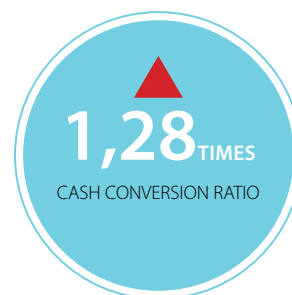
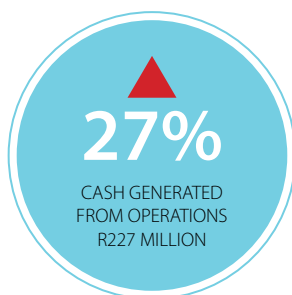
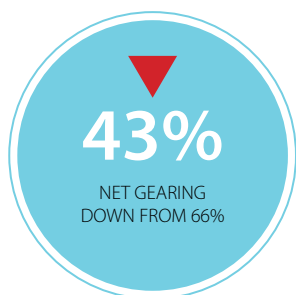


ABRIDGED SUMMARISED
CONSOLIDATED AUDITED RESULTS
FOR THE YEAR ENDED 30 JUNE
AND NOTICE OF ANNUAL GENERAL MEETING

2020

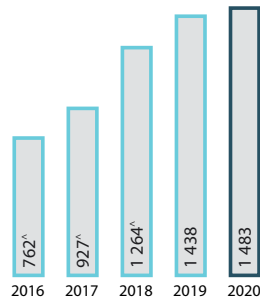


FINANCIAL HIGHLIGHTS

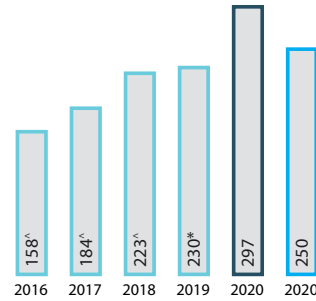


		After IFRS 16 2020	Before IFRS 16 2020	Restated 2019	After IFRS 16 % Change	Before IFRS 16 % Change
Revenue	(R'000)	1 483 347	1 483 347	1 438 138	3	3
EBITDA	(R'000)	297 264	249 548	229 573	29	9
Operating profit	(R'000)	197 187	177 591	163 376	21	9
EBITDA margin	(%)	20,04	16,82	15,96	26	5
Operating profit margin	(%)	13,29	11,97	11,36	17	5
Basic earnings per share	(cents)	51,47	57,16	50,42	2	13
Headline earnings per share	(cents)	66,88	72,58	56,36	19	29
Normalised headline earnings per share	(cents)	77,03	82,73	77,33	(0)	7
Return on equity	(%)	9,92	10,78	10,38	(4)	4
Total equity	(R'000)	746 494	777 631	677 686	10	15
Liquidity ratio	(times)	1,53	1,58	0,53	189	199
Net gearing	(%)	45,21	43,38	65,60	(31)	(34)
Cash generated from operations	(R'000)	274 361	226 645	178 688	54	27
Cash conversion ratio	(times)	1,39	1,28	1,09	27	17

Revenue
Rm



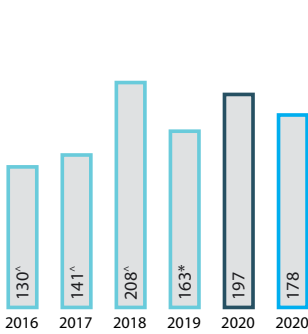
EBITDA
Rm



^ From continuing operations

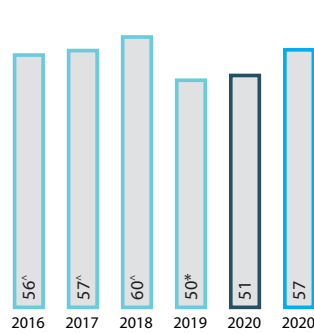
^ From continuing operations
* Restated
■ After IFRS 16 Leases
■ Before IFRS 16 Leases

Operating profit
Rm



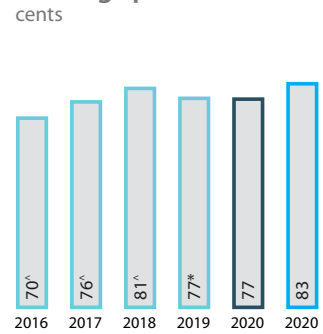
^ From continuing operations
* Restated
■ After IFRS 16 Leases
■ Before IFRS 16 Leases

Basic earnings per share
cents



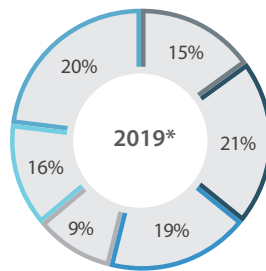
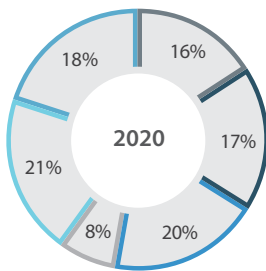
^ From continuing operations
* Restated
■ After IFRS 16 Leases
■ Before IFRS 16 Leases

Normalised headline earnings per share
cents



^ From continuing operations
* Restated
■ After IFRS 16 Leases
■ Before IFRS 16 Leases

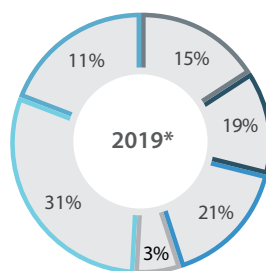
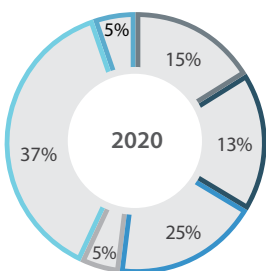
Segmental revenue



* Restated

- Education
- Manufacturing
- Financial Services
- Energy
- Communications
- Hospitality

Segmental EBITDA before IFRS 16 Leases



* Restated

- Education
- Manufacturing
- Financial Services
- Energy
- Communications
- Hospitality

FINANCIAL REVIEW

PREAMBLE – ADOPTION OF NEW IFRS 16 LEASES STANDARD

Adapt IT adopted the new IFRS 16 Leases standard, effective 1 July 2019, for the group during the current reporting period. In relation to those leases defined under IFRS 16, the group as a lessee has recognised right-of-use assets representing the right to use the underlying assets and lease liabilities representing the obligation to make lease payments. Depreciation of R28 million and interest costs of R31 million are therefore recognised in the statement of profit or loss and other comprehensive income, instead of operating lease expenses of R48 million, resulting in a net reduction to profit after tax of R8 million. The group has applied IFRS 16 using the modified retrospective approach, and consequently comparative information has not been restated. The impact of the adoption of IFRS 16 is set out in note 3.1 on page 9.

For comparative purposes, the financial and operational review has been presented, and commentary provided, on a basis excluding IFRS 16 – representing a like for like operational performance.

FINANCIAL REVIEW

Revenue increased by 3% to R1,483 billion (2019: R1,438 billion), comprising muted organic growth of -2% and growth from acquisitions of 5%. Annuity revenue remains healthy and there is an improvement on the previous reporting period to 62% (2019: 61%). The five year compound annual growth rate for revenue is 13%.

Sector and geographic diversification have served the group well as some divisions have outperformed while others have been hard hit in the circumstances.

EBITDA increased by 9% to R250 million (2019: R230 million*), representing an improved EBITDA margin of 17% (2019: 16%*). Four of the six divisions grew EBITDA, however the Hospitality and Manufacturing divisions, where trading conditions were negatively impacted by Covid-19, delivered negative year on year growth.

The tough trading conditions in South Africa were a catalyst for Adapt IT to drive operational improvements through significant cost containment measures in segments most impacted by Covid-19. Most operational efficiency projects have been completed, which will result in cost savings in future financial periods. The business cost structures where the market landscape has changed have been right sized for the current market.

A net foreign exchange gain of R11 million (2019: R6 million net loss) was recognised, resulting in a positive year on year movement of R17 million. Goodwill was impaired by R16 million relating to the Aquilon cash generating unit ("CGU") as a result of the uncertainties on adjudication delays on project revenue due to Covid-19. The carrying value of the intangible asset (being Customer Relationships) with a value of R6 million allocated to the Micros CGU for a key customer, was impaired, following the loss of the client due to a global franchisor decision to change the software solution. A gain arising on the remeasurement and consequent derecognition

of financial liabilities mainly with respect to the Wisenet acquisition was R22 million during the reporting period.

