Adapt IT unaudited condensed consolidated

INTERIM GROUP RESULTS

for the six months ended 31 December

2018

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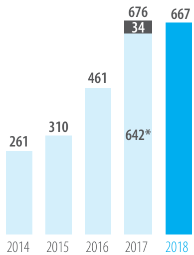
FROM CONTINUING OPERATIONS

10% EBITDA
FROM CONTINUING OPERATIONS

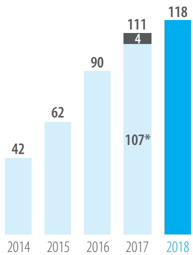
1% HEADLINE EARNINGS PER SHARE

5% NORMALISED HEADLINE EARNINGS PER SHARE

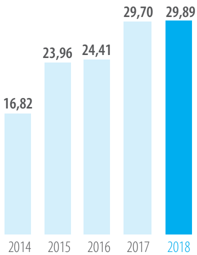
TURNOVER
(R'm)



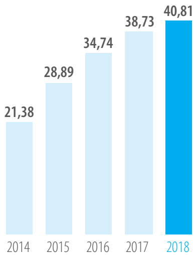
EBITDA
(R'm)



HEPS
(cents)



NORMALISED HEPS
(cents)



Business disposed
* *From continuing operations.*

BUSINESS OVERVIEW

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.

COMPANY TIMELINE

Adapt IT has deep industry expertise, robust entrepreneurial management teams, and strong annuity income. It listed on the JSE in 1998 and grew to become the 5th fastest growing African Tech Company by 2014.

At its core, the growth is underpinned by the company's purpose to grow the business and its people – enabling clients to ***Achieve more.***

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	Entry into the Financial Services Sector through the acquisition of CQS.
JUL 2017	Micros South Africa, a leader in Hospitality Software, is acquired by Adapt IT.
JUN 2018	Acquired LGR Telecommunications, provision and management of end-to-end data warehouse and business intelligence systems with presence in Africa and Australia.
NOV 2018	Adapt IT acquires Conor Group, a specialist in high-performance telco and mobile financial service solutions to extend the Telecoms division.
JAN 2019	Adapt IT acquires Wisenet Group, a provider of Software as a Service Learning Relationship Management System in the Australasian education sector.

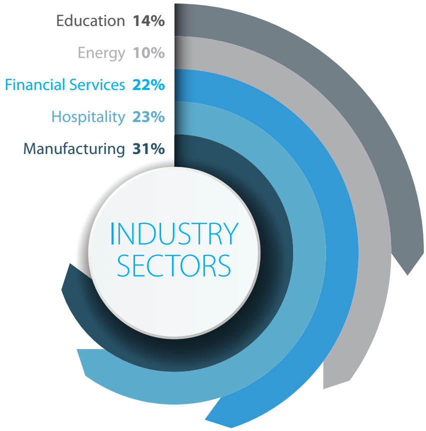
MILESTONES

2014	2017	2017	2020
5th fastest growing African Tech Company	R1 billion annualised turnover	2nd in the Sunday Times Top 100 companies	R3 billion annualised turnover target

BUSINESS PERFORMANCE

The Adapt IT divisions operate in a sector-focused approach, under a single Adapt IT brand. Adapt IT's software focus provides investors with a unique quality of earnings that can only be derived in an IP rich, high-annuity based business, like Adapt IT, diversified across several sectors and geographies. The performance is driven and reported through its divisions: Manufacturing, Education, Financial Services, Energy, Communications and Hospitality.

TURNOVER CONTRIBUTION



SECTOR OVERVIEW

Education

The Education division provides a specialised Enterprise Resource Planning (ERP) product, ITS Integrator, and services to the Higher and further Education sector worldwide.

Manufacturing

The Manufacturing division provides Tranquillity ERP, Safety Health Environment and Quality (SHE-Q), and EasyRoster specialist solutions to the sugar, resources and security industries.

Financial Services

The Financial Services division is a leading provider of specialised software solutions for financial professionals, operating for more than 22 years.

Energy

The Energy division provides subject matter experts that design, implement and support SAP™ and supply chain solutions in the Oil and Gas sector globally.

Communications

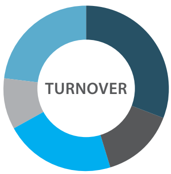
The Communications division is a leading provider of cloud-based communication intelligence technology and expense management solutions, servicing over 1 000 corporate customers across multiple sectors.

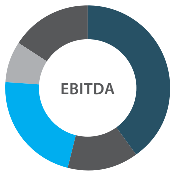
Hospitality

With over 22 years' industry experience, the Adapt IT Hospitality division is a leader in the hospitality, and food and beverage industries – specialising in the resale, support, and deployment of software and hardware products.

SECTOR PERFORMANCE

Adapt IT is a diversified South African based software solutions provider, which is positioned to take advantage of specialised technology platforms across the fastest growing market sectors. The company's focus is on improving the ability of the existing businesses to improve profitability and to develop new capabilities in their key markets. This approach has assisted in securing more customers, diversifying products and services and the move up the services value chain.





