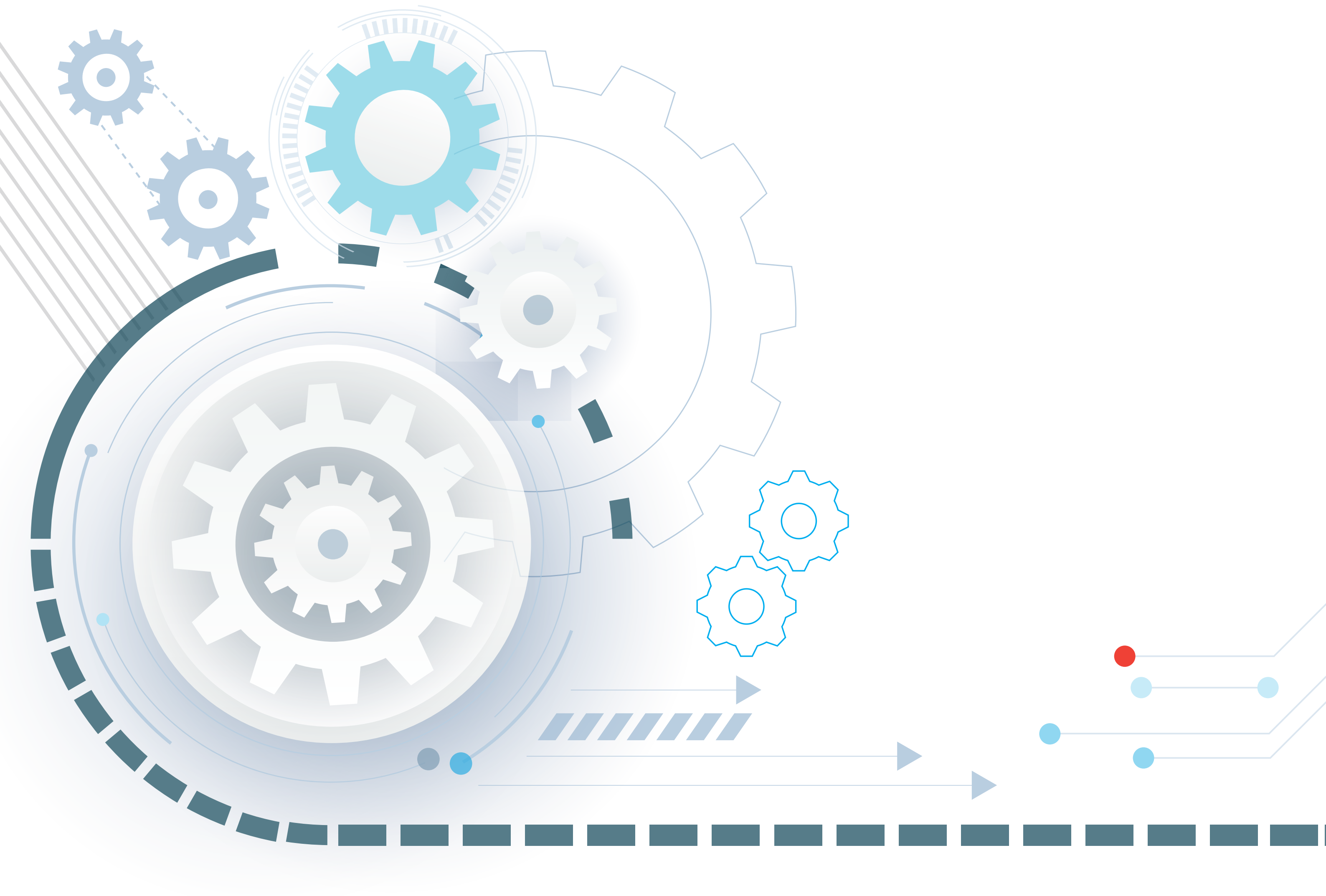


INTEGRATED ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE

2020

CONTENTS

NAVIGATION TOOLKIT

Reference marker for additional information on the website, **www.adaptit.com**

Reference marker for additional information in the **Integrated Annual Report**

Reference marker for additional information in the **Sustainability Report**

ABOUT THE INTEGRATED ANNUAL REPORT

Adapt IT Holdings Limited ("Adapt IT" or "the company") presents its 2020 Integrated Annual Report, which provides an overview of its strategy, risks and opportunities, governance and performance for the year ended 30 June 2020, and how these factors create value for stakeholders over the short, medium, and long term.