The group provides specialised software and digitally-led business solutions to the Education, Manufacturing, Financial Services, Energy, Communications and Hospitality sectors. Segment contributions to revenue were as follows:

- The Education Division delivered increased revenue of 8% inclusive of acquisitions, and although it experienced project delays, there was an increasing demand for eLearning solutions. This division contributed 16% to total revenue and delivered EBITDA margin of 16% (2019: 16%).
- The Manufacturing Division experienced an 18% decrease in revenue due to project volume declines and delays, achieving an EBITDA margin of 13% (2019: 15%). The Manufacturing division contributed 17% to total revenue.
- Financial Services achieved excellent revenue growth of 12%, contributing 20% to total revenue and delivering a 21% EBITDA margin (2019: 19%).
- The Energy Division experienced a 5% decrease in revenue as a result of the drop in project revenue, contributing 8% to total revenue. EBITDA margin improved considerably from 5% to 10% due to the implementation of a revised strategy and the efficiency measures taken. The results support the planned recovery of this division.
- The Communications Division grew by an encouraging 33% inclusive of acquisitive revenue, achieving an EBITDA margin of 30% (2019: 32%) and contributing 21% to total revenue.
- The Hospitality Division was significantly impacted by the measures implemented by government in this industry to respond to Covid-19. Consequently, revenue declined by 7%, resulting in 4% EBITDA margin (2019: 9%). This division experienced non-recurring costs during the reporting period mainly due to inventory write-offs of R7 million and retrenchment costs of R2 million with the acceleration of the planned operational efficiency projects to respond to Covid-19. The Hospitality division contributed 18% of total revenue.

Geographic diversification of revenue has improved from the strengthened Pan African footprint, with a heightened presence in Kenya. Revenue from Pan Africa increased to 16% (2019: 15%) being from 32 other African countries. Asia Pacific, Europe and the Americas contributed 11% (2019: 9%) to revenue, resulting in an overall improvement in international revenue contribution to 27% (2019: 24%).

Diversification by geography and growing hard currency revenue streams in a conservative manner are key factors in diversifying market risk and continue to remain a strategic focus.

The effective tax rate was 38% (2019: 39%) mainly due to foreign withholding taxes, the impairment of goodwill being of a capital nature, and non-deductible interest.

* Prior year figures have been restated mainly for measurement period adjustments. The components of the restatement are set out in note 13 on page 24. The commentary in this report is therefore presented against the restated 2019 results. All restated figures are indicated with an asterisk (*).

Earnings per share ("EPS") increased by 13% to 57,16 cents and headline earnings per share ("HEPS") increased by 29% to 72,58 cents. Normalised HEPS increased by 7% to 82,73 cents.

Cash generated from operations was R227 million (2019: R179 million), representing a cash conversion ratio of 1,28 times. Stringent focus was placed on working capital management and cost control and this focus will remain going forward.

Interest-bearing borrowings increased to R521 million (2019: R501 million) and net interest-bearing borrowings after deducting positive cash balances decreased to R337 million (2019: R443 million), representing a 24% reduction. Debt service was R86 million, including R37 million in capital repayments on borrowings.

Net gearing was reduced to 43% from 66%. The board cited the strong cash generation and ability of the business to service and reduce its debt with operating cash flows as a very pleasing result. All debt covenants were met at 30 June 2020. The board intends to continue prioritising liquidity management and debt reduction and will maintain a prudent approach going forward.

NO DIVIDEND

The board has prioritised the reduction of borrowings and has remained prudent in preserving cash during these unprecedented times, resulting in the payment of dividends being suspended.

BOARD

There were no changes to the directorate since the last report.

TRANSFORMATION

Adapt IT (Pty) Ltd achieved a Level 1 B-BBEE contributor status effective 29 September 2020.

PROSPECTS

The South African economy has been hard hit by the Covid-19 pandemic and the associated regulations, but the impact on Adapt IT's segments is mixed, with some presenting new opportunities, like increased eLearning and telecommunications use.

The group continues to take advantage of its underlying diversification. This is done by assisting the current client base more effectively, focusing on sales in a cohesive manner and carefully expanding on the Pan Africa and Asia Pacific strategy.

NOTICE OF THE AGM

The Integrated Annual Report will be mailed to shareholders on 30 October 2020 and will be available on the group's website: www.adaptit.com on 26 October 2020.

Notice is hereby given that the 21st annual general meeting ("AGM") of shareholders of Adapt IT will be held at 09:00 on Friday, 27 November 2020. This meeting will be conducted entirely by electronic communication as contemplated in section 63(2)(a) of the Companies Act, 2008 (Act 71 of 2008), as amended, and shareholders will be required to access the meeting platform at <https://web.lumiagm.com>. A unique meeting ID, username and password will be sent via email or SMS to each shareholder who has pre-registered and is entitled to participate at the meeting. A shareholders' guide to assist and provide meeting participation guidelines is available on the group's Investor Relations website: <https://www.adaptit.co.za/hubfs/investor/2020%20annual%20results%20announcement.pdf> as well as on the SmartAGM portal: <https://smartagm.co.za>.

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, the record date for the purposes of determining which shareholders of the company are entitled to participate in and vote at the AGM is Friday, 20 November 2020. 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 AGM is Tuesday, 17 November 2020.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Shareholders are advised that Adapt IT's annual compliance report in terms of Section 13G(2) of the Broad-based Black Economic Empowerment Amendment Act No 46 of 2013, is available on Adapt IT's website: www.adaptit.com.

APPRECIATION

Adapt IT thanks its customers, business partners, service providers and shareholders for their continued support and members of the board of directors and group employees for their dedication, which underpins the group's success.

For and on behalf of the board



Craig Chambers
Independent non-executive Chairman



Sbu Shabalala
Chief Executive Officer



Nombali Mbambo
Chief Financial Officer

26 October 2020

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 R	2019 Restated* R
Revenue	5	1 483 346 995	1 438 138 457
Cost of sales		(661 285 411)	(645 556 263)
Gross profit		822 061 584	792 582 194
Administrative, selling and other costs		(601 497 016)	(622 900 117)
Impairment loss on trade receivables, contract assets and finance lease receivables	6	(1 243 380)	(6 306 183)
Impairment of non-current assets	6	(22 134 216)	–
Profit from operations	6	197 186 972	163 375 894
Finance income	6	2 332 399	3 033 728
Finance costs	6	(84 698 847)	(42 830 348)
Profit before tax	6	114 820 524	123 579 274
Income tax expense		(44 028 610)	(48 549 339)
Profit for the year		70 791 914	75 029 935
Attributable to:			
Equity holders of the parent		70 652 503	73 975 543
Non-controlling interests		139 411	1 054 392
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit and loss		21 337 395	(1 930 289)
Exchange gain/(loss) arising from translation of foreign operations		21 337 395	(1 930 289)
Total comprehensive income		92 129 309	73 099 646
Attributable to:			
Equity holders of the parent		91 989 898	72 045 254
Non-controlling interests		139 411	1 054 392
Basic earnings per share	(cents) 7.1	51,47	50,42
Diluted earnings per share	(cents) 7.1	51,47	50,42

* See note 13.1 and note 13.2 for details regarding the restatement for measurement period adjustments.

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Notes	30 June 2020 R	30 June 2019 Restated* R	1 July 2018 Restated** R
ASSETS				
Non-current assets				
		1 338 521 178	1 180 766 704	995 138 890
Property and equipment		108 422 774	122 968 584	109 829 565
Intangible assets		246 896 147	296 666 349	219 762 342
Right-of-use assets		239 839 938	–	–
Goodwill		705 099 424	704 183 385	598 251 511
Finance lease receivables		22 993 060	20 200 070	23 666 262
Loans receivable		500 000	6 000 000	15 288 798
Deferred taxation asset		14 769 835	30 748 316	28 340 412
Current assets				
		589 796 586	456 425 060	376 031 870
Inventories		31 685 937	26 417 695	21 994 177
Trade and other receivables		285 280 103	311 535 257	248 563 134
Contract assets		37 259 177	24 224 014	–
Current tax receivable		40 566 298	22 538 189	3 813 541
Finance lease receivables		9 900 352	12 804 422	10 986 946
Loans receivable		541 667	500 000	4 096 044
Cash and cash equivalents		184 563 052	58 405 483	86 578 028
Non-current assets classified as held for sale				
		9 500 000	7 826 087	15 561 988
Total assets				
		1 937 817 764	1 645 017 851	1 386 732 748
EQUITY AND LIABILITIES				
Equity				
Stated capital		248 138 154	–	–
Share capital		–	15 251	16 054
Share premium		–	248 123 665	340 277 986
Treasury shares		(763)	(1 525)	(819)
Equity compensation reserve		17 988 406	17 988 406	19 221 006
Business combination reserves		(15 664 396)	(15 664 396)	–
Foreign currency translation reserve		24 426 545	3 089 150	5 019 439
Retained earnings		471 712 936	424 356 290	380 639 756
Attributable to equity holders of the parent		746 600 882	677 906 841	745 173 422
Non-controlling interests		(106 532)	(221 126)	2 283 174
Total equity				
		746 494 350	677 685 715	747 456 596
Non-current liabilities				
		806 039 423	105 228 230	286 780 403
Interest-bearing borrowings	8	486 932 556	2 986 854	200 794 458
Financial liabilities		6 279 638	40 749 830	33 479 340
Lease liabilities	9	276 207 597	877 849	1 670 033
Deferred taxation liability		36 619 632	60 613 697	50 836 572
Current liabilities				
		385 283 991	862 103 906	352 495 749
Trade and other payables		141 570 638	170 537 886	148 517 520
Contract liabilities		131 518 788	107 743 673	–
Deferred income		–	–	95 669 242
Leave pay and provisions		23 433 873	59 763 217	51 841 262
Current tax payable		10 656 094	8 069 869	2 519 351
Current portion of interest-bearing borrowings	8	34 145 448	498 005 325	13 680 725
Current portion of financial liabilities		18 469 219	16 866 530	38 951 795
Current portion of lease liabilities	9	25 489 931	1 117 406	1 315 854
Total liabilities				
		1 191 323 414	967 332 136	639 276 152
Total equity and liabilities				
		1 937 817 764	1 645 017 851	1 386 732 748

