accountability to Adapt IT's stakeholders for the actions of these committees and is satisfied that they have met their respective responsibilities for the year under review.

BOARD AND COMMITTEE EVALUATION

In line with principle 9 of the King IV Report, the Board and individual directors' performance was assessed in terms of the Board charter, through a formal process of detailed evaluation questionnaires, and the performance was found to be satisfactory. The Board recognises the importance of Board evaluation and development, not only as it constitutes good governance but also as it is a valuable process in improving Board performance and accordingly performs the evaluation periodically.

BOARD MEETINGS

In line with the formally adopted terms of reference aligned to King IV, the Board meets formally four times per year and reviews strategy, operational performance, capital expenditure, risk management, internal controls, communications and other material aspects pertaining to Adapt IT's business. The Board convenes additional meetings for special purposes when necessary.

Board meeting attendance

Director	Attended	Held
C Chambers	4	4
B Ntuli	3	4
C Koffman	4	4
O Fortuin	4	4
S Shabalala *(CEO)*	4	4
T Dunsdon *(Commercial)*	4	4
N Mbambo *(CFO)*	4	4

AUDIT AND RISK COMMITTEE

The Audit and Risk committee operates under formally adopted terms of reference aligned with King IV, assisting the Board to fulfil its oversight responsibility on corporate governance. Its specific responsibility is on accurate financial reporting and the existence of adequate financial systems and controls.

It discharges its responsibility by evaluating the operations and findings of both internal and external audit and by assessing the appropriateness and adequacy of the accounting procedures and the systems of internal financial and operational control. The committee is accountable for the process of risk management and internal control systems and for reviewing the effectiveness thereof. It is also responsible for establishing risk and control policies and ensuring these are communicated throughout the Adapt IT business.

In accordance with the committee's charter, the committee consists of no less than three independent non-executive directors, one of whom is the Chairperson of the committee. The Chairperson of the committee is not the Chairman of the Board.

The Chief Executive Officer, Chief Financial Officer, internal auditors and external auditors are required to attend the committee meetings but do not vote at meetings of the committee. Other Board members also have the right of attendance only. Adapt IT's internal auditors and external auditors have unfettered access to members of the committee and the Chief Executive Officer.

The Company Secretary is secretary to the committee. The committee reports on its findings to the Board after each formal committee meeting.

During the year under review, the committee held four meetings.

The report of the Audit and Risk committee is set out on pages 48 to 50.

Audit and Risk Committee attendance

Director	Attended	Held
B Ntuli *(Chairperson)*	3	4
C Koffman	4	4
O Fortuin	4	4

REMUNERATION COMMITTEE

The Remuneration committee is responsible for establishing a formal and transparent procedure for developing a policy for executive directors' remuneration and performance appraisals and for establishing remuneration packages for key senior management.

In addition to the above, the committee is responsible for making recommendations to the Board on all fees payable to non-executive directors, subject to shareholder approval and considers the performance and independence of all non-executive directors.

The committee, consisting of three independent non-executive directors and the Chief Executive Officer (by invitation), is responsible for recommending to the Board, on an annual basis, the remuneration packages of the executive directors.

The Remuneration committee held one meeting each during the year.

Remuneration Committee attendance		
Director	**Attended**	**Held**
C Koffman *(Chairperson)*	1	1
C Chambers	1	1
B Ntuli	0	1

NOMINATIONS COMMITTEE

The Nominations committee is accountable for the thorough and objective nomination and appointment of members to the Board and committees of the Board. In so doing, the committee regularly reviews the structure, size and composition of the Board and evaluates the balance of race, gender, skills, knowledge and experience of members in line with the Diversity Policy.

The committee assists in the preparation of descriptions of roles and capabilities required for appointments, satisfies itself with regard to succession planning and that processes are in place with regard to both Board and senior group appointments, monitors the leadership needs of the Board and recommends procedures for annual director performance evaluations. It ensures that Board candidates have sufficient time to devote to Board duties, and that appointees receive formal letters of appointment and additional communications detailing duties and time commitments, together with induction plans.

The committee makes recommendations to the Board regarding the re-appointment of non-executive directors, the continuation in service of directors and the appointment of directors to executive or other offices and appointments to the committees of the Board.

The committee meets at least once a year, consists mainly of independent non-executive directors as per JSE Listings Requirements and is chaired by the Chairman of the Board, an independent non- executive director.

The committee also regularly reviews Board and committee succession to ensure the right skills, continuity and experience for the future.

The Nominations committee held one meeting each during the year.

Nominations Committee attendance		
Director	**Attended**	**Held**
C Chambers *(Chairman)*	1	1
C Koffman	1	1
B Ntuli	0	1

SOCIAL AND ETHICS COMMITTEE

The Social and Ethics committee is accountable for ensuring the existence of an ethical and responsible relationship, between Adapt IT and the society in which it operates, through a code of ethics.

Compliance by all employees to the high moral, ethical and legal standards of the code is mandatory, and appropriate action will be taken in respect of any and all instances of non-compliance.

In addition, the committee establishes formal and transparent arrangements to achieve equity in the workplace through the promotion of equal opportunity and fair treatment via the elimination of unfair discrimination. It further implements affirmative action measures to redress the disadvantages in employment experienced by designated groups, so ensuring equitable representation at all levels in the workplace. The committee addresses training and development, a safe and healthy workplace and employee wellbeing.

The committee oversees B-BBEE of Adapt IT, its corporate social investment and enterprise development activities as well as its environmental progress and broader stakeholder relations.

The committee meets at least once a year and is chaired by an independent non-executive director.

The Social and Ethics committee met twice during the year, with attendance as follows:

Social and Ethics Committee attendance		
Director	**Attended**	**Held**
O Fortuin *(Chairperson)*	2	2
T Dunsdon	2	2
C Koffman	2	2

EXECUTIVE COMMITTEE

The Executive committee meets regularly to deliberate on matters of strategy, budget, business planning and the effective operation of the business and monitors the performance of the divisions. The committee provides leadership on key issues to divisions. The committee comprises the Chief Executive Officer, Chief Financial Officer, Commercial Director, Chief Operations Officer and Divisional Executives.

MANAGEMENT REPORTING

Comprehensive management reporting disciplines are in place and include the preparation of annual budgets by all divisions and quarterly operational management reports.

Adapt IT's budget is reviewed by the Executive committee and approved by the Board. Monthly results are reported against approved budgets and compared to the prior year. Profit projections and cash flow forecasts are updated regularly, while working capital and cash levels are monitored on an ongoing basis. The operational reports are reviewed, in line with the company's sustainable growth strategy, on a quarterly basis.

CORPORATE GOVERNANCE CONTINUED

COMPANY SECRETARY

All directors have access to the advice and services of the Company Secretary who is responsible for ensuring proper administration and sound corporate governance procedures. All directors are provided with access to information that may be relevant to the proper discharge of their duties. The Company Secretary provides guidance to the directors on their responsibilities within the prevailing regulatory and statutory environment and the manner in which such responsibilities should be discharged, including changes in legislation.

The Company Secretary function is outsourced to Statucor (Pty) Ltd (Statucor), as approved by the Board. Statucor's client base includes listed and non-listed entities whom they advise in accordance with the Companies Act of South. Africa No 71 of 2008 (Companies Act of South Africa), as well as the provisions of the South African Corporate Business Administration publication as defined by the Southern African Institute of Chartered Secretaries and Administrators. Their approach delivers an informed interpretation of the Combined Code (set of principles of good corporate governance), with specific attention being paid to King IV. Statucor is considered by the Board to be suitably qualified and experienced to carry out the function of Company Secretary.

In accordance with the JSE Listings Requirements, the Board has carried out a formal evaluation of the Company Secretary's performance and competence and has concluded that Statucor is both competent to perform its duties and is fit and proper for the position.

DEALING IN COMPANY SHARES

In terms of the JSE Listings Requirements, no director, officer or employee of the company may deal either directly or indirectly in Adapt IT's shares at any time on the basis of having access to price-sensitive information, nor may a director or officer of the company deal in Adapt IT's shares during closed periods. Closed periods extend from the end of Adapt IT's financial half-year and year-end until the publication of the relevant results. Closed periods also include cautionary closed periods, being the period during which Adapt IT Holdings Limited is trading under a cautionary announcement.

All dealings in shares of Adapt IT Holdings Limited by company directors and the Company Secretary are reported to the company within three business days thereof and announced on the JSE Stock Exchange News Service (SENS) within 24 hours of receipt of notification. All trades must be pre-approved by a duly authorised director of the company.

INVESTOR RELATIONS

The Board requires objective and honest communication with investors in a timely, relevant and balanced manner. It is practice to engage with shareholders on a frequent basis. Adapt IT's investor information is posted timeously on the website www. adaptit.co.za.

INTERNAL AUDIT

Adapt IT acknowledges the importance of an independent internal audit function to assist the Audit and Risk committee in discharging its responsibilities. Adapt IT has outsourced the provision of internal audit services to KPMG Services (Pty) Ltd.

Internal audit is mandated by and functions in terms of an Audit and Risk committee approved charter which describes its purpose, authority and responsibilities. The internal audit function performs independent evaluations of the adequacy and effectiveness of internal controls, financial reporting, information systems and operations.

The Audit and Risk committee approves the annual audit plan prior to the commencement of each financial year and monitors the scope and effectiveness of the internal audit function during the financial year. Internal audit provides reports to the Audit and Risk committee on the progress against the approved audit plan, results of any unsatisfactory audits and action plans to address.

The internal audit function is independent of all other organisational functions, reports directly to the Audit and Risk committee and has free and unrestricted access to all areas within the Adapt IT business, including management, employees, activities, locations and information. The chief internal auditor has direct access to the Audit and Risk committee through the Chairperson and attends all committee meetings to discuss any significant matters arising from activities.

Internal audit activities are performed in compliance with International Standards for the Professional Practice of Internal Auditing methodology and standards required by the Institute of Internal Auditors South Africa.

The primary responsibility of the internal audit function is to the Board and its committees in discharging its governance responsibilities and, as a minimum, to perform the following functions:

- Evaluating the company's governance processes;
- Assessing the effectiveness of risk management and the internal control framework;
- Systematically analysing and evaluating business processes and associated controls; and
- Providing a source of information, as appropriate, regarding instances of fraud, corruption, unethical behaviour and irregularities.

The focus in the 2018 financial year was to improve collaboration with management, other internal assurance providers and Adapt IT's external auditor to ensure optimal coverage of the key risks and minimal duplication of effort. The purpose of this collaboration was the development of a meaningful combined assurance model and plan, formally documented in the combined assurance framework and policy, approved by the Audit and Risk committee.

INFORMATION TECHNOLOGY (IT) GOVERNANCE

The Board recognises that IT is an integral part of conducting business at Adapt IT, as IT is fundamental to the support, sustainability and growth of the organisation. IT serves all aspects, components and processes in the organisation and is therefore not only an operational enabler for Adapt IT, but a strategic business asset which can be leveraged to create opportunities and to gain competitive advantage.

The Board is cognisant of the fact that as much as IT is a strategic asset within Adapt IT, it also presents the organisation with significant risk. The IT risks are well governed and controlled to supports Adapt IT's strategic objectives. In line with King IV, technology and information governance forms part of the governance structures and the Board has deemed it appropriate to delegate this function to the Audit and Risk committee. However, the responsibility of IT governance ultimately resides with the Board.

IT is implemented, based on the following model:

- The business applications and IT infrastructure being centralised;
- An IT Steering committee, comprised of the Chief Executive Officer, Chief Operations Officer, key senior management and technical specialists, oversees the IT strategy and its implementation; and
- The IT Steering committee reports to the Audit and Risk committee.

The IT Steering committee is responsible for ensuring that IT is managed within a defined framework that takes into account, *inter alia:*

- IT standards;
- Legal requirements such as the Electronic Communications and Transactions Act, the Promotion of Access to Information Act, the Regulation of Interception of Communications Act and the Protection of Personal Information Act;
- Internal policies defining application and use of IT resources;
- Overall IT spend and allocation of investment; and
- IT risk.

SUSTAINABILITY REPORT

OVERVIEW

"ADAPT IT HAS DELIVERED STRONG FINANCIAL RESULTS AND ADVANCED ITS B-BBEE TRANSFORMATION PROGRAMME STEADILY OVER THE PAST YEAR. GOVERNANCE OF ETHICS REMAINS A KEY FOCUS."

Oliver Fortuin
Chairperson Social and Ethics Committee

OUR APPROACH TO SUSTAINABILITY

The organisation's core values and behaviour is driven by governance of ethics and promoting an ethical culture which overarch corporate governance, corporate performance and good corporate citizenship. This creates our social licence to operate.

B-BBEE Transformation remains a key focus area for us.

People underpin everything we do and ensuring their equitable representation and participation in the business is paramount to a sustainable business.

Sound environmental practices are also an ongoing consideration.

The Board governs Social and Ethics matters through the Social and Ethics committee, details of which are set out on page 27.

Adopt IT has adopted the GRI framework and guidelines for sustainability reporting, which is used in the following pages to describe the organisation's activities in this arena.

STRATEGIC SUSTAINABILITY ISSUES

Prosperity
- Meeting our strategic objectives
- Meeting market needs through innovation and investing in sustainable products

People
- Retaining and developing talent
- Promoting equality, diversity and opportunity
- Maintaining sound labour relations
- Focusing on health, wellbeing and safety
- Empowering communities

Planet
- Minimising waste
- Monitoring water usage
- Reducing our carbon footprint
- Conserving energy
- Biodiversity

PROSPERITY

ECONOMIC SUSTAINABILITY

Adapt IT is committed to a strong ethical culture and actively participates in dialogue and activities that encourage ethical behaviour.

ECONOMIC PERFORMANCE

The financial performance of the group which is covered extensively in this integrated annual report is positive and consistent with the long track record of good performance. The Board believes that the well diversified base of the business and the strong leadership capability across the group positions it well to continue to succeed in the years ahead.

VALUE-ADDED ANALYSIS AT A GLANCE

Adapt IT generated wealth of R738 million for the year ended 30 June 2018 from which employees benefited in the amount of R515 million (70%) and other stakeholders benefited in varying proportions as indicated in the value-added statement on page 23.

INVESTMENT

Adapt IT's strong financial performance record has enabled it to continue investing in product development, infrastructure, people and operational systems that support customers and underpin the company's organic and acquisitive growth initiatives.

RESEARCH AND DEVELOPMENT

The lifecycle of the solutions developed – which have become integral to customers' operations – extends over many years. This in turn leads to the formation of a strategic supplier/customer partnership over time. Adapt IT ensures that customers retain competitive advantage through sustainable product development with enhancements and upgrades that keep pace with technology advances.

R1,348m
our turnover
for the year ended
30 June 2018

R105m
the total headline
earnings we generated
for the year ended
30 June 2018

20%
EBITDA margin
for the year ended
30 June 2018

SUSTAINABILITY REPORT CONTINUED

PEOPLE

INVESTING IN PEOPLE

At Adapt IT we firmly believe that by giving employees the opportunity and support to excel personally and professionally, the company correspondingly enables customers and communities to thrive.

Adapt IT has taken the employees through a journey of defining our Employee Value Proposition, towards building the One-Adapt IT culture. The re-defined group Values were reviewed with employees across all divisions, towards this purpose. The high-performance culture and the promotion of a learning organisation continues to be Adapt IT's focus.

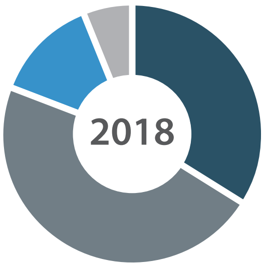
R9,3m
the total amount spent on B-BBEE skills development in 2018

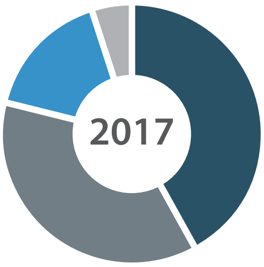
55 Interns
and learners received formal training and monitoring, equipping them for employment

R515m
of the value created in 2018 was distributed to our employees in the form of salaries, wages and benefits

EMPLOYMENT EQUITY– TRANSFORMING OUR WORKFORCE

Adapt IT's group BEE Committee continues to monitor the employment and promotion of our talent from previously disadvantaged backgrounds; especially at middle and senior management. Early intervention and creating a pool of talent for development into management is facilitated by the continued Learnership and Internship Programmes for BEE candidates since its inception, in partnership with the MICT SETA. 55 learners and interns were employed in the reporting period.





In fostering an inclusive and diverse employment environment, Adapt IT embarked on a national roadshow to promote disability awareness to all its employees. As a result, a number of disability disclosures were made, with the required medical verification process followed to ensure suitable accommodation of those employees with disabilities.

The demographic profile of Adapt IT at the end of the reporting period is as follows:

OUR EMPLOYMENT EQUITY PROFILE	2018	2017
White	34	42
African	47	37
Indian	13	16
Coloured	6	5

OUR PEOPLE

As at 30 June 2018, Adapt IT had 1 068 people (including the newly-acquired LGR) operating across business divisions at the new Johannesburg Campus in Midrand with other operations in Durban and Cape Town as well as several small international offices in Botswana, Mauritius, Australia, New Zealand and Ireland.

SUSTAINABILITY REPORT CONTINUED

PEOPLE

INVESTING IN PEOPLE

DRIVING BROAD-BASED BLACK ECONOMIC EMPOWERMENT TRANSFORMATION AND DIVERSITY

Diversity has long been an essential part of Adapt IT's people strategy and a market differentiator for the group. This in turn translates into competitive advantage. Therefore, Adapt IT will continue to drive to remain at the forefront of transformation for sustainability and not merely to fulfil B-BBEE requirements but rather to entrench diversity within the organisation's culture. This approach will ensure that the group is fully representative of the combined skills and talents of the communities in which it operates. As new companies are integrated into the group as a result of the acquisitive growth strategy, the company is fully committed to maintaining the focus on transformation. B-BBEE encompasses many people-based transformation measures aimed at improving equitable representation of all stakeholder groups to achieve a sustainable society.

The B-BBEE verification is performed annually by an independent assurance provider.

Adapt IT was re-assessed under the new codes and achieved a Level 3 rating. Adapt IT's 2018 B-BBEE verification is currently underway and the company is projecting a Level 2. It views empowerment as a strategic imperative and a vital component of the continued sustainability of its operations in South Africa. Hence, the company aims to continually improve its B-BBEE status and intends to improve its status to become black-owned by 2019.

Level 3 B-BBEE Status	
Scorecard information	**2017**
Ownership	**21,07**
Management	**14,66**
Skills development	**17,20**
Supplier and enterprise development	**48,28**
Socio-economic development	**12,00**
Total score	**113,21**

RETENTION

Adapt IT continues to focus on the talent management strategy and to reduce the attrition rate. The Adapt IT Executive committee; the Adapt IT (Pty) Ltd Board as well as the Social and Ethics committee members actively monitor the reasons for attrition and the strategic initiatives to be implemented for the retention of our employees.

Adapt IT has been focusing on the following strategic initiatives:

- Ensuring training of line managers to manage employees' performance and coach them in support of achieving their individual performance development plans.
- Succession planning of top performers; key talent and identified critical roles, in order to ensure transfer of knowledge, in line with being a learning organisation and underpinning business continuity.
- Increased focus on activities that promote employee engagement and gaining a better understanding of how we can continuously improve on our employee value proposition.

SUSTAINABILITY REPORT CONTINUED

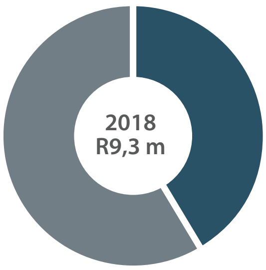
PEOPLE

INVESTING IN PEOPLE

ADAPT IT ACADEMY

Adapt IT continues with the Learnership and Internship Programmes, in partnership with the MICT SETA. 55 Leaners and Interns were employed in the reporting period.

The calibre of candidates on the Programmes has improved significantly, leading to a strategic decision taken to revise the duration of the Programme for most of the trainees, from 12 months to 18 months, in agreement with MICT SETA. These trainees will continue to be employed on fixed-term contracts, after the completion of their Programme.



BEE SKILLS DEVELOPMENT	2018	2017
Female BEE	**3 854 498**	5 501 020
Male BEE	**5 417 554**	5 224 712

SUSTAINABILITY REPORT CONTINUED

PEOPLE

INVESTING IN PEOPLE

From top left: *Richard Msweli, Steven Sutherland, Paul Stephenson, Craig Young, Seraj Abrahams, and Luxolo Rubushe.*
From bottom left: *Darryn Trefz, Ogone Mothooagae, Katharine Janisch, Sbu Shabalala, Jodi Joseph, Dewald Laubscher and Muzi Tshabalala.*

MAINTAINING SOUND LABOUR RELATIONS

Adapt IT has introduced new HR policies to align with the most recent developments in the labour legislation and promote continuous improvement in the workplace. These were communicated through the national roadshows to all employees, to ensure awareness and compliance.

FAMILY RESPONSIBILITY

Adapt IT continues to support work-life balance amongst our employees. The organisation's Paternity Leave policy will be aligned to the pending changes in the labour legislation, in due course.

OCCUPATIONAL HEALTH AND SAFETY

Adapt IT does not view safety as a compliance issue but rather as a fundamental way of doing business. The health and safety of people is a priority and the company complies with the Occupational Health and Safety Act. Occupational and healthcare programmes include risk assessments, hygiene surveys, risk control measures and wellness days. Adapt IT recognises that employee well-being is critical to the continued delivery of high quality services and to the achievement of the company's objectives. An employee wellness programme, covering all aspects of physical and mental wellness, including confidential counselling services, is in place.

Management is obliged to ensure that all safety and other legal requirements are complied with and that current best practices are identified and implemented.

ETHICS

Continuing to drive an ethical culture from the Board level throughout the group, Adapt IT has introduced new policies to all its employees, as part of a national roadshow, to align to the new King IV recommended practices. The Gifts, Entertainment and Expenses as well as Conflicts of Interest policies were reviewed for anti-bribery and corruption aspects. The new policies on Fraud Prevention as well as Code of Ethics and Conduct have created an improved understanding amongst our employees, on our organisational values.

In line with these requirements, an Ethics survey was also introduced for the participation of all employees, which will continue to be an annual assessment and measure of our success in operating ethically.

The independent external managed Ethics Hotline (anonymous 'whistleblower' line) continues to be promoted amongst employees, as an additional tool to monitor our work environment for compliance to the highest standards of ethical behaviour.

No credible incidents of corruption or unethical conduct have been reported or detected during the reporting period. Certain matters of an 'HR Grievance' nature were reported to the Hotline and these were referred to the HCM Executive and line management for investigation and resolution.

PUBLIC POLICY

Adapt IT is not involved in any initiatives regarding public policy positions, policy development or lobbying. The company maintains an independent stance with political parties, politicians and related institutions. Adapt IT requires strict adherence to its Conflict of Interest Policy and Code of Ethics and Conduct.

ANTI-COMPETITIVE BEHAVIOUR

Adapt IT does not practice or condone anti- competitive behaviour. There have been no incidents or legal actions for anti-competitive behaviour, antitrust and monopolistic practices in the history of the company.

SUSTAINABILITY REPORT CONTINUED

PEOPLE

INVESTING IN COMMUNITIES

Adapt IT has a long track record of investing in the upliftment of disadvantaged South African communities and remains committed to continuing with this practice through its sustainable finance practices and policy of extending the impact of projects to embrace more beneficiaries. The company continues to invest in larger longer-term initiatives that are sustainable and provide the most benefit for disadvantaged South African communities.

ADAPT IT KNOWLEDGE CENTRES

The Adapt IT Knowledge centres were first established in 2013 with the opening of a facility in KwaZulu-Natal. This was followed by the launch of two more centres, one in Gauteng in 2014 and one in the Western Cape in 2015.

In 2016, the company entered a three-year commitment to the Adopt-a-School Foundation. The foundation was established in 2002 by Mr Cyril Ramaphosa and Mr James Motlatsi. The core concept of the foundation's model focuses on fostering a time-bound relationship between the school and the funder. The foundation conducts a detailed needs assessment and analysis in every school prior to adoption and then presents the proposal to funders for consideration. It assesses the infrastructure, skills and social needs in the school environment, through interviews and site visits. The foundation is responsible for monitoring the infrastructure development at the school. The school is responsible for the maintenance of all infrastructure development provided by the foundation.

The selected school was Eketsang Secondary School. It was established in 1985, and situated in Katlehong Township outside Germiston under the Ekurhuleni District. It is classified as a high school with 1 202 learners in grades 8 to 12 with an average household income between R220 and R4 500 per month. The families depend on government grants, part-time jobs from local supermarkets and some work in factories and companies around Germiston and Alberton.