SECTOR CONTRIBUTION (R'm)

	TURNOVER for the six months ended 31 December 2018	EBITDA for the six months ended 31 December 2018
Manufacturing	207	49
Education	96	17
Financial Services	145	27
Energy	66	10
Hospitality	153	19

GEOGRAPHIC EXPANSION

The company is well diversified across sectors and geographies, and it continues to extend geographic reach across Africa and the rest of the world. Foreign markets represent 22% of turnover while software and services are delivered to 24 other African countries. This expansion is a key factor in diversifying market risk and growing hard currency revenue streams.

GEOGRAPHIC TURNOVER

78%
South Africa

14%
Other African countries

1%
The Americas

6%
Australasia

1%
Europe

TURNOVER BY CURRENCY

90%
Rands

4%
US $

1%
Euro

4%
Australian $

1%
Other

While most of the group's revenue is generated from South Africa, the outlook is to continue to diversify the business into the rest of Africa and global markets.

FINANCIAL HIGHLIGHTS

FINANCIAL SUMMARY

Turnover from continuing operations for the six months ended December 2018 increased by 4% to R667 million. There was no organic growth from continuing operations due to the challenging economic environment persisting in the South African market, particularly low project turnover in the Energy and Hospitality sectors. Acquisitive growth was 4% comprising mainly LGR, which was consolidated effective 1 June 2018. Earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations increased by 10% to R118 million representing an improvement in EBITDA margin to 18% (2017: 16%).

Annuity turnover is a healthy 58% over the period and the five-year compound annual growth rate for turnover was 21%.

Headline earnings per share (HEPS) for the six months to December 2018 grew 1% to 29,89 cents from 29,70 cents and normalised HEPS grew 5% to 40,81 cents (2017: 38,73 cents) as reconciled in note 4 on page 11.

Ordinary dividend number 16, in respect of the year ended 30 June 2018, of 17,10 cents per share on a four times dividend cover ratio, was paid to shareholders on 25 September 2018. It is Adapt IT's policy to declare a dividend after financial year end and not at the interim reporting date.

Adapt IT entered into new facilities with Standard Bank in December 2018 to fund future working capital requirements and acquisitions. Proceeds from the facility were also applied to settle the Investec facilities. Cash generated from operations grew by 105% to R58,3 million (2017: R28,5 million).

ACQUISITIONS

Adapt IT Proprietary Limited acquired Strive Software International Proprietary Limited (Strive Software) for a consideration of R12,5 million, which was consolidated effective 1 September 2018. This serves to augment the Education division's offerings by facilitating diversification into the private college market. The results from Strive Software for the four months are included in these interim results. Refer to the business combination note 10.1 on page 15.

Adapt IT Proprietary Limited acquired the remaining 30% minority shareholding of CQS Confirmations Proprietary Limited, a subsidiary originally acquired with the CQS business, for a consideration of R15,7 million, which was effective 1 December 2018.

Adapt IT Proprietary Limited acquired the business of Conor Solutions Proprietary Limited (Conor), for a total consideration of R80 million, which provides software solutions to the telecommunications industry focused on mobile technologies, further bolstering the Communications product offering. Conor was consolidated with effect from 31 December 2018 and has no contribution to comprehensive income in these interim results. Refer to the business combination note 10.2 on page 16.

SHARE REPURCHASE

Adapt IT repurchased 3 million (1,9%) of its issued ordinary shares in the open market, under the general authority granted by shareholders, for R22,3 million at an average price of 733 cents per share during the reporting period. 10,8 million treasury shares were held at 31 December 2018.

MERGER

On 1 July 2018, Cash Bases South Africa Proprietary Limited merged with Adapt IT to achieve efficiencies and savings in administrative and operational expenditure.

EVENTS AFTER THE REPORTING DATE

As set out in the announcement released on SENS on 9 January 2019, Adapt IT has entered into agreements to acquire the Wisenet Group. Wisenet is a leader in providing cloud-based SaaS Learning Relationship Management platforms to vocational training institutions in Australia. Shareholders will be notified once the last of the conditions precedent to the acquisition, which is classified as a Category 2 transaction in terms of the JSE Listings Requirements, has been fulfilled or waived.

No other matters have occurred between the reporting date and the date of approval of the interim financial statements which would have a material effect on these financial statements.

STRATEGY

Adapt IT continues to pursue a diversified growth strategy aimed at creating a global specialised software business, through a combination of organic growth and strategic acquisitions.

OUTLOOK

Despite the current market conditions, our medium and 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.

BOARD

There have been no changes to the directorate in the period under review.

APPRECIATION

We thank our customers, partners and service providers for their continued support, and the members of the board of directors and Adapt IT group employees for their dedication, which underpins our success.