Scope and boundary

The Adapt IT Integrated Annual Report for the period from 1 July 2019 to 30 June 2020 covers information from all operating divisions and where additional information is available, this is clearly indicated. For a comprehensive overview, it is recommended that this report is read in conjunction with the information available on the Adapt IT website (www.adaptit.com).

The Integrated Annual Report is the primary report in a suite of publications that caters for the needs of our stakeholders.

Stakeholders are also referred to the Sustainability Report on the website (www.adaptit.com), covering Adapt IT's social, economic and environmental impacts and how these contribute to sustainability.

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

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

Stakeholders are also referred to the King IV™ Application Register on the website (www.adaptit.com).

Materiality

Adapt IT's material issues are those that matter most to its key stakeholders and that have an impact on the ability to create value. An issue is considered to be material if it has the potential to substantially impact on the company's commercial viability, its social relevance and the quality of relationships with its stakeholders. The material issues are informed by the economic, social and environmental context in which the company operates. These issues encompass the risks and opportunities associated with strategic priorities (see pages 16 to 19) that impact the company's ability to realise its strategy.

How material issues were determined:

- Engaged with external and internal stakeholders to focus on the opportunities and threats encountered by Adapt IT.
- Developed a list of material issues, supplemented by a review of emerging risks and strategic priorities.
- Assessed where there was alignment across the divisions.
- Engaged with internal stakeholders to test the completeness of the list of material issues.
- Developed a final list of material issues in consultation with the executive committee.
- The list has been reviewed and approved by the Audit and Risk Committee as well as the Social and Ethics Committee.

The risk management process adopted involves:

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

Assurance

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

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

Business process	Nature of assurance	Status	Provider
Financial/operational			
Annual financial statements	External assurance	Assured	KPMG
Internal audit	Internal assurance (outsourced)	Assured	PricewaterhouseCoopers (PwC)
Empowerment			
Broad-based Black Economic Empowerment (B-BBEE)	Black Economic Empowerment (BEE) Scorecard	In place	Empowerlogic (Pty) Ltd
Ethics			
Whistleblowing hotline	External assurance	In place	KPMG
Anti-Bribery and Corruption Policy	Internal assurance	In place	Compliance Manager

Board approval

Adapt IT's board acknowledges responsibility for ensuring the integrity of the Integrated Annual Report. Following collective assessment, the Audit and Risk Committee, responsible for oversight of the Integrated Annual Report, recommended approval of the report by the board.

In the board's opinion, the Integrated Annual Report provides a fair and balanced representation of the integrated performance of the company and addresses all material issues and presents the integrated performance of Adapt IT, fairly and without prejudice. The board accordingly approved the 2020 Integrated Annual Report on 23 October 2020 for release to shareholders.