An amount of R1,2 million was contributed in 2017 financial year and a further R1,3 million in 2018 financial year to the Adopt-a-School foundation to be applied at the school for the establishment of a knowledge centre. This included a computer laboratory upgrade, educator and librarian training, and the provision of books.

ENTERPRISE AND SUPPLIER DEVELOPMENT

Adapt IT believes in facilitating the development of sustainable businesses that will create jobs. The company provides opportunities as well as assistance to a number of small and medium enterprises (SMEs).

In 2018 Adapt IT invested in various black-owned businesses, through financial and non-financial support. The businesses are led by very capable ICT professionals and entrepreneurs who have leveraged Adapt IT's assistance and enterprise development support to accelerate the success of the business.

The businesses that received the benefit of Adapt IT's assistance are: Infinitus Technologies (Pty) Ltd; ABD Consultants (Pty) Ltd; Slik Technology Solutions (Pty) Ltd; Sokone Technologies (Pty) Ltd and Uyandiswa Project Management Services (Pty) Ltd.

PREFERENTIAL PROCUREMENT

Adapt IT has assisted emerging entrepreneurs for over a decade through preferential procurement and training opportunities. The organisation has engaged these small businesses in various projects. In agreement with our clients, these entrepreneurs receive project management skills, preferential payment terms and business management advice.

Adapt IT is continuously reviewing procurement practices and is updating its procurement policy to align with the new B-BBEE Codes.

Adapt IT requires suppliers to be held to the highest standards of ethics.

SUSTAINABILITY REPORT CONTINUED

PLANET

INVESTING IN THE ENVIRONMENT

As an IT services organisation the environmental impact of Adapt IT's daily operations are limited. However, Adapt IT recognises that it operates in and with society and strives to do so in a responsible and sustainable manner. The company is continuously evaluating its strategy and impact on the environment and will continue to evaluate formal measurement and reporting of the relevant indicators in line with the requirements of the GRI.

MATERIALS

Paper is the primary consumable resource utilised. Adapt IT uses paper from the supplier's green range, meaning that the paper is produced from sustainable forests or is 100% recycled. All IT hardware waste is recycled through a certified third party.

TRANSPORT

The impact of transport on the environment from Adapt IT direct operations is not significant as it operates predominantly using a remote support model:

- Where possible discretionary travel has been reduced by using alternative communication such as video conferencing and email.
- Employee transportation is limited to infrequent deployment, via air and road, to client sites on initial system implementations, on-site training and periodic account management visits.

EMISSIONS, EFFLUENT, WASTE

Due to the relatively clean nature of Adapt IT operations, the company does not currently measure carbon emissions, choosing to focus on the social impact of creating sustainable employment as a key priority. The key action to de-duplicate operational infrastructure and travel by co-locating our eight Johannesburg offices, has reduced emissions and waste. A programme is underway to further enhance environmental efficiencies within the new environment and ensure this is sustainable.

ENERGY

The company continues to pursue initiatives that aim to conserve energy and target business from clients where new technologies are being introduced to produce cleaner energy. Adapt IT's solutions in the chemicals and power generation industries lead to more efficient operation of plants and power stations in South Africa, reducing utilisation of scarce resources. The use of solar power in the new Johannesburg campus is under evaluation.

BIODIVERSITY

Certain regional office sites include portions of land left for natural vegetation to provide habitat for wildlife.

PRODUCTS AND SERVICES

Adapt IT's continuous sustainable software development processes meet customer, environmental and legislative requirements. The product development processes are mainly driven by the customer and industry need, and the safety of the products and services are ensured by a quality management system.

WATER

Adapt IT is a nominal user of water, however, it still encourages water usage awareness throughout the group. All storm-water at the Durban premises is attenuated and used for irrigation on site.

REMUNERATION REPORT

"THE REMUNERATION POLICY OF ADAPT IT SUPPORTS THE BUSINESS STRATEGY TO CREATE SUSTAINABLE VALUE FOR STAKEHOLDERS BOTH SHORT-TERM AND LONG-TERM THROUGH THE IMPLEMENTATION OF A HIGH-PERFORMANCE CULTURE."

Catherine Koffman
Chairperson, Remuneration Committee

BACKGROUND STATEMENT ON REMUNERATION

The remuneration policy of Adapt IT supports the business strategy to create sustainable value for stakeholders both short-term and long-term through the implementation of a high-performance culture. To enable Adapt IT to continue to attract, retain and motivate high performing talent, market related pay, of which a high proportion is performance-based, is necessary. Remuneration is the largest component of Adapt IT's costs and ensuring the best return on the remuneration expense is essential.

Internal factors that influence remuneration are:

- The targeted pay mix, which represents a slightly higher proportion of performance pay than market norms at senior levels;
- Internal parity, which Adapt IT is always striving for as an acquisitive business, with ongoing alignment required to achieve internal fairness in remuneration; and
- Performance, which is the key determinant of remuneration as it affects promotion into senior roles and reward in those roles.

External factors that influence remuneration are:

- Market benchmarks through the use of independent remuneration consultants; and
- Competition for scarce skills.

GOVERNANCE OF REMUNERATION

The Remuneration Committee (committee) is tasked to ensure the alignment of remuneration with the interests of shareholders. The committee operates under terms of reference (as set out on page 26) that are reviewed annually, approved by the Board and encompass the provisions of the Companies Act of South Africa and the requirements of King IV. The composition and attendance of meetings of the committee is set out in the corporate governance report on page 27. The Remuneration Committee Chairperson attends the annual general meeting and is available to address any queries, if necessary, from shareholders.

NON-BINDING ADVISORY VOTE

At the annual general meeting held on 24 November 2017, the vote was 84% in favour of the remuneration policy of Adapt IT as included in the last integrated annual report. Adapt IT engaged with one dissenting institutional shareholder to clarify their views with respect to remuneration policy. Adapt IT has considered these inputs and concluded that the principle of performance measurement and proportional vesting scales, although not simply mechanical in application is applied in our practices. So much so that zero short-term incentives were awarded in respect of the 2017 financial year and zero share incentives vested for the same period as performance hurdles were not met. Adapt IT will develop its practices for the expressly scaled vesting of performance-related pay into formal remuneration policy over the forthcoming year.

At the annual general meeting to be held on 23 November 2018, shareholders will be asked to vote on the two non-binding resolutions in terms of King IV. These votes enable shareholders to express their satisfaction or otherwise on the remuneration policy and the implementation report. In terms of King IV, if 25% or more votes are cast against either resolution, Adapt IT will engage directly with such shareholders as to the reasons therefore and will seek further external professional advice on how to improve remuneration policy and practices. Notwithstanding the voting process, any shareholder who wishes to discuss the subject of remuneration is welcome to engage executive management at any time, in the interests of continuous improvement.

KEY FOCUS AREAS AND DECISIONS IN THE PERIOD

Pay mix

There was one change to the Remuneration Policy in the period under review – being the adjustment of the targeted pay mix slightly in favour of Guaranteed Pay (GP). Almost no value has been derived by executives from the Long Term Share Incentive Plan (LTI or LTIP) awards since the inception of the scheme three years ago due to market forces affecting the Adapt IT share price adversely, particularly in the 2017 calendar year in spite of Adapt IT's continued positive performance. This shift in the target pay mix is intended to enhance the company's value proposition to executives. The revised target pay mix is set out in the Remuneration Policy overview on page 45.

Benchmarks
Market benchmarks, sourced predominantly from PE Corporate Services, taking cognisance of specific skills requirements, ICT industry statistics and benchmarks for similar roles (turnover, profit and number of staff reporting, consequence of error etc.) and of other similar sized companies listed on the JSE, are used. Adapt IT benchmarks against the 50th percentile with discretion to take account of the range of experience and performance in each role. It should also be noted that Adapt IT is at the top of the size (market capitalisation) band for its current remuneration benchmarks and may fall into the next size band in the forthcoming year. A key risk for the committee to monitor is under-remuneration of executives, and thus risk of attrition of key management, required to realise the group's performance objectives. The committee is satisfied that the benchmarking consultants were independent and objective.

INDEPENDENCE OF THE COMMITTEE AND ACHIEVEMENT OF ITS OBJECTIVES

The committee is satisfied that its members are independent and objective. The committee has evaluated the stated objectives of the Remuneration Policy and concluded that there is a risk of loss of executives due to almost no value being derived from the LTIP portion for the last three years. The committee has made adjustments to the group's targeted pay mix (increasing guaranteed pay, at the expense of the LTIP component) to protect the company against loss of executives, other policy objectives were achieved or are in the process of being achieved through a multi-year plan.

AREAS OF FOCUS FOR THE COMING YEAR

Ongoing benchmarking and alignment of employee pay will be a continued focus.

Adapt IT will refine its performance metrics, periods measured and scaled vesting metrics for executive performance related pay.

We note the adoption of 'claw back' policies by some companies. This is not highly relevant at present given the very low level of incentive pay awarded in the last two years but will be considered in the forthcoming year, as Adapt IT supports the principle of recovering incentive pay which, on ethical grounds, should not have been earned.

The LTIP scheme will be re-evaluated against current market practices.

REMUNERATION POLICY OVERVIEW

The remuneration elements and key design principles for executives and other staff are set out below.

Benchmarks
Adapt IT benchmarks to the 50th percentile of market pay, with some exceptions made for retention of very scarce skills and exceptionally high performers.

Pay mix
The pay mix for employees comprises guaranteed pay and variable Short-Term Incentives (STI), generally short-term bonus or commission in nature. Executive Pay comprises of three elements namely Guaranteed Pay, STI and variable Long-Term Incentives (LTI), with the LTI element intended to align executives with shareholders' interests. The target executive pay mix was adjusted in favour of guaranteed pay for the forthcoming financial year due to risk of loss of executives since almost no value has been derived from the LTI Plan in the last three years.

Total cost of employment per market benchmark is allocated using the revised internal target pay mix (i.e. the ratio that each element bears to a 100% on target package GP/STI/LTI) as follows:

- CEO: 50%/30%/20% (2018: 40%/30%/30%)
- Senior executives: 60%/25%/15% (2018: 50%/25%/25%)
- Other executives: 70%/20%/10% (2018: 60%/20%/20%)

This pay mix is still weighted slightly more in favour of performance pay at risk than market benchmarks. This is in order to support the high-performance culture, using a higher risk – reward model. This creates internal pay benchmarks used to guide the determination of the quantum of all elements of remuneration.

PACKAGE STRUCTURE

Guaranteed pay
- GP is on a total cost to company basis (medical and other benefits can be elected within this element).
- Variable Pay comprises a short-term element for all employees and a long-term element for executives.

STI – Annual performance Bonus or Sales Commission
Short-term annual bonus incentives are based on the overall financial performance of Adapt IT, financial achievement of the operational division to which an employee is accountable and on individual performance, measured against the achievement of key performance indicators. Short-term bonus incentives payable to executive management, for targeted levels of performance, range between 10% and 30% of total cost to company if targets are met. These can vest based on actual performance, with a scale of 0% to 120% being used.

The sales commission scheme is another key aspect of variable pay for sales executives and managers who are on risk-based packages. The purpose of this is to drive organic growth and cross-selling.

LTI – Share appreciation rights
The long-term executive share incentive plan was implemented in the 2015 financial year. It is designed to ensure that key executives are motivated and retained over a medium to long-term period and to align their interests with those of shareholders. This scheme has delivered almost no value to participants due to market forces affecting the Adapt IT share price adversely in spite of Adapt IT's own performance over the last 18 months. As stated above, the target pay mix has been adjusted in favour of guaranteed pay, reducing the LTIP proportion with the intention of retaining all executives.

The units vest and share appreciation gains can be realised, subject to group and individual performance conditions being met, in tranches over two years and up to the end of the third year, after which they lapse. Almost no units have been realised thus far. The maximum number of shares available under the scheme represents 13,45% of shares in issue and the maximum available for any one participant is 10% thereof.

REMUNERATION REPORT CONTINUED

The executive share incentive plan will continue in the forthcoming year, but at a reduced percentage of the pay mix. It will be re-evaluated during the year.

The remuneration policy makes no provisions for any payments to an executive director on termination of employment.

PERFORMANCE FRAMEWORK AND MEASURES

The link between strategy, sustainable value creation, performance and remuneration is explained below.

Adapt IT's strategy is set with a three year horizon and the KPIs are set annually and measured annually as the steps required to achieve the strategy. They are determined and adjusted each year, taking into account the experience of the past year and adjustments to the strategy which emanate from the annual review of the business strategy, where longer term measures are reviewed. The measurement of Key Performance Indicators (KPIs) is used to assess the achievement of strategic objectives. KPIs are weighted predominantly in favour of financial metrics (70%), being above market revenue growth and profitability; capital re-investment growth; and the balance of KPIs are other important goals (30%) which underpin the business and process efficiency; B-BBEE rating, product development, service quality, leadership performance and succession planning, and other division specific goals.

Actual turnover, EBITDA and components of BEE ratings achieved are used to measure performance against KPIs. Other internal subjective performance measures includes manager, peer and/or 360 degree review is used in the performance appraisal process, which is held at least annually.

The achievement of the executive's KPIs is reported on by the CEO and monitored by the Board at every board meeting.

If Adapt IT group and individual KPIs are substantially met, an executive can expect to be remunerated near the target internal pay mix level for STI and LTI. If not, then a lower or no STI is paid, and likewise if KPIs are not met, then share incentive units do not vest but are forfeited. If KPIs are exceeded, then any STI pay above benchmark is at the discretion of the Board and the share appreciation rights may exceed their targeted value if the company's shares outperform the fair value at issue date per the valuation of the independent experts. (Refer to indicative scale below).

FAIRNESS

The overall remuneration policy is designed to ensure fair and responsible remuneration for executive management in the context of overall employee remuneration as it is market related (benchmarked) and has a significant component that is performance-based. The levels of pay below that of executive management are correlated to executive pay as all jobs are graded using the Patterson scale and associated market pay benchmarks, using the same independent remuneration consultants for all levels. Where discrepancies are identified, plans are put in place to address these through adjustments over a reasonable timeframe.

REMUNERATION IMPLEMENTATION REPORT

EMPLOYMENT CONTRACTS

Sbu Shabalala was appointed Chief Executive Officer on 5 December 2007. Nombali Mbambo was appointed Chief Financial Officer on 18 August 2016. These executives are permanent employees subject to termination on three months' notice. Tiffany Dunsdon joined Adapt IT on 18 April 2002 and is on an annual fixed-term contract subject to termination on three months' notice. The contractual relationship between the company and its executive directors is governed through the committee.

PERFORMANCE MEASUREMENT FOR VARIABLE REMUNERATION

Performance Hurdles – STI

The threshold for any STI to vest is achievement of >70% of Balanced Scorecard KPIs (Group and Individual).

Indicative vesting scale

Score	% of STI to be awarded
<=70%	0
71 to 85%	50
86 to 100%	80
>100%	100 to 120

The overall KPIs for the year ended 30 June 2018 were either substantially achieved or exceeded, see table adjacent.

The KPIs of the group executive directors disclosed in this report closely mirror the group KPI's above. Short-term incentives at 80% of on target STI were awarded to the executive directors as set out below.

LONG-TERM INCENTIVES

Performance Hurdles – HEPS Growth of CPI+8% plus substantial achievement (>85%) of group KPIs and individual KPIs. The performance vesting criteria for LTIP were met in FY18 for the executives below. Their share incentive units relating to the period will be available to exercise in the next two years if the Adapt IT share reaches a value in excess of the issue price of the units (all units were 'out of the money' at the 900 cps closing price on 30 June 2018).

Refer to the notes to the annual financial statements, note 19 on page 89, for full details of share appreciation rights issued, vested, forfeited and lapsed.

Refer to the Directors' Statutory Report on page 57 for directors' interests in the company and interests of directors in contracts.

Performance measurement 30 June 2018				
KPI	**Weighting (%)**	**Details**	**Not met/ substantially met/ exceeded**	**Weighted performance score (%)**
Above market revenue growth	**50%**	92% of revenue target achieved at on target 18% EBITDA margin (from continuing operations)	**Substantially met**	**46**
Capital re-investment	**20%**	In year revenue target and profit contribution exceeded, 30% acquisitive growth achieved. Internal Rate of Return (IRR) of investments exceeds hurdle rate (risk adjusted) such that group Return on Invested Capital (ROIC) is maintained and enhanced long term.	**Exceeded**	**20**
Empowerment improvement	**10%**	Projecting a Level 2 on new codes.	**Met**	**10**
Extend Pan-African reach	**10%**	Company registered in Nigeria and office opened in Kenya. Obtained Melbourne Australia office via LGR acquisition.	**Met**	**10**
Business Integration	**10%**	Co-located eight Johannesburg offices into new Campus to create a cohesive and integrated business. Higher cost is absorbed in the results. Continuous improvement in shared service functions.	**Met**	**10**
Total score				**96**

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

The tables below show a breakdown of the annual remuneration of the executive directors for the respective years ended. C Young is considered to be a prescribed officer of Adapt IT Holdings Limited as defined in the Companies Act of South Africa.

	Total guaranteed pay R	**STI (Bonus) R**	**LTI**	**Total R**
June 2018				
S Shabalala	**2 717 636**	**1 721 040**	**–**	**4 438 676**
T Dunsdon	**2 319 682**	**1 020 600**	**–**	**3 340 282**
N Mbambo	**1 920 000**	**810 400**	**–**	**2 730 400**
C Young*	**1 986 295**	**819 000**	**–**	**2 805 295**
Total	**8 943 613**	**4 371 040**	**–**	**13 314 653**
June 2017				
S Shabalala	2 342 789	–		2 342 789
T Dunsdon	2 142 300	–		2 142 300
N Mbambo^	1 417 333	–		1 417 333
Total	5 902 422			5 902 422

^ *Appointed 18 August 2016*

* *Appointed as Chief Operating Officer 9 February 2017*

NON-EXECUTIVE DIRECTORS' FEES

The committee on an annual basis reviews the level of fees paid to non-executive directors. The recommendations are submitted to the Board for consideration and the shareholders at the annual general meeting approve the fees in advance. A market survey referencing fees paid by comparable listed companies is utilised to determine the remuneration levels.

Non-executive directors receive fixed fees for serving on the Board and Board committees and do not receive short-term incentives, nor participate in any share incentive scheme. Non-executive directors are not appointed under service contracts and their remuneration is not linked to Adapt IT's financial performance.

The following table shows the directors' fees paid to non-executive directors for the year ended:

	2018 R	2017 R
C Chambers	**386 232**	351 120
B Ntuli	**262 944**	219 120
O Fortuin	**262 944**	219 120
C Koffman	**262 944**	219 120
Total	**1 175 064**	1 008 480

APPROVAL

The Remuneration committee approved this report on 3 August 2018 and by the Board on 16 August 2018. The committee and the Board are satisfied that there were no material deviations from the remuneration policy during the 2018 financial year.

On behalf of the Remuneration committee

Catherine Koffman
Chairperson

16 August 2018

AUDIT AND RISK COMMITTEE REPORT

“THE PROCESS OF RISK MANAGEMENT HAS IMPROVED DECISION-MAKING, PLANNING AND PRIORITISATION, ENABLED AN EFFICIENT ALLOCATION OF CAPITAL AND RESOURCES, IMPROVED THE ANTICIPATION OF WHAT CAN GO WRONG, MINIMISED THE NUMBER OF UNFORESEEN CIRCUMSTANCES AND SIGNIFICANTLY IMPROVED THE PROBABILITY OF DELIVERING ON ADAPT IT’S BUSINESS GROWTH STRATEGY.”

Bongiwe Ntuli
Chairperson, Audit and Risk Committee

The Audit and Risk Committee (committee) is constituted as a statutory committee in terms of the Companies Act of South Africa and operates as a committee of the Board in line with the Board approved mandate and terms of reference.

The committee has updated its formal terms of reference contained in the charter, in line with King IV, and has conducted its affairs in compliance with these terms of reference, as approved by the Board. The activities of the committee are set out in an annual work plan detailed in the committee charter.

FUNCTIONS OF THE AUDIT AND RISK COMMITTEE

In line with its terms of reference, and as required by the Companies Act of South Africa and principles of King IV, the functions of the committee are primarily to assist the Board in overseeing the:

- Quality and integrity of integrated reporting and interim reporting;
- Appointment of the external auditor considering qualifications and independence;
- Scope and effectiveness of the external audit function and determining the fees to be paid to the auditor and the auditor’s terms of engagement;
- Nature and extent of non-audit services provided to Adapt IT;
- Effectiveness of internal controls and the internal audit function;
- Compliance with legal and regulatory requirements, to the extent it may have an impact on financial statements;
- Monitoring of risk management, review of reports and making recommendations to the Board; and
- Reporting to the Board and shareholders on how it has discharged its duties.

COMPOSITION AND FREQUENCY OF MEETINGS

The committee was appointed by the shareholders and comprises three independent non-executive directors, all of whom possess the necessary skills, knowledge and expertise to direct the committee constructively in the execution of its responsibilities. The committee is chaired by Ms B Ntuli, an independent non-executive director.

During the reporting period four meetings were held, attendance of the meetings is reflected on page 26, and the committee reported on its findings to the Board after each formal meeting.

In terms of section 94 of the Companies Act of South Africa, a public company must elect an audit committee at each annual general meeting. It is proposed in the notice of annual general meeting for the forthcoming annual general meeting of the company, that Ms B Ntuli, Ms C Koffman and Mr O Fortuin be re-appointed as members of the committee, until the next annual general meeting.

KEY DUTIES DISCHARGED DURING THE YEAR

EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

The committee has carried out an assessment to assure itself that the group external auditor is independent of the company, as required by Section 94(8) of the Companies Act of South Africa and the guidance contained in King IV. This assessment included consideration of:

- Internal independence processes within the external audit firm;
- Periodic internal quality reviews, as well as those conducted by IRBA;
- The rotation of the group audit partner and key component audit partners at least every five years; and
- Independence audits on all partners.

As a result of this assessment, the committee is satisfied that the group external auditor is independent of the group, has demonstrated the requisite institutional knowledge, expertise and experience and that their independence has not been impacted by tenure.

The committee ensured that the appointment of the group external auditor complied with the Companies Act and any other legislation relating to the appointment of auditors.

During the year under review, the committee met with the group external auditor without management being present and met with management without the group external auditor being present. No issues of any significance were raised by either the group external auditor or management at these meetings.

The committee, in consultation with executive management, reviewed and approved the engagement letter terms, audit plan, non-audit services and audit fees in respect of the 2018 financial year.

In line with its terms of reference, the committee has considered the five-year mandatory term limit on the length of time served by an audit partner. Following which, the committee has ensured a managed rotation process between Mr Stephen Munro, having served for a five-year period, to Ms Fathima Ally as the lead audit partner.

The committee has nominated Deloitte, for re-election at the annual general meeting, as the external audit firm, who has served in this capacity for the last five years and Fathima Ally as the designated auditor responsible for performing the functions of auditor, for the 2019 financial year. The audit firm and designated auditor are on the JSE list of accredited auditors and advisors.

INTERNAL AUDIT AND COMBINED ASSURANCE

The committee has assessed that the internal audit function possesses the appropriate expertise and experience to carry out its responsibilities and has satisfied itself of the objectivity and performance of the internal audit function, including the authority within Adapt IT to enable it to discharge its duties.

The annual internal audit plan and fees were reviewed and approved by the committee.

The committee is responsible for monitoring the appropriateness of the company's combined assurance model and has approved the combined assurance framework and policy, which aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers on the risk areas identified.

The committee has held separate meetings with management, internal and external auditors to discuss any reserved matters and has also overseen the co-operation between the internal and external auditors, in line with the combined assurance framework and policy, and is the link between the Board and these functions.

FINANCIAL STATEMENTS AND ACCOUNTING PRACTICES

The committee has reviewed the accounting policies and the financial statements of the company and the group and is satisfied that they are appropriate and comply with International Financial Reporting Standards.

A process has been established to receive and deal appropriately with any concerns and complaints relating to the reporting practices of the company. No matters of significance have been raised in the past financial year.

GOING CONCERN

The committee has reviewed a documented assessment, prepared by management, which includes key assumptions, of the going concern status of Adapt IT. The Board's statement on the going concern status of Adapt IT, as supported by the committee, is disclosed in the directors' approval of the annual financial statements.

EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION

The committee has satisfied itself that the Chief Financial Officer has the appropriate expertise and experience. The committee has considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function.

SIGNIFICANT MATTERS CONSIDERED IN THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The committee has considered the qualitative and quantitative information presented in the statement of financial position and other items that require significant judgement, as detailed in the notes to the annual financial statements. The committee is satisfied that areas that require significant judgement have been highlighted as key audit matters in the Independent Auditors report on the audit of the consolidated annual financial statements for the year ended 30 June 2018, on page 52.