On behalf of the board

Craig Chambers
Independent Non-executive Chairman

Sbu Shabalala
Chief Executive Officer

Nombali Mbambo
Chief Financial Officer

28 January 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Unaudited Six months ended 31 December 2018 R'000	Unaudited Six months ended 31 December 2017* R'000	Audited year-ended 30 June 2018 R'000	Period-on-period change %
Revenue		**669 349**	678 080	1 353 896	(1)
Turnover		**667 211**	676 189	1 348 404	(1)
Cost of sales		**(261 371)**	(283 641)	(533 124)	(8)
Gross profit		**405 840**	392 548	815 280	3
Operating expenses		**(288 098)**	(281 308)	(545 178)	2
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**117 742**	111 240	270 102	6
Depreciation and amortisation		**(12 555)**	(8 253)	(18 002)	52
Amortisation of intangible assets acquired		**(18 911)**	(16 815)	(33 895)	12
Profit from operations		**86 276**	86 172	218 205	–
Finance income	2	**2 138**	1 891	5 493	13
Finance costs	3	**(17 055)**	(12 969)	(28 560)	32
Profit before taxation		**71 359**	75 094	195 138	(5)
Income tax expense		**(25 207)**	(26 159)	(65 527)	(4)
Profit for the period		**46 152**	48 935	129 611	(6)
Attributable to:					
Equity holders of the parent		**45 132**	47 531	122 020	(5)
Non-controlling interests		**1 020**	1 404	7 591	–
Other comprehensive income/(loss)					
Items that will not be reclassified to profit and loss		**–**	–	(2 750)	
Devaluation of land and building		**–**	–	(3 544)	
Income tax effect		**–**	–	794	
Items that may be reclassified subsequently to profit and loss		**4 116**	951	534	
Exchange differences arising from translation of foreign operations		**4 116**	951	534	
Total comprehensive income		**50 268**	49 886	127 395	1
Attributable to:					
Equity holders of the parent		**49 248**	48 482	119 804	2
Non-controlling interests		**1 020**	1 404	7 591	
Headline earnings:					
Profit attributable to ordinary shareholders		**45 132**	47 531	122 020	(5)
Profit after tax on sale of businesses		**–**	253	(17 452)	
(Profit)/loss on sale of property and equipment		**(22)**	(415)	473	
Scrapping of property and equipment		**–**	–	385	
Headline earnings		**45 110**	47 369	105 426	(5)
Normalised headline earnings	4	**61 590**	61 774	137 878	–
Number of ordinary shares in issue	(000)	**160 540**	160 540	160 540	–
Weighted average number of ordinary shares in issue	(000)	**150 913**	159 509	157 415	(5)
Diluted average number of ordinary shares in issue	(000)	**150 913**	159 509	157 415	(5)
Basic earnings per share	(cents)	**29,91**	29,80	77,51	–
Diluted basic earnings per share	(cents)	**29,91**	29,80	77,51	–
Headline earnings per share	(cents)	**29,89**	29,70	66,97	1
Diluted headline earnings per share	(cents)	**29,89**	29,70	66,97	1
Normalised headline earnings per share	(cents)	**40,81**	38,73	87,59	5
Dividend per share	(cents)	**17,10**	13,70	13,70	25

** Refer to note 10.4*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited Six months ended 31 December 2018 R'000	Unaudited Six months ended 31 December 2017* R'000	Audited year-ended 30 June 2018 R'000
ASSETS				
Non-current assets		**1 055 968**	929 169	974 154
Property and equipment		**107 786**	70 855	96 242
Intangible assets		**281 382**	211 160	239 365
Goodwill	6	**616 044**	577 013	571 932
Finance lease receivables		**23 999**	25 797	23 666
Loans receivable		**1 250**	17 232	15 289
Deferred taxation asset		**25 507**	27 112	27 660
Current assets		**580 832**	520 491	413 361
Trade and other receivables		**359 421**	392 730	272 692
Inventory		**23 383**	23 258	21 994
Current tax receivable		**9 351**	2 354	1 633
Finance lease receivables		**9 617**	13 832	10 987
Loans receivable		**500**	4 158	4 096
Asset classified as held for sale		**15 562**	–	15 562
Cash and cash equivalents		**162 998**	84 159	86 397
Total assets		**1 636 800**	1 449 660	1 387 515
EQUITY AND LIABILITIES				
Equity				
Share capital		**16**	16	16
Treasury shares		**(1)**	(1)	(1)
Share premium		**321 591**	370 299	340 278
Equity compensation reserve		**21 266**	11 789	19 221
Foreign currency translation reserve		**7 421**	3 722	3 305
Revaluation reserve		**–**	3 544	–
Business combination reserves		**(15 217)**	–	–
Retained earnings		**407 418**	312 819	388 102
Equity attributable to shareholders of the company		**742 494**	702 188	750 921
Non-controlling interest		**(248)**	5 865	2 283
Total equity		**742 246**	708 053	753 204
Non-current liabilities		**541 334**	307 672	287 750
Interest-bearing borrowings	7	**459 911**	216 668	200 794
Financial liabilities		**18 837**	31 296	33 479
Finance lease liabilities	8	**1 209**	2 438	1 670
Deferred taxation liability		**61 377**	57 270	51 807
Current liabilities		**353 220**	433 935	346 561
Trade and other payables		**163 046**	155 568	133 860
Provisions		**26 684**	33 974	51 841
Deferred income	9	**129 409**	139 245	105 458
Current tax payable		**3 611**	3 450	1 453
Financial liabilities		**19 892**	27 588	38 952
Current portion of interest-free borrowings		**–**	8 193	–
Current portion of interest-bearing borrowings	7	**9 262**	64 572	13 681
Finance lease liabilities	8	**1 316**	1 345	1 316
Total equity and liabilities		**1 636 800**	1 449 660	1 387 515
Net asset value per share	(cents)	**462,34**	441,04	469,17
Tangible net asset value per share	(cents)	**(33,57)**	26,72	56,26
Liquidity ratio	(times)	**1,64**	1,20	1,19
Solvency ratio	(times)	**1,83**	1,95	2,19
Market price per share				
Close	(cents)	**590**	645	900
High	(cents)	**900**	1 009	1 099
Low	(cents)	**588**	560	560
Capital expenditure for the period	(R'000)	**23 783**	40 069	99 717
Capital commitments	(R'000)	**10 386**	55 264	34 169