* See note 13.1 and note 13.2 for details regarding the restatement for measurement period adjustments and note 13.3 for details of a restatement due to a prior period error.

** 1 July 2018 was restated for SIC 15 Operating Leases Incentives (refer note 13.3).

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Share capital R	Treasury shares R	Share premium R
Balance at 30 June 2018 (as previously reported)	16 054	(819)	340 277 986
Transitional adjustment – implementation of IFRS 9 and 15	–	–	–
Balance at 1 July 2018	16 054	(819)	340 277 986
Total comprehensive income for the year (restated*)	–	–	–
Profit for the year (restated*)	–	–	–
Other comprehensive income for the year (restated*)	–	–	–
Share-based release	–	–	–
Repurchase of shares, inclusive of share buyback costs	–	(1 555)	(95 764 322)
Cancellation of shares	(803)	803	–
Issue of treasury shares	–	46	3 610 001
Acquisition of non-controlling interest	–	–	–
Dividend paid	–	–	–
Balance at 30 June 2019 (restated*)	15 251	(1 525)	248 123 665
Transitional adjustment – implementation of IFRS 16 (refer note 3.1)	–	–	–
Balance at 1 July 2019 (restated*)	15 251	(1 525)	248 123 665
Total comprehensive income for the year	–	–	–
Profit for the year	–	–	–
Other comprehensive income for the year	–	–	–
Share capital conversion to no par value shares	(15 251)	–	(248 123 665)
Cancellation of shares	–	762	–
Balance at 30 June 2020	–	(763)	–

* See note 13.1 and note 13.2 for details regarding the restatement for measurement period adjustments.

Attributable to equity holders of the parent

Stated capital R	Equity compensation reserve R	Foreign currency translation reserve R	Business combination reserves R	Retained earnings R	Attributable to equity holders of the parent R	Non-controlling interests R	Total R
-	19 221 006	5 019 439	-	380 639 756	745 173 422	2 283 174	747 456 596
-	-	-	-	(4 442 581)	(4 442 581)	(7 455)	(4 450 036)
-	19 221 006	5 019 439	-	376 197 175	740 730 841	2 275 719	743 006 560
-	-	(1 930 289)	-	73 975 543	72 045 254	1 054 392	73 099 646
-	-	-	-	73 975 543	73 975 543	1 054 392	75 029 935
-	-	(1 930 289)	-	-	(1 930 289)	-	(1 930 289)
-	(1 232 600)	-	-	-	(1 232 600)	-	(1 232 600)
-	-	-	-	-	(95 765 877)	-	(95 765 877)
-	-	-	-	-	-	-	-
-	-	-	-	-	3 610 047	-	3 610 047
-	-	-	(15 664 396)	-	(15 664 396)	(461 237)	(16 125 633)
-	-	-	-	(25 816 428)	(25 816 428)	(3 090 000)	(28 906 428)
-	17 988 406	3 089 150	(15 664 396)	424 356 290	677 906 841	(221 126)	677 685 715
-	-	-	-	(23 295 857)	(23 295 857)	(24 817)	(23 320 674)
-	17 988 406	3 089 150	(15 664 396)	401 060 433	654 610 984	(245 943)	654 365 041
-	-	21 337 395	-	70 652 503	91 989 898	139 411	92 129 309
-	-	-	-	70 652 503	70 652 503	139 411	70 791 914
-	-	21 337 395	-	-	21 337 395	-	21 337 395
248 138 916	-	-	-	-	-	-	-
(762)	-	-	-	-	-	-	-
248 138 154	17 988 406	24 426 545	(15 664 396)	471 712 936	746 600 882	(106 532)	746 494 350

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
OPERATING ACTIVITIES		
Operating cash flow	305 383 086	232 199 817
Working capital outflow	(31 021 826)	(53 512 179)
Cash generated from operations	274 361 260	178 687 638
Finance income	2 332 399	3 033 728
Finance costs	(79 980 139)	(41 669 024)
Dividends paid	–	(28 906 428)
Tax paid	(55 582 586)	(68 838 320)
Net cash flow from operating activities	141 130 934	42 307 594
INVESTING ACTIVITIES		
Property and equipment acquired	(10 405 108)	(35 021 299)
Intangible assets acquired and developed	(6 203 946)	(51 909 396)
Proceeds on disposal of property and equipment	1 744 805	290 851
Proceeds from loans receivable	5 458 333	17 723 077
Settlement of contingent purchase considerations	(13 299 800)	(33 635 484)
Net cash outflow on acquisition of subsidiaries	–	(130 641 237)
Loan advanced	–	(5 000 000)
Net cash utilised in investment activities	(22 705 716)	(238 193 488)
FINANCING ACTIVITIES		
Proceeds from borrowings	150 604 747	797 936 803
Repayment of borrowings	(131 697 578)	(507 541 488)
Payment of lease liabilities (2019: payment of finance lease liabilities)	(18 449 880)	(1 313 276)
Transaction costs related to borrowings	–	(6 290 974)
Settlement of acquired contingent purchase consideration relating to subsequent fair value changes	1 225 607	(2 388 608)
Treasury shares purchased and transaction costs	–	(95 765 877)
Net cash outflow on acquisition of non-controlling interest	–	(16 125 633)
Net cash flow from financing activities	1 682 896	168 510 947
Net increase/(decrease) in cash resources	120 108 114	(27 374 947)
Exchange gain/(loss) on translation	6 049 455	(797 598)
Cash and cash equivalents at beginning of year	58 405 483	86 578 028
Cash and cash equivalents at end of year	184 563 052	58 405 483

NOTES TO THE SUMMARISED CONSOLIDATED AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1. BASIS OF PREPARATION

The abridged summarised consolidated audited financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council, and also, as a minimum contains the information required by IAS 34: Interim Financial Reporting. These abridged summarised consolidated audited financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated annual financial statements for the year ended 30 June 2020.

The abridged summarised consolidated financial statements have been prepared under the supervision of Ms N Mbambo CA(SA), Chief Financial Officer, and were approved by the board of directors (the board) on 23 October 2020.

Auditor's report

This summarised consolidated financial statements are extracted from audited information, but is not itself audited. The annual financial statements were audited by KPMG Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the company's registered office. The auditor's report does not necessarily report on all of the information contained in this announcement.

The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the group's registered office.

The board takes full responsibility for the preparation of this report and that the financial information has been correctly extracted from the underlying consolidated audited annual financial statements, which are available for inspection at the registered office of the company.

2. ACCOUNTING POLICIES

The accounting policies adopted and methods of computation used in the preparation of the abridged summarised consolidated audited financial statements are in accordance with IFRS and are consistent with those of the annual financial statements for the year ended 30 June 2019, with the exception of the new and revised IFRS as detailed in note 3.

3. IFRS STANDARD THAT BECAME EFFECTIVE DURING THE YEAR

The following new standards and interpretations that were applicable were adopted during the year.

Standards, interpretations and amendments	Effective for annual periods commencing on or after
IFRS 16 Leases	1 January 2019
IFRS 16 Leases – amendment	1 June 2020
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
IFRS 9 Prepayments Features with Negative Compensation – amendments	1 January 2019
IAS 12 Income Taxes: Annual Improvements to IFRS Standards 2015 – 2017 Cycle	1 January 2019

Except for IFRS 16 Leases and the related amendment, these new standards and interpretations did not lead to any changes in the group's accounting policies. There were other amendments issued by the IASB which came into effect for the current financial period which were not applicable to the group.