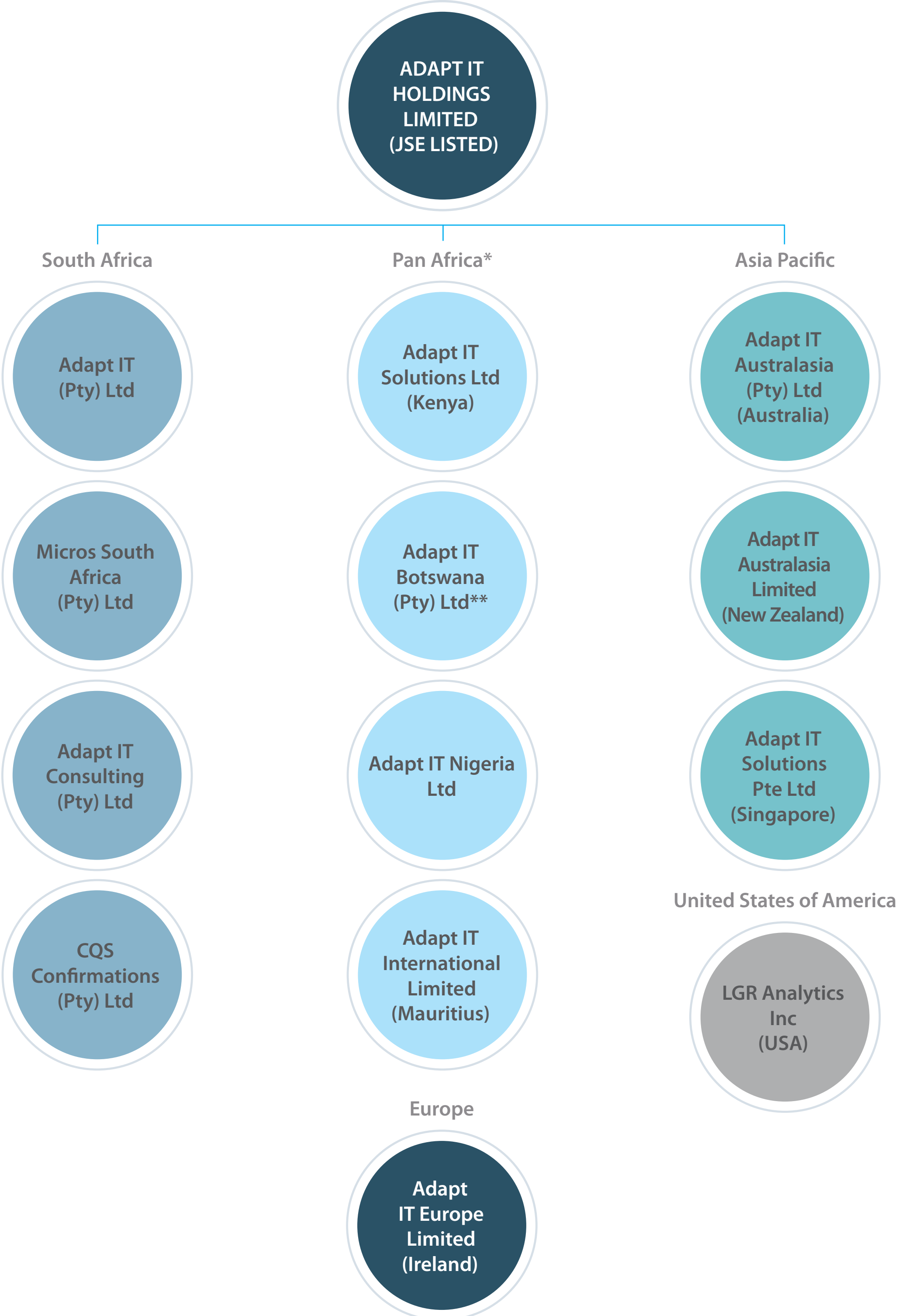
Craig Chambers
Independent non-executive Chairman

Sbu Shabalala
Chief Executive Officer

Nombali Mbambo
Chief Financial Officer

ABOUT THE INTEGRATED ANNUAL REPORT
ABOUT ADAPT IT

Group structure



* *Across this Integrated Annual Report, Pan Africa references Adapt IT's African countries of operation outside of South Africa as well as describing a target region in which Adapt IT wishes to gain further exposure. References to Pan Africa are not limited to Kenya, Botswana, Nigeria or Mauritius, although legal operating entities have been established in these jurisdictions. See note 35 for the full list of African countries from which revenue is currently derived, based on where the customers are located.*

** *95% owned by Adapt IT Holdings Limited.*

All other entities are wholly-owned subsidiaries of Adapt IT Holdings Limited.

ABOUT THE INTEGRATED ANNUAL REPORT
REVENUE BY GEOGRAPHY

ADAPT IT AIMS TO GROW ITS BUSINESS, PEOPLE AND SOLUTIONS TO ENABLE ITS CLIENTS AND INVESTORS TO **Achieve more.**

PAN AFRICA
16%

SOUTH AFRICA
73%

MARKET DEVELOPMENT FOCUS

ASIA PACIFIC
8%

EUROPE
1%

AMERICAS
2%

ABOUT THE INTEGRATED ANNUAL REPORT
WHAT ADAPT IT DOES

Adapt IT provides leading, specialised software and digitally-led business solutions that assist clients across the targeted industries to Achieve more by improving their customer experience, core business operations, business administration, enterprise resource planning and public service delivery.

Adapt IT has deep sector knowledge and experience predominantly in the education, manufacturing, financial services, energy, communications and hospitality industries. There are additionally a number of products and solutions that are relevant to multiple industry sectors, further extending the company's capability to add value to more clients.

Adapt IT is headquartered in Johannesburg, South Africa, with regional offices in Durban and Cape Town and satellite offices elsewhere in the country. The primary focus is on the Pan African market – with a presence established in Mauritius, Botswana, Kenya and Nigeria. A secondary focus is on the Asia Pacific market, with a presence in Australia, New Zealand and Singapore. Adapt IT has a presence in Ireland to service customers in Europe.