** Refer to note 10.4*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Unaudited Six months ended 31 December 2018 R'000	Unaudited Six months ended 31 December 2017* R'000	Audited year-ended 30 June 2018 R'000
Operating activities				
Cash generated from operations		**58 305**	28 461	257 709
Finance income	2	**1 378**	1 754	3 958
Finance costs	3	**(14 938)**	(10 671)	(23 403)
Dividends paid		**(28 906)**	(24 492)	(34 971)
Taxation paid		**(34 221)**	(32 333)	(68 951)
Net cash flow (utilised in)/generated from operating activities		**(18 382)**	(37 281)	134 342
Investing activities				
Property and equipment acquired		**(21 018)**	(30 122)	(90 684)
Intangible assets acquired and developed		**(2 765)**	(2 633)	(9 034)
Proceeds on disposal of property and equipment		**–**	2 110	2 066
Proceeds from loans receivable		**17 635**	2 879	5 753
Finance lease assets receipts/(payments)		**1 037**	(2 816)	(2 160)
Settlement of contingent purchase consideration		**(44 054)**	(14 198)	(22 391)
Net cash outflow on acquisition of subsidiaries		**(79 057)**	(65 934)	(108 734)
Net cash outflow on acquisition of minority interest	10.3	**(12 519)**	–	–
Proceeds from disposal of subsidiary		**–**	–	42 027
Net cash flows utilised in investment activities		**(140 741)**	(110 714)	(183 157)
Financing activities				
Proceeds from borrowings		**625 236**	236 929	323 000
Repayment of borrowings		**(370 538)**	(90 786)	(242 823)
Share repurchases		**(22 297)**	(42 645)	(72 666)
Repayment of vendor loans		**–**	(6 724)	(6 724)
(Repayment)/proceeds of/from finance lease		**(461)**	1 082	285
Issue of shares for cash		**–**	35 298	35 297
Net cash inflow from financing activities		**231 940**	133 154	36 369
Net increase/(decrease) in cash resources		**72 817**	(14 841)	(12 446)
Exchange differences on translation		**3 784**	951	794
Cash and cash equivalents at beginning of period		**86 397**	98 049	98 049
Cash and cash equivalents at end of period		**162 998**	84 159	86 397

** Refer to note 10.4*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited	Share capital R'000	Treasury shares R'000	Share premium R'000	Other capital reserves R'000	Equity compensation reserve R'000	Asset revaluation reserve R'000	Foreign currency translation reserve R'000	Business combination reserves R'000	Retained earnings R'000	Attributable to equity holders of the parent R'000	Non-controlling interest R'000	Total R'000
Balance at 30 June 2017 (audited)	15	–	336 226	17 155	14 585	3 544	2 771	–	287 282	661 578	6 959	668 537
Total comprehensive income for the period	–	–	–	–	–	–	951	–	47 531	48 482	1 404	49 886
Profit for the period	–	–	–	–	–	–	–	–	47 531	47 531	1 404	48 935
Other comprehensive income for the period	–	–	–	–	–	–	951	–	–	951	–	951
Share-based payments	–	–	–	–	(2 608)	–	–	–	–	(2 608)	–	(2 608)
Shares issued during the year	1	–	69 136	–	(188)	–	–	–	–	68 949	–	68 949
Net repurchase of shares	–	(1)	(42 644)	–	–	–	–	–	–	(42 645)	–	(42 645)
Issue of treasury shares	–	–	7 581	(7 581)	–	–	–	–	–	–	–	–
Settled in cash	–	–	–	(9 574)	–	–	–	–	–	(9 574)	–	(9 574)
Dividend paid	–	–	–	–	–	–	–	–	(21 994)	(21 994)	(2 498)	(24 492)
Balance at 31 December 2017	16	(1)	370 299	–	11 789	3 544	3 722	–	312 819	702 188	5 865	708 053
Balance at 30 June 2018 (audited)	**16**	**(1)**	**340 278**	**–**	**19 221**	**–**	**3 305**	**–**	**388 102**	**750 921**	**2 283**	**753 204**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**4 116**	**–**	**45 132**	**49 248**	**1 020**	**50 268**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**45 132**	**45 132**	**1 020**	**46 152**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**4 116**	**–**	**–**	**4 116**	**–**	**4 116**
Share-based payments	**–**	**–**	**–**	**–**	**2 045**	**–**	**–**	**–**	**–**	**2 045**	**–**	**2 045**
Acquisition of minority interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(15 217)**	**–**	**(15 217)**	**(461)**	**(15 678)**
Net repurchase of shares	**–**	**–**	**(18 687)**	**–**	**–**	**–**	**–**	**–**	**–**	**(18 687)**	**–**	**(18 687)**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(25 816)**	**(25 816)**	**(3 090)**	**(28 906)**
Balance at 31 December 2018	**16**	**(1)**	**321 591**	**–**	**21 266**	**–**	**7 421**	**(15 217)**	**407 418**	**742 494**	**(248)**	**742 246**