3.1 IMPACT OF INITIAL APPLICATION OF IFRS 16 LEASES

The group has initially adopted IFRS 16 Leases from 1 July 2019.

The group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings on 1 July 2019. Accordingly, the comparative information presented for 2019 continues to be reported, under IAS 17 Leases and related interpretations. The details of the changes in accounting policies are disclosed below.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Depreciation is recognised on the right-of-use asset and interest is recognised on the lease liability, replacing the straight-line operating lease expense under IAS 17 Leases.

NOTES TO THE SUMMARISED CONSOLIDATED AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

3. IFRS STANDARD THAT BECAME EFFECTIVE DURING THE YEAR CONTINUED

3.1 IMPACT OF INITIAL APPLICATION OF IFRS 16 LEASES CONTINUED

(a) Definition of a lease

The group assessed all existing lease agreements and other material service contracts to determine whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on reassessment of a contract that contains a lease component, the group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative standalone prices.

(b) As a lessee

As a lessee, the group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

Previously, the group classified property leases as operating leases under IAS 17. The property lease terms are between one year and 13 years, and the lease agreements may contain an extension option at the end of the lease period at the prevailing market rental. Some leases provide for additional rent payments that are based on changes in local price indices.

Equipment lease terms are generally five years.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the group's incremental borrowing rate at 1 July 2019. The incremental borrowing rate ranges between 6,17% and 10,26%.

The group elected to recognise the right-of-use assets at the date of initial application at its carrying amount as if the standard had been applied since commencement date, but discounted using the group's incremental borrowing rate at the date of transition.

The group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- Elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets (e.g. IT equipment). The group determined the low value exemption to be R75 000;
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease; and
- Relied on its existing onerous lease contract assessments as an alternative to performing impairment reviews on right-of-use assets as at 1 July 2019.

The group leases certain motor vehicles under instalment sale agreements. These leases were classified as finance leases under IAS 17. The group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases.

(c) As a lessor

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the group is the lessor.

(d) Impact on transition

In the 31 December 2019 interim results, the group reported right-of-use assets and lease liabilities at transition date of 1 July 2019 as R251 004 242 and R302 549 213 respectively.

Due to reassessment of contracts and application of certain extension options, right-of-use assets and lease liabilities at 1 July 2019 have been adjusted to R252 392 010 and R303 254 748 respectively. The resultant impact of the change was considered not to be material.

The group presents right-of-use assets and lease liabilities in a separate class of asset and liability in the statement of financial position.

The table below reflects information relating to the impact of the adoption of IFRS 16 using the modified retrospective approach:

	1 July 2019 R
Assets	
Non-current assets	
Right-of-use assets	252 392 010
Deferred taxation asset	13 695 527
Total assets	266 087 537
Equity	
Retained earnings	(23 295 857)
Non-controlling interests	(24 817)
Total equity	(23 320 674)
Non-current liabilities	
Lease liabilities	285 870 327
Current liabilities	
Current portion of lease liabilities	17 384 421
Trade and other payables (SIC 15 lease incentive accrual reversed)	(12 535 999)
Trade and other payables (lease smoothing liabilities reversed)	(1 310 538)
Total liabilities	289 408 211
Total equity and liabilities	266 087 537

Lease contracts are typically entered for fixed periods but may contain extension options. These may be exercised to maximise operational profitability in terms of managing the assets used in the group's operations. For options held that are exercisable only by the group and not by the respective lessor, the leases were individually assessed for management's intention of extending the lease on an individual basis and the extension period was included in determining the lease liability where management was reasonably certain that the extension period would be exercised.

Reconciliation of outstanding commitments under non-cancellable operating lease agreements as at 30 June 2019 to lease liabilities recognised as at 1 July 2019:

	1 July 2019 R
Consolidated 2020	
Non-current lease liabilities	285 870 327
Current lease liabilities	17 384 421
Present value of minimum lease payments	303 254 748
Outstanding commitments at 30 June 2019 under IAS 17, undiscounted	477 086 713
Discounting adjustment using the respective incremental borrowing rates	(196 629 071)
Discounted operating lease commitments as at 1 July 2019	280 457 642
Less: Lease payments not recognised	(243 494)
Add: Lease payments relating to renewal periods not included in operating lease commitments at 30 June 2019	23 040 600
Lease liabilities recognised under IFRS 16 at 1 July 2019	303 254 748

Impact of initial application of IFRS 16 Leases amendment

An amendment to IFRS 16 Leases was issued on 28 May 2020 which exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to Covid-19 related rent concessions that reduce lease payments due on or before 30 June 2021.

NOTES TO THE SUMMARISED CONSOLIDATED AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

3. IFRS STANDARD THAT BECAME EFFECTIVE DURING THE YEAR CONTINUED

3.1 IMPACT OF INITIAL APPLICATION OF IFRS 16 LEASES CONTINUED

The amendment is effective 1 June 2020, with lessees able to apply the amendment immediately in any financial statements not yet authorised for issue. The group has applied this amendment to all rent concessions that meet the criteria from 1 April 2020. The impact of the application of the amendment has been that rent concessions as a result of Covid-19 are not treated as lease modifications and is a credit to profit or loss in the current financial year.

Rent concessions received during the financial year amounted to R92 721.

4. NEW OR REVISED IFRS STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

Standards, interpretations and amendments	Effective for annual periods commencing on or after
Conceptual Framework for Financial Reporting	1 January 2020
IFRS 3 Definition of a Business – amendments	1 January 2020
IAS 1 and IAS 8 Definition of Material – amendments	1 January 2020
Classification of Liabilities as current or non-current – amendments to IAS 1	1 January 2022
IFRS 3 Reference to the Conceptual Framework – amendments	1 January 2022

Management has considered all standards, interpretations and amendments to standards that are in issue but not yet effective and anticipates that the above-mentioned items in future periods will have no material financial impact on the financial statements of the group and will only result in additional disclosure requirements. These statements, interpretations and amendments to standards will be adopted in the respective financial year in which the effective date falls.

5. REVENUE

The group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines.

2020 Product lines:	Education R	Manufacturing R	Financial Services R	Energy R	Communications R	Hospitality R	Total R
Licenses							
– at a point in time	1 639 499	12 233 695	277 572 676	4 098 762	23 525 089	12 781 551	331 851 272
– over time	11 031 608	39 498 725	–	–	36 624 694	–	87 155 027
Subscriptions							
– over time	41 324 336	–	–	2 959 366	150 207 727	60 951 502	255 442 931
Installation, development and implementation							
– at a point in time	–	1 591 387	–	–	20 366 369	22 647 347	44 605 103
– over time	13 993 845	73 879 110	–	41 357 923	41 058 727	–	170 289 605
Maintenance and support							
– over time	142 393 646	106 923 110	–	14 138 356	33 530 551	107 349 354	404 335 017
Services							
– at a point in time	23 309 569	12 194 157	20 492 691	51 011 438	–	–	107 007 855
– over time	59 236	582 787	–	–	–	–	642 023
Hardware							
– at a point in time	7 100	151 767	–	223 538	190 610	49 235 835	49 808 850
Other							
– at a point in time	5 090 095	420 454	7 400 722	4 074	104 645	2 598 823	15 618 813
– over time	–	971 433	–	–	1 013 380	–	1 984 813
Total revenue from contracts with customers	238 848 934	248 446 625	305 466 089	113 793 457	306 621 792	255 564 412	1 468 741 309
Non-IFRS 15 Revenue							
Interest received on finance leases	–	–	–	–	–	14 605 686	14 605 686
Total revenue	238 848 934	248 446 625	305 466 089	113 793 457	306 621 792	270 170 098	1 483 346 995

NOTES TO THE SUMMARISED CONSOLIDATED AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

5. REVENUE CONTINUED

2019 Product lines:	Education R	Manufacturing R	Financial Services R	Energy R	Communications R	Hospitality R	Total R
Licenses							
– at a point in time	9 937 067	32 095 855	249 025 641	6 581 348	6 144 343	15 835 615	319 619 869
– over time	13 904 537	38 788 041	–	–	21 969 357	–	74 661 935
Subscriptions							
– over time	16 937 444	1 224 565	–	1 774 479	124 893 431	60 152 588	204 982 507
Installation, development and implementation							
– at a point in time	–	6 815	–	–	22 216 078	32 133 394	54 356 287
– over time	20 304 448	107 315 337	–	44 239 308	17 244 563	–	189 103 656
Maintenance and support							
– over time	130 223 039	97 895 704	–	21 750 620	23 332 393	101 106 113	374 307 869
Services							
– at a point in time	23 124 158	25 104 713	19 622 104	44 134 763	246 678	–	112 232 416
– over time	633 276	–	–	–	15 025 192	–	15 658 468
Hardware							
– at a point in time	384 304	95 121	–	157 811	20 584	62 321 675	62 979 495
Other							
– at a point in time	4 384 515	174 285	4 975 757	1 468 460	108 650	3 540 546	14 652 213
– over time	741 547	–	–	–	–	–	741 547
Total revenue from contracts with customers	220 574 335	302 700 436	273 623 502	120 106 789	231 201 269	275 089 931	1 423 296 262
Non-IFRS 15 Revenue							
Interest received on finance leases	–	–	–	–	–	14 842 195	14 842 195
Total revenue	220 574 335	302 700 436	273 623 502	120 106 789	231 201 269	289 932 126	1 438 138 457