Following discussions and a review of the reports from management and the external auditor, the committee was satisfied that the consolidated annual financial statements appropriately address the critical judgements and key estimates pertaining to the key audit matters, in respect of both amounts and disclosure. The committee noted that the external auditor has concluded that the consolidated and separate annual financial statements were presented fairly in all material respects.

GOVERNANCE OF RISK

The Board is ultimately responsible for the governance of risk and provides the direction on risk management philosophy, approves the risk appetite and tolerance levels, ensuring that the risks are managed within these levels. The Board has mandated the Audit and Risk committee to monitor and oversee risk management and to consider opportunities as appropriate, within the ambit of its terms of reference and the Enterprise Risk Management framework. Further details of the risk management process are presented below. The review conducted by the internal audit function indicated that the effectiveness of the risk management process in accordance with the risk management framework was satisfactory.

RISK MANAGEMENT

A risk management approach to strategy implementation was adopted and focused on identifying what could go wrong,

AUDIT AND RISK COMMITTEE REPORT CONTINUED

evaluating the risks to be mitigated and implementing strategies to address those risks.

The risk management process assisted Adapt IT to identify and address the risks faced by the business and in so doing has increased the likelihood of successfully achieving the business objectives.

The risk management process adopted involves:

- Identifying and understanding business strategy and activities;
- Methodically identifying the risks surrounding our business strategy and activities;
- Setting tolerance levels and assessing the impact and likelihood of the events occurring to establish the inherent risk;
- Assigning owners to the risks and identifying current controls, rating the effectiveness thereof;
- Identifying and implementing additional controls to reduce residual risks to an acceptable level; and
- Reporting and monitoring the effectiveness of the risk management approach and controls identified.

The process of risk management has improved decision-making, planning and prioritisation, enabled an efficient allocation of capital and resources, improved the anticipation of what can go wrong, minimised the number of unforeseen circumstances, and significantly improved the probability of delivering on Adapt IT's business growth strategy.

THE KEY INHERENT RISKS WERE IDENTIFIED AS FOLLOWS:

1. ECONOMIC RISK: ORGANIC REVENUE GROWTH AND MAINTAINING PROFITABILITY

Risk associated with growing in the current challenging economic conditions in every market Adapt IT serves, within South Africa and the Rest of World. The company continues to employ strategies to develop all divisions to become more skilled at growing organically, through leveraging the existing business models, together with diversification in geography, customer portfolio and foreign currency.

2. INVESTMENT RISK: INTEGRATION OF ACQUISITIONS

The risk of delays in the integration of acquisitions can result in diverse business objectives and brand misalignment. Pursuant to the implementation of the company's acquisitive growth strategy, the high pace acquisitive growth requires constant change and the need for successful integration. Adapt IT is cognisant that effective change management is necessary to integrate the businesses and evolve the business model. The company continues to refine these processes to maintain good staff morale, a high-performance culture and business success, using a formal Integration Methodology.

3. HUMAN CAPITAL RISK: ICT SKILLS SHORTAGE

The shortage of deep ICT skills remains a market challenge and risk to Adapt IT. The company continues to address this through improvement of the employee value proposition, including benchmarking remuneration. Learnership, Internship and Apprenticeship programmes have also been established to bring new capacity and skills into the business. This is combined with management development and skills development programmes both formal and on-the-job mentorship, which assist in developing the necessary skills.

4. OPERATIONAL RISK: NEED FOR A HIGH-PERFORMANCE CULTURE

A high-performance culture is a prerequisite to achieving the ambitious targets that the company seeks to achieve continuously through its people. Adapt IT has made strides in developing the building blocks of a high-performance organisation by setting a clear strategic vision, communicating the shared value system, linking remuneration to performance, configuring organisational agility and seeking to continuously improve performance measurement and recognition.

5. GOVERNANCE AND COMPLIANCE RISK: NON-COMPLIANCE WITH LEGISLATION

The risk of being non-compliant with prevailing legislation is continually monitored as governance and compliance with the regulatory, environment and legislation underpin our strategy. The Board reviewed and evaluated the corporate governance within Adapt IT and continues to monitor compliance with the provisions of King IV. Adapt IT has developed and implemented a legislative compliance framework to ensure compliance with the legislative environment and uses the services of the company's JSE Sponsor and legal advisors on all JSE regulations and legal matters, respectively.

The Board and the committee have considered the aforementioned risks and have satisfied themselves of the appropriateness of the risk management processes, the adequacy of interventions, the appropriateness of the allocated resources and the pervasiveness of the risk management processes within Adapt IT.

The combined assurance provided by internal and external assurance providers as well as management, in line with the combined assurance framework and policy, has been sufficient to satisfy the committee that significant risk areas within Adapt IT have been adequately addressed and suitable controls exist to mitigate and reduce those significant risks faced by the business.

APPROVAL OF INTEGRATED ANNUAL REPORT

The committee reviewed this Integrated Annual Report for the year ended 30 June 2018 and recommended it to the Board for approval.

CONCLUSION

The committee is satisfied that it has discharged its duties in terms of its mandate.

Bongiwe Ntuli
Chairperson, Audit and Risk Committee

16 August 2018

DIRECTORS' RESPONSIBILITIES AND APPROVAL

AS AT 30 JUNE 2018

The directors are required by the Companies Act of South Africa, No 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements of Adapt IT Holdings Limited and its subsidiaries and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company and the group as at the end of the financial year and the results of their operations and cash flows for the year ended, in conformity with International Financial Reporting Standards, the JSE Listings Requirements and the Companies Act of South Africa, No 71 of 2008. The external auditors are engaged to express an independent opinion on the financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and the Companies Act of South Africa, No 71 of 2008, and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors are also responsible for the system of internal control. These controls are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, to record all liabilities, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The annual financial statements are prepared on the going-concern basis. Nothing has come to the attention of the directors to indicate that the group and the company will not remain a going concern for the foreseeable future.

The annual financial statements of the group and company, set out on pages 52 to 108, were approved by the Board on 16 August 2018 and were signed on its behalf by:

Craig Chambers
Independent non-executive Chairman

Sbu Shabalala
Chief Executive Officer

Johannesburg
16 August 2018

PREPARER OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

These annual financial statements have been prepared under the supervision of N Mbambo.

Nombali Mbambo CA(SA)
Chief Financial Officer

Johannesburg
16 August 2018

CERTIFICATE OF THE COMPANY SECRETARY

FOR THE YEAR ENDED 30 JUNE 2018

We hereby certify that, to the best of our knowledge and belief, the company has lodged with the Companies and Intellectual Properties Commission all such returns as are required by the Companies Act of South Africa, No 71 of 2008, and that all such returns are true, correct and up to date.

Statucor (Pty) Ltd
Company Secretary

Johannesburg
16 August 2018

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ADAPT IT HOLDINGS LIMITED

Report on the Audit of the Consolidated and Separate Financial Statements

OPINION

We have audited the consolidated and separate financial statements of Adapt IT Holdings Limited and its subsidiaries ("the Group") set out on pages 58 to 108, which comprise the consolidated and separate statements of financial position as at 30 June 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 30 June 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters relate to the consolidated financial statements.

Key audit matter	How the matter was addressed in the audit
Impairment of goodwill and other intangible assets (consolidated financial statements)	
Intangible assets which consist of goodwill and other intangible assets of customer relationships/ contracts and intellectual property, comprise 58% of the total assets of the Group. These assets have been recognised in the consolidated statement of financial position largely as a consequence of business combinations. The allocation of surpluses paid over the net asset value of the acquiring company is based on the outcomes of purchase price allocations and valuations. As required by IAS 36: Impairment of assets, the directors conduct annual impairment tests to assess the recoverability of the carrying value of goodwill and other intangible assets and these are assessed for impairment when the indicators as defined in the accounting standards exist. These impairment assessments are performed using discounted cash flow models. As disclosed in note 9 of the financial statements, there are a number of key assumptions made in determining the inputs into these models which include: • Future cashflows; • Growth rates; and • The discount rate applied to the projected future cash flows. As a result of the above factors, impairment of goodwill and other intangible assets is considered to be a key audit matter.	In evaluating the impairment of goodwill and other intangible assets, we reviewed the value-in-use calculations prepared by the directors, with a particular focus on the input assumptions relating to the future cash flows, growth rates and discount rate. We performed various procedures, including the following: • An assessment of the cash-generating units (CGU's) to determine whether this was at the lowest level as monitored by the directors as required by IAS 36: Impairment of assets; • Testing of the design and implementation of the entity's controls relating to the budgeting process used in preparation of the cash flow forecasts; • Testing of inputs into the cash flow forecast against historical performance and in comparison to the directors' strategic plans in respect of each CGU; • Performed an independent assessment of the inputs into the weighted average cost of capital, used as the discount rate; • Re-computation of the value-in-use of each CGU; • Growth rates were assessed against inflation rates and by comparing prior year forecasts against actual growth rates achieved; • Comparison of the value-in-use against the carrying amount of each CGU to confirm no impairments were required; and • Evaluated the adequacy of the disclosure. We found that the assumptions used by the directors were reasonable when compared to historical performance and the expected future performance. The weighted average cost of capital used as the discount rates was found to be appropriate in the circumstances. We considered the goodwill impairment assessment disclosures as set out in note 9 to be appropriate.

Key audit matter	How the matter was addressed in the audit
Judgement in determining the identification and valuation of the intangible assets included in the purchase price allocation on acquisition (consolidated financial statements)	
On 1 July 2017, the Group acquired the Micros Group for R135 million, as disclosed in note 25.1 of the financial statements. The acquisition accounting requires the directors to identify and value acquired assets and liabilities at the acquisition date. The most significant judgements relate to the identification and valuation of intangible assets acquired. The identified intangible asset is the customer relationship. The fair value of the customer relationships acquired is based on valuation techniques built, in part, on the assumptions around the future cash flows linked to the customer relationships and assumptions made in determining the discount rate. This includes complex valuation considerations and required the use of specialists and as a result the judgement in determining the identification and valuation of the intangible asset included in the purchase price allocation on acquisition is considered to be a key audit matter.	We used our specialist who assessed and challenged the completeness of the intangible asset identified. The identified intangible asset is the customer relationships. In assessing the purchase price allocation to customer relationships we performed various procedures including the following: • assessing the design and implementation of the key controls over the purchase price allocation process; and • involving our own specialists to conclude on the appropriateness of the assumptions underpinning the valuations including the appropriateness of the future cash flows and the discount rate by assessing the model used, comparing the future cash flows to historic results, assessing growth rates for reasonableness, and calculating an independent discount rate. In addition to the above we evaluated the adequacy of the disclosures. Based on the procedures performed above we found the identified intangible assets to be complete and the valuation of the intangible assets acquired to be appropriate. We consider the related disclosure in note 25.1 to be appropriate.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit and Risk Committee's Report and the Certificate of the Company Secretary, as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

INDEPENDENT AUDITOR'S REPORT CONTINUED

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Adapt IT Holdings Limited for 5 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per: Stephen Munro
Partner

16 August 2018
Deloitte Place, 2 Pencarrow Crescent, Pencarrow Park, La Lucia Ridge Office Estate, 4051

National Executive: *LL Ban Chief Executive Officer; *TMM Jordan Deputy Chief Executive Officer Clients & Industries; *MJ Jarvis Chief Operating Officer *AF Mackie Audit & Assurance; *N Sing Risk Advisory; DP Ndlovu Tax & Legal; TP Pillay Consulting; *JK Mazzocco Talent & Transformation MG Dicks Risk Independence & Legal; *KL Hodson Corporate Finance; *TJ Brown Chairman of the Board

A full list of partners and directors is available on request *Partner and Registered Auditor

B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

DIRECTORS' STATUTORY REPORT

NATURE OF THE BUSINESS

Adapt IT Holdings Limited is the holding company of an information technology group which provides software solutions and services.

FINANCIAL RESULTS

The net profit attributable to shareholders of the company for the year ended 30 June 2018 amounted to R122 020 035 (2017: R88 133 237). This translates into basic earnings per share of 77,51 cents (2017: 58,74 cents) and headline earnings per share of 66,97 cents (2017: 58,76 cents) based on the weighted average number of shares in issue during the year.

REVIEW OF OPERATIONS

Commentary is provided under the CEO report on page 16 and segment report on page 108.

ACQUISITIONS

On 1 July 2017 the group acquired 100% of the issued capital of Micros (Pty) Ltd (Micros) for a maximum purchase consideration of R134 950 940. Micros conducts business in the Information Technology sector, *inter alia,* providing software, hardware, enterprise systems integration, consulting, support and solutions to its clients, primarily in the Hospitality industry. The acquisition of Micros, which is a leader in its vertical market, created an entry into the Hospitality industry, a new vertical for the group. Refer to note 25.1 on page 96 for further details.

On 1 June 2018 the group acquired the business of CDR Live Limited (Mauritius registered), the issued share capital in its wholly-owned subsidiary, LGR Analytics (USA registered), and the businesses of its wholly-owned subsidiaries, LGR Telecommunications (Pty) Ltd (South African registered) and LGR Telecommunications (Pty) Ltd (Australia registered) (collectively LGR) for a maximum purchase consideration of R74 000 000. LGR is a specialist solutions provider with an exclusive focus on the global Telecommunications industry. Refer to note 25.2 on page 97 for further details.

DISPOSALS

On 1 July 2017, Uyandiswa Project Management Services (Pty) Ltd (Uyandiswa) repurchased all of Adapt IT (Pty) Ltd shares in the company and Adapt IT (Pty) Ltd sold its BI resourcing business to Uyandiswa as part of a three-year Enterprise Development programme and transactions to allow Uyandiswa to become an independent sizeable black women-owned business, which will be a supplier and a business partner to the group going forward.

On 31 May 2018, CQS GRC Solutions (Pty) Ltd sold certain assets and liabilities, for a consideration of R20 472 195. Refer to note 26.1 on page 99 for further details.

On 1 June 2018, Adapt IT disposed of its share in CQS GRC Solutions (Pty) Ltd, for a consideration of R22 786 443. Refer to note 26.2 on page 99 for further details.

EVENTS AFTER THE REPORTING DATE

On 1 July 2018, Cash Bases South Africa (Pty) Ltd merged with Adapt IT (Pty) Ltd to achieve efficiencies and savings in administrative and operational expenditure.

DIVIDENDS: ORDINARY DIVIDEND NUMBER 15

The company declared a dividend of 13,70 cents per share, which was paid to shareholders on 26 September 2017.

DIVIDENDS: ORDINARY DIVIDEND NUMBER 16

The Board has set a policy of considering a dividend once annually, after the year-end. The Board has declared a dividend on a dividend cover ratio of four times as the group wishes to retain a significant proportion of profits for future growth activities.

The group will have sufficient working capital to meet its requirements after the dividend payment. Notice is hereby given that a gross cash dividend of 17,10 cents per share (the dividend) has been declared for the year ended 30 June 2018, payable to shareholders recorded in the books of the company at close of business on 21 September 2018.

In terms of the Listings Requirements of the JSE Limited the following additional information is disclosed:

- This is a dividend as defined in the Income Tax Act, 1962, and is payable from income reserves;
- The South African dividend tax (DT) rate is 20%; and
- The DT to be withheld by the company amounts to 3,42 cents per share.

DIRECTORS' STATUTORY REPORT CONTINUED

- Therefore, the net dividend payable to shareholders who are not exempt from DT is 13,68 cents per share, while the gross dividend of 17,10 cents per share is payable to those shareholders who are exempt from DT;
- The issued share capital of Adapt IT at the declaration date comprises 160 539 761 ordinary shares including 8 189 244 treasury shares held by the company's subsidiary, Adapt IT (Pty) Ltd. The issued share capital, excluding treasury shares, at the declaration date is 152 350 517;
- Adapt IT's registration number is 1998/017276/06; and
- Adapt IT's income tax reference number is 9410/002/71/2.

Shareholders are advised that the last day to trade *cum*-dividend will be Tuesday, 18 September 2018. Shares will trade *ex*-dividend as from Wednesday, 19 September 2018, and the record date will be Friday, 21 September 2018. Payment will be made on Tuesday, 25 September 2018. Share certificates may not be dematerialised or rematerialised during the period Wednesday, 19 September 2018 to Friday, 21 September 2018, both days inclusive. This dividend, having been declared after 30 June 2018, has not been provided for in the financial statements for the year ended 30 June 2018.

SHARE CAPITAL

8 189 244 treasury shares were held by the group at 30 June 2018 (2017: nil), resulting in a reduction of issued share capital in the current year.

During the current year, the issued ordinary share capital of the company increased by 6 942 850 shares to 160 539 761 (2017: 153 596 911) shares as a result of the company issuing shares to fund acquisitions as follows:

- In July 2017, 3 371 912 shares were issued in respect of the Micros acquisition. A further 3 091 343 shares were issued for cash to fund the Micros acquisition in July 2017.
- In July 2017, 17 930 shares were issued to an employee in terms of the Adapt IT Holdings Limited Executive Share Incentive Plan.
- In September 2017, 461 665 shares were issued to two executives to settle an earn-in bonus scheme which was an obligation relating to a 2015 acquisition.

TREASURY SHARES

During the year, the company's subsidiary, Adapt IT (Pty) Ltd, repurchased 9 264 774 (2017: nil) shares representing 5,8% of the total issued share capital in Adapt IT Holdings Limited for R72 666 348 (2017: Rnil). 1 075 530 treasury shares were issued in December 2017 to the vendors of EasyRoster.

At the last annual general meeting (AGM), a general authority was granted by shareholders to allow the company or its subsidiaries to purchase up to 10% of its own shares in terms of the Companies Act, 2008, as amended, and the Listings Requirements of the JSE Limited. The directors consider it will be advantageous to the company for this general authority to continue and the authority will be used if the directors consider that it is in the best interest of the company and shareholders.

The share repurchase programme will be considered in light of the prevailing circumstances and the cash resources of the group at the time. This resolution is sought on a routine basis to avoid the need for a special meeting of shareholders, should the Board deem a share repurchase programme to be suitable at a future date. Accordingly, shareholders will be asked to consider a similar special resolution to this effect at the forthcoming AGM.

INVESTMENTS IN SUBSIDIARIES

Details of the subsidiaries appear in note 10 to the annual financial statements. Aggregate profit before taxation from subsidiaries for the year ended 30 June 2018 amounted to R194 916 324 (2017: R127 717 001).

DIRECTORATE

Full details of the current Board of Directors appear on pages 12 and 13. In terms of the company's Memorandum of Incorporation, one third of the directors retire annually by rotation at the AGM. Provided that if a director is appointed as an employee of the company, he or she shall not, while continuing to be employed by the company, be subject to retirement by rotation and shall not be taken into account in determining the rotation or retirement of directors. A retiring director shall be eligible for re-election.

Accordingly, Mr O Fortuin and Ms C Koffman retire at the AGM to be held on 23 November 2018 and offer themselves for re-election.

At 30 June 2018, the directors held interests in the company as follows:

Executive directors	2018 Direct beneficial	%	2017 Direct beneficial	%	2018 Indirect beneficial	%	2017 Indirect beneficial	%
S Shabalala	**14 316 646**	**9**	14 316 646	9	**–**	**–**	–	–
T Dunsdon	**1 200 000**	**1**	1 200 000	1	**2 600 000**	**2**	2 600 000	2
N Mbambo	**63 000**	**–**	–	–	**–**	**–**	–	–
Total	**15 579 646**	**10**	15 516 646	10	**2 600 000**	**2**	2 600 000	2

There were no non-beneficial interests held by the directors at the year-end. There have been no changes in the directors' shareholdings since the year-end.

INTEREST OF DIRECTORS IN CONTRACTS

The directors have certified that they were not materially interested in any transaction of material significance, which significantly affected the business of the group, with the company or any of its subsidiaries. Accordingly, no conflict of interest, with regard to directors' interest in contracts exist. There have been no material changes to the above since 30 June 2018 and up to the date of this integrated annual report.

FINANCIAL ASSISTANCE TO RELATED COMPANIES

At the forthcoming AGM, pursuant to the requirements of Section 45 of the Companies Act, shareholders will be requested to pass a special resolution authorising the directors, by way of general authority, to allow the company to provide direct or indirect financial assistance to any company which is related or interrelated to the company, subject to the relevant provisions of Section 45.

SPECIAL RESOLUTIONS PASSED BY THE COMPANY

The following special resolutions were passed at the previous AGM and granted directors' authority to:

- Increase the directors' fees, as tabled;
- Repurchase a maximum of 20% of the company's shares, valid until the next AGM;
- Provide financial assistance to subsidiaries in the form of inter-company loans and guarantees of their debts as and when appropriate in the course of business; and
- Provide financial assistance to directors and prescribed officers, and to related parties for Empowerment related transactions and share incentive tax on the long-term incentive plan.

Nombali Mbambo
Chief Financial Officer

Johannesburg
16 August 2018

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

		Notes	Group 2018 R	Group 2017 R	Company 2018 R	Company 2017 R
Revenue		2	**1 353 896 440**	996 425 164	**25 735 304**	23 134 544
Turnover		2	**1 348 403 468**	993 671 344	**–**	–
Cost of sales			**(533 123 742)**	(420 420 024)	**–**	–
Gross profit			**815 279 726**	573 251 320	**–**	–
Administrative, selling and other costs			**(623 426 024)**	(422 268 011)	**(3 485 175)**	(3 106 526)
Other income		3	**26 350 922**	–	**–**	–
Sundry revenue		2	**–**	–	**3 500 000**	3 500 000
Profit from operations			**218 204 624**	150 983 309	**14 825**	393 474
Dividend received		2	**–**	–	**21 993 947**	19 633 931
Finance income		2	**5 492 972**	2 753 820	**241 357**	613
Finance costs		3	**(28 559 603)**	(25 605 200)	**–**	–
Share of loss of equity accounted investment after tax			**–**	(88 103)	**–**	–
Profit before taxation		3	**195 137 993**	128 043 826	**22 250 129**	20 028 018
Income tax expense		5	**(65 526 402)**	(35 497 923)	**(34 513)**	(67 262)
Profit for the year			**129 611 591**	92 545 903	**22 215 616**	19 960 756
Attributable to:						
Equity holders of the parent			**122 020 035**	88 133 237	**22 215 616**	19 960 756
Non-controlling interests			**7 591 556**	4 412 666	**–**	–
Other comprehensive income/(loss)						
Items that will not be reclassified to profit and loss			**(2 750 454)**	–	**–**	–
Devaluation of land and building			**(3 544 400)**	–	**–**	–
Income tax effect			**793 946**	–	**–**	–
Items that may be reclassified subsequently to profit and loss			**533 692**	(437 553)	**–**	–
Exchange gain/(loss) arising from translation of foreign operations			**533 692**	(437 553)	**–**	–
Total comprehensive income			**127 394 829**	92 108 350	**22 215 616**	19 960 756
Attributable to:						
Equity holders of the parent			**119 803 273**	87 695 684	**22 215 616**	19 960 756
Non-controlling interests			**7 591 556**	4 412 666	**–**	–
Basic earnings per share	(cents)	6.1	**77,51**	58,74	**–**	–
Basic diluted earnings per share	(cents)	6.1	**77,51**	58,74	**–**	–