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim results for the six months ended 31 December 2018 have been prepared in accordance with and containing the information required by the JSE Listings Requirements for interim reports, the requirements of the Companies Act applicable to condensed financial statements, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and contain information required by IAS 34 Interim Financial Reporting. The accounting policies applied in preparation of these condensed consolidated interim results are in terms of IFRS and are consistent with those applied in the previous annual financial statements except as stated below:

The group has applied both IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers using the modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS 9 and IFRS 15 are adjusted to the opening balance of equity.

IFRS 9 Financial Instruments (IFRS 9)

The group has applied the expected credit loss method as detailed in IFRS 9 by using the simplified approach. The application of a provision matrix to the group's trade receivables based on historic default rates with an adjustment for forward looking events has not resulted in a different position from the previous standard.

The application of IFRS 9 has not resulted in the reclassification of any of the group's financial assets and liabilities.

IFRS 15 Revenue from Contracts with Customers (IFRS 15)

The group has done a thorough assessment of its performance obligations under IFRS 15. The group is satisfied that the performance obligations are satisfied in line with the group's existing revenue recognition criteria and as result there is no effect on the timing of revenue being recognised.

The report was prepared under the supervision of the Chief Financial Officer, Ms Nombali Mbambo CA(SA), and has not been audited by the group's external auditors.

The unaudited condensed interim results were approved by the board of directors on 28 January 2019.

	Unaudited 31 December 2018 R'000	Unaudited 31 December 2017 R'000	Audited 30 June 2018 R'000
2. FINANCE INCOME			
Imputed interest	**760**	137	1 535
Bank interest	**786**	777	1 749
Other interest	**592**	977	2 209
Total finance income	**2 138**	1 891	5 493
3. FINANCE COSTS			
Borrowings	**14 938**	10 671	23 403
Financial liabilities (imputed)	**2 117**	2 298	5 156
Total finance cost	**17 055**	12 969	28 559

4. NORMALISED HEADLINE EARNINGS

Normalised headline earnings is calculated by adding back to headline earnings the amortisation of acquired 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 outstanding contingent purchase considerations.

		Unaudited 31 December 2018 R'000	Unaudited 31 December 2017 R'000	Audited 30 June 2018 R'000
Reconciliation between headline earnings and normalised headline earnings for the period:				
Headline earnings		**45 110**	47 369	105 426
Amortisation of intangible assets acquired		**18 911**	16 815	33 895
Deferred taxation on amortisation of intangible assets acquired		**(4 548)**	(4 708)	(9 491)
Fair value adjustment to financial liability (imputed interest)		**2 117**	2 298	5 156
Fair value adjustment to financial liability (Micros underpin)		**–**	–	2 892
Normalised headline earnings		**61 590**	61 774	137 878
Weighted average number of ordinary shares in issue	(000)	**150 913**	159 509	157 415
Normalised headline earnings per share	(cents)	**40,81**	38,73	87,59

5. DIVIDENDS

Ordinary dividend number 16 of 17,10 cents per share was paid to shareholders on 25 September 2018.

It is group policy to consider declaration of dividends at the end of the financial year and not at the interim reporting date.

	Unaudited 31 December 2018 R'000	Unaudited 31 December 2017 R'000	Audited 30 Jun 2018 R'000
6. GOODWILL			
Carrying amount at beginning of period	**571 932**	500 346	500 346
Acquisition of EasyRoster	**–**	(1 380)	(1 380)
Acquisition of Micros	**–**	78 047	78 047
Acquisition of LGR	**5 102**	–	2 976
Disposal of CQS GRC Solutions	**–**	–	(8 057)
Acquisition of Strive Software	**5 525**	–	–
Acquisition of Conor	**33 485**	–	–
Carrying amount at end of period	**616 044**	577 013	571 932
Comprising:			
Cost	**616 044**	577 013	571 932
Goodwill is allocated as follows:			
– Manufacturing	**10 408**	10 408	10 408
– HCM	**12 352**	12 352	12 352
– Energy	**95 477**	95 477	95 477
– Telecoms	**143 038**	143 038	143 038
– CQS	**187 933**	195 990	187 933
– EasyRoster	**41 701**	41 701	41 701
– Micros	**78 047**	78 047	78 047
– LGR	**8 078**	–	2 976
– Strive Software	**5 525**	–	–
– Conor	**33 485**	–	–
Total	**616 044**	577 013	571 932