6. PROFIT BEFORE TAX

	2020	2019
	R	Restated* R
Profit before tax for the year is stated after:		
Income		
Foreign exchange gain	17 659 823	662 357
Doubtful debts recovered	–	93 959
Finance income	2 332 399	3 033 728
Other interest received	786 024	863 650
Interest on cash and cash equivalents	1 546 375	2 170 078
Share-based payment release	–	1 232 600
Reversal of impairment of asset held for sale	1 673 913	–
Subsequent remeasurement of contingent liabilities	22 016 764	3 261 614
Gain on modification of lease liabilities	906 863	–
Profit on sale of property and equipment	5 999	–
Expenditure		
Auditors' remuneration	11 571 473	5 893 036
– Current year fees	7 874 262	5 830 236
– Prior year fees	2 630 451	–
– Other services	1 066 760	62 800
Depreciation	23 579 131	21 812 427
– Included in administration, selling and other costs	22 827 781	21 252 037
– Included in cost of sales	751 350	560 390
Amortisation	57 483 625	56 631 634
– Included in administration, selling and other costs	49 128 998	44 945 245
– Included in cost of sales	8 354 627	11 686 389
Depreciation right-of-use assets	28 120 437	–
Finance costs	84 698 847	42 830 348
– Borrowings	48 516 272	37 496 953
– Lease liabilities	30 717 229	258 936
– Other	2 179 573	985 432
– Financial liabilities (imputed)	3 285 773	4 089 027

* See note 13.1 and note 13.2 for details regarding the restatement for measurement period adjustments and note 13.3 for details of a restatement due to a prior period error.

NOTES TO THE SUMMARISED CONSOLIDATED AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

6. PROFIT BEFORE TAX CONTINUED

	2020 R	2019 R
Foreign exchange loss	7 076 172	6 880 453
Staff costs	602 298 305	577 510 456
– Salaries and wages	586 742 607	528 863 278
– Commission	12 757 883	11 418 401
– Severance	2 797 815	–
– Bonus and performance related payments	–	37 228 777
Operating lease charges		
– Property	–	48 125 412
Short term leases and leases of low value assets	4 341 350	–
Loss on sale of property and equipment	–	952 256
Scrapping of property and equipment	–	430 000
Loss on modification of finance lease receivables	1 415 366	–
Inventory write-off	7 391 961	–
Scrapping of intangible assets	3 238 902	–
Impairment loss on trade receivables, contract assets and finance lease receivables [^]	1 243 380	6 306 183
– Loss allowance on trade receivables	2 346 793	6 404 751
– Loss allowance on amounts due from contract assets	(443 517)	(700 712)
– Loss allowance on finance lease receivables	(659 896)	602 144
Impairment of non-current assets	22 134 216	–
– Impairment of intangible assets	5 934 216	–
– Impairment of goodwill	16 200 000	–
Impairment of asset held for sale	–	7 735 901
Trade receivables written off	62 770	1 311 639

[^] The 30 June 2019 impairment losses have been re-presented on the statement of profit or loss and other comprehensive income.

7. EARNINGS AND DIVIDENDS PER SHARE

7.1 EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to equity holders of the parent of R70 652 503 (2019: R73 975 543) and the weighted average number of ordinary shares in issue during the year of 137 261 840 (2019: 146 729 840). The calculation of diluted earnings per share is based on the profit attributable to the parent of R70 652 503 (2019: R73 975 543) and the weighted average number of diluted ordinary shares in issue during the year of 137 261 840 (2019: 146 729 840).

		2020	2019 Restated*
Reconciliation between earnings and headline earnings			
Earnings attributable to equity holders of the parent		70 652 503	73 975 543
Adjusted for:			
– (Reversal)/impairment of asset held for sale (refer note 6)		(1 673 913)	7 735 901
– (Profit)/loss on sale of property and equipment (refer note 6)		(5 999)	952 256
– Scrapping of property and equipment (refer note 6)		–	430 000
– Scrapping of intangible assets (refer note 6)		3 238 902	–
– Impairment of intangible asset acquired through business combinations (refer note 6)		5 934 216	–
– Impairment of goodwill (refer note 6)		16 200 000	–
– Total tax effects of adjustments		(2 538 344)	(392 951)
Headline earnings		91 807 365	82 700 749
Basic earnings per share	(cents)	51,47	50,42
Headline earnings per share	(cents)	66,88	56,36
Diluted earnings per share	(cents)	51,47	50,42
Diluted headline earnings per share	(cents)	66,88	56,36
7.2 Dividends per share			
Dividends per share	(cents)	–	17,10

* See note 13.1 and note 13.2 for details regarding the restatement for measurement period adjustments.

NOTES TO THE SUMMARISED CONSOLIDATED AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

8. INTEREST-BEARING BORROWINGS

	2020 R	2019 R
Non-current borrowings	486 932 556	2 986 854
(1) The Standard Bank of South Africa Limited	486 932 556	–
(2) FirstRand Bank Limited	–	2 986 854
Current borrowings	34 145 448	498 005 325
(1) The Standard Bank of South Africa Limited	34 145 448	490 182 518
(2) FirstRand Bank Limited	–	7 822 807
Total	521 078 004	500 992 179

Analysis and maturity profile of interest-bearing borrowings:

(1) The Standard Bank of South Africa Limited

The borrowings terms comprise	Facility amount R	Date obtained	Term	Repayment	Interest terms
Facility A – term loan facility for acquisitions	350 000 000	13 December 2018	60 months	Quarterly, started 31 December 2019	JIBAR + margin of 2,65% to 2,90%
Facility B – revolving credit facility for working capital	405 000 000	13 December 2018	36 months	12 December 2021	Prime less margin of 0,20% to 0,45%
	755 000 000				

Facility A was available for utilisation up to 9 January 2020, whereafter no further amounts could be withdrawn.

Adapt IT is in discussions with the Standard Bank of South Africa Limited to refinance the facilities during the 2021 financial year.

The debt covenants relating to the Standard Bank of South Africa Limited borrowings were all met at 30 June 2020.

The facilities are secured by cession of all insurance policies, cash and cash equivalents and trade receivables of Adapt IT Holdings Limited, Adapt IT (Pty) Ltd, CQS Confirmations (Pty) Ltd and Adapt IT Consulting (Pty) Ltd along with the shares held in Adapt IT (Pty) Ltd, CQS Confirmations (Pty) Ltd and Adapt IT Consulting (Pty) Ltd. The facilities are further secured by R755 000 000 general notarial bond over the moveable assets of Adapt IT (Pty) Ltd.

	Capital outstanding	Interest capitalised	Total	Interest rates (%)	Interest rate % charge
Balance at 30 June 2020					
Facility A – term loan facility for acquisitions	119 157 544	22 225	119 179 769	JIBAR +2,90	Rates ranging between 8,508 and 9,700
Facility B – revolving credit facility for working capital	404 916 759	78 210	404 994 969	Prime -0,20	Rates ranging between 7,050 and 9,800
	524 074 303	100 435	524 174 738		
Capital raising fees (amortised over term of facilities)	(3 096 734)	–	(3 096 734)		
Total	520 977 569	100 435	521 078 004		

	Capital outstanding	Interest capitalised	Total	Interest rates (%)	Interest rate % charge
Balance at 30 June 2019					
Facility A – term loan facility for acquisitions	145 745 461	115 897	145 861 358	JIBAR +2,65	Rates ranged between 9,659 and 9,865
Facility B – revolving credit facility for working capital	348 612 012	280 800	348 892 812	Prime -0,45	Rates ranged between 9,800 and 9,865
	494 357 473	396 697	494 754 170		
Capital raising fees (amortised over term of facilities)	(4 571 652)	–	(4 571 652)		
Total	489 785 821	396 697	490 182 518		

(2) FirstRand Bank Limited

Micos South Africa (Pty) Ltd had two term facilities with FirstRand Bank Limited. The one term facility matured on 7 December 2019 and the other one was voluntarily settled on 4 March 2020.

The facilities were secured by trade receivables, cession of all the positive bank accounts and a R15 000 000 general notarial bond over the moveable assets of Micos South Africa (Pty) Ltd.