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Notes	**Group 2018 R**	Group 2017 R	**Company 2018 R**	Company 2017 R
ASSETS					
Non-current assets		**974 153 583**	730 781 287	**92 837 242**	49 543 493
Property and equipment	7	**96 241 640**	35 285 087	**–**	–
Intangible assets	8	**239 365 393**	180 875 370	**–**	–
Goodwill	9	**571 931 924**	500 346 685	**–**	–
Interest in subsidiaries and share trust	10	**–**	–	**71 099 241**	49 511 335
Loans to subsidiaries	10	**–**	–	**21 672 542**	32 158
Finance lease receivables	11	**23 666 262**	–	**–**	–
Loans receivable	12	**15 288 798**	–	**–**	–
Deferred taxation asset	13	**27 659 566**	14 274 145	**65 459**	–
Current assets		**413 361 377**	355 666 131	**310 213 742**	300 609 100
Inventories	14	**21 994 177**	–	**–**	–
Trade and other receivables	15	**272 691 888**	228 362 544	**212 804**	2 277 675
Amounts owing by subsidiaries	10	**–**	–	**309 607 769**	297 962 752
Current tax receivable		**1 632 675**	12 288 985	**99 395**	86 770
Finance lease receivables	11	**10 986 946**	–	**–**	–
Loans receivable	12	**4 096 044**	–	**–**	–
Cash and cash equivalents	16	**86 397 659**	98 048 710	**293 774**	281 903
Assets classified as held for sale	27	**15 561 988**	16 965 892	**–**	–
Total assets		**1 387 514 960**	1 086 447 418	**403 050 984**	350 152 593
EQUITY AND LIABILITIES					
Equity					
Share capital	17	**16 054**	15 360	**16 054**	15 360
Treasury shares	17	**(819)**	–	**–**	–
Share premium	18	**340 277 986**	336 225 816	**400 647 135**	331 510 804
Other capital reserves		**–**	17 154 720	**–**	17 154 720
Equity compensation reserve	19	**19 221 006**	14 585 430	**–**	–
Foreign currency translation reserve		**3 304 659**	2 770 967	**–**	–
Revaluation reserve		**–**	3 544 400	**–**	–
Retained earnings		**388 101 858**	287 281 824	**1 134 074**	912 405
Equity attributable to shareholders of the company		**750 920 744**	661 578 517	**401 797 263**	349 593 289
Non-controlling interests		**2 283 174**	6 958 535	**–**	–
Total equity		**753 203 918**	668 537 052	**401 797 263**	349 593 289
Non-current liabilities		**287 750 540**	193 177 743	**–**	32 030
Interest-bearing borrowings	20	**200 794 458**	101 486 667	**–**	–
Financial liabilities	28	**33 479 340**	43 814 766	**–**	–
Finance lease liabilities	21	**1 670 033**	–	**–**	–
Deferred taxation liability	13	**51 806 709**	47 876 310	**–**	32 030
Current liabilities		**346 560 502**	224 732 623	**1 253 721**	527 274
Trade and other payables	22	**133 859 490**	110 667 792	**1 253 721**	527 274
Provisions	23	**51 841 262**	24 921 276	**–**	–
Deferred income		**105 458 045**	71 222 047	**–**	–
Current tax payable		**1 453 331**	1 762 369	**–**	–
Financial liabilities	28	**38 951 795**	14 197 783	**–**	–
Current portion of interest-bearing borrowings	20	**13 680 725**	580 894	**–**	–
Finance lease liabilities	21	**1 315 854**	–	**–**	–
Non-interest-bearing borrowings		**–**	1 380 462	**–**	–
Total equity and liabilities		**1 387 514 960**	1 086 447 418	**403 050 984**	350 152 593

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Group 2018 R	Group 2017 R	Company 2018 R	Company 2017 R
OPERATING ACTIVITIES					
Cash generated from operations	24.1	**257 709 547**	139 325 456	**2 806 143**	(2 117 820)
Finance income		**3 957 779**	1 600 672	**241 357**	613
Finance costs		**(23 403 322)**	(16 248 874)	**–**	–
Dividends received		**–**	–	**21 993 947**	19 633 931
Dividends paid		**(34 970 537)**	(23 359 331)	**(21 993 947)**	(19 633 931)
Taxation paid	24.2	**(68 951 177)**	(42 102 157)	**(144 627)**	(67 010)
Net cash flow from/(utilised in) operating activities		**134 342 290**	59 215 766	**2 902 873**	(2 184 217)
INVESTING ACTIVITIES					
Property and equipment acquired	7	**(90 683 597)**	(6 681 043)	**–**	–
Intangible assets acquired and developed	8	**(9 033 738)**	(4 913 201)	**–**	–
Proceeds on disposal of property and equipment		**2 065 746**	129 098	**–**	–
Proceeds from loans receivable		**5 752 936**	–	**–**	–
Payments to acquire financial assets		**(2 160 186)**	–	**–**	–
Settlement of contingent purchase consideration		**(22 390 664)**	(48 000 003)	**–**	–
Net cash outflow on acquisition of subsidiaries	25	**(108 734 438)**	(21 696)	**–**	–
Proceeds from disposal of subsidiary	26	**42 027 110**	–	**–**	–
Increase in investment in subsidiary		**–**	–	**(21 587 906)**	–
Net cash utilised in investment activities		**(183 156 831)**	(59 486 845)	**(21 587 906)**	–
FINANCING ACTIVITIES					
Proceeds from borrowings		**323 000 000**	313 500 041	**–**	–
Repayment of borrowings		**(242 822 697)**	(376 596 812)	**–**	–
Proceeds from finance lease		**285 291**	–	**–**	–
Share repurchases		**(72 666 348)**	–	**–**	–
Issue of shares for cash		**35 297 437**	83 999 979	**–**	–
Issue of company's shares		**–**	–	**69 137 025**	133 999 970
Increase in amounts owing by subsidiaries		**–**	–	**(50 440 121)**	(131 663 293)
Repayment of vendor loans (note 25.1)		**(6 723 864)**	–	**–**	–
Net cash flows from financing activities		**36 369 819**	20 903 208	**18 696 904**	2 336 677
Net (decrease)/increase in cash resources		**(12 444 722)**	20 632 129	**11 871**	152 460
Exchange gain/(loss) on translation		**793 671**	(307 787)	**–**	–
Cash and cash equivalents at beginning of year		**98 048 710**	77 724 368	**281 903**	129 443
Cash and cash equivalents at end of year	16	**86 397 659**	98 048 710	**293 774**	281 903

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Attributable to equity holders of the parent										
	Share capital R	Treasury shares R	Share premium R	Other capital reserves R	Equity compensation reserve R	Asset revaluation reserve R	Foreign currency translation reserve R	Retained earnings R	Attributable to equity holders of the parent R	Non-controlling interests R	Total R
GROUP											
Balance at 30 June 2016	14 006	–	200 831 266	34 574 504	5 724 817	3 544 400	3 208 520	218 782 518	466 680 031	6 007 925	472 687 956
Total comprehensive income for the year	–	–	–	–	–	–	(437 553)	88 133 237	87 695 684	4 412 666	92 108 350
Profit for the year	–	–	–	–	–	–	–	88 133 237	88 133 237	4 412 666	92 545 903
Other comprehensive loss for the year	–	–	–	–	–	–	(437 553)	–	(437 553)	–	(437 553)
Share-based payments	–	–	–	–	10 256 547	–	–	–	10 256 547	–	10 256 547
Issue of shares for business combination	765	–	49 999 226	(34 574 504)	–	–	–	–	15 425 487	–	15 425 487
Shares issued during the year	589	–	85 395 324	–	(1 395 934)	–	–	–	83 999 979	263 344	84 263 323
Shares to be issued	–	–	–	17 154 720	–	–	–	–	17 154 720	–	17 154 720
Dividend paid	–	–	–	–	–	–	–	(19 633 931)	(19 633 931)	(3 725 400)	(23 359 331)
Balance at 30 June 2017	15 360	–	336 225 816	17 154 720	14 585 430	3 544 400	2 770 967	287 281 824	661 578 517	6 958 535	668 537 052
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(3 544 400)**	**533 692**	**122 813 981**	**119 803 273**	**7 591 556**	**127 394 829**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**122 020 035**	**122 020 035**	**7 591 556**	**129 611 591**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(3 544 400)**	**533 692**	**793 946**	**(2 216 762)**	**–**	**(2 216 762)**
Share-based payments (note 19)	**–**		**–**	**–**	**4 823 482**	**–**	**–**	**–**	**4 823 482**	**–**	**4 823 482**
Net repurchase of shares	**–**	**(927)**	**(72 665 420)**	**–**	**–**	**–**	**–**	**–**	**(72 666 347)**	**–**	**(72 666 347)**
Issue of treasury shares	**–**	**108**	**7 581 259**	**(7 581 367)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Settled in cash	**–**	**–**	**–**	**(9 573 353)**	**–**	**–**	**–**	**–**	**(9 573 353)**	**–**	**(9 573 353)**
Issue of shares for business combination (note 25.1)	**337**	**–**	**33 651 345**	**–**	**–**	**–**	**–**	**–**	**33 651 682**	**–**	**33 651 682**
Shares issued during the year	**357**	**–**	**35 484 986**	**–**	**(187 906)**	**–**	**–**	**–**	**35 297 437**	**–**	**35 297 437**
Non-controlling interest disposed (note 26.2)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**709 673**	**709 673**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(21 993 947)**	**(21 993 947)**	**(12 976 590)**	**(34 970 537)**
Balance at 30 June 2018	**16 054**	**(819)**	**340 277 986**	**–**	**19 221 006**	**–**	**3 304 659**	**388 101 858**	**750 920 744**	**2 283 174**	**753 203 918**

Refer to note 17 for detail on share capital movement.

	Share capital R	Share premium R	Other capital reserves R	Retained earnings R	Total equity R
COMPANY					
Balance at 30 June 2016	14 006	196 116 254	34 574 504	585 580	231 290 344
Total comprehensive income for the year	–	–	–	19 960 756	19 960 756
Issue of shares	1 354	135 394 550	(34 574 504)	–	100 821 400
Shares to be issued	–	–	17 154 720	–	17 154 720
Dividend paid	–	–	–	(19 633 931)	(19 633 931)
Balance at 30 June 2017	15 360	331 510 804	17 154 720	912 405	349 593 289
Total comprehensive profit for the year	**–**	**–**	**–**	**22 215 616**	**22 215 616**
Issue of shares	**694**	**69 136 331**	**–**	**–**	**69 137 025**
Shares issued through treasury shares and cash	**–**	**–**	**(17 154 720)**	**–**	**(17 154 720)**
Dividend paid	**–**	**–**	**–**	**(21 993 947)**	**(21 993 947)**
Balance at 30 June 2018	**16 054**	**400 647 135**	**–**	**1 134 074**	**401 797 263**

Refer to note 17 for detail on share capital movement.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. ACCOUNTING POLICIES

Adapt IT Holdings Limited is incorporated and domiciled in South Africa.

The separate financial statements and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the listings requirements of the JSE Limited and the requirements of the Companies Act. The financial statements have been prepared under the historical cost method, except for certain financial instruments at fair value and property measured at fair value. These accounting policies have been consistently applied to all the years presented, except for the Standards and Interpretations which became effective during the current financial year which are disclosed in note 1.27 to the financial statements.

Unless otherwise indicated, any references to the group include the company.

1.1 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the company, its subsidiaries and the Adapt IT Holdings Limited Share Incentive Trust.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Separate disclosure is made of non-controlling interests where the group's ownership is less than 100%. Non-controlling interests consist of the amount of those interests at the date of the business combination and the non-controlling interest's share of changes in equity since then. Losses within a subsidiary are attributed to the non-controlling interest (where applicable) even if that results in a deficit balance.

Where considered necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies in line with those of the group.

The company accounts for its investments in subsidiaries at cost.

1.2 BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the group will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with International Accounting Standards (IAS)

IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

1. ACCOUNTING POLICIES CONTINUED

1.2 BUSINESS COMBINATIONS AND GOODWILL CONTINUED

Where goodwill forms part of a cash-generating unit and part of the operation within which that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

The goodwill/negative goodwill arising from business combinations of entities under common control is recorded in restructure reserves and measured as the excess of the purchase price over the carrying amounts to the group. The restructure reserves are recycled to retained earnings when the underlying entities are realised or sold externally to the group.

All business combinations will be provisionally accounted for in terms of the allowance per IFRS 3 (Business Combinations).

1.3 INTEREST IN EQUITY ACCOUNTED INVESTMENT

A joint venture is a joint arrangement whereby the parties that have joint control to the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The consolidated financial statements incorporate the assets, liabilities, income and expenses of joint ventures using the equity method of accounting from the acquisition date to the disposal date, except when the investment is classified as held for sale, in which case it is accounted for as non-current assets held for sale. The carrying amount of such investments is reduced to recognise any decline, other than a temporary decline, in the value of individual investments. Losses of joint ventures in excess of the group's interest are only recognised to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Goodwill arising on the acquisition of joint ventures is accounted for in accordance with the accounting policy for goodwill as set out above, but is included in the carrying amount of the joint venture.

1.4 FOREIGN CURRENCY TRANSACTIONS

The group's consolidated financial statements are presented in South African Rands, which is also the parent company's functional currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

Gains and losses arising on retranslation are included in profit or loss for the period and are classified as either operating or financing depending on the nature of the monetary items giving rise to them.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

The assets and liabilities of foreign operations are translated into South African Rands at the rate of exchange prevailing at the reporting date and their statements of profit or loss and other comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income and accumulated in equity in the foreign currency translation reserve.

On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

1.5 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. ACCOUNTING POLICIES CONTINUED

1.5 REVENUE CONTINUED

Revenue comprises the invoiced value of information technology services provided and technology and product sales, including completed service provided not yet invoiced, but excluding value added taxation. The various stages of invoicing are usually formalised in a service contract or brief, prior to commencement of any work. In terms of variable contracts, clients are invoiced according to the stage of completion and revenue is recognised accordingly. Stage of completion is measured as the amount of completed work, as a percentage of the agreed work to be done.

Where revenue is received in respect of product development on fixed price contracts and the work has not been performed, the revenue attributed thereto is not recognised and deferred income is shown as a liability in the statements of financial position. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Sundry revenue consists of recoveries from clients and sales of consumables.

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in profit or loss.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

1.6 COST OF SALES

The related cost of providing services recognised as revenue in the current period is included in the cost of sales. Contract costs comprise:

- Costs that relate directly to the specific contract;
- Costs that are attributable to contract activity in general; and
- Such other costs as are specifically chargeable to the customer under the terms of the contract.

1.7 BORROWING COSTS

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

1.8 TAXATION

Current income taxation

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statements of profit or loss and other comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred taxation

Deferred taxation is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

1. ACCOUNTING POLICIES CONTINUED

1.8 TAXATION CONTINUED

Deferred taxation continued

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax relating to items recognised outside profit and loss is recognised outside profit and loss.

Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Value added taxation (VAT)

Revenue, expenses and assets are recognised net of the amount of VAT, except receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables on the statements of financial position.

Dividend tax

Dividends are taxed in the hands of the shareholder and not the company in South Africa. As a result, the amount of such dividend tax payable to the taxation authority on behalf of the shareholders is included as part of payables in the statements of financial position (where applicable).

1.9 EMPLOYEE BENEFITS

Short-term benefits

All salaries and short-term employee benefits are expensed as incurred through profit or loss in the statements of profit or loss and other comprehensive income.

Post-retirement benefits

All contributions to the defined contribution pension and provident funds are charged against profit or loss in the statements of profit or loss and other comprehensive income as they fall due.

1.10 EARNINGS PER SHARE (EPS)

Basic EPS

Basic EPS is calculated by dividing profit for the period attributable to ordinary equity holders by the weighted average number of ordinary shares in issue during the period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. ACCOUNTING POLICIES CONTINUED

1.10 EARNINGS PER SHARE (EPS) CONTINUED

Diluted EPS

For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, such as share awards granted to employees. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net EPS.

Headline EPS

The presentation of headline EPS is mandatory under the JSE Listings Requirements and is not necessarily a measure of sustainable earnings. It is calculated in accordance with Circular 4/2018 "Headline Earnings", as issued by the South African Institute of Chartered Accountants.

Normalised headline EPS

Normalised headline EPS provides additional disclosure on the IFRS related impact of acquisitions on earnings. Normalised headline earnings is calculated by adding back to headline EPS the amortisation of intangible assets net of deferred taxation, as a consequence of the purchase price allocations completed in terms of IFRS 3 – Business Combinations and fair value adjustments on outstanding contingent purchase considerations.

1.11 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the parts are recognised as individual assets with specific useful lives and depreciated accordingly.

All other repair and maintenance costs are recognised in profit or loss as incurred.

The useful lives, residual values and methods of depreciation are reassessed annually and adjusted prospectively, if appropriate.

Owner-occupied property is classified as land and buildings and is carried under the revaluation model. Any revaluation surplus is recognised in other comprehensive income and credited to the asset's revaluation reserve included in the equity section of the statements of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statements of profit or loss and other comprehensive income, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Accumulated depreciation at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Each part of an item of property and equipment with a cost significant in relation to the total cost of the item is depreciated separately. Where the recoverable amount of owner-occupied property is higher than cost, no depreciation is charged. The depreciation charge for each period is recognised in profit or loss.

Depreciation is calculated on a straight-line basis in profit or loss over the estimated useful lives of the assets as follows:

Category	**Useful life**
Computer hardware	3 to 5 years
Telephone equipment	5 to 7 years
Office equipment	6 to 8 years
Furniture and fittings	6 to 10 years
Leasehold improvements	**Period of lease**
Owner-occupied property	50 years
Motor vehicles	5 to 7 years

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

1. ACCOUNTING POLICIES CONTINUED

1.12 INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Trademarks

Trademarks are recognised at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is recognised in profit or loss and commences when the trademarks are available for use.

The group ensures that all its proprietary trademarks are amortised over a 20-year period.

Category	**Useful life**
Trademarks	20 years

Inhouse developed software

Research costs pertaining to inhouse developed software are expensed in the period in which they are incurred.

Development costs that relate to an identifiable product or process that is demonstrated to be technically and commercially feasible which the group has sufficient resources and the intention to complete and bring to market and which is expected to result in future economic benefits, are recognised as assets.

The expenditure capitalised, provided the costs are measurable, includes the cost of material, direct labour and an appropriate portion of overheads. Capitalised development expenditure is shown as cost less accumulated amortisation and impairment losses. The amount of capitalised development cost recognised as an asset is amortised over the estimated useful life of the asset (but for no greater a period than five years).

Other software

All other software acquired separately is measured on initial recognition at cost. The cost of software acquired in a business combination is its fair value at the date of the acquisition. Following initial recognition, software is carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful life of software is assessed as finite, as indicated in the table below and is reassessed, with the amortisation method, at least at each financial period-end. The amortisation of software is recognised in profit or loss in the period to which it relates.

Category	**Useful life**
Inhouse developed software	3 to 5 years
Acquired computer software	2 to 4 years
Licence acquired	1 to 5 years
Acquired business combination software	3 to 10 years

Customer relationships

The cost of customer relationships acquired in a business combination is its fair value at the date of the acquisition. Following initial recognition, the value of customer relationships is carried at cost less any accumulated amortisation and any accumulated impairment losses. The amortisation of customer relationships is recognised in profit or loss in the period to which it relates.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. ACCOUNTING POLICIES CONTINUED

1.12 INTANGIBLE ASSETS CONTINUED

Category	Useful life
Customer relationships	7 to 10 years

Research expenditure

Research costs incurred with the prospect of gaining new scientific or technical knowledge and understanding are charged as an expense in profit or loss in the period in which they are incurred.

1.13 IMPAIRMENT OF NON-FINANCIAL ASSETS

The group assesses at each reporting date whether there is an indication that an asset may be impaired.

If any such indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or group of assets. Where the carrying amount of the assets exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount with the impairment recognised in profit and loss or unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase in other comprehensive income. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

If such indication exists, the group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

1.14 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make a sale.

The cost of inventories comprises of all costs of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1. ACCOUNTING POLICIES CONTINUED

1.15 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessor

Amounts due from lessees under a finance lease are recognised as finance lease receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Finance leases - lessee

Finance leases are recognised as assets and liabilities of the group at the lower of the fair value of the asset and the present value of the minimum lease payments at the date of acquisition. Finance costs represent the difference between the total leasing commitments and the fair value of the assets acquired. Finance costs are charged to profit or loss over the term of the lease and at interest rates applicable to the lease on the remaining balance of the obligations, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating leases – lessor

Rental income from operating leases is recognised on the straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Operating leases – lessee

Rentals payable under operating leases are recognised as an operating expense in the statements of profit or loss and other comprehensive income on the straight-line basis over the term of the relevant lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Benefits received and receivable as an incentive to enter into an operating lease are also spread on the straight-line basis over the lease term.

1.16 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as loans and receivables.

The group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statements of profit or loss and other comprehensive income.

The group's loans and receivables include cash and cash equivalents and accounts receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current and call accounts.

Cash and cash equivalents are subsequently carried at amortised cost using the effective interest rate method less allowance for any impairment as appropriate.

Accounts receivables

Trade receivables and loan receivables are subsequently carried at amortised cost using the effective interest rate method less allowance for any impairment as appropriate.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. ACCOUNTING POLICIES CONTINUED

1.17 IMPAIRMENT OF FINANCIAL ASSETS

The group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortised cost the group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statements of profit or loss and other comprehensive income. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or decreased by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statements of profit or loss and other comprehensive income.

1.18 FINANCIAL LIABILITIES

Financial liabilities within the scope of IAS 39 are classified as loans and borrowings as appropriate.

The group's financial liabilities include accounts payable and loans and borrowings (which include interest and non-interest-bearing borrowings).

The group determines the classification of its liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate (EIR) method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statements of profit or loss and other comprehensive income.

1. ACCOUNTING POLICIES CONTINUED

1.19 DERECOGNITION OF FINANCIAL INSTRUMENTS

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the assets have expired; and
- The group has transferred its rights to receive cash flows from the assets or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred, nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. In that case, the group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

1.20 OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.21 SHARE ISSUE COSTS

Incremental costs directly attributable to the issue of new shares are shown as a deduction, net of applicable tax, from the proceeds. An incremental share issue cost is one which would not have arisen if shares had not been issued.

1.22 SHARE-BASED PAYMENTS

Executive directors, senior executives and other employees have been granted equity-settled share options in terms of the Adapt IT Holdings Limited Executive Share Incentive Plan (a share appreciation rights scheme). Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant and recognised in profit or loss on the straight-line basis over the vesting period. Furthermore, fair value is based on the estimated number of share incentive units adjusted for the effect of non-market-based vesting conditions that will eventually vest. Fair value is measured using a binomial pricing model.

1.23 TREASURY SHARES

The purchase by any group entity of the company's equity instruments results in the recognition of treasury shares. The consideration paid is deducted from equity. Where such treasury shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the equity holders of the company, net of any directly attributable incremental transaction costs and the related tax effects.

1.24 DIVIDENDS

Dividends to the company's ordinary equity holders are recognised as a liability in the period in which the dividends are declared and approved. Final dividends are accrued when approved by the Board.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. ACCOUNTING POLICIES CONTINUED

1.25 PROVISIONS

A provision is recognised when the group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

1.26 KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the group's accounting policies, management has made the following judgements, estimates and assumptions that potentially have the most significant effect on the amounts recognised in the financial statements.

Accrued revenue
Revenue is accrued for projects in progress at year-end. Revenue is accrued based on the stage of completion of each project. The stage of completion is based on the estimated work required to complete the project.

Deferred taxation
Deferred tax assets representing the carry forward of unused tax losses are only recognised to the extent that it is probable that taxable profits will be available in future. In instances where there is no contracted income, the raising of the deferred taxation asset is limited to the next two years' budgeted taxable profit due to uncertainty of estimating profits more than two years hence.

Deferred tax liabilities are raised based on management's best estimate as to the method of recovery of the underlying assets.

Owner-occupied property
The group measures owner-occupied property at revalued amounts with changes in fair value being recognised in other comprehensive income.

Useful lives and residual values
Property and equipment are depreciated over their useful lives taking into account residual values, where appropriate.

Intangible assets are amortised over the useful lives as considered appropriate by management.

Assessments of useful lives and residual values are performed annually after considering factors such as technological innovation, maintenance programmes, relevant market information and management consideration.

Impairment of goodwill
The group's impairment test for goodwill is based on value in use calculations that use a discounted cash flow model.

The cash flows are derived from the budget for the next five years and do not include restructuring activities that the group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The key assumptions used to determine the recoverable amount for the different cash-generating units are further explained in note 9.

1.27 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The following new and revised IFRSs have been adopted in these annual financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years and are mandatorily effective.

- Amendments to IAS 7: Disclosure Initiative
- Amendment to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IFRSs: Annual Improvements to IFRSs 2014-2016 Cycle

1. ACCOUNTING POLICIES CONTINUED

1.28 NEW OR REVISED IFRS STANDARDS

Management has considered all standards and amendments that are in issue but not yet effective. The standards, interpretations and amendments that are relevant to the group but which the group has not early adopted are as follows:

- IFRS 9: Financial Instruments (Effective 1 January 2018)
- IFRS 15: Revenue from Contracts with Customers (Effective 1 January 2018)
- IFRS 16: Leases (Effective 1 January 2019)

IFRS 9 Financial Instruments
IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The group's financial assets include:

- Trade and other receivables – Currently classified as loans and receivables and are measured at amortised cost. Trade and other receivables continue to qualify for measurement at amortised cost under IFRS 9 because they are held to collect contractual cash flows and held within the same business model, therefore there is no change to the accounting for these assets.
- Finance lease receivables and loans – Currently classified as loans and receivables and are measured at amortised cost. Finance lease receivables and loans continue to qualify for measurement at amortised cost under IFRS 9 because they are held to collect contractual cash flows comprising principal and interest and held within the same business model, therefore there is no change to the accounting for these assets.