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 for each of the cash-generating units shown above. 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.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

	Unaudited 31 December 2018 R'000	Unaudited 31 December 2017 R'000	Audited 30 June 2018 R'000
7. INTEREST-BEARING BORROWINGS			
Non-current borrowings	**459 911**	216 668	200 794
– The Standard Bank of South Africa Limited	**452 018**	–	–
– Investec Bank Limited	**–**	200 000	189 080
– FirstRand Bank Limited	**7 893**	16 668	11 714
Current borrowings	**9 262**	64 572	13 681
– The Standard Bank of South Africa Limited	**1 608**	–	–
– Investec Bank Limited	**–**	53 914	3 282
– FirstRand Bank Limited	**7 654**	10 658	10 399
Total	**469 173**	281 240	214 475

Adapt IT Proprietary Limited refinanced its borrowings with The Standard Bank of South Africa Limited in December 2018 as follows:

– Facility A: 60 month term facility for acquisitions at an interest rate of three-month JIBAR plus 2,65% margin.

– Facility B: 36 month revolving credit facility at an interest rate of three-month JIBAR plus 2,65% margin.

Facility B was utilised to settle the Investec Bank Limited facilities.

The Standard Bank of South Africa Limited facilities are secured by 100% of the shares held in Adapt IT Proprietary Limited, cession of book debts held by Adapt IT Proprietary Limited and cession of all the positive balances held in Adapt IT Proprietary Limited bank accounts.

Micros South Africa Proprietary Limited has a loan with FirstRand Bank Limited. 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 Proprietary Limited bank accounts.

A loan from Investec Bank Limited was obtained in July 2015 to fund future working capital requirements. The loan was 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 was a 12 month revolving facility at interest rate of Investec Bank Limited's prime rate. The Investec Bank Limited facilities were secured by 100% of the shares held in Adapt IT Proprietary Limited and cession of book debts held by Adapt IT Holdings Limited and its subsidiaries. The Investec facilities were settled in December 2018.

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

	Unaudited 31 December 2018 R'000	Unaudited 31 December 2017 R'000	Audited 30 June 2018 R'000
8. FINANCE LEASE LIABILITIES			
Non-current liabilities	**1 209**	2 438	1 670
Current liabilities	**1 316**	1 345	1 316
Total	**2 525**	3 783	2 986

Micros South Africa Proprietary Limited leases certain motor vehicles and equipment under finance leases. Interest rates are linked to prime 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.

	Unaudited 31 December 2018 R'000	Unaudited 31 December 2017 R'000	Audited 30 June 2018 R'000
9. DEFERRED INCOME			
Education segment	**89 304**	95 810	55 761
Manufacturing segment	**17 150**	6 930	6 776
Energy segment	**3 340**	6 755	1 725
Financial segment	**7 663**	5 188	7 939
Hospitality segment	**11 952**	24 562	33 257
Total	**129 409**	139 245	105 458

The Education segment deferred income relates to annual maintenance fees invoiced in advance for the year and usually collected at the end of January and February, the start of the education year in South Africa.

The Hospitality segment deferred income relates to all maintenance, software licenses, software as a service (SaaS) and hosting pre-invoiced for future periods.

The deferred income of other segments includes long-term software projects in progress, ongoing upgrades and other software-related projects for clients.

10. BUSINESS COMBINATIONS

10.1 Acquisition of subsidiary

On 1 September 2018, the group acquired the entire issued share capital of Strive Software International Proprietary Limited (Strive Software), a South African registered company.

Strive Software conducts business in the education sector, providing software, consulting and support to its clients.

The purchase consideration of R12,5 million was settled in cash.

The fair value of the net assets acquired amounted to R6,9 million, resulting in goodwill of R5,5 million 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 Strive Software as at the date of acquisition were:

	Fair value recognised on acquisition R'000
Assets	
Property and equipment	4
Intangible assets	8 738
Trade and other receivable	229
Cash and cash equivalents	816
Total assets	9 787
Liabilities	
Deferred tax liabilities	2 445
Trade and other payables	343
Current tax payable	53
Total liabilities	2 841
Total identifiable net assets	6 946
Goodwill arising on acquisition	5 525
Fair value of consideration payable:	12 471
Cash paid	12 471
Fair value of consideration payable	12 471
Cash outflow on acquisition:	
Net cash acquired with the subsidiary	816
Cash paid	(12 471)
Net cash outflow on acquisition	(11 655)

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

From the date of acquisition, Strive Software has contributed R0,3 million to the profit after tax of the group. Non-cash acquisition related expenses (amortisation of intangible assets) amounted to R0,2 million after tax.