The interest rate for 2020 was 11% (2019: 11%).

Interest-bearing borrowings are carried at amortised cost.

NOTES TO THE SUMMARISED CONSOLIDATED AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

9. LEASE LIABILITIES

	2020 R	2019 R
Non-current lease liabilities	276 207 597	877 849
Current lease liabilities	25 489 931	1 117 406
Present value of minimum lease payments	301 697 528	1 995 255
Minimum lease payments		
Within one year	55 054 375	1 270 265
In second to fifth year inclusive	186 653 376	950 809
Greater than five years	243 148 180	–
	484 855 931	2 221 074
Less: unearned interest	(183 158 403)	(225 819)
	301 697 528	1 995 255
Movement in lease liabilities:		
Balance at beginning of year	1 995 255	2 985 887
Transitional adjustment IFRS 16	303 254 748	–
Adjusted balance at 1 July 2019 (calculated under IFRS 16)	305 250 003	2 985 887
Transfer from trade and other payables	–	324 362
Lease modifications and remeasurements [^]	13 680 492	–
Interest charge	30 717 229	258 936
Interest payment	(30 717 229)	(258 936)
Capital payments	(18 449 880)	(1 313 276)
Foreign exchange adjustments	1 216 913	(1 718)
Balance at end of year	301 697 528	1 995 255
Lease liabilities comprises:		
Premises and equipment	300 750 493	–
Motor vehicles (previously finance lease liabilities)*	947 035	1 995 255
	301 697 528	1 995 255

[^] Lease modifications and remeasurements relates mainly to the Johannesburg Campus where the rental escalation is determined on an annual basis.

* Micros South Africa (Pty) Ltd leases certain motor vehicles under instalment sale agreements. Interest rates are linked to prime rate at the contract date.

10. SEGMENT ANALYSIS

The reportable segments reflect the current operating model of the group and achieve alignment with the way in which the business is managed and reported on by the group's Chief Executive Officer (the Chief Operating Decision Maker (CODM)). 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. The CODM does not monitor assets and liabilities by segment.

The group's reportable segments are Education, Manufacturing, Financial Services, Energy, Communications and Hospitality.

The following tables present revenue and EBITDA information regarding the group's operating segments for the year ended 30 June 2020 and 30 June 2019 respectively:

	Education R	Manufacturing R	Financial Services R	Energy R	Communications R	Hospitality R	Total R
30 June 2020							
Revenue	238 848 934	248 446 625	305 466 089	113 793 457	306 621 792	270 170 098	1 483 346 995
EBITDA*	47 441 047	39 679 740	73 565 074	14 023 806	103 300 804	21 763 152	299 773 623
Adjusted for:							
Depreciation (refer note 6)							(22 827 781)
Depreciation on right-of-use assets (refer note 6)							(28 120 437)
Amortisation (refer note 6)							(49 128 998)
Transaction costs							(4 065 896)
Reversal of impairment of asset held for sale							1 673 913
Impairment of intangible asset							(5 934 216)
Impairment of goodwill							(16 200 000)
Subsequent remeasurement of contingent liabilities							22 016 764
Profit from operations							197 186 972
EBITDA* margin %	20	16	24	12	34	8	20

* EBITDA represents operating profit before depreciation and amortisation adjusted for specific non-trading items.

	Education R	Manufacturing R	Financial Services R	Energy R	Communications R	Hospitality R	Total R
30 June 2019 (restated)[^]							
Revenue	220 574 335	302 700 436	273 623 502	120 106 789	231 201 269	289 932 126	1 438 138 457
EBITDA*	35 867 464	46 152 553	51 461 247	6 301 029	75 170 162	26 186 957	241 139 412
Adjusted for:							
Depreciation (refer note 6)							(21 252 037)
Amortisation (refer note 6)							(44 945 245)
Transaction costs							(6 930 184)
Impairment of asset held for sale							(7 735 901)
Discount on settlement of loans receivable							(161 765)
Subsequent remeasurement of contingent liabilities							3 261 614
Profit from operations							163 375 894
EBITDA* margin %	16	15	19	5	33	9	17

* EBITDA represents operating profit before depreciation and amortisation adjusted for specific non-trading items.

[^] See note 13.1 and note 13.2 for details regarding the restatement for measurement period adjustment and note 13.3 for detail of a restatement due to a prior period error.

NOTES TO THE SUMMARISED CONSOLIDATED AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

10. SEGMENT ANALYSIS CONTINUED

The following table presents revenue by geographic area of the group's operating segments as at 30 June 2020 and 30 June 2019:

	Education R	Manufacturing R	Financial Services R	Energy R	Communications R	Hospitality R	Total R
30 June 2020							
Revenue from external customers by geographic area*	238 848 934	248 446 625	305 466 089	113 793 457	306 621 792	270 170 098	1 483 346 995
South Africa	139 624 454	169 235 842	242 456 242	90 507 468	206 914 533	231 813 646	1 080 552 185
African Countries**	28 451 998	54 777 167	40 111 634	16 440 912	62 648 527	35 445 485	237 875 723
United Kingdom	–	45 217	133 582	–	–	704 602	883 401
Europe	6 486 768	–	–	454 723	–	153 038	7 094 529
Asia	249 686	537 363	219 207	5 496 437	186 431	359 074	7 048 198
North America	–	3 160 855	22 545 424	893 917	135 339	238 267	26 973 802
Australasia	64 036 028	20 103 489	–	–	36 736 962	105 466	120 981 945
Middle East	–	586 692	–	–	–	1 350 520	1 937 212
30 June 2019							
Revenue from external customers by geographic area*	220 574 335	302 700 436	273 623 502	120 106 789	231 201 269	289 932 126	1 438 138 457
South Africa	132 337 040	204 699 562	222 717 760	117 248 481	170 855 548	244 406 394	1 092 264 785
African Countries**	42 014 940	70 523 063	31 058 577	720 024	31 727 467	38 000 487	214 044 558
United Kingdom	–	–	114 806	–	–	–	114 806
Europe	6 976 076	–	–	512 665	–	239 701	7 728 442
Asia	82 408	857 966	–	–	–	174 145	1 114 519
North America	–	4 582 066	19 716 766	1 625 619	–	–	25 924 451
South America	–	–	–	–	–	447 393	447 393
Australasia	39 163 871	21 565 214	15 593	–	28 618 254	1 515 019	90 877 951
Middle East	–	472 565	–	–	–	5 148 987	5 621 552

* The revenue information above is based on the location of the customer.

** African countries are: Ghana, Zambia, Tanzania, Mozambique, Namibia, Malawi, eSwatini, Lesotho, Botswana, Nigeria, Sierra Leone, Zimbabwe, Kenya, Democratic Republic of the Congo, Rwanda, Uganda, Cameroon, Senegal, Ethiopia, Gambia, Egypt, Gabon, Angola, Guinea, Togo, Liberia, Cote D'Ivoire, Mali, Morocco, Mauritius, St Helena, and Madagascar.

11. GOING CONCERN

The World Health Organisation declared the coronavirus outbreak causing the disease Covid-19 as a global pandemic on 11 March 2020. The full impact of the pandemic on operations and the economies we operate in will only be known over time and predicting the overall outcome of Covid-19 remains challenging. The board has assessed the potential impact, including the related risks on operational performance and liquidity in the short to medium term. The business has remained fairly resilient throughout the pandemic thus far, with the main impact having been on the Hospitality segment. The going concern assumption remains valid. The group will continue to monitor its position as circumstances change, however, the future financial impact cannot be reliably estimated.

The debt covenants relating to the borrowings were all met at 30 June 2020.

The group's current assets as at 30 June 2020 exceed the current liabilities and there are no liquidity issues or shortfalls. The group is able to meet its liabilities in the ordinary course of business.

Adapt IT is in discussions with the Standard Bank of South Africa Limited to refinance the facilities during the 2021 financial year (refer note 8).

The board is not aware of any events or conditions that may indicate that the group's continuance as a going concern may be questionable.

As at the date of approval of the financial statements, the directors made an assessment of the group's ability to continue as a going concern, taking into account all available information about the future, including the analysis of the possible impacts in relation to Covid-19, which is at least, but is not limited to, twelve months from the date of approval of the financial statements and confirm that they have not identified events or conditions that may cast significant doubt on the group's ability to continue as a going concern. Accordingly, the financial statements of the group has been prepared on a going concern basis which assumes that the group has adequate resources to realise its assets and discharge its liabilities in the ordinary course of business.

NOTES TO THE SUMMARISED CONSOLIDATED AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

12. EVENTS AFTER THE REPORTING DATE

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

13. RESTATEMENT

13.1 ACQUISITION DATE MEASUREMENT PERIOD ADJUSTMENT

On 31 December 2018 the group acquired the business of Conor Solutions (Pty) Ltd (Conor) (South African registered), through the acquisition of assets and assumed liabilities.