Impairment
The group's initial assessment indicates that a simplified approach for the impairment of trade receivables would be applicable given the profile of the group's trade receivable balances and the expected collection periods. The group has principally applied an incurred model in the current and previous reporting periods; this will change to an anticipated model under IFRS 9.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance.

The core principal of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. There is now a 5-step approach to revenue recognition as follows:

- Step 1: Identify the contract with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the performance obligation is transferred to the customer.

Management has performed a high level assessment of the expected impact of IFRS 15 on the group's current revenue recognition and the new standard is not anticipated to have a material impact on the group's net profit position.

We expect significant disclosure impacts in applying the new standard.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. ACCOUNTING POLICIES CONTINUED

1.28 NEW OR REVISED IFRS STANDARDS CONTINUED

IFRS 16 Leases

IFRS 16 specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The group leases certain offices and vehicles which fall within the scope of the new standard.

Lessee accounting

IFRS introduces significant changes to lessee accounting; it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at the commencement of a lease for all leases except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses. The lease liability is initially measured at the present value of the future lease payments. The lease liability is adjusted for interest and lease payments, as well as the impact of any lease modifications.

Management have performed an initial assessment of the impact of the new standard and anticipate a material change in the amounts recognised as assets and liabilities as explained above. The impact on the group's profit and loss will be a change of classification (from lease expense to amortisation, depreciation and interest) but is not expected to have a material effect on the group's net profit position.

As an indicator, we would anticipate that the present value of the amounts disclosed in note 29.1 would provide a good indicator of the right-of-use asset and corresponding lease liability to be recognised.

Lessor accounting

In contrast to lessee accounting the IFRS 16 lessor accounting requirements remain largely unchanged from IAS 17, which continue to require a lessor to classify a lease as either an operating lease or finance lease.

Management has performed an assessment of the expected impact of IFRS 16 on the group's current lessor accounting and the new standard is not anticipated to have a material impact on the group's net profit position.

	Group 2018 R	Group 2017 R	Company 2018 R	Company 2017 R
2. REVENUE				
Services rendered	**893 602 643**	680 096 978	**–**	–
Sale of goods	**447 177 553**	313 574 366	**–**	–
Interest received on finance leases	**7 623 272**	–	**–**	–
Turnover	**1 348 403 468**	993 671 344	**–**	–
Finance income	**5 492 972**	2 753 820	**241 357**	613
Sundry revenue	**–**	–	**3 500 000**	3 500 000
Dividends received	**–**	–	**21 993 947**	19 633 931
	1 353 896 440	996 425 164	**25 735 304**	23 134 544
3. PROFIT BEFORE TAXATION				
Profit before taxation for the year is stated after:				
Income				
Foreign exchange profit	**4 406 515**	4 730 742	**–**	–
Doubtful debts recovered	**203 984**	2 423 365	**–**	–
Dividend received from subsidiary	**–**	–	**21 993 947**	19 633 931
Finance income	**5 492 972**	2 753 820	**241 357**	613
Imputed interest	**1 535 193**	1 153 148	**–**	–
Other interest received	**2 209 141**	236 344	**241 357**	613
Interest on cash and cash equivalents	**1 748 638**	1 364 328	**–**	–
Profit on sale of investment in Uyandiswa Project Management Services (Pty) Ltd	**84 108**	–	**–**	–
Profit on sale of CQS GRC Solutions (Pty) Ltd assets (note 26.1)	**7 212 790**	–	**–**	–
Profit on disposal of subsidiary (note 26.2)	**19 054 024**	–	**–**	–
Expenditure				
Auditors' remuneration	**4 595 290**	2 874 826	**400 261**	111 260
– Fees	**4 529 418**	2 744 826	**386 079**	111 260
– Other services	**65 872**	130 000	**14 182**	–
Depreciation	**13 910 219**	8 444 182	**–**	–
Finance costs	**28 559 603**	25 605 200	**–**	–
– Borrowings	**23 403 322**	16 248 874	**–**	–
– Financial liabilities (imputed)	**5 156 281**	9 356 326	**–**	–
Foreign exchange loss	**147**	7 846 861	**–**	–
Amortisation of intangible assets	**37 987 302**	34 898 517	**–**	–
Staff costs	**514 856 749**	385 370 102	**–**	–
– Salaries and wages	**473 802 642**	367 030 777	**–**	–
– Commission	**7 314 948**	6 787 465	**–**	–
– Bonus and performance-related payments	**33 739 159**	11 551 860	**–**	–
Share-based payment expense	**4 823 482**	10 256 547	**–**	–
Operating lease charges				
– Property	**34 531 836**	20 631 601	**–**	–
Loss on sale of property and equipment	**473 160**	16 276	**–**	–
Scrapping of property and equipment	**385 239**	–	**–**	–
Provision for impairment of trade and other receivables	**8 805 452**	1 170 325	**–**	–
Fair value adjustment to financial liabilities	**2 891 886**	–	**–**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

	Group 2018 R	Group 2017 R	Company 2018 R	Company 2017 R
4. DIRECTORS' EMOLUMENTS				
Directors and past executive directors				
In connection with the affairs of the group	**12 970 289**	7 168 384	**12 970 289**	7 168 384
Salary and medical aid				
– S Shabalala	**2 717 636**	2 342 789	**2 717 636**	2 342 789
– T Dunsdon	**2 319 682**	2 142 300	**2 319 682**	2 142 300
– N Mbambo	**1 920 000**	1 417 333	**1 920 000**	1 417 333
Share-based payment expense*				
– S Shabalala	**1 167 951**	546 396	**1 167 951**	546 396
– T Dunsdon	**746 103**	290 357	**746 103**	290 357
– N Mbambo	**546 877**	429 209	**546 877**	429 209
Bonus and performance-related payments				
– S Shabalala	**1 721 040**	–	**1 721 040**	–
– T Dunsdon	**1 020 600**	–	**1 020 600**	–
– N Mbambo	**810 400**	–	**810 400**	–
Prescribed Officer				
In connection with the affairs of the group	**3 774 280**	–	**–**	–
Salary and medical aid				
– C Young	**1 986 295**	–	**–**	–
Share-based payment expense*				
– C Young	**968 986**	–	**–**	–
Bonus and performance-related payments				
– C Young	**819 000**	–	**–**	–
Directors and past non-executive directors				
For attending meetings	**1 175 064**	1 008 480	**1 175 064**	1 008 480
C Chambers	**386 232**	351 120	**386 232**	351 120
B Ntuli	**262 944**	219 120	**262 944**	219 120
O Fortuin	**262 944**	219 120	**262 944**	219 120
C Koffman	**262 944**	219 120	**262 944**	219 120
	17 919 634	8 176 864	**14 145 353**	8 176 864

** No gain has been realised in respect of the underlying Share Incentive Plan at30 June 2018 (note 19).*

5. INCOME TAX EXPENSE

	Group 2018 R	Group 2017 R	Company 2018 R	Company 2017 R
South African normal tax				
Current tax				
– Current year	**73 608 419**	42 024 772	**146 071**	108 738
– Prior year under/(over) provision	**738 679**	(12 328 660)	**(14 069)**	(56 628)
Deferred tax				
– Current year	**(13 644 015)**	(1 414 007)	**(84 466)**	15 152
– Prior year (over)/under provision	**(1 093 490)**	2 540 769	**(13 023)**	–
Share transfer tax	**345 510**	–	**–**	–
	59 955 103	30 822 874	**34 513**	67 262
Foreign tax				
– Current year	**5 826 160**	4 352 238	**–**	–
– Prior year (over)/under provision	**(254 861)**	322 811	**–**	–
	5 571 299	4 675 049	**–**	–
Tax for the year	**65 526 402**	35 497 923	**34 513**	67 262

	%	%	%	%
Effective rate of taxation*				
South African normal tax rate	**28,0**	28,0	**28,0**	28,0
Adjusted for:				
– Non-deductible expenditure	**10,4**	6,5	**–**	–
– Non-taxable amounts	**(11,8)**	(0,4)	**–**	–
– Dividends received from subsidiary	**–**	–	**(27,6)**	(27,4)
– Prior year under/(over) provision in current and foreign tax	**0,2**	(9,4)	**(0,1)**	(0,3)
– Prior year under provision in deferred tax	**(0,6)**	2,0	**(0,1)**	–
– Withholding tax paid	**2,8**	3,3	**–**	–
– Withholding tax credits	**(0,2)**	(1,7)	**–**	–
– Capital gains tax	**4,6**	–	**–**	–
– Share transfer tax	**0,2**	–	**–**	–
– Different tax rates	**–**	(0,6)	**–**	–
Effective rate of taxation	**33,6**	27,7	**0,2**	0,3

** Effective rate of taxation is based on profit before taxation.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

		Group 2018 R	Group 2017 R

6. EARNINGS AND DIVIDENDS PER SHARE

6.1 EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to equity holders of R122 020 035 (2017: R88 133 237) and the weighted average number of ordinary shares in issue during the year of 157 415 107 (2017: 150 028 042). The calculation of diluted earnings per share is based on the profit of R122 020 035 (2017: R88 133 237) and the weighted average number of diluted ordinary shares in issue during the year of 157 415 107 (2017: 150 045 972).

		Group 2018 R	Group 2017 R
Reconciliation between earnings, headline earnings and normalised headline earnings			
Earnings attributable to equity holders of the parent		**122 020 035**	88 133 237
Adjusted for:			
– Loss on sale of property and equipment (note 3)		**473 160**	16 276
– Scrapping of property and equipment (note 3)		**385 239**	–
– Profit after tax on sale of businesses		**(17 452 763)**	–
Headline earnings		**105 425 671**	88 149 513
Adjusted for:			
Amortisation of intangible assets acquired		**33 895 406**	29 105 008
Deferred taxation on amortisation of intangible assets acquired		**(9 490 714)**	(8 149 402)
Fair value adjustment to financial liability (imputed interest)		**5 156 281**	9 356 326
Fair value adjustment to financial liability (Micros underpin)		**2 891 886**	–
Normalised headline earnings		**137 878 530**	118 461 445
Basic earnings per share	(cents)	**77,51**	58,74
Headline earnings per share	(cents)	**66,97**	58,76
Diluted basic earnings per share	(cents)	**77,51**	58,74
Diluted headline earnings per share	(cents)	**66,97**	58,75
Normalised headline earnings	(cents)	**87,59**	78,96

Normalised headline earnings are calculated by adding back to headline earnings the amortisation of intangible assets net of deferred taxation, as a consequence of the purchase price allocations completed in terms of IFRS 3 – Business Combinations and fair value adjustments to financial liabilities on contingent purchase considerations.

6.2 DIVIDENDS PER SHARE

		Group 2018 R	Group 2017 R
Dividends per share	(cents)	**13,70**	13,40

7. PROPERTY AND EQUIPMENT

GROUP 2018

	Owner-occupied property – land and buidlings R	Computer hardware R	Furniture and fittings R	Telephone equipment R	Leasehold improvements R	Office equipment R	Motor vehicles R	Total R
Carrying amount at beginning of year								
– Cost or valuation	21 554 106	19 512 056	9 376 661	3 009 900	5 056 460	1 908 018	525 466	60 942 667
– Accumulated depreciation	(2 111 610)	(11 857 326)	(4 569 782)	(2 533 250)	(3 660 542)	(1 051 872)	126 802	(25 657 580)
Carrying amount at beginning of year	19 442 496	7 654 730	4 806 879	476 650	1 395 918	856 146	652 268	35 285 087
Current year movements								
– Additions	–	14 341 460	39 464 872	1 225 987	30 608 607	3 172 287	1 870 384	90 683 597
– Devaluation	(3 544 400)	–	–	–	–	–	–	(3 544 400)
– Acquisition of subsidiary	–	3 194 984	2 854 394	–	–	1 603 171	2 863 381	10 515 930
– Disposals of CQS GRC Solutions (Pty) Ltd assets	–	(805 942)	–	–	(4 212 465)	(21 010)	–	(5 039 417)
– Cost	–	(1 587 565)	–	–	(4 212 465)	(35 362)	–	(5 835 392)
– Accumulated depreciation	–	781 623	–	–	–	14 352	–	795 975
– Disposals	–	(492 882)	(1 198 759)	(929)	(119 631)	(314 471)	(279 586)	(2 406 258)
– Cost	–	(12 346 750)	(8 398 258)	(18 578)	(764 408)	(2 178 090)	(760 727)	(24 466 811)
– Accumulated depreciation	–	11 853 868	7 199 499	17 649	644 777	1 863 619	481 141	22 060 553
– Transfers	(15 561 988)	23 797	(23 797)	–	–	–	–	(15 561 988)
– Cost	(18 009 706)	31 940	(31 940)	–	–	–	–	(18 009 706)
– Accumulated depreciation	2 447 718	(8 143)	8 143	–	–	–	–	2 447 718
– Depreciation	(336 108)	(6 609 028)	(2 847 448)	(196 816)	(1 201 403)	(1 087 615)	(1 631 801)	(13 910 219)
– Foreign exchange adjustments	–	153 053	41 215	–	8 214	423	16 403	219 308
– Cost	–	169 701	49 244	–	14 121	790	31 457	265 313
– Accumulated depreciation	–	(16 648)	(8 029)	–	(5 907)	(367)	(15 054)	(46 005)
Carrying amount at end of year	–	17 460 172	43 097 356	1 504 892	26 479 240	4 208 931	3 491 049	96 241 640
Made up as follows:								
– Cost or valuation	–	23 315 826	43 314 973	4 217 309	30 702 315	4 470 814	4 529 961	110 551 198
– Accumulated depreciation	–	(5 855 654)	(217 617)	(2 712 417)	(4 223 075)	(261 883)	(1 038 912)	(14 309 558)
Carrying amount at end of year	–	17 460 172	43 097 356	1 504 892	26 479 240	4 208 931	3 491 049	96 241 640

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

7. PROPERTY AND EQUIPMENT CONTINUED

	Owner-occupied property – land and buidlings R	Computer hardware R	Furniture and fittings R	Telephone equipment R	Leasehold improve-ments R	Office equipment R	Motor vehicles R	Total R
GROUP 2017								
Carrying amount at beginning of year								
– Cost or valuation	21 554 106	14 771 751	9 228 769	2 855 140	5 022 249	1 694 838	678 501	55 805 354
– Accumulated depreciation	(1 782 102)	(8 217 584)	(2 786 921)	(2 397 540)	(2 685 590)	(661 760)	92 687	(18 438 810)
Carrying amount at beginning of year	19 772 004	6 554 167	6 441 848	457 600	2 336 659	1 033 078	771 188	37 366 544
Current year movements								
– Additions	–	5 989 086	248 070	154 760	74 319	214 808	–	6 681 043
– Acquisition of subsidiary	–	22 954	–	–	–	–	–	22 954
– Disposals	–	(145 373)	–	–	–	–	–	(145 373)
– Cost	–	(663 606)	–	–	–	–	(68 148)	(731 754)
– Accumulated depreciation	–	518 233	–	–	–	–	68 148	586 381
– Transfers	–	–	–	–	–	–	–	–
– Cost	–	(565 260)	(29 456)	–	–	–	–	(594 716)
– Accumulated depreciation	–	565 260	29 456	–	–	–	–	594 716
– Depreciation	(329 508)	(4 747 043)	(1 821 730)	(135 710)	(983 923)	(390 364)	(35 904)	(8 444 182)
– Foreign exchange adjustments	–	(19 061)	(61 309)	–	(31 137)	(1 376)	(83 016)	(195 899)
– Cost	–	(42 869)	(70 722)	–	(40 108)	(1 628)	(84 887)	(240 214)
– Accumulated depreciation	–	23 808	9 413	–	8 971	252	1 871	44 315
Carrying amount at end of year	19 442 496	7 654 730	4 806 879	476 650	1 395 918	856 146	652 268	35 285 087
Made up as follows:								
– Cost or valuation	21 554 106	19 512 056	9 376 661	3 009 900	5 056 460	1 908 018	525 466	60 942 667
– Accumulated depreciation	(2 111 610)	(11 857 326)	(4 569 782)	(2 533 250)	(3 660 542)	(1 051 872)	126 802	(25 657 580)
Carrying amount at end of year	19 442 496	7 654 730	4 806 879	476 650	1 395 918	856 146	652 268	35 285 087

Owner-occupied property – land and building was transferred to assets classified as held for sale (note 27).

Motor vehicles have been pledged as security under finance leases (note 21).

8. INTANGIBLE ASSETS

	Customer relationships R	In-house developed software R	Acquired computer software R	Trademarks R	Licence acquired R	Total R
GROUP 2018						
Carrying amount at beginning of year						
– Cost or valuation	170 739 246	66 371 172	10 243 144	36 058	7 467 967	254 857 587
– Accumulated amortisation	(38 378 051)	(19 975 673)	(8 599 369)	(35 414)	(6 993 710)	(73 982 217)
Carrying amount at beginning of year	132 361 195	46 395 499	1 643 775	644	474 257	180 875 370
Current year movements						
– Additions	–	8 272 261	761 477	–	–	9 033 738
– Acquisition of subsidiary	54 273 833	38 800 000	1 167 049	–	–	94 240 882
– Disposals of CQS GRC Solutions (Pty) Ltd	(5 198 155)	(1 689 656)	–	–	–	(6 887 811)
– Cost	(7 939 000)	(2 421 000)	–	–	–	(10 360 000)
– Accumulated amortisation	2 740 845	731 344	–	–	–	3 472 189
– Disposals	–	–	(132 647)	–	–	(132 647)
– Cost	–	–	(995 606)	–	–	(995 606)
– Accumulated amortisation	–	–	862 959	–	–	862 959
– Amortisation	(24 331 176)	(11 446 309)	(1 733 006)	(2 554)	(474 257)	(37 987 302)
– Foreign exchange adjustments	–	221 767	–	1 396	–	223 163
– Cost	–	–	–	–	–	–
– Accumulated amortisation	–	221 767	–	1 396	–	223 163
Carrying amount at end of year	157 105 697	80 553 562	1 706 648	(514)	–	239 365 393
Made up as follows:						
– Cost or valuation	217 074 079	111 022 433	11 176 064	36 058	7 467 967	346 776 601
– Accumulated amortisation	(59 968 382)	(30 468 871)	(9 469 416)	(36 572)	(7 467 967)	(107 411 208)
Carrying amount at end of year	157 105 697	80 553 562	1 706 648	(514)	–	239 365 393

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

8. INTANGIBLE ASSETS CONTINUED

	Customer relationships R	In-house developed software R	Acquired computer software R	Trademarks R	Licence acquired R	Total R
GROUP 2017						
Carrying amount at beginning of year						
– Cost or valuation	144 152 990	48 893 377	8 828 648	36 058	7 467 967	209 379 040
– Accumulated amortisation	(18 746 001)	(8 198 173)	(6 806 582)	(27 674)	(5 569 172)	(39 347 602)
Carrying amount at beginning of year	125 406 989	40 695 204	2 022 066	8 384	1 898 795	170 031 438
Current year movements						
– Additions	–	3 498 705	1 414 496	–	–	4 913 201
– Acquisition of subsidiary	26 586 256	13 979 090	–	–	–	40 565 346
– Disposals	–	–	–	–	–	–
– Cost	–	–	–	–	–	–
– Accumulated amortisation	–	–	–	–	–	–
– Amortisation	(19 632 050)	(12 040 324)	(1 792 787)	(8 818)	(1 424 538)	(34 898 517)
– Foreign exchange adjustments	–	262 824	–	1 078	–	263 902
– Cost	–	–	–	–	–	–
– Accumulated amortisation	–	262 824	–	1 078	–	263 902
Carrying amount at end of year	132 361 195	46 395 499	1 643 775	644	474 257	180 875 370
Made up as follows:						
– Cost or valuation	170 739 246	66 371 172	10 243 144	36 058	7 467 967	254 857 587
– Accumulated amortisation	(38 378 051)	(19 975 673)	(8 599 369)	(35 414)	(6 993 710)	(73 982 217)
Carrying amount at end of year	132 361 195	46 395 499	1 643 775	644	474 257	180 875 370

Customer relationships relates to amount allocated for customers at date of acquisition with estimated useful lives of between five and 10 years (2017: five and nine year).

In-house developed software relates mainly to intellectual capital acquired through the acquisition of LGR, in-house accounting packages, energy software products and a student management system with estimated remaining useful lives of between one and 10 years (2017: one and seven years).

The licences acquired are SAP licenses being amortised over the five year license term (2017: five years).

	Group 2018 R	Group 2017 R
9. GOODWILL		
Carrying amount at beginning of the year	**500 346 685**	472 515 143
Acquisition of EasyRoster	**(1 380 462)**	43 081 242
Acquisition of Micros (note 25.1)	**78 047 323**	–
Acquisition of LGR (note 25.2)	**2 975 780**	–
Disposal of CQS GRC Solutions (Pty) Ltd (note 26.1)	**(8 057 402)**	–
Transferred to assets classified as held for sale (note 27)	**–**	(15 249 700)
Carrying amount at end of year	**571 931 924**	500 346 685
Comprising:		
Cost	**571 931 924**	500 346 685
Goodwill is allocated as follows:		
– Manufacturing	**10 407 854**	10 407 854
– HCM	**12 352 476**	12 352 476
– Energy	**95 476 795**	95 476 795
– Telecoms	**143 038 405**	143 038 405
– CQS	**187 932 511**	195 989 913
– EasyRoster	**41 700 780**	43 081 242
– Micros	**78 047 323**	–
– LGR	**2 975 780**	–
Total	**571 931 924**	500 346 685

For more detail on investments, refer to note 10.

The group tests goodwill annually for impairment. As at 30 June 2018, the carrying amount of goodwill was considered not to require impairment.

The recoverable amount of goodwill has been determined based on a value-in-use calculation using cash flow projections from financial forecasts approved by senior management covering a five-year period. Cash flow projections take into account past experience and external sources of information. The valuation method used is consistent with the prior year. There have been no accumulated impairment losses recognised to date.

The key assumptions used in the testing of goodwill are:

– Discount rate of 15% (2017: 15%) (weighted average cost of capital); and
– Projected cash flows for the five years based on a 5% (2017: 5%) growth rate.

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FOR THE YEAR ENDED 30 JUNE 2018

	Company Effective holding 2018 %	Company Effective holding 2017 %	Company Effective holding 2018 R	Company Effective holding 2017 R
10. INTEREST IN SUBSIDIARIES AND SHARE TRUST				
Incorporated in South Africa				
Adapt IT (Pty) Ltd	**100**	100	**49 699 241**	49 511 335
Adapt IT Holdings Limited Share Incentive Trust	**	**	**–**	–
Incorporated in Mauritius				
Adapt IT International Limited	**100**	100	**21 400 000**	–
			71 099 241	49 511 335

*** 100% consolidation*

	Company 2018 R	Company 2017 R
Adapt IT (Pty) Ltd		
Shares at cost	**48 115 401**	48 115 401
Share-based payments allocated to subsidiary	**1 583 840**	1 395 934
Total shares	**49 699 241**	49 511 335
Amounts due from subsidiary	**309 607 769**	297 962 752
	359 307 010	347 474 087
This intercompany amount is between Adapt IT (Pty) Ltd and Adapt IT Holdings Limited. No interest is charged and there are no fixed terms of repayment.		
Adapt IT International Limited		
Shares at cost	**21 400 000**	–
Amounts due from subsidiary	**21 640 384**	–
	43 040 384	–
The loan is Rand denominated. Interest is charged at prime rate and the full loan amount is repayable by 31 May 2026.		
Adapt IT Holdings Limited Share Incentive Trust		
Loan to Trust	**32 158**	32 158
	32 158	32 158
The indebtedness of the Trust comes about as a result of interest earned on financial assistance in respect of share options.		
The loan is unsecured and no interest is charged. The loan has no set terms of repayment.		
Total shares	**71 099 241**	49 511 335
Net amount owing from subsidiaries	**331 280 311**	297 994 910
– Non-current loans from subsidiary/Trust	**21 672 542**	–
– Current loans from subsidiary	**309 607 769**	297 994 910
Total interest	**402 379 552**	347 506 245

The directors' valuations of the above investments exceed the carrying amounts as reflected above, and hence no impairment is considered necessary.

Refer to note 33 for details of transactions between related parties.

Loans receivable not past due, nor impaired amount to R331 280 311 (2017: R297 994 910).

	Group 2018 R	Group 2017 R	Company 2018 R	Company 2017 R

11. FINANCE LEASE RECEIVABLES

	Group 2018 R	Group 2017 R	Company 2018 R	Company 2017 R
Current finance lease receivables	**10 986 946**	–	**–**	–
Non-current finance lease receivables	**23 666 262**	–	**–**	–
	34 653 208	–	**–**	–

Micros enters into finance lease arrangements for IT equipment. The average term of finance leases entered into is five years.