Cash acquisition related costs of R0,2 million have been expensed and are included in operational expenses on the statement of profit or loss and other comprehensive income.

10. BUSINESS COMBINATIONS CONTINUED

10.2 Acquisition of subsidiary

On 31 December 2018, the group acquired certain assets and liabilities of Conor Solutions Proprietary Limited (Conor) (South African registered).

Conor Solutions operates in the ICT sector focused on mobile technologies providing turnkey technology solutions to mobile operators, financial institutions, enterprises, and SMMEs in Africa and South America.

The acquisition will provide the group with access to key proprietary software, customers and markets in the telecommunications space in South Africa as well as key markets in Africa including DRC, Tanzania, Lesotho and Namibia.

The purchase consideration of R80,0 million was settled in cash in December 2018.

The fair value of the net assets acquired amounted to R33,9 million, resulting in goodwill of R33,5 million 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 Conor as at the date of acquisition were:

	Fair value recognised on acquisition R'000
Assets	
Property and equipment	1 099
Intangible assets	47 258
Total assets	48 357
Liabilities	
Deferred tax liabilities	13 232
Trade and other payables	1 208
Total liabilities	14 440
Total identifiable net assets	33 917
Goodwill arising on acquisition	33 485
Fair value of consideration payable:	67 402
Working capital cash received	(12 598)
Cash paid	80 000
Fair value of consideration payable	67 402
Cash outflow on acquisition:	
Working capital cash received	12 598
Cash paid	(80 000)
Net cash outflow on acquisition	(67 402)

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

10. BUSINESS COMBINATIONS CONTINUED

10.3 Acquisition of minority interest

On 1 December 2018, the group acquired the 30% minority interest held in CQS Confirmations Proprietary Limited from Que Dee Trading 35 Proprietary Limited (Que Dee), a South African registered company, for a consideration of R15,7 million.

The fair values of the net assets and liabilities of Que Dee as at the date of acquisition were:

	Fair value recognised on acquisition R'000
Total identifiable net assets	–
Non-controlling interest	(461)
Cash paid on 10 December 2018	12 519
Cash due on 10 June 2019	3 159
Business combination reserves	**15 217**
Cash outflow on acquisition:	
Cash received with the acquisition of Que Dee	–
Cash paid on 10 December 2018	(12 519)
Net cash outflow on acquisition of minority interest	**(12 519)**

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

10. BUSINESS COMBINATIONS CONTINUED

10.4 Measurement period adjustment

At 1 July 2017, the Micros acquisition was provisionally accounted for in terms of the allowance per IFRS 3 Business Combinations. The purchase price allocation valuation was completed by the year ended 30 June 2018 and included in the fair value of assets and liabilities recognised on acquisition.

Consequently, the comparative figures for 31 December 2017 have been adjusted. The effect of the adjustment is disclosed in the tables below.

The effect on 31 December 2017 group results is as follows:

Condensed consolidated statement of profit or loss and other comprehensive income

		As originally reported R'000	Measurement period adjustment R'000	Restated amount R'000
Revenue		675 450	2 630	678 080
Turnover		673 559	2 630	676 189
Cost of sales		(277 060)	(6 581)	(283 641)
Gross profit		396 499	(3 951)	392 548
Operating expenses		(280 447)	(861)	(281 308)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		116 052	(4 812)	111 240
Depreciation and amortisation		(13 105)	4 852	(8 253)
Amortisation of intangible assets acquired		(16 815)	–	(16 815)
Profit from operations		86 132	40	86 172
Finance income		1 891	–	1 891
Finance costs		(12 969)	–	(12 969)
Profit before taxation		75 054	40	75 094
Income tax expense		(26 119)	(40)	(26 159)
Profit for the period		48 935	–	48 935
Attributable to:				
Equity holders of the parent		47 531	–	47 531
Non-controlling interests		1 404	–	1 404
Items that may be reclassified subsequently to profit and loss		951	–	951
Exchange differences arising from translation of foreign operations		951	–	951
Total comprehensive income		49 886	–	49 886
Number of ordinary shares in issue	(000)	160 540	–	160 540
Weighted average number of ordinary shares in issue	(000)	159 509	–	159 509
Diluted average number of ordinary shares in issue	(000)	159 509	–	159 509
Basic earnings per share	(cents)	29,80	–	29,80
Diluted basic earnings per share	(cents)	29,80	–	29,80
Headline earnings per share	(cents)	29,70	–	29,70
Diluted headline earnings per share	(cents)	29,70	–	29,70