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

In the business combination of Conor, no value was placed on intangible assets as the purchase price allocation valuation of these assets had not been completed as at 30 June 2019.

The valuation of these assets, namely Customer Relationships and Internally Generated Software, has subsequently been finalised.

The effect on the business combination as at date of acquisition being 31 December 2018, is as follows:

	As previously reported R	Measurement period adjustment R	Restated amount R
Assets			
Property and equipment	1 099 302	–	1 099 302
Intangible assets	–	44 800 116	44 800 116
Deferred taxation asset	1 643 690	(1 643 690)	–
Cash and cash equivalents	12 597 939	–	12 597 939
Total assets	15 340 931	43 156 426	58 497 357
Liabilities			
Deferred taxation liability	–	10 900 343	10 900 343
Contract liabilities	4 662 005	–	4 662 005
Leave pay accrual	1 208 318	–	1 208 318
Current tax payable	1 305 361	–	1 305 361
Total liabilities	7 175 684	10 900 343	18 076 027
Total identifiable net assets	8 165 247	32 256 083	40 421 330
Goodwill arising on acquisition	71 834 753	(32 256 083)	39 578 670
Fair value of total consideration	80 000 000	–	80 000 000
Fair value of consideration payable:			
Cash paid	(80 000 000)	–	(80 000 000)
Less: cash and cash equivalents acquired	12 597 939	–	12 597 939
Net cash outflow on acquisition	(67 402 061)	–	(67 402 061)

13.2 ACQUISITION DATE MEASUREMENT PERIOD ADJUSTMENT

On 1 March 2019 the group acquired the businesses of Kura Holdings (Pty) Ltd (Kura), Wisenet Information Systems (Pty) Ltd (Wisenet Australia) and Wise.Net Corporate Trustee Limited (Wisenet New Zealand), and the business intellectual property and existing intellectual property rights of Wakatipu Management Pte Limited (Wisenet Singapore) (collectively, Wisenet). The acquisition involved the purchase of assets and assumed liabilities.

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

In the business combination of Wisenet, no value was placed on intangible assets as the purchase price allocation valuation of these assets had not been completed as at 30 June 2019.

The valuation of these assets, namely Customer Relationships and Internally Generated Software, has subsequently been finalised.

The effect on the business combination as at date of acquisition being 1 March 2019, is as follows:

	As previously reported R	Measurement period adjustment R	Restated amount R
Assets			
Property and equipment	465 356	–	465 356
Intangible assets	24 351 902	5 815 573	30 167 475
Deferred taxation asset	3 341 336	(3 341 336)	–
Cash and cash equivalents	2 462 615	–	2 462 615
Total assets	30 621 209	2 474 237	33 095 446
Liabilities			
Deferred taxation liability	–	2 538 276	2 538 276
Contract liabilities	11 921 666	–	11 921 666
Leave pay accrual	914 649	–	914 649
Current tax payable	3 067 555	(3 067 555)	–
Total liabilities	15 903 870	(529 279)	15 374 591
Total identifiable net assets	14 717 339	3 003 516	17 720 855
Goodwill arising on acquisition	62 739 316	(3 003 516)	59 735 800
Fair value of total consideration	77 456 655	–	77 456 655
Satisfied by:			
Cash paid	54 046 363	–	54 046 363
Contingent purchase consideration payable	23 410 292	–	23 410 292
Fair value of total consideration	77 456 655	–	77 456 655
Cash paid	(54 046 363)	–	(54 046 363)
Less: cash and cash equivalents acquired	2 462 615	–	2 462 615
Net cash outflow on acquisition	(51 583 748)	–	(51 583 748)

NOTES TO THE SUMMARISED CONSOLIDATED AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

13. RESTATEMENT CONTINUED

13.3 MEASUREMENT PERIOD ADJUSTMENTS AND CORRECTION OF PRIOR PERIOD ERROR TO 30 JUNE 2019 AS PREVIOUSLY REPORTED

Lease incentives

As a result of the adoption of IFRS 16, a detailed analysis of lease agreements was undertaken.

Adapt IT (Pty) Ltd received a fit-out allowance of R13 744 840 for the Johannesburg Campus from the lessor. The fit-out allowance should have been treated as a lease incentive under SIC 15 Operating Leases Incentives.

Accordingly, the assets acquired through the fit-out allowance should have been capitalised to property and equipment with a corresponding lease incentive accrual. The asset is then depreciated over the lease period and the lease incentive accrual unwound over the lease period, resulting in no impact to the statement of profit or loss and other comprehensive income.

The effect of the correction for the above prior period error on the 1 July 2018 consolidated results was as follows:

- Property and equipment, which was previously reported as R96 260 941, has increased by R13 568 624 to the restated value of R109 829 565.
- Trade and other payables, which was previously reported as R134 948 896, has increased by R13 568 624 to the restated value of R148 517 520.

The effect of the at acquisition measurement period adjustments (note 13.1 and 13.2) and the related impacts to 30 June 2019, together with the correction for the above prior period error on the 30 June 2019 consolidated results are as follows:

Statement of profit or loss and other comprehensive income

	30 June 2019 As previously reported R	Conor measurement period adjustment R	Wisenet measurement period adjustment R	Lease incentives R	30 June 2019 Restated R
Revenue	1 438 138 457	–	–	–	1 438 138 457
Cost of sales	(645 556 263)	–	–	–	(645 556 263)
Gross profit	792 582 194	–	–	–	792 582 194
Administrative, selling and other costs	(626 831 577)	(2 800 007)	425 284	–	(629 206 300)
Profit from operations	165 750 617	(2 800 007)	425 284	–	163 375 894
Finance income	3 033 728	–	–	–	3 033 728
Finance costs	(42 830 348)	–	–	–	(42 830 348)
Profit before tax	125 953 997	(2 800 007)	425 284	–	123 579 274
Income tax expense	(49 592 156)	784 002	258 815	–	(48 549 339)
Profit for the year	76 361 841	(2 016 005)	684 099	–	75 029 935
Attributable to:					
Equity holders of the parent	75 307 449	(2 016 005)	684 099	–	73 975 543
Non-controlling interests	1 054 392	–	–	–	1 054 392
Other comprehensive income, net of tax Items that may be reclassified subsequently to profit and loss	(1 913 069)	–	(17 220)	–	(1 930 289)
Exchange loss arising from translation of foreign operations	(1 913 069)	–	(17 220)	–	(1 930 289)
Total comprehensive income	74 448 772	(2 016 005)	666 879	–	73 099 646

Statement of financial position

	30 June 2019 As previously reported R	Conor measurement period adjustment R	Wisenet measurement period adjustment R	Lease incentives R	30 June 2019 Restated R
ASSETS					
Non-current assets	1 155 272 857	9 744 026	3 213 822	12 535 999	1 180 766 704
Property and equipment	110 432 585	–	–	12 535 999	122 968 584
Intangible assets	248 468 038	42 000 109	6 198 202	–	296 666 349
Goodwill	739 423 848	(32 256 083)	(2 984 380)	–	704 183 385
Finance lease receivables	20 200 070	–	–	–	20 200 070
Loans receivable	6 000 000	–	–	–	6 000 000
Deferred taxation asset	30 748 316	–	–	–	30 748 316
Current assets	456 425 060	–	–	–	456 425 060
Inventories	26 417 695	–	–	–	26 417 695
Trade and other receivables	311 535 257	–	–	–	311 535 257
Contract assets	24 224 014	–	–	–	24 224 014
Current tax receivable	22 538 189	–	–	–	22 538 189
Finance lease receivables	12 804 422	–	–	–	12 804 422
Loans receivable	500 000	–	–	–	500 000
Cash and cash equivalents	58 405 483	–	–	–	58 405 483
Non-current assets classified as held for sale	7 826 087	–	–	–	7 826 087
Total assets	1 619 524 004	9 744 026	3 213 822	12 535 999	1 645 017 851
EQUITY AND LIABILITIES					
Equity					
Share capital	15 251	–	–	–	15 251
Treasury shares	(1 525)	–	–	–	(1 525)
Share premium	248 123 665	–	–	–	248 123 665
Equity compensation reserve	17 988 406	–	–	–	17 988 406
Business combination reserves	(15 664 396)	–	–	–	(15 664 396)
Foreign currency translation reserve	3 106 370	–	(17 220)	–	3 089 150
Retained earnings	425 688 196	(2 016 005)	684 099	–	424 356 290
Attributable to equity holders of the parent	679 255 967	(2 016 005)	666 879	–	677 906 841
Non-controlling interests	(221 126)	–	–	–	(221 126)
Total equity	679 034 841	(2 016 005)	666 879	–	677 685 715
Non-current liabilities					
Interest-bearing borrowings	2 986 854	–	–	–	2 986 854
Financial liabilities	40 749 830	–	–	–	40 749 830
Finance lease liabilities	877 849	–	–	–	877 849
Deferred taxation liability	43 254 843	11 760 031	5 598 823	–	60 613 697
Current liabilities	852 619 787	–	(3 051 880)	12 535 999	862 103 906
Trade and other payables	158 001 887	–	–	12 535 999	170 537 886
Contract liabilities	107 743 673	–	–	–	107 743 673
Leave pay and provisions	59 763 217	–	–	–	59 763 217
Current tax payable	11 121 749	–	(3 051 880)	–	8 069 869
Current portion of interest-bearing borrowings	498 005 325	–	–	–	498 005 325
Financial liabilities	16 866 530	–	–	–	16 866 530
Finance lease liabilities	1 117 406	–	–	–	1 117 406
Total liabilities	940 489 163	11 760 031	2 546 943	12 535 999	967 332 136
Total equity and liabilities	1 619 524 004	9 744 026	3 213 822	12 535 999	1 645 017 851

There were no changes to the statement of cash flows.