Client sectors

Education
- Universities
- Private colleges
- Technical and vocational educational and training organisations

Manufacturing
- Mining and utilities
- Sugar associations, manufacturing and mills
- Security industry

Financial services
- Corporates
- Network audit firms
- Public sector

Energy
- Oil majors
- Downstream oil and gas
- Mining and chemicals

Communications
- Mobile network operators
- Regulatory authorities
- Law enforcement agencies
- Large corporates

Hospitality
- Food and beverage
- Hotel industry

NUMBER OF EMPLOYEES
1 117

NUMBER OF COUNTRIES IN WHICH WE SERVE CUSTOMERS
53

NUMBER OF CUSTOMERS AROUND THE WORLD
10 000+

BUSINESS PARTNERS:
ORACLE GOLD
MICROSOFT GOLD
SAP™
IBM™

ABOUT THE INTEGRATED ANNUAL REPORT
PURPOSE, PERSONALITY, VALUES AND CULTURE

Purpose

Growing our business, people and solutions to enable our clients to Achieve more by improving their:

- Customer experience
- Core business operations
- Business administration
- Enterprise resource planning
- Public service delivery

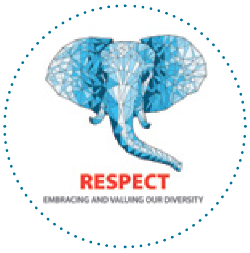
Personality

Leading. Professional. Experts.

Values

- Respect
- Honesty
- Responsibility
- Accountability

The culture we embrace



Respect

- Embrace and value the diversity of our cultures, skills, experience and individual contributions
- Listen sincerely and actively, and communicate without raising our voices or using offensive language
- Arrive on time for all our engagements with colleagues, customers and partners
- Take care of company property, and enable a clean and considerate office space

Honesty

- Are ethical, truthful and transparent in all that we do
- Build trust through constructive feedback within all our teams
- Do what is right in all circumstances even when no one is watching
- Acknowledge our mistakes without fear or prejudice

Responsibility

- Build synergies and relationships to the benefit of the organisation
- Continuously innovate, creating efficiencies in our internal processes and product development
- Are customer centric, delivering superior quality through high performance
- Are socially responsible by contributing to the wellbeing and upliftment of our communities

Accountability

- Deliver on the commitments made to our colleagues, customers and partners
- Take ownership by always driving the next steps to achieve a successful outcome
- Complete our assigned tasks timeously
- Are adaptable to changes, and open to doing things differently

CREATING VALUE
BUSINESS MODEL

Inputs

Intellectual capital
- Highly qualified technology professionals
- Vertical market expertise
- Goodwill
- Brands and intellectual property (IP)
- Innovation and research
- Clearly defined strategy

Human capital
- Entrepreneurial and skilled leadership team
- Highly qualified technology professionals in South Africa, Mauritius, Australia, Botswana, Singapore, Ireland, Kenya, Nigeria and New Zealand
- Skilled integrated sales capacity and channel partners
- B-BBEE status and ownership

Social and relationship capital
- Long-term customer relationships
- Ecosystem relationships with Original Software Manufacturers (OSMs)
- Stakeholder engagement
- Community investment and development
- Skills and enterprise development
- Preferential procurement

Financial capital
- Shareholder and debt funding
- Retained profit used for growth
- Effective working capital management
- Capital allocation

Manufactured capital
- Regional campuses and sales presences in Africa, Ireland, Australia, New Zealand and Singapore
- Online platforms
- Enabling corporate environments

Natural capital
- Low materials consumption in operations
- Emissions, effluent and waste managed through group sustainability initiatives
- Energy efficient workplace

Value creation

Vision
To be a leader in specialised software and digitally-led business solutions.

Purpose
Growing our business, people and solutions to enable our clients and investors to Achieve more.

Sector focus

Education

Manufacturing

Financial services

Energy

Communications

Hospitality

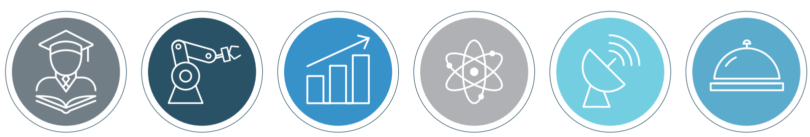
Consult on user needs and process requirements using deep vertical industry expertise and IT skills → Consulting fees

Develop or customise software products to meet customer needs (own IP +3IP) Cloud platform → Initial licence fees Annual licence Software as a Service (SaaS) fees

Implement and integrate IP upgrades → Project fees

Continuous support, services and maintenance (SLA) → Annual maintenance and support fees

Diversified sustainable revenue model with annuity income of approximately 62%.