	Minimum lease payments		Present value of minimum lease payments	
Amounts receivable under finance leases	**2018 R**	2017 R	**2018 R**	2017 R
Within one year	**17 548 470**	–	**10 986 946**	–
In second to fifth year inclusive	**31 740 537**	–	**23 666 262**	–
	49 289 007	–	**34 653 208**	–
Less: Unearned interest	**(14 635 799)**	–	**–**	–
Present value of minimum lease payments receivable	**34 653 208**	–	**34 653 208**	–

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 10%.

12. LOANS RECEIVABLE

	Group 2018 R	Group 2017 R	Company 2018 R	Company 2017 R
Non-current loans receivable	**15 288 798**	–	**–**	–
Current loans receivable	**4 096 044**	–	**–**	–
	19 384 842	–	**–**	–

The loan arose on the disposal of Adapt IT (Pty) Ltd share in the company to Uyandiswa Project Management Services (Pty) Ltd, and the company acquiring Adapt IT (Pty) Ltd's BI resourcing business. The loan is a five year facility.

The loan is carried at amortised cost and the carrying value approximates fair value.

	Minimum lease payments		Present value of minimum lease payments	
Amounts receivable	**2018 R**	2017 R	**2018 R**	2017 R
Within one year	**5 735 429**	–	**4 096 044**	–
In second to fourth year inclusive	**17 213 044**	–	**15 288 798**	–
	22 948 473	–	**19 384 842**	–
Less: Unearned interest	**(3 563 631)**	–	**–**	–
Present value of minimum payments receivable	**19 384 842**	–	**19 384 842**	–

An interest rate of prime plus 0,1% is charged on R16 182 499 of the balance outstanding at 30 June 2018. The balance is interest free.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

	Group 2018 R	Group 2017 R	Company 2018 R	Company 2017 R
13. DEFERRED TAXATION				
The major components of the deferred taxation balance are as follows:				
Deferred taxation asset				
Temporary differences to be offset against future income:				
Leave pay, bonus and other provisions	**27 746 453**	11 631 834	**112 073**	31 153
Deferred revenue	**18 544 327**	9 113 843	**–**	–
Estimated tax losses	**1 665 347**	867 845	**–**	–
Imputed interest	**–**	12 106	**–**	–
Other	**508 896**	452 027	**–**	–
	48 465 023	22 077 655	**112 073**	31 153
Deferred taxation liability				
Prepaid expenditure	**(2 514 560)**	(1 110 628)	**(46 614)**	(63 184)
Revenue received in advance	**(7 311 548)**	(4 612 735)	**–**	–
Improvements to owner-occupied property	**(1 268 085)**	(440 607)	**–**	–
Property and equipment	**(9 711 265)**	(1 671 570)	**–**	–
Business combination on intangible asset	**(51 806 708)**	(47 844 280)	**–**	–
	(72 612 166)	(55 679 820)	**(46 614)**	(63 184)
Comprising:				
Deferred taxation asset	**27 659 566**	14 274 145	**65 459**	–
Deferred taxation liability	**(51 806 709)**	(47 876 310)	**–**	(32 030)
	(24 147 143)	(33 602 165)	**65 459**	(32 030)
Reconciliation of deferred taxation:				
Balance at beginning of year	**(33 602 165)**	(21 372 779)	**(32 030)**	(16 878)
Movements during the period attributable to:				
– Business combination on intangible asset	**(15 383 284)**	(11 358 297)	**–**	–
– Charge to profit and loss	**13 644 015**	1 414 007	**84 466**	(15 152)
– Prior year under provision	**1 093 490**	(2 540 769)	**13 023**	–
– Revaluation of property	**793 946**	–	**–**	–
– Foreign currency differences	**7 218**	–	**–**	–
– Acquisition of subsidiary	**7 371 050**	255 673	**–**	–
– Disposal of subsidiary	**1 928 587**	–	**–**	–
Balance at end of year	**(24 147 143)**	(33 602 165)	**65 459**	(32 030)
14. INVENTORIES				
Finished goods	**21 994 177**	–	**–**	–

	Group 2018 R	Group 2017 R	Company 2018 R	Company 2017 R
15. TRADE AND OTHER RECEIVABLES				
Trade receivables	**227 514 252**	195 362 188	**–**	2 052 000
Other receivables	**40 950 606**	22 371 425	**–**	–
Prepaid expenses	**15 322 605**	7 500 564	**212 804**	225 675
VAT	**357 354**	291 839	**–**	–
Loan to Alkon (Pty) Ltd	**–**	1 954 547	**–**	–
Loan to Uyandiswa Project Management Services (Pty) Ltd	**–**	3 742 781	**–**	–
	284 144 817	231 223 344	**212 804**	2 277 675
Provision for impairment	**(11 452 929)**	(2 860 800)	**–**	–
	272 691 888	228 362 544	**212 804**	2 277 675
The movement in provision for impairment:				
Balance at beginning of year	**2 860 800**	5 140 250	**–**	–
Charge for the year	**8 805 452**	1 170 325	**–**	–
Recovered for the year	**(203 984)**	(2 423 365)	**–**	–
Amounts written off	**(766 097)**	(1 025 639)	**–**	–
Foreign exchange movement	**(1 374)**	(771)	**–**	–
Acquisition of subsidiary	**850 385**	–	**–**	–
Disposal of CQS GRC Solutions (Pty) Ltd	**(92 253)**	–	**–**	–
Balance at end of year	**11 452 929**	2 860 800	**–**	–

Trade receivables are non-interest bearing and are generally on 30 to 90 day terms.

The trade receivables have been pledged as security for the Investec Limited debt (note 20).

All receivables have been assessed for impairment. Only trade receivables requires a provision for impairment due to related objective evidence.

Other receivables relate mainly to contracts in progress.

16. CASH AND CASH EQUIVALENTS

	Group 2018 R	Group 2017 R	Company 2018 R	Company 2017 R
Bank balances	**70 674 306**	72 490 759	**293 774**	281 903
Cash on deposit	**10 336 991**	15 058 734	**–**	–
Foreign currency	**5 352 534**	10 487 096	**–**	–
Petty cash	**33 828**	12 121	**–**	–
Net cash and cash equivalents at year-end	**86 397 659**	98 048 710	**293 774**	281 903

Bank balances earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the group and earn interest at the respective short-term deposit rates.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

	Group 2018 R	Group 2017 R	Company 2018 R	Company 2017 R
17. SHARE CAPITAL				
Authorised				
200 000 000 ordinary shares at 0,01 cent each	**20 000**	20 000	**20 000**	20 000
Issued				
160 539 761 (2017: 153 596 911) ordinary shares of 0,01 cent each	**16 054**	15 360	**16 054**	15 360
Less:				
8 189 244 (2017: nil) treasury shares of 0,01 cent each	**819**	–	**–**	–
	15 235	15 360	**16 054**	15 360

Reconciliation of the number of ordinary shares in issue	2018 Number of shares	2017 Number of shares
Ordinary shares in issue:		
Balance at beginning of year	**153 596 911**	140 061 814
Issue of shares for business combinations	**3 371 912**	7 646 638
Issue of shares for cash	**3 553 008**	5 793 102
Issue of shares for share appreciation rights	**17 930**	95 357
Balance at end of the year	**160 539 761**	153 596 911
Treasury shares on hand:		
Balance at beginning of year	**–**	–
Purchase of treasury shares	**9 264 774**	–
Issue of treasury shares	**(1 075 530)**	–
Balance at end of the year	**8 189 244**	–

The remaining unissued shares are under the control of the directors subject to the provision of section 41 and 42 of the Companies Act, 2008, and the Listings Requirements of the JSE Limited. All shares are fully paid up.

	Group 2018 R	Group 2017 R	Company 2018 R	Company 2017 R
18. SHARE PREMIUM				
Balance at beginning of year	**336 225 816**	200 831 266	**331 510 804**	196 116 254
On shares allotted during the year for business combination	**33 651 345**	49 999 226	**33 651 345**	49 999 226
On shares (repurchased)/allotted during the year	**(29 599 175)**	85 395 324	**35 484 986**	85 395 324
Balance at end of year	**340 277 986**	336 225 816	**400 647 135**	331 510 804

19. EQUITY COMPENSATION RESERVE

The Adapt IT Holdings Limited Executive Share Incentive Plan (a share appreciation rights scheme) was implemented in 2015. The scheme was approved by the JSE Limited and shareholders.

A participating executive must meet the performance conditions and be in the employ of the group in order for share units to be capable of vesting. The incentive units are equity-settled.

The unit price is equal to the share price at date of the offer. If performance conditions are met, the units vest in tranches on or after the dates set out below.

– 50% after one year
– 50% after two years

The units lapse three years after issue date.

Share-based payments are measured at fair value at the date of the grant, which is expensed over the period of vesting.

Equity compensation reserve	Group 2018 R	Group 2017 R
Balance at beginning of year	**14 585 430**	5 724 817
Total expense recognised arising from share-based payment	**4 823 482**	10 256 547
Exercised during the year equity-settled	**(187 906)**	(1 395 934)
Balance at end of year	**19 221 006**	14 585 430

Reconciliation of incentive units	Number of shares (number of share units)	Weighted average strike price of share units (cents)
Granted during the 30 June 2015 year		
Outstanding at beginning of year	868 434	901
Exercised during the year	(127 831)	1048
Outstanding at end of year	740 603	901
Exercisable at end of year	740 603	901

The share price at date of exercise was 1 048 cents.

Basis of valuation

Fair value was determined by using the Binomial model. The following inputs were used:

Unit price	(cents)	901
Strike price	(cents)	901
Expected volatility	(%)	29,4
Expected dividend yield	(%)	1,0
Weighted fair value of options issued	(cents)	232
Expiry date from issue	(years)	3

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FOR THE YEAR ENDED 30 JUNE 2018

19. EQUITY COMPENSATION RESERVE CONTINUED

Reconciliation of incentive units		Number of shares (number of share units)	Weighted average strike price of share units (cents)
Granted during the 30 June 2016 year			
Outstanding at beginning of year		442 980	1 125
Forfeited/cancelled during the year		(73 664)	
Outstanding at end of year		369 316	1 125
Exercisable at end of year		369 316	1 125
Basis of valuation			
Fair value was determined by using the Binomial model. The following inputs were used:			
Unit price	(cents)	1 125	
Strike price	(cents)	1 125	
Expected volatility	(%)	34,5	
Expected dividend yield	(%)	0,8	
Weighted fair value of options issued	(cents)	272	
Expiry date from issue	(years)	3	
Granted during the 30 June 2017 year			
Outstanding at beginning of year		1 905 610	1 294
Forfeited/cancelled during the year		(266 285)	
Outstanding at end of year		1 639 325	1 294
Exercisable at end of year		1 639 325	1 294
Basis of valuation			
Fair value was determined by using the Binomial model. The following inputs were used:			
Unit price	(cents)	1 294	
Strike price	(cents)	1 294	
Expected volatility	(%)	29,3	
Expected dividend yield	(%)	0,8	
Weighted fair value of options issued	(cents)	359	
Expiry date from issue	(years)	3	

19. EQUITY COMPENSATION RESERVE CONTINUED

Reconciliation of incentive units		Number of shares (number of share units)	Weighted average strike price of share units (cents)
Granted during the 30 June 2018 year			
Issued during the year		**9 612 380**	**933**
Outstanding at end of year		**9 612 380**	**933**
Exercisable at end of year		**4 806 190**	**933**
Basis of valuation			
Fair value was determined by using the Binomial model. The following inputs were used:			
Unit price	(cents)	**933**	
Strike price	(cents)	**933**	
Expected volatility	(%)	**29,8**	
Expected dividend yield	(%)	**1,5**	
Weighted fair value of options issued	(cents)	**215**	
Expiry date from issue	(years)	**3**	

Share appreciation units granted to executive directors

Expiring three years from	Issue price (cents)	Number of conditional awards 30 June 2017	Granted	Exercised	Lapsed	Forfeited	Number of conditional awards 30 June 2018	Time constrained
S Shabalala								
Granted during the 30 June 2015 year	901	347 026	–	–	–	–	**347 026**	347 026
Granted during the 30 June 2016 year	1 125	131 630	–	–	–	–	**131 630**	131 630
Granted during the 30 June 2018 year	933	–	1 887 106	–	–	–	**1 887 106**	1 887 106
		478 656	1 887 106	–	–	–	**2 365 762**	2 365 762
T Dunsdon								
Granted during the 30 June 2015 year	901	184 411	–	–	–	–	**184 411**	184 411
Granted during the 30 June 2016 year	1 125	69 949	–	–	–	–	**69 949**	69 949
Granted during the 30 June 2018 year	933	–	1 119 078	–	–	–	**1 119 078**	1 119 078
		254 360	1 119 078	–	–	–	**1 373 438**	1 373 438
N Mbambo								
Granted during the 30 June 2017 year	1 294	106 109	–	–	–	–	**106 109**	106 109
Granted during the 30 June 2018 year	933	–	599 122	–	–	–	**599 122**	599 122
		106 109	599 122	–	–	–	**705 231**	705 231

There are a further 20 executives who participate in the same share incentive scheme.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

	Group 2018 R	Group 2017 R
20. INTEREST-BEARING BORROWINGS		
Non-current borrowings	**200 794 458**	101 486 667
Investec Bank Limited	**189 080 365**	101 486 667
FirstRand Bank Limited	**11 714 093**	–
Current borrowings	**13 680 725**	580 894
Investec Bank Limited	**3 281 942**	580 894
FirstRand Bank Limited	**10 398 783**	–
Total	**214 475 183**	102 067 561

Name of entity	Interest rate 2018 %	Interest rate 2017 %	Maturity
Investec Bank Limited	**10,32**	9,75 to 10,71	30 June 2020
FirstRand Bank Limited	**10,00**	–	31 Dec 2021

Investec Bank Limited

A loan from Investec Bank Limited was obtained in July 2015 to fund future working capital requirements. The loan is a 60 month credit facility at an interest rate of the three month JIBAR plus 3,2% margin.

In January 2018, a further facility from Investec Bank Limited was obtained to fund working capital. The facility is a 12 month revolving facility at an interest rate of Investec Bank Limited's prime rate. The facility is unutilised at the reporting date.

The Investec Bank Limited facilities are secured by 100% of the shares held in Adapt IT (Pty) Ltd and cession of book debts held by Adapt IT Holdings Limited and its subsidiaries.

Excess cash resources are used from time to time to reduce the Investec facility.

Micros South Africa (Pty) Ltd has a loan with FirstRand Bank Limited (through its First National Bank division). The loan is repayable monthly and accrues interest at a rate linked to FirstRand Bank Limited's prime rate. The loan has been secured by a R15 000 000 general notarial bond over the moveable assets and the cession of all the positive balances held in Micros South Africa (Pty) Ltd bank accounts.

Interest-bearing borrowings are carried at amortised cost and carrying value approximates fair value.

	Group 2018 R	Group 2017 R	Company 2018 R	Company 2017 R
21. FINANCE LEASE LIABILITIES				
Non-current finance lease liabilities	**1 670 033**	–	**–**	–
Current finance lease liabilities	**1 315 854**	–	**–**	–
	2 985 887	–	**–**	–

Micros South Africa (Pty) Ltd lease certain motor vehicles under finance leases.

Interest rates are linked to prime rate at the contract date.

All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The finance leases are secured by the lessor's charge over the leased assets (note 7).

	Minimum lease payments		Present value of minimum lease payments	
Amounts payable under finance lease	**2018 R**	2017 R	**2018 R**	2017 R
Within one year	**1 554 226**	–	**1 315 854**	–
In second to fifth year inclusive	**1 843 745**	–	**1 670 033**	–
	3 397 971	–	**2 985 887**	–
Less: Unearned interest	**(412 084)**	–	**–**	–
	2 985 887	–	**2 985 887**	–

	Group 2018 R	Group 2017 R	Company 2018 R	Company 2017 R
22. TRADE AND OTHER PAYABLES				
Trade payables	**80 023 135**	56 396 559	**373 961**	324 374
Accruals	**30 892 652**	34 352 262	**400 670**	–
VAT	**6 728 173**	7 821 285	**479 090**	202 900
Other payables	**16 215 530**	12 097 686	**–**	–
	133 859 490	110 667 792	**1 253 721**	527 274

Trade payables are non-interest-bearing and are normally settled on 30 day terms.

Accruals, VAT and other payables are non-interest-bearing and are normally settled between 30 days and 60 days.

Trade and other payables are carried at amortised cost and their carrying value approximates fair value.

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	Group 2018 R	Group 2017 R	Company 2018 R	Company 2017 R
23. PROVISIONS				
Leave pay				
Carrying value at beginning of year	**14 222 360**	14 492 586	**–**	–
Provision raised during the year	**5 944 629**	4 040 225	**–**	–
Provision utilised/paid during the year	**(5 307 978)**	(4 278 395)	**–**	–
Acquisition of subsidiary	**8 410 237**	84 407	**–**	–
Disposal of CQS GRC Solutions (Pty) Ltd	**(1 022 610)**	–	**–**	–
Foreign exchange movement	**69 773**	(116 463)	**–**	–
Carrying value at end of year	**22 316 411**	14 222 360	**–**	–
The leave pay provision is calculated using the total cost of employment multiplied by the leave days outstanding at year-end. The expected release date of leave pay benefits is within the subsequent year.				
Bonus				
Carrying value at beginning of year	**10 698 916**	28 445 050	**–**	–
Prior year underprovision	**(241 728)**	855 830	**–**	–
Provision raised during the year	**33 980 887**	10 696 030	**–**	–
Provision utilised/paid during the year in respect of the prior year	**(14 214 339)**	(29 301 046)	**–**	–
Acquisition of subsidiary	**–**	54 200	**–**	–
Disposal of CQS GRC Solutions (Pty) Ltd	**(1 022 610)**	–	**–**	–
Foreign exchange movement	**(65 468)**	(51 148)	**–**	–
Carrying value at end of year	**29 135 658**	10 698 916	**–**	–
The bonus provision is based on the results of the group and the related performance evaluation of the employees.				
Warranties				
Carrying value at beginning of year	**–**	–	**–**	–
Provision raised during the year	**67 601**	–	**–**	–
Acquisition of subsidiary	**321 592**	–	**–**	–
Carrying value at end of year	**389 193**	–	**–**	–
The provision for warranty claims represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required under the group's obligations for warranty under local sale of goods legislation.				
The estimate has been made on the basis of historical warranty trends and may vary as a result of events affecting product quality.				
Total	**51 841 262**	24 921 276	**–**	–

24. NOTES TO THE STATEMENTS OF CASH FLOW

24.1 CASH GENERATED FROM/(UTILISED IN) OPERATIONS

	Group 2018 R	Group 2017 R	Company 2018 R	Company 2017 R
Profit before taxation	**195 137 993**	128 043 826	**22 250 129**	20 028 018
Adjustments for:				
Depreciation and amortisation	**51 897 521**	43 342 699	**–**	–
Net loss on disposal of property and equipment	**473 160**	16 276	**–**	–
Finance income (note 3)	**(3 957 779)**	(1 600 672)	**(241 357)**	(613)
Finance costs (note 3)	**28 559 603**	25 605 200	**–**	–
Dividend received	**–**	–	**(21 993 947)**	(19 633 931)
Share of loss of equity accounted investments	**–**	88 103	**–**	–
Share-based payment expense	**4 823 482**	10 256 547	**–**	–
Increase/(decrease) in provisions	**19 237 576**	(18 070 560)	**–**	–
Scrapping of property and equipment	**385 239**	–	**–**	–
Profit on sale of investment in Uyandiswa Project Management Services (Pty) Ltd	**(84 108)**	–	**–**	–
Profit on sale of CQS GRC Solutions (Pty) Ltd assets (note 26.1)	**(7 212 790)**	–	**–**	–
Profit on disposal of subsidiary (note 26.2)	**(19 054 024)**	–	**–**	–
Fair value adjustment to financial liabilities	**2 891 886**	–	**–**	–
Working capital changes:				
(Increase)/decrease in trade and other receivables	**(12 596 566)**	(56 473 713)	**2 064 871**	(2 060 340)
(Decrease)/increase in trade and other payables	**(10 170 508)**	5 025 744	**726 447**	(450 954)
Decrease in inventory	**5 995 138**	–	**–**	–
Increase in deferred income	**1 383 724**	3 092 006	**–**	–
	257 709 547	139 325 456	**2 806 143**	(2 117 820)

24.2 TAXATION PAID

	Group 2018 R	Group 2017 R	Company 2018 R	Company 2017 R
Charge to the statement of profit or loss and other comprehensive income	**65 526 402**	35 497 923	**34 513**	67 262
Adjustment for deferred taxation	**14 737 505**	(1 126 762)	**97 489**	(15 152)
Acquisition of subsidiary	**1 694 862**	1 624 516	**–**	–
Disposal of CQS GRC Solutions (Pty) Ltd	**(2 660 320)**	–	**–**	–
Movement in taxation balance	**(10 347 272)**	6 106 480	**12 625**	14 900
	68 951 177	42 102 157	**144 627**	67 010

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25. BUSINESS COMBINATIONS

25.1 ACQUISITION OF SUBSIDIARY

On 1 July 2017, the group acquired the entire issued share capital of Micros South Africa (Pty) Ltd (Micros), a South African registered company.

Micros conducts business in the Information Technology sector, *inter alia,* providing software, hardware, enterprise systems integration, consulting, support and solutions to its clients, primarily in the Hospitality industry.

The acquisition of Micros, which is a leader in its vertical market, created an entry into the Hospitality industry, a new vertical for the group, further diversifying the group.

The purchase consideration of R134 950 940 consists of R88 889 787 in cash, paid on 19 July 2017, R33 651 703 in shares issued on 31 July 2017, and R12 409 450 fair value of cash top-up payment.

Adapt IT agreed to provide the Micros sellers, where shares have been issued, with a one-year protection on any decrease in the value of the shares in Adapt IT Holdings Limited on the basis that Adapt IT will become obliged to make a cash top-up payment to the applicable sellers to place them in a similar position had they in fact been cash-settled at July 2017 in respect of their entire proceeds. In July 2017, the fair value of the share value underpin was calculated at R12 409 450 (note 28).

The fair value of the net assets acquired amounted to R56 903 617, resulting in goodwill of R78 047 323 at acquisition. The purchase consideration paid for the combination effectively included amounts in relation to the benefit of the expected synergies, revenue growth, new market penetration and future market development.

The fair values of the identifiable net assets and liabilities of Micros as at the date of acquisition were:

	Fair value recognised on acquisition R'000
Assets	
Property and equipment	9 954 571
Intangible assets	46 110 344
Finance lease receivables	36 813 394
Inventories	27 989 315
Trade and other receivables	40 701 225
Cash and cash equivalents	22 955 370
Total assets	184 524 219
Liabilities	
Interest-bearing borrowings	32 230 319
Finance lease liabilities	2 700 596
Deferred tax liability	7 892 784
Amounts due to vendors	6 723 864
Trade and other payables	76 378 177
Current tax payable	1 694 862
Total liabilities	127 620 602
Total identifiable net assets	56 903 617
Goodwill arising on acquisition	78 047 323
Fair value of consideration payable	134 950 940

25. BUSINESS COMBINATIONS CONTINUED

25.1 ACQUISITION OF SUBSIDIARY CONTINUED

	Fair value recognised on acquisition R'000
Fair value of consideration payable	
Cash paid	29 575 656
Cash advanced to Micros in July 2017	59 314 152
Shares issued in July 2017	33 651 682
Fair value of share value underpin	12 409 450
Fair value of consideration payable	134 950 940
Cash outflow on acquisition	
Net cash acquired with the subsidiary	22 955 370
Cash paid	(88 889 808)
Net cash outflow on acquisition	(65 934 438)

From the date of acquisition, Micros has contributed R17 952 100 to the profit after tax of the group. Non-cash acquisition related expenses (amortisation of intangible assets) amounted to R3 235 918.

Cash acquisition related costs of R1 553 395 have been expensed and are included in operational expenses on the statement of profit or loss and other comprehensive income.

25.2 ACQUISITION OF SUBSIDIARY

On 1 June 2018, the group acquired the business of CDR Live Limited (Mauritius registered), the issued share capital in its wholly-owned subsidiary, LGR Analytics (USA registered), and the businesses of its wholly-owned subsidiaries, LGR Telecommunications (Pty) Ltd (South African registered) and LGR Telecommunications (Pty) Ltd (Australia registered) (collectively LGR).

LGR is a specialist solutions provider with an exclusive focus on the global Telecommunications industry. With a track record spanning over 18 years, LGR has built a reputation for the provision and management of end-to-end data warehouse and business intelligence systems at leading international operators.