NOTES TO THE SUMMARISED CONSOLIDATED AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

14. FINANCIAL INSTRUMENTS

This report does not include the information required pursuant to paragraph 16A(j) of IAS 34. The full Integrated Annual Report is available on the group's website, at the group's registered offices and upon request.

15. CAPITAL COMMITMENTS

	2020 R	2019 R
Authorised and contracted	794 759	192 889
Authorised but not contracted	22 687 335	44 310 651
	23 482 094	44 503 540

Capital commitments will be funded from cash resources.

16. OPERATING SUBSIDIARIES

Company name	Country of incorporation	Currency	Effective group holding		Investment	
			2020 %	2019 %	2020 R	2019 R
Direct						
Adapt IT (Pty) Ltd	South Africa	ZAR	100	100	67 687 647	67 687 647
Adapt IT Consulting (Pty) Ltd	South Africa	ZAR	100*	–	100	–
Adapt IT International Limited	Mauritius	USD	100	100	55 616 951	55 616 951
Adapt IT Solutions Pte Limited	Singapore	SGD	100	100	24 565 132	24 565 132
Total direct investment					147 869 830	147 869 730
Indirect						
Micros South Africa (Pty) Ltd	South Africa	ZAR	100	100	75 636 788	75 636 788
CQS Confirmations (Pty) Ltd	South Africa	ZAR	100	100	17 525 727	2 000 000
Adapt IT Australasia Limited	New Zealand	NZD	100	100	4 149 179	4 149 179
Adapt IT Europe	Ireland	EUR	100	100	–	–
Adapt IT Australasia (Pty) Ltd	Australia	AUD	100	100	35 044 591	35 044 591
Adapt IT Botswana (Pty) Ltd	Botswana	BWP	95	95	121	–
Adapt IT Nigeria Limited	Nigeria	NGN	100	100	367 107	14
LGR Analytics Inc	United States of America	USD	100	100	1 675 423	13 090
Adapt IT Solutions Limited	Kenya	KES	100	100	13 592	13 592
Strive Software International (Pty) Ltd	South Africa	ZAR	100	100	12 471 590	12 471 590
Que Dee Trading 35 (Pty) Ltd	South Africa	ZAR	–	100*	–	16 125 826
Cash Bases South Africa (Pty) Ltd	South Africa	ZAR	100 [^]	100 [^]	–	6 393 663
Total indirect investment					146 884 119	151 848 333
Total investment in subsidiaries					294 753 949	299 718 063

* Acquired 1 December 2018 through minority buyout – Company name changed in August 2019 to Adapt IT Consulting (Pty) Ltd and the company is now held directly through Adapt IT Holdings Limited.

[^] Dormant following the merger of the business into Adapt IT (Pty) Ltd on 1 July 2018. The company will be deregistered in 2021.

Definitions:

AUD	Australian Dollar
BWP	Botswana Pula
KES	Kenyan Shilling
NGN	Nigerian Naira
NZD	New Zealand Dollar
EUR	Euro
SGD	Singapore Dollar
USD	US Dollar
ZAR	South African Rand

NON-IFRS MEASURES

The Non-IFRS financial information (or "Non-IFRS measures") are considered pro forma financial information as set forth in the JSE Listings Requirements. The directors are responsible for compiling the Non-IFRS measures as set out below on the basis of the applicable criteria specified in the JSE Listings Requirements, including JSE Guidance Letter: Presentation of Pro-Forma Financial Information dated 4 March 2010, and described below and is presented for illustrative purposes only.

The Non-IFRS financial information has been prepared to illustrate to the users the results of Adapt IT after taking into account certain adjustments in respect of acquisitions as set out below. These adjustments will be referred to as normalised.

The independent reporting accountant's report on the Non-IFRS measures is available at the company's registered office.

HEADLINE EARNINGS

	Consolidated 2020	Consolidated 2019 Restated*
Reconciliation between headline earnings and normalised headline earnings:		
Headline earnings (refer note 7.1)	91 807 365	82 700 749
Adjusted for:		
Amortisation of intangible assets acquired through business combinations	43 574 257	40 176 313
Deferred taxation on amortisation of intangible assets acquired	(10 911 123)	(10 245 143)
Fair value adjustment to financial liabilities (imputed interest) (refer note 6)	3 285 773	4 089 027
Subsequent remeasurement of contingent liabilities	(22 016 764)	(3 261 614)
Normalised headline earnings after IFRS 16	105 739 508	113 459 332
IFRS 16 adjustments	7 811 459	–
Normalised headline earnings before IFRS 16	113 550 967	113 459 332
Headline earnings per share	(cents) 66,88	56,36
Normalised headline earnings per share after IFRS 16	(cents) 77,03	77,33
Normalised headline earnings per share before IFRS 16	(cents) 82,73	77,33

* See note 13.1 and note 13.2 for details regarding the restatement for measurement period adjustments.

Normalised headline earnings per share

The group pursues a diversified growth strategy which includes strategic acquisitions. Headline earnings have been normalised for the following items:

- Amortisation of intangible assets arising from business combinations through purchase price allocations, net of tax;
- Imputed interest and change in anticipated cash flows on earn-out financial liabilities (where carried at amortised cost); and
- Fair value remeasurement on earn-out financial liabilities (where carried at FVTPL).

REPORT DISCLAIMER

At Adapt IT Holdings Limited (“Adapt IT”) we appreciate the need for transparency and accountability and wish to use this report to provide general information about our company. We do not intend for the information to constitute investment or other professional or financial product advice. We also do not intend for you to use information as the basis for making an investment decision. You must consult professional advisers before making such an investment decision or taking any action which might affect your personal finances or business.

We have prepared this report based on information currently available to us, including information we have obtained from third parties that has not been independently verified. We do not expressly or impliedly warrant the fairness, accuracy, correctness, completeness or reliability of the information, opinions or conclusions we express as part of the report.

Any opinions, statements or information we make available as part of this report may change without notifying you, and we express it in good faith.

A significant portion of the information that we disclose in this report contains “forward-looking information,” as described in the Financial Markets Act of 2012 (and which we collectively refer to as forward-looking statements). Only statements of historical fact are not forward-looking statements. Information that constitutes forward-looking statements in this report includes, but is not limited to, (i) the expected development and progression of our business and projects; (ii) the execution of our vision and growth strategy, including future mergers and acquisitions activity and international growth; and (iii) the continuation or renewal of our current customer, collaborator, supplier and other key agreements.

CORPORATE INFORMATION

Adapt IT Holdings Limited

Incorporated in the Republic of South Africa
Registration number 1998/017276/06
Share code: ADI
ISIN: ZAE000113163
JSE Main Board Sector: Technology, Software and Computer Services
Listing date: 1998
Shares in issue: 144 887 497 (as at 30 June 2020)
Net of treasury shares: 137 261 840

Company secretary

Statucor (Pty) Ltd
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2196

Registered office

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South Africa

Directors

Craig Chambers* (*Chairman*)
Oliver Fortuin* (*Lead Independent Director*)
Sbu Shabalala (*Chief Executive Officer*)
Tiffany Dunsdon (*Chief Commercial Officer*)
Nombali Mbambo (*Chief Financial Officer*)
Catherine Koffman*
Zizipho Nyanga*
*Independent non-executive director

Transfer secretary

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Sponsor

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The Standard Bank of South Africa Limited
ABSA Bank

Legal representatives

Garlicke & Bousfield Incorporated
Michalsons Attorneys
Corrs Chambers Westgarth

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