10. BUSINESS COMBINATIONS CONTINUED

10.4 Measurement period adjustment continued

Condensed consolidated statement of financial position

	As originally reported R'000	Measurement period adjustment R'000	Restated amount R'000
ASSETS			
Non-current assets	926 724	2 445	929 169
Property and equipment	95 310	(24 455)	70 855
Intangible assets	208 484	2 676	211 160
Goodwill	575 250	1 763	577 013
Finance leave receivables	1 375	24 422	25 797
Loans receivable	17 232	–	17 232
Deferred taxation asset	29 073	(1 961)	27 112
Current assets	508 144	12 347	520 491
Trade and other receivables	392 730	–	392 730
Inventory	23 258	–	23 258
Current tax receivable	2 346	8	2 354
Finance lease receivables	1 493	12 339	13 832
Loans receivable	4 158	–	4 158
Asset classified as held for sale	–	–	–
Cash and cash equivalents	84 159	–	84 159
Total assets	1 434 868	14 792	1 449 660
EQUITY AND LIABILITIES			
Equity			
Share capital	16	–	16
Treasury shares	(1)	–	(1)
Share premium	370 299	–	370 299
Equity compensation reserve	11 789	–	11 789
Foreign currency translation reserve	3 722	–	3 722
Revaluation reserve	3 544	–	3 544
Retained earnings	312 819	–	312 819
Equity attributable to shareholders of the company	702 188	–	702 188
Non-controlling interest	5 865	–	5 865
Total equity	708 053	–	708 053
Non-current liabilities	305 289	2 383	307 672
Interest-bearing borrowings	216 668	–	216 668
Financial liabilities	31 296	–	31 296
Finance lease liabilities	2 438	–	2 438
Deferred taxation liability	54 887	2 383	57 270
Current liabilities	421 526	12 409	433 935
Trade and other payables	155 568	–	155 568
Provisions	33 974	–	33 974
Deferred income	139 245	–	139 245
Current tax payable	3 450	–	3 450
Financial liabilities	15 179	12 409	27 588
Current portion of interest-free borrowings	8 193	–	8 193
Current portion of interest-bearing borrowings	64 572	–	64 572
Finance lease liabilities	1 345	–	1 345
Total equity and liabilities	1 434 868	14 792	1 449 660

11. 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 earnings before interest, tax, depreciation and amoritisation (EBITDA) information regarding the group's operating segments for the six months ended 31 December 2018 and 31 December 2017, respectively:

	Education R'000	Manu-facturing R'000	Financial Services R'000	Energy R'000	Hospitality R'000	Other R'000	Total R'000
Six months ended 31 December 2018							
Turnover	**96 108**	**206 712**	**144 579**	**66 549**	**153 263**	**–**	**667 211**
Segment EBITDA	**17 404**	**49 042**	**26 608**	**10 449**	**18 902**	**(4 663)**	**117 742**
EBITDA margin (%)	**18**	**24**	**18**	**16**	**12**	**–**	**18**
Six months ended 31 December 2017							
Turnover	83 543	176 203	160 393	93 846	162 204	–	676 189
Segment EBITDA	13 866	38 369	21 816	20 276	20 186	(3 273)	111 240
EBITDA margin (%)	17	22	14	22	12	–	16

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 Proprietary Limited
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
Proprietary Limited
PO Box 61051, Marshalltown, 2107
T +27 (0) 11 370 5000
F +27 (0) 11 688 5200

AUDITORS
Deloitte & Touche

SPONSOR
Merchantec Capital
2nd Floor, North Block
Hyde Park Office Towers
Corner 6th Road and Jan Smuts
Avenue
Hyde Park
2196

CORPORATE BANKERS
The Standard Bank of South Africa
Limited
ABSA Bank
FirstRand Bank Limited

LEGAL REPRESENTATIVES
Garlicke & Bousfield Incorporated
Michalsons

ADAPT IT WEBSITE
www.adaptit.co.za

SOUTH AFRICAN OFFICES

GAUTENG
Adapt IT Johannesburg Campus
152 14th Road
Noordwyk
Midrand
South Africa
T +27 (0)10 494 0000

KWAZULU-NATAL
Rydall Vale Office Park
5 Rydall Vale Crescent
La Lucia Ridge
Durban
T +27 (0) 31 514 7300
F +27 (0) 86 602 8961

WESTERN CAPE
Great Westerford
3rd Floor
240 Main Road
Rondebosch
Cape Town
T +27 (0) 21 200 0480

INTERNATIONAL OFFICES

MAURITIUS
Building 10
Clarens Field Business Park
Riviere Noire Road
Bambous, 90203
Mauritius
T +230 452 9349

AUSTRALIA
Adapt IT Australia
5/15 Queen Street
Melbourne
VIC 3000
Australia
T +61 38 611 5401

BOTSWANA
Fairscape Precinct
Plot 70667
Fairgrounds Office Park
Building 2 Floor 5
Gaborone
Botswana
T +267 316 7456
F +267 316 7457

IRELAND
City Junction Business Park
1st Floor, Chase House
Northern Cross, Malahide Rd
Dublin 17
Ireland
T +353 1 687 3732

KENYA
Adapt IT Solutions Limited
Kilimani Court
No 8 Kilimani Road
Nairobi
T +254 713 088 068

NEW ZEALAND
Level 6
Grand Annexe Tower One
84 Boulcott Street
Wellington, 6011
New Zealand
T: +64 4 931 1480

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