The purchase consideration consists of R42 800 000 paid in cash on 11 June 2018, and a further R8 158 751 due in cash in September 2018 (note 28).

The fair value of the net assets acquired amounted to R47 982 971, resulting in goodwill of R2 975 780 at acquisition. The purchase consideration paid for the combination effectively included amounts in relation to the benefit of the expected synergies, revenue growth, new market penetration and future market development.

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25. BUSINESS COMBINATIONS CONTINUED

25.2 ACQUISITION OF SUBSIDIARY CONTINUED

The fair values of the identifiable net assets and liabilities of LGR as at the date of acquisition were:

	Fair value recognised on acquisition R'000
Assets	
Property and equipment	561 359
Intangible assets	48 130 538
Trade and other receivables	8 966 464
Total assets	57 658 361
Liabilities	
Deferred tax liability	119 450
Trade and other payables	9 555 940
Total liabilities	9 675 390
Total identifiable net assets	47 982 971
Goodwill arising on acquisition	2 975 780
Fair value of consideration payable	50 958 751
Fair value of consideration payable	
Cash paid	42 800 000
Fair value of contingent purchase consideration owing in respect of acquisition	8 158 751
Fair value of consideration payable	50 958 751
Cash outflow on acquisition	
Cash paid	(42 800 000)
Net cash outflow on acquisition	(42 800 000)

The acquisition is provisionally accounted for in terms of the allowance per IFRS 3 Business Combinations.

From the date of acquisition, LGR has contributed R867 833 to the profit after tax of the group. Non-cash acquisition related expenses (amortisation of intangible assets) amounted to R54 428.

Cash acquisition related costs of R1 417 173 have been expensed and are included in operational expenses on the statement of profit or loss and other comprehensive income.

26. DISPOSAL OF A SUBSIDIARY

26.1 On 31 May 2018, CQS GRC Solutions (Pty) Ltd disposed of certain assets and liabilities, for a consideration of R20 472 195.

	Fair value on disposal R'000
The fair values of net assets and liabilities disposed:	
Assets	
Property and equipment	**(5 039 417)**
Goodwill	**(8 057 403)**
Trade and other receivables	**(11 692 126)**
Total assets	**(24 788 946)**
Liabilities	
Trade and other payables	**(11 529 541)**
Total liabilities	**(11 529 541)**
Total identifiable net assets disposed of	**(13 259 405)**
Cash received on 31 May 2018	**20 472 195**
Profit on disposal (note 3)	**7 212 790**

26.2 On 1 June 2018, the group disposed of its share in CQS GRC Solutions (Pty) Ltd, for a consideration of R22 786 443.

	Fair value on disposal R'000
The fair values of net assets and liabilities over which control was lost:	
Assets	
Intangible assets	**(6 887 811)**
Cash and cash equivalents	**(1 231 528)**
Total assets	**(8 119 339)**
Liabilities	
Deferred tax liabilities	**(1 928 587)**
Other payables	**(507 686)**
Current tax payable	**(2 660 320)**
Total liabilities	**(5 096 593)**
Total identifiable net assets disposed of	**(3 022 746)**
Non-controlling interest	**(709 673)**
Cash received on 1 June 2018	**22 786 443**
Profit on disposal (note 3)	**19 054 024**
Cash inflow on disposal	
Net cash disposed with the subsidiary	**(1 231 528)**
Cash received	**22 786 443**
Net cash inflow on disposal	**21 554 915**

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	Group 2018 R	Group 2017 R
27. ASSETS CLASSIFIED AS HELD FOR SALE		
Property – land and buildings	**15 561 988**	–
Goodwill – BI resourcing business	**–**	15 249 700
Equity accounted investment – Uyandiswa Project Management Services (Pty) Ltd	**–**	1 716 192
Total	**15 561 988**	16 965 892

The group intends to dispose of land and buildings, described as Erf 1488 Monument Park, Registration Division JR, Province of Gauteng: measuring 5 090 square metres, as it will no longer be utilised in the next 12 months. The property located on the land was previously used as office premises.

A search is under way for a buyer. No impairment loss was recognised on reclassification of the land and buildings as asset held for sale as the directors of the company expect that the fair value (estimated based on similar properties in similar locations) less cost to sell is higher than the carrying amount.

On 1 July 2017, Uyandiswa Project Management Services (Pty) Ltd repurchased all of Adapt IT (Pty) Ltd shares in the company and Adapt IT (Pty) Ltd sold the business of its BI resourcing business to Uyandiswa Project Management Services (Pty) Ltd.

	Group 2018 R	Group 2017 R
28. FINANCIAL LIABILITIES		
Non-current	**33 479 340**	43 814 766
EasyRoster future performance warranties	**33 479 340**	43 814 766
Current	**38 951 795**	14 197 783
EasyRoster performance warranty achieved	**15 491 708**	14 197 783
Micros cash underpin	**15 301 336**	–
LGR earn-out payment	**8 158 751**	–
Total	**72 431 135**	58 012 549

EasyRoster future performance warranties are contingent upon the achievement by EasyRoster of EBITDA performance warranties (24 months remaining).

The payment due to Micros sellers amounted to R15 301 336 at 19 July 2018, resulting in a R2 891 886 change in fair value from the liability of R12 409 450 recognised at acquisition of Micros in July 2017, included in expenses on the statement of profit or loss and other comprehensive income (note 3).

The LGR contingent earn-out amount, is determined based on the performance of the business for the financial year commencing 1 July 2017 and ending 30 June 2018. LGR Telecommunications (Pty) Ltd (Australia) achieved 62% of their maximum contingent earn-out amount and a cash payment will be made in September 2018.

	Group 2018 R	Group 2017 R
29. COMMITMENTS		
29.1 PROPERTY OPERATING LEASE COMMITMENT		
No later than one year	**41 989 280**	29 978 272
Later than one year and no later than five years	**194 517 274**	194 008 889
Later than five year and no later than ten years	**248 755 277**	189 798 240
	485 261 831	413 785 401

The group leases offices in terms of operating leases. The group does not have the option to acquire the assets at the termination of the leases and there are no restrictions imposed by the leases. The lease terms are between one year and 10 years, and the lease agreements are renewable at the end of the lease period at the prevailing market rates. The future minimum lease payments under non-cancellable operating leases are shown above.

	Group 2018 R	Group 2017 R
29.2 CAPITAL COMMITMENTS		
Authorised and contracted	**15 542 979**	6 536 666
Authorised but not contracted	**18 626 479**	60 796 802
	34 169 458	67 333 468

Capital commitments will be funded from cash resources.

30. CONTINGENT LIABILITIES

	Group 2018 R	Group 2017 R
Bank guarantees	**7 390 012**	647 408

The bank guarantee is in favour of Johannesburg Campus and Cape Town landlords and relates to the last month's office rental. The bank guarantee will only be released upon the expiry of the office lease agreement.

31. BORROWING LIMITS

The directors may from time to time at their discretion raise or borrow monies for the purpose of the group as they deem fit. There are no borrowing limits in the Memorandum of Incorporation of the company or its subsidiaries.

32. PENSION FUND AND RISK BENEFIT INFORMATION

The group implemented a group-administered retirement annuity scheme in which it is voluntary for employees to participate.

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33. RELATED PARTY TRANSACTIONS

During the year, the group, in the ordinary course of business, entered into various related party turnover, purchases and investment transactions.

All intercompany transactions and balances within the group are eliminated in full on consolidation.

	Company Effective holding 2018 %	Company Effective holding 2017 %
Related party relationship:		
Incorporated in South Africa		
Adapt IT (Pty) Ltd	**100**	100
Adapt IT Holdings Limited Share Incentive Trust	**	**
Incorporated in Mauritius		
Adapt IT International Limited	**100**	100

*** 100% consolidation*

	2018 R	2017 R
Loan		
Loans from the Company to (refer note 10):		
Adapt IT Holdings Share Incentive Trust	**32 158**	32 158
Adapt IT (Pty) Ltd	**309 607 769**	297 962 752
Adapt IT International Limited	**21 640 384**	–

The loan to Adapt IT (Pty) Ltd and Adapt IT Holdings Share Incentive Trust are unsecured and no interest is charged. The loans have no set terms of repayment.

The loan to Adapt IT International Limited is unsecured and interest at prime rate is charged. The loan is repayable by 31 May 2026.

The following transactions were entered into between related parties within the group:

	2018 R	2017 R
Management fees received by the Company from:		
Adapt IT (Pty) Ltd	**2 100 000**	1 700 000
Micros South Africa (Pty) Ltd	**1 400 000**	–
CQS Technology Holdings (Pty) Ltd	**–**	1 800 000

Management fees are charged to operating subsidiaries in order to recover management time and effort.

Key management personnel compensation is represented by directors' emoluments as referred to in note 4.

34. FINANCIAL RISK MANAGEMENT

	Group 2018 R	Group 2017 R	Company 2018 R	Company 2017 R
Categories of financial instruments				
Financial assets				
Loans and receivables	**412 770 243**	326 119 415	**331 786 889**	300 554 488
Financial liabilities				
Other financial liabilities measured at amortised cost	**417 023 522**	264 307 079	**774 631**	324 373
Reconciliation to statements of financial position				
Amounts owing from subsidiaries	**–**	–	**331 280 311**	297 994 910
Trade and other receivables net of provision for impairment	**272 334 534**	228 070 705	**212 804**	2 277 675
Finance lease receivables	**34 653 208**	–	**–**	–
Loan to Uyandiswa Project Management Services (Pty) Ltd	**19 384 842**	–	**–**	–
Cash and cash equivalents	**86 397 659**	98 048 710	**293 774**	281 903
Loans and receivables	**412 770 243**	326 119 415	**331 786 889**	300 554 488
Trade and other payables	**127 131 317**	102 846 507	**774 631**	324 373
Financial liabilities	**72 431 135**	58 012 549	**–**	–
Finance lease liabilities	**2 985 887**	–	**–**	–
Interest-bearing borrowings	**214 475 183**	102 067 561	**–**	–
Non-interest-bearing borrowings	**–**	1 380 462	**–**	–
Other financial liabilities measured at amortised cost	**417 023 522**	264 307 079	**774 631**	324 373

In the normal course of its operation, the group is exposed to credit, liquidity and market risk, which consists of the cash flow interest rate risk and foreign currency risk.

At 30 June 2018, the carrying values of the financial assets and financial liabilities are considered by management to approximate their fair value, due to their short-term nature.

All financial assets and liabilities are carried at amortised cost and hence no fair value disclosure is necessary, in terms of the fair value hierarchy requirements of IFRS 7 Financial Instruments: Disclosures.

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34. FINANCIAL RISK MANAGEMENT CONTINUED

34.1 CREDIT RISK

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group.

The group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Receivables comprise loans to associated companies and accounts receivable. Trade receivables comprise mainly a blue-chip customer base and are spread among a number of different customers and geographic areas.

The group does not hold collateral as security.

The group grants varied credit terms of between 30 to 90 days to its customers. The analysis of trade and other receivables (excluding prepayments) which are past due at reporting date is as follows:

	Group 2018 R	Group 2017 R
Not past due or impaired	**130 107 082**	89 152 310
Past due by 31 to 60 days but not impaired	**30 243 821**	31 270 892
Past due by 61 to 90 days but not impaired	**25 908 146**	21 057 764
Past due over 90 days but not impaired	**70 752 880**	73 391 846
Total trade and other not impaired	**257 011 929**	214 872 812

The carrying amount of the trade receivables impaired is R11 452 929 (2017: R2 860 800).

The group limits its counterparty exposures attributable to its cash investments by dealing only with well-established financial institutions of high credit standing.

34. FINANCIAL RISK MANAGEMENT CONTINUED

34.2 LIQUIDITY RISK

Liquidity risk is defined as the risk that the group will not be able to settle or meet its obligations on time or at a reasonable price.

Liquidity risk is proactively managed and the group's cash resources exceed its working capital requirements. There have been no defaults or breaches on repayments during the year.

The following table summarises the maturity profile of the group's undiscounted financial liabilities based on the contractual payments:

	On demand R	Within one year R	Two to five years R	Greater than five years R	Total R
GROUP					
2018					
Interest-bearing borrowings	**13 680 725**	**32 920 098**	**223 917 135**	**–**	**270 517 958**
Non-interest-bearing borrowings	**–**	**–**	**–**	**–**	**–**
Financial liabilities	**38 951 795**	**18 071 640**	**20 326 577**	**–**	**77 350 012**
Finance lease liabilities	**–**	**1 554 226**	**1 843 745**	**–**	**3 397 971**
Accounts payable	**–**	**127 131 317**	**–**	**–**	**127 131 317**
Total	**52 632 520**	**179 677 281**	**246 087 457**	**–**	**478 397 258**
2017					
Interest-bearing borrowings	580 894	11 118 424	126 677 801	–	138 377 119
Non-interest-bearing borrowings	–	1 380 462	–	–	1 380 462
Financial liabilities	14 197 783	15 984 000	38 398 217	–	68 580 000
Accounts payable	–	102 846 507	–	–	102 846 507
Total	14 778 677	131 329 393	165 076 018	–	311 184 088
COMPANY					
2018					
Accounts payable	**–**	**774 631**	**–**	**–**	**774 631**
Total	**–**	**774 631**	**–**	**–**	**774 631**
2017					
Accounts payable	–	324 374	–	–	324 374
Total	–	324 374	–	–	324 374

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34. FINANCIAL RISK MANAGEMENT CONTINUED

34.3 MARKET RISK MANAGEMENT

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market prices comprise two types of risk that impact the group: foreign currency risk and interest rate risk. The group does not make use of derivative financial instruments.

Foreign currency risk management

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The group's exposure to the risk of changes in foreign exchange rates relates primarily to the group's operating activities (when revenue or expense is denominated in a different currency from the company's functional currency).

Most transactions are Rand-based with a limited exposure to other currencies, mainly US Dollars, Australian Dollars, Euro, British Pound and Ghanaian Cedi resulting in a foreign exchange profit for the year of R4 406 368 (2017: loss of R3 116 119).

The group has the following uncovered cash on hand and receivables:

	2018 Foreign amount	**R**	2017 Foreign amount	R
US Dollar	**773 875**	**10 612 431**	765 079	10 016 461
New Zealand Dollar	**2 602**	**24 174**	312	2 861
Australian Dollar	**546 758**	**5 545 880**	250 221	2 508 560
Euro	**155 448**	**2 486 828**	292 647	4 394 594
British Pounds	**121 863**	**2 277 104**	–	–
Singapore Dollar	**–**	**–**	389	3 536
Canadian Dollar	**–**	**–**	220	2 122
Botswana Pula	**–**	**–**	493	598
Rwanda Franc	**–**	**–**	103 103	1 526
Indian Rupee	**–**	**–**	16 180	3 128
UAE Dirham	**–**	**–**	680	2 318
Ghanaian Cedi	**749 047**	**2 155 008**	1 941	5 521
Total		**23 101 425**		16 941 226

34. FINANCIAL RISK MANAGEMENT CONTINUED

34.3 MARKET RISK MANAGEMENT CONTINUED

Foreign currency sensitivity

The group's exchange rate exposure relates mainly to the US Dollars, Australian Dollars, Euro, British Pounds and Ghanaian Cedi. The following details the group's sensitivity to a 14,0% (2017: 14,0%) increase or decrease in the Rand against the relevant foreign currencies. 14,0% is the sensitivity rate used based on the average movement in foreign exchange rates between reporting dates and represents management's best assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and adjusts their translation at the year-end for a 14,0% change in foreign currency rates. The amount below indicates the amount by which profit or loss and equity would increase or decrease if the Rand strengthens or weakens by 14,0% (2017: 14,0%). This is reflective of the currency risk exposure throughout the year.

	2018 R	2017 R
Sensitivity analysis		
If the foreign currency rates had been 14,0% (2017: 14,0%) higher/lower and all other variables held constant, the group's profit for the year (before tax) would increase/decrease by	**3 234 199**	2 371 772

Interest rate risk management

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's exposure to the risk of changes in market interest rates relates primarily to the group's long-term debt obligations with variable interest rates.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure of cash and cash equivalents and the interest-bearing loans to interest rates.

A 100 basis point increase or decrease has been used.

	2018 R	2017 R
Sensitivity analysis		
If the interest rates had been 100 basis points higher/lower and all other variables held constant, the group's profit for the year (before tax) would increase/decrease by	**1 280 775**	620 314

35. CAPITAL MANAGEMENT

Capital includes equity attributable to the equity holders of the parent, as presented in the statements of financial position.

The primary objective of managing the group's capital is to ensure that there is sufficient capital available to support the funding requirements of the group, including capital expenditure, in a way that optimises the cost of capital, maximises shareholders' returns and ensures that the group remains in a sound financial position. There were no changes to the group's overall capital management approach during the current year.

The group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The group's policy is to keep the gearing ratio below 50%.

The group is not subject to any external capital requirements other than to fund acquisitive growth.

		2018	2017
Gearing ratio	(%)	**29,0**	15,5

36. EVENTS AFTER THE REPORTING DATE

On 1 July 2018, Cash Bases South Africa (Pty) Ltd merged with Adapt IT (Pty) Ltd to achieve efficiencies and savings in administrative and operational expenditure.

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

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37. SEGMENT ANALYSIS

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Monthly management meetings are held to evaluate segment performance against budget and forecast.

Management does not monitor assets and liabilities by segment.

The following tables present turnover and EBITDA information (after Shared Services cost allocation) regarding the group's operating segments for the year ended 30 June 2018 and 30 June 2017 respectively:

		Education R	Manufacturing*** R	Financial Services R	Energy R	Hospitality R	Other R	Total R
2018								
Turnover		**177 732 748**	**373 022 527**	**332 148 564**	**175 259 263**	**290 240 366**	**–**	**1 348 403 468**
Segment EBITDA		**31 766 389**	**92 526 573**	**55 698 553**	**35 761 021**	**35 140 050**	**19 209 559**	**270 102 145**
EBITDA margin	(%)	**18**	**25**	**17**	**20**	**12**		**20**
2017								
Turnover		170 741 995	284 977 932	350 040 062	187 911 355	–	–	993 671 344
Segment EBITDA		29 707 360	70 573 209	53 401 161	44 113 327	–	(3 469 049)	194 326 008
EBITDA margin	(%)	17	25	15	23			20

The following table presents turnover by geographic area of the group's operating segments as at 30 June 2018 and 30 June 2017:

	Education R	Manufacturing*** R	Financial Services R	Energy R	Hospitality R	Other R	Total R
2018							
Turnover from external customers by geographic area*	**177 732 748**	**373 022 527**	**332 148 564**	**175 259 263**	**290 240 366**	**–**	**1 348 403 468**
South Africa	**119 288 168**	**300 100 602**	**252 718 416**	**159 922 560**	**265 900 648**	**–**	**1 097 930 394**
African Countries**	**29 141 059**	**54 608 362**	**61 290 540**	**259 658**	**24 154 763**	**–**	**169 454 382**
United Kingdom	**–**	**–**	**119 221**	**–**	**–**	**–**	**119 221**
Europe	**8 136 541**	**15 712**	**71 172**	**1 857 845**	**167 875**	**–**	**10 249 145**
Asia	**–**	**2 219 098**	**–**	**3 545 679**	**1 080**	**–**	**5 765 857**
North America	**–**	**913 199**	**17 932 429**	**7 032 152**	**16 000**	**–**	**25 893 780**
South America	**–**	**–**	**–**	**2 256 824**	**–**	**–**	**2 256 824**
Australasia	**21 166 980**	**15 165 554**	**16 786**	**384 545**	**–**	**–**	**36 733 865**
2017							
Turnover from external customers by geographic area*	170 741 995	284 977 932	350 040 062	187 911 355	–	–	993 671 344
South Africa	115 308 856	231 715 589	277 355 595	135 502 240	–	–	759 882 280
African Countries**	23 995 859	37 720 685	56 954 964	19 724 109	–	–	138 395 617
United Kingdom	–	–	–	671 677	–	–	671 677
Europe	6 679 111	231 750	363 129	4 033 605	–	–	11 307 595
Asia	–	–	–	5 020 413	–	–	5 020 413
North America	–	1 217 114	15 366 374	15 569 779	–	–	32 153 267
South America	–	–	–	7 364 899	–	–	7 364 899
Australasia	24 758 169	14 092 794	–	24 633	–	–	38 875 596

* *The turnover information above is based on the location of the customer*

** *African countries are: Ghana, Zambia, Tanzania, Mozambique, Namibia, Malawi, Swaziland, Lesotho, Botswana, Nigeria, Sierra Leone, Zimbabwe, Kenya, Burundi, Congo, Rwanda, Uganda, Cameroon, Senegal, Ethiopia, Benin, Gambia, Egypt, Gabon, Angola, Guinea, Togo, Liberia, Tunisia, Côte d'Ivoire and South Sudan.*

*** *The manufacturing segment includes Communications, and SAP HCM Cloud Services.*

SHARES AND SHAREHOLDERS

		2018	2017
PERFORMANCE ON THE JSE LIMITED			
Total number of shares traded	('000)	**45 120**	44 575
Total number of shares traded as a percentage of total issue shares (liquidity)	(%)	**28**	29
Total value of shares traded	(R'000)	**369 836**	579 141
Prices:			
Closing	(cents)	**900**	968
High	(cents)	**1 099**	1 699
Low	(cents)	**560**	885
SPREAD (NUMBER OF SHAREHOLDERS)			
Up to 10 000 shares		**7 088**	7 004
10 001 to 100 000 shares		**1 042**	1 001
100 001 to 200 000 shares		**57**	38
Over 200 000 shares		**87**	86
		8 274	8 129

	Number	%	Shares	%
SHAREHOLDER DISTRIBUTION				
Public	8 209	99	118 041 045	74
Non-public	59	1	11 895 659	7
Directors	4	–	22 059 590	14
Associates of directors	1	–	354 222	–
Subsidiaries	1	–	8 189 245	5
	8 274	100	160 539 761	100

PRINCIPAL SHAREHOLDERS

The following are the principal shareholders whose holdings in the company total more than 5% of the total issued share capital as at 30 June 2018.

	%	Shares
Sibusiso Shabalala	9	14 316 646
Adapt IT (Pty) Ltd	5	8 189 244

SHAREHOLDERS' DIARY

Financial year-end	**30 June**
Annual general meeting	**November**
Reports and profit statements	
Interim report	**February**
Audited group results	**August**
Annual report and financial statements issued	**September**
Dividend	
Declaration	**August**
Payment	**September**

Shareholders are reminded to notify the transfer secretaries of any change in address.

NOTICE OF ANNUAL GENERAL MEETING

ADAPT IT HOLDINGS LIMITED

Incorporated in the Republic of South Africa
Registration number 1998/017276/06
Share code: ADI
ISIN: ZAE000113163
("Adapt IT" or "the company" or "the group")

NOTICE OF THE 19TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant (CSDP), broker, banker, attorney, accountant or other professional adviser immediately.

Notice is hereby given that the 19th annual general meeting of shareholders of Adapt IT will be held on Friday, 23 November 2018 at 09:00 at the company's office situated at No. 152, 14th Road, Midrand, Johannesburg, for the purpose of considering, and, if deemed fit, passing, with or without modification, the resolutions set out hereafter.

The Board of Directors of the company ("the Board") has determined that, in terms of section 62(3)(a), as read with section 59 of the Companies Act, No 71 of 2008, as amended ("the Companies Act"), the record date for the purposes of determining which shareholders of the company are entitled to participate in and vote at the annual general meeting is Friday, 16 November 2018. Accordingly, the last date to trade in order to be registered in the register of shareholders of the company and therefore be eligible to participate in and vote at the annual general meeting is Tuesday, 13 November 2018.

1. SPECIAL RESOLUTIONS

To consider and, if deemed fit, to pass, with or without modification, the following special resolutions. The percentage of voting rights that will be required for the adoption of each special resolution is the support of at least 75% of the voting rights exercised on the resolution.

1.1 SPECIAL RESOLUTION NUMBER 1 – NON-EXECUTIVE DIRECTORS' FEES

Resolved as a special resolution that, unless otherwise determined by the company in general meeting, the following annual fees payable by the company to its non-executive directors for their service as directors, with effect from 1 July 2018, are approved:

	Fee for the year ended 30 June 2018 R	**Proposed fee year ending 30 June 2019 R**
Chairman	386 232	**424 855**
Director	262 944	**289 238**
Lead Independent	–	**357 047**

Explanation
Section 66(9) of the Companies Act requires that a company may pay remuneration to its directors for their services as directors only in accordance with a special resolution approved by the shareholders within the previous two years. The reason for, and effect of, special resolution number 1 is to grant the company the authority to pay fees to its non-executive directors for their services as directors. The non-executive directors' fees are benchmarked against similar sized companies listed on the JSE.

1.2 SPECIAL RESOLUTION NUMBER 2 – GENERAL APPROVAL TO ACQUIRE OWN SHARES

Resolved, as a general approval by special resolution, that the company and/or any of its subsidiaries from time to time be and they are hereby authorised to acquire ordinary shares in the company in terms of, and subject to, the Companies Act, the Memorandum of Incorporation of the company and its subsidiaries and the Listings Requirements of the JSE Limited ("JSE Listings Requirements"), as amended from time to time. Any acquisition of ordinary shares is also subject to the sanction of any other authority whose approval is required by law, regulation or the JSE Listings Requirements.

Note: The JSE Listings Requirements currently provide, *inter alia,* that:

- the acquisition of the ordinary shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- this general authority shall only be valid until the earlier of the company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date of passing of this special resolution;

- in determining the price at which the company's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date on which the transaction is effected;
- at any point in time, the company may only appoint one agent to effect any acquisition/s on its behalf;
- the acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty percent) of the company's issued ordinary share capital;
- the company may only effect the repurchase once a resolution has been passed by the Board confirming that the Board has authorised the repurchase, that the company has passed the solvency and liquidity test ("test") and that since the test was done there have been no material changes to the financial position of the group;
- the company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements; and
- an announcement will be published once the company has cumulatively repurchased 3% (three percent) of the number of the ordinary shares in issue at the time this general authority is granted ("initial number"), and for each 3% (three percent) in aggregate of the initial number acquired thereafter.

Explanation
Special resolution number 2 is to grant the company a general authority for the company and the company's subsidiaries to acquire the company's issued ordinary shares. There is no requirement in the Companies Act for shareholder approval unless the acquisition by the company of any particular class of securities exceeds 5% (five percent) of the issued shares of that class, either alone or together with other transactions in an integrated series of transactions, per sections 48(8), 115 and 116 of the Companies Act.

It is the intention of the directors of the company to use such authority should prevailing circumstances (including tax dispensations and market conditions) in their opinion warrant it but subject at all times to the requirements of the Companies Act, the JSE Listings Requirements and the Memorandum of Incorporation of the company.

1.2.1 Other disclosure in terms of section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosures, which are contained in the integrated annual report of which this notice forms part:

- Share capital of the company page 88; and
- Major shareholders of the company page 109.

1.2.2 Material change

There have been no material changes in the affairs or financial position of the company and its subsidiaries since the company's financial year-end and the date of this notice.

1.2.3 Directors' Responsibility Statement

The directors, whose names are given on pages 12 and 13 of the integrated annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 2 and certify that to the best of their knowledge and belief there are no facts in relation to special resolution number 2 that have been omitted which would make any statement in relation to special resolution number 2 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 2 together with this notice contains all information required by law and the JSE Listings Requirements in relation to special resolution number 2.

1.2.4 Adequacy of working capital

At the time that the contemplated repurchase is to take place, the directors of the company will ensure that, after considering the effect of the maximum repurchase and for a period of 12 months thereafter:

- the company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business;
- the consolidated assets of the company and its subsidiaries, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the consolidated liabilities of the company and its subsidiaries;
- the issued share capital and reserves of the company and its subsidiaries will be adequate for the purpose of the ordinary business of the company and its subsidiaries; and
- the working capital available to the company and its subsidiaries will be sufficient for the group's requirements.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

1. SPECIAL RESOLUTIONS CONTINUED

1.3 SPECIAL RESOLUTION NUMBER 3 – LOANS OR OTHER FINANCIAL ASSISTANCE TO RELATED COMPANIES

Resolved that, as a special resolution, in terms of section 45 of the Companies Act, the shareholders hereby approve of the company providing, at any time and from time to time during the period of two years commencing on the date of this special resolution number 3, any direct or indirect financial assistance (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) as contemplated in section 45 of the Companies Act to a related or inter-related company or corporation or to a member of any such related or inter-related corporation provided that:

- the Board from time to time, determines:
  - the specific recipient or general category of potential recipients of such financial assistance;
  - the form, nature and extent of such financial assistance;
  - the terms and conditions under which such financial assistance is provided; and
- the Board may not authorise the company to provide any financial assistance pursuant to this special resolution number 3 unless the Board meets all those requirements of section 45 of the Companies Act which it is required to meet in order to authorise the company to provide such financial assistance.

Explanation

The reason for and effect of special resolution number 3 is to grant the Board the authority to authorise the company to provide financial assistance as contemplated in section 45 of the Companies Act, to the persons specified in section 45(2), i.e. a related or inter-related company or corporation, or to a member of a related or inter-related corporation.

This resolution is intended mainly to enable the company to provide inter-company loans and guarantees within the group.

1.4 SPECIAL RESOLUTION NUMBER 4 – LOANS OR OTHER FINANCIAL ASSISTANCE TO DIRECTORS

Resolved that, as a special resolution, in terms of section 45 of the Companies Act, the shareholders hereby approve of the company providing, at any time and from time to time during the period of two years commencing on the date of this special resolution number 4, any direct financial assistance as contemplated in section 45 of the Companies Act to a director or prescribed officer of the company provided that:

- the Board from time to time, determines:
  - the specific recipient or general category of potential recipients of such financial assistance;
  - the form, nature and extent of such financial assistance;
  - the terms and conditions under which such financial assistance is provided;
- the financial assistance must be authorised by the Board exclusively in relation to the recovery of employees tax within a single tax year of assessment if any gains on the long-term share incentive plan are realised; and
- the Board may not authorise the company to provide any financial assistance pursuant to this special resolution number 4 unless the Board meets all those requirements of section 45 of the Companies Act which it is required to meet in order to authorise the company to provide such financial assistance.

Explanation

The reason for and effect of special resolution number 4 is to grant the Board the authority to authorise the company to provide financial assistance as contemplated in section 45 of the Companies Act, to the persons specified in section 45(2), i.e. a director or prescribed officer of the company.

This resolution is intended to enable the Board to authorise financial assistance to directors and prescribed officers, exclusively in relation to the recovery of employees' tax within a single tax year of assessment if any gains on the long-term share incentive plan are realised, as such gains are 100% equity settled. If the scheme participant can pay off the tax over a number of months from their regular take home pay rather than by having to sell Adapt IT shares to fund the tax, then this is preferable for Adapt IT shareholders as executives retain a higher equity stake. If the company is not permitted to offer a loan to fund the tax fully up front and then recover over say the subsequent nine months, then the participant is more likely to have to sell shares (approximately 45% of the share gain). Participants are required to pledge the underlying shares as security and sign personal surety for any such loans. The repayment period is always less than one year.

2. ORDINARY RESOLUTIONS

To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolutions. The percentage of voting rights that will be required for the adoption of each ordinary resolution is the support of more than 50% (fifty percent) of the voting rights exercised on the resolution. In the case of ordinary resolution number 9 the JSE Listings Requirements prescribe a 75% (seventy five percent) majority vote.

2.1 ORDINARY RESOLUTION NUMBER 1 – FINANCIAL STATEMENTS

To receive, consider and adopt the consolidated audited annual financial statements of the company for the year ended 30 June 2018, incorporating the reports of the auditors, the directors, the Audit and Risk Committee, and the Social and Ethics Committee, which will be presented to shareholders as required in terms of section 30(3)(d) of the Companies Act.

Note: The annual financial statements appear on pages 48 to 108 of the integrated annual report of which this notice forms part.

2.2 ORDINARY RESOLUTION NUMBER 2 – RE-ELECTION OF MS C KOFFMAN AS A DIRECTOR

To re-elect, Ms C Koffman as a director of the company who, in terms of Article 24.7.1 of the company's Memorandum of Incorporation, retires by rotation at this annual general meeting but, being eligible to do so, offers herself for re-election.

Note: The curriculum vitae of Ms C Koffman is provided on page 12 of the integrated annual report.

2.3 ORDINARY RESOLUTION NUMBER 3 – RE-ELECTION OF MR O FORTUIN AS A DIRECTOR

To re-elect, Mr O Fortuin as a director of the company who, in terms of Article 24.7.1 of the company's Memorandum of Incorporation, retires by rotation at this annual general meeting but, being eligible to do so, offers himself for re-election.

Note: The curriculum vitae of Mr O Fortuin is provided on page 12 of the integrated annual report.

2.4 ORDINARY RESOLUTION NUMBER 4 – RE-APPOINTMENT OF MS B NTULI TO THE AUDIT AND RISK COMMITTEE

Pursuant to the requirements of section 94(2) of the Companies Act, to re-appoint Ms B Ntuli, a non-executive, independent director of the company, as a member and Chairperson of the Audit and Risk Committee until the next annual general meeting.

Note: The curriculum vitae of Ms B Ntuli is provided on page 12 of the integrated annual report.

If a non-executive director has served on the Board of a Company for a period longer than nine years, the Board is required to make an assessment on an annual basis to conclude whether the director exercises objective judgement and that there is no interest, position, association or relationship which is likely to influence unduly or cause bias in decision-making.

Ms B Ntuli has served on the Board of the Company for a period longer than nine years.

Having reviewed the known interests, positions, associations and relationships of the non-executive director, the Board of the Company has concluded that the abovementioned director is not unduly influenced or biased in her decision-making with regard to the Company and accordingly, will continue to be categorised as independent.

2.5 ORDINARY RESOLUTION NUMBER 5 – RE-APPOINTMENT OF MR O FORTUIN TO THE AUDIT AND RISK COMMITTEE

Pursuant to the requirements of section 94(2) of the Companies Act, to re-appoint Mr O Fortuin, a non-executive, independent director of the company, as a member of the Audit and Risk Committee until the next annual general meeting, subject to the passing of Ordinary Resolution number 3.

Note: The curriculum vitae of Mr O Fortuin is provided on page 12 of the integrated annual report.

2.6 ORDINARY RESOLUTION NUMBER 6 – RE-APPOINTMENT OF MS C KOFFMAN TO THE AUDIT AND RISK COMMITTEE

Pursuant to the requirements of section 94(2) of the Companies Act, to re-appoint Ms C Koffman, a non-executive, independent director of the company, as a member of the Audit and Risk Committee until the next annual general meeting, subject to the passing of Ordinary Resolution number 2.

Note: The curriculum vitae of Ms C Koffman is provided on page 12 of the integrated annual report.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

2. ORDINARY RESOLUTIONS CONTINUED

2.7 ORDINARY RESOLUTION NUMBER 7 – RE-APPOINTMENT OF THE INDEPENDENT REGISTERED AUDITOR

Pursuant to the requirements of section 90(1) read with section 61(8) of the Companies Act, and as nominated by the company's Audit and Risk Committee, to confirm the re-appointment of Deloitte & Touche as independent auditors of the company for the financial year ending 30 June 2019, with F Ally being the individual registered auditor, following the compulsory rotation of S Munro in terms of section 92 of the Companies Act and to authorise the Audit and Risk Committee to determine the auditor's remuneration.

2.8 ORDINARY RESOLUTION NUMBER 8 – NON-BINDING ADVISORY ENDORSEMENT OF THE REMUNERATION POLICY

Resolved that the shareholders endorse, on a non-binding advisory basis, the company's remuneration policy ("Remuneration Policy"), which appears on pages 44 to 47 of the integrated annual report.

Note: King IV recommends that the company's Remuneration Policy be tabled to shareholders as a non-binding advisory vote at each annual general meeting. Failure to pass this resolution will not have legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into consideration when assessing the company's Remuneration Policy.

2.9 ORDINARY RESOLUTION NUMBER 9 – NON-BINDING ADVISORY ENDORSEMENT OF THE COMPANY'S IMPLEMENTATION REPORT

Resolved that the shareholders endorse, on a non-binding advisory basis, the company's implementation report ("Implementation Report"), which appears on pages 46 of the integrated annual report.

Note: King IV recommends that the Implementation Report on a company's remuneration policy be tabled as a non-binding advisory vote by shareholders at each annual general meeting of the company. This enables shareholders to express their views on the implementation of a company's remuneration policy. The effect of ordinary resolution number 9, if passed, will be to endorse the company's Implementation Report in relation to its Remuneration Policy. Ordinary resolution number 9 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the Board will take the outcome of the vote into consideration when considering amendments to the company's Remuneration Policy and its implementation.

2.10 ORDINARY RESOLUTION NUMBER 10 – APPROVAL TO ISSUE ORDINARY SHARES, AND TO SELL TREASURY SHARES, FOR CASH

Resolved that the directors of the company and/or any of its subsidiaries from time to time be and are hereby authorised, by way of a general authority, to:

- issue all or any of the authorised but unissued ordinary shares in the capital of the company, or to allot, issue and grant options to subscribe for, all or any of the authorised but unissued ordinary shares in the capital of the company; and/or
- sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the company purchased by subsidiaries of the company,

for cash, to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the Companies Act, the Memorandum of Incorporation of the company and its subsidiaries and the JSE Listings Requirements from time to time.

Note: Ordinary resolution number 10 is subject to the following:

- the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue may only be made to "public shareholders" as defined in the JSE Listings Requirements and not to related parties;
- the number of ordinary shares issued for cash shall not in any one financial year in the aggregate exceed 30% (thirty percent) of the number of issued ordinary shares. The securities which are the subject of a general issue for cash may not exceed 30% (thirty percent) of the number of listed securities, excluding treasury shares, as at the date of this notice, being 45 705 155 securities. Any securities issued under this authorisation during the period of 15 (fifteen) months from the date that this authorisation will be deducted from the aforementioned 45 705 155 listed securities. In the event of a sub-division or a consolidation during the period contemplated above the authority will be adjusted to represent the same allocation ratio;
- this general authority will be valid until the earlier of the company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given;

- an announcement giving full details, including the number of securities issued, the average discount to the weighted average traded price of the securities over 30 (thirty) business days prior to the date that the issue is agreed in writing between the issuer and the parties subscribing for the securities, and in respect of options and convertible securities, the effects of the issue on the statement of financial position, net asset value per share, net tangible asset value per share, the statement of profit or loss and other comprehensive income, earnings per share and headline earnings per share and, if applicable, diluted earnings and headline earnings per share, or in respect of an issue of shares, an explanation, including supporting documents (if any), of the intended use of the funds will be published when the company has issued securities representing, on a cumulative basis within the earlier of the company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given, 5% (five percent) or more of the number of securities in issue prior to the issue;
- in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE Limited of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities; and
- whenever the company wishes to use ordinary shares, held as treasury shares by a subsidiary of the company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares.

2.11 ORDINARY RESOLUTION NUMBER 11 – SIGNATURE OF DOCUMENTS

Resolved that each director of the company be and is hereby individually authorised to sign all such documents and do all such things as may be necessary for or incidental to the implementation of those resolutions to be proposed at the annual general meeting convened to consider the resolutions which are passed, in the case of ordinary resolutions, or are passed and registered by the Companies and Intellectual Property Commission, in the case of special resolutions.

3. OTHER BUSINESS

To transact such other business as may be transacted at an annual general meeting of shareholders.

INFORMATION SCHEDULE

RECORD DATE

The record date for the purpose of determining which shareholders are entitled to participate in, and vote at, the annual general meeting is Friday, 16 November 2018. Accordingly, the last date to trade in order to be registered in the register of shareholders of the company and therefore be eligible to participate in and vote at the annual general meeting is Tuesday, 13 November 2018.

Shareholders should take note of the following important dates:

Record date for the purposes of determining which shareholders are entitled to receive notice of the annual general meeting	Friday, 24 August 2018
Last date to trade in order to be registered in the register of shareholders of the company and therefore be eligible to participate in and vote at the annual general meeting	Tuesday, 13 November 2018
Record date for purposes of determining which shareholders are entitled to participate in and vote at the annual general meeting	Friday, 16 November 2018
Last day to lodge forms of proxy	Wednesday, 21 November 2018 at 09:00
Date of the annual general meeting	Friday, 23 November 2018 at 09:00

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

PROXIES/REPRESENTATION AT THE MEETING

Shareholders holding certificated shares and shareholders that have dematerialised their shares and have elected own name registration in the sub-register maintained by a Central Securities Depository Participant (CSDP), may attend, speak and vote at the annual general meeting or may appoint one or more proxies (who need not be shareholders of the company) to attend, speak and vote at the annual general meeting on behalf of the shareholder who appointed such proxy or proxies.

A proxy form is enclosed with this notice. Duly completed proxy forms must be returned to the transfer secretaries, Computershare Investor Services Proprietary Limited (PO Box 61051, Marshalltown, 2107 or Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196) by no later than 09:00 on Wednesday, 21 November 2018.

Shareholders who have dematerialised their shares through a CSDP or a broker and who have not elected own name registration in the sub-register maintained by the CSDP and who wish to attend the annual general meeting, should instruct their CSDP/broker to issue them with the necessary authority to attend. Shareholders who are unable or do not intend to attend the meeting, but wish to be represented at the meeting, may provide their CSDP/broker with their voting instructions in terms of the custody agreement entered into between such shareholders and their CSDP/broker.

IDENTIFICATION

Shareholders and proxies are requested to ensure registration of attendance on arrival. Kindly note pursuant to the requirements of section 62(3) of the Companies Act, notice is hereby given that in terms of section 63(1), shareholders and proxies who attend the annual general meeting will be required to provide satisfactory identification. Forms of identification include valid identity documents, passports and driver's licences.

ACTION TO TAKE

If you are in any doubt as to what action you should take in respect of the following resolution, please consult your CSDP, broker, banker, attorney, accountant or other professional adviser immediately.

By order of the Board

Statucor (Pty) Ltd
Company Secretary

Johannesburg
16 August 2018

FORM OF PROXY

ADAPT IT HOLDINGS LIMITED

Incorporated in the Republic of South Africa
Registration number 1998/017276/06
Share code: ADI
ISIN: ZAE000113163
("Adapt IT" or "the company" or "the group")

For use only by ordinary shareholders who:

- hold ordinary shares in certificated form ("certificated ordinary shareholders"); or
- have dematerialised their ordinary shares ("dematerialised ordinary shareholders") and are registered with own-name registration,
- at the 19th annual general meeting of shareholders of the company to be held Friday, 23 November 2018 at 09:00 at the company's office situated at No. 152, 14th Road, Midrand, Johannesburg, and any adjournment thereof.

Dematerialised ordinary shareholders holding ordinary shares other than with own-name registration who wish to attend the annual general meeting must inform their Central Securities Depository Participant (CSDP) or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the relevant Letter of Representation to attend the annual general meeting in person or by proxy and vote. If they do not wish to attend the annual general meeting in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. These ordinary shareholders must not use this form of proxy.

Name of beneficial shareholder

Name of registered shareholder

Address

Telephone work Telephone home Cell:

being the holder/custodian of ordinary shares in the company, hereby appoint (see note):

1. or failing him/her,

2. or failing him/her,

3. the Chairperson of the meeting,

as my/our proxy to attend and act for me/us on my/our behalf at the annual general meeting of the company convened for purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat ("resolutions") and at each postponement or adjournment thereof and to vote for and/or against such resolutions, and/or abstain from voting, in respect of the ordinary shares in the issued share capital of the company registered in my/our name/s in accordance with the following instructions:

		Number of ordinary shares		
Special resolutions	**Agenda item**	**For**	**Against**	**Abstain**
Special resolution 1	Approval of non-executive directors' fees			
Special resolution 2	General approval to acquire own shares			
Special resolution 3	Loans or other financial assistance to related companies			
Special resolution 4	Loans or other financial assistance to directors in respect of employees tax			
Ordinary resolutions	**Agenda item**	**For**	**Against**	**Abstain**
Ordinary resolution 1	To receive, consider and adopt the annual financial statements of the company and group for the financial year ended 30 June 2018			
Ordinary resolution 2	Re-election of director – Ms C Koffman			
Ordinary resolution 3	Re-election of director – Mr O Fortuin			
Ordinary resolution 4	Re-appointment of Ms B Ntuli to the Audit and Risk Committee			
Ordinary resolution 5	Re-appointment of Mr O Fortuin to the Audit and Risk Committee			
Ordinary resolution 6	Re-appointment of Ms C Koffman to the Audit and Risk Committee			
Ordinary resolution 7	Re-appointment of the Independent Registered Auditor			
Ordinary resolution 8	Non-binding advisory endorsement of the Remuneration Policy			
Ordinary resolution 9	Non-binding advisory endorsement of the Implementation Report			
Ordinary resolution 10	Approval to issue ordinary shares, and to sell treasury shares, for cash			
Ordinary resolution 11	Signature of documents			

Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable.
A member entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend and act in his stead. A proxy so appointed need not be a member of the company.

Signed at on this day of 2018

Signature

Assisted by (if applicable)

NOTES TO THE FORM OF PROXY

1. Summary of Rights Contained in section 58 of the Companies Act In terms of section 58 of the Companies Act:
   - a shareholder may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder;
   - a proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy;
   - irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder;
   - any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
   - if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the company; and
   - a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise (see note 7).
2. The form of proxy must only be used by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
3. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the general meeting must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
4. A shareholder entitled to attend and vote at the general meeting may insert the name of a proxy or the names of two alternate proxies of the shareholder's choice in the space provided, with or without deleting "the Chairperson of the general meeting". The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of such proxy(ies) whose names follow.
5. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
6. A vote given in terms of an instrument of proxy shall be valid in relation to the general meeting, notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries not less than 48 (forty-eight) hours before the commencement of the general meeting.
7. If a shareholder does not indicate on this form of proxy that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the general meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.
8. The Chairperson of the general meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
9. A shareholder's authorisation to the proxy including the Chairperson of the general meeting, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the general meeting.
10. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
11. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company's transfer secretaries or is waived by the Chairperson of the general meeting.
12. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the company.
13. Where there are joint holders of shares:
    - any one holder may sign the form of proxy;
    - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
14. Forms of proxy should be lodged with or mailed to Computershare Investor Services Proprietary Limited ("Computershare"):

    Hand deliveries to:
    Computershare Investor Services Proprietary Limited
    15 Biermann Avenue, Rosebank, Johannesburg, 2196

    Postal deliveries to:
    Computershare Investor Services Proprietary Limited
    PO Box 61051, Marshalltown, 2107

    to be received by no later than 09:00 on Wednesday 21 November 2018 (or 48 hours before any adjournment of the annual general meeting, which date, if necessary, will be notified on SENS).
15. Any forms of Proxy not delivered to Computershare within the stipulated time frame, may be handed to the Chairperson of the annual general meeting immediately before the appointed proxy excuses any of the shareholder's notes at the annual general meeting.
16. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.

GENERAL

Herewith more information regarding quorum requirements and voting rights of shareholders.

1. QUORUM REQUIREMENTS

In terms of the company's Memorandum of Incorporation:

"The quorum for a shareholders' meeting to begin or for a matter to be considered, shall be at least 3 (three) shareholders entitled to attend and vote and present in person. In addition:

- a shareholders' meeting may not begin until sufficient persons are present at the meeting to exercise, in aggregate, at least 25% (twenty-five percent) of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the meeting; and
- a matter to be decided at a shareholders' meeting may not begin to be considered unless sufficient persons are present at the meeting to exercise, in aggregate, at least 25% (twenty-five percent) of all of the voting rights that are entitled to be exercised in respect of that matter at the time the matter is called on the agenda."

2. VOTES OF SHAREHOLDERS

In terms of the Memorandum of Incorporation, every shareholder present at the meeting who is entitled to vote shall be entitled to 1 (one) vote on a show of hands, irrespective of the number of voting rights that person would otherwise be entitled to exercise. Should the vote be conducted by poll, each shareholder present at the meeting in person or by proxy shall be entitled to vote in accordance with the voting rights associated with the securities held by that shareholder.

CORPORATE INFORMATION

ADAPT IT HOLDINGS LIMITED

Incorporated in the Republic of South Africa
Registration number 1998/017276/06
Share code: ADI
ISIN: ZAE000113163

COMPANY SECRETARY

Statucor (Pty) Ltd
22 Wellington Road
Parktown
2193

REGISTERED OFFICE

Adapt IT Johannesburg Campus
152 14th Road
Noordwyk
Midrand
South Africa

DIRECTORS

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

TRANSFER SECRETARY

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

AUDITORS

Deloitte & Touche

SPONSOR

Merchantec Capital
2nd Floor, North Block
Hyde Park Corner Office Towers
Corner 6th Road and Jan Smuts Avenue
Hyde Park
Johannesburg
2196

CORPORATE BANKERS

The Standard Bank of South Africa Limited
ABSA Bank Limited

LEGAL REPRESENTATIVES

Bousfield Incorporated
Michalsons

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www.adaptit.co.za

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