Highly successful remote support model provides significant operating leverage benefits.

Outputs

Software and products

A wide range of flagship products and software are available from the group and delivered to clients in various locations across the world. For further information on the list of software and products, visit www.adaptit.com

Solutions and services

Front Office

- Mobile point-of-sale platforms
- Student self service and e-learning platforms
- Corporate customer self service platforms
- Advanced analytics platforms

Middle Office

- Integrated logistics and laboratory information management solutions
- Permit to work and energy isolation management solutions
- Advanced planning, transport and distribution solutions
- Terminal automation solutions
- Turn key oil and gas management solutions
- Integrated operations management platforms
- Hotel operations and distribution platforms

Back Office

- Automated support and maintenance solutions
- Human Capital Management (HCM) and payroll outsourcing solutions
- Automated financial reporting solutions
- Tax practice management solutions
- Secretarial process management solutions
- Timetabling and rostering solutions
- Telecommunications and Technology Expense Management (TEM) solutions
- Enterprise performance management solutions (EPM)

Enterprise Resource Planning (ERP) Solutions

- SAP™ ERP solutions
- Microsoft Enterprise Resource Planning (ERP) solutions
- Oracle ERP solutions
- Sugar industry specific ERP solutions
- Education and learning management ERP solutions

Outcomes

Intellectual capital

- Goodwill
- Brands and IP
- Innovative solutions

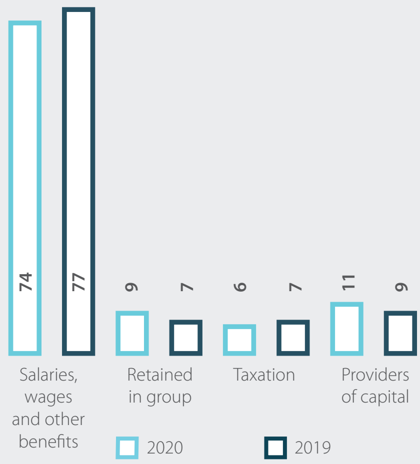
Human capital

- Highly motivated employees
- Employee retention improved
- Skilled organisation with Adapt IT Values central to all operations

Social and relationship capital

- Long term customer relationship
- Community investment and involvement
- B-BBEE status and ownership
- Contribution to local economy
- Improvement to clients' business efficiencies

Wealth created and distributed (%)



Manufactured capital

- Employment equity targets
- IP
- Platform for integration of acquisitions

Natural capital

- Reduced emissions through creation of regional campuses
- Employee travel reduced through regional office creation in all areas of the operations
- Energy efficient workplace

Software development capability in South Africa

Adapt IT has internal software development capabilities that have been augmented through acquisitions to serve clients in an integrated approach. These capabilities are located predominantly at the Johannesburg campus, with a regional presence in Durban and Cape Town.

Adapt IT continues to leverage the JSE-listed platform to enhance the value of the software businesses it has acquired.

Integration of software capability

Adapt IT integrates businesses it acquires to enable and encourage collaboration and to further enhance the cross selling of software solutions, operational efficiencies and innovative abilities across the organisation (see additional information on acquisitions on page 27).

The integrated shared services* function allows for cross divisional governance and oversight of sales, market positioning, finance and client support. Financial consolidation allows for a direct line of sight and the ability to have a centralised treasury function.

** Shared services functions are defined as financial management, human capital management, legal and commercial, strategy, marketing, Information and Communications Technology (ICT) support and facilities management.*

Location of market development capabilities

Adapt IT's capabilities in the Pan Africa, Asia Pacific and European markets enable market development and expansion within those regions, with project delivery being supported from South Africa where the majority of the software development capabilities exist. Adapt IT's locally-based personnel across the markets is advantageous in building and maintaining key relationships (see page 3 for the map indicating revenue by geography; also indicates the location of the Adapt IT market development focus).

CREATING VALUE
DIVERSIFICATION CREATES SUSTAINABILITY

ADAPT IT PROVIDES HIGH VALUE ADD, SPECIALISED SYSTEMS, DIGITAL SOLUTIONS AND ADVISORY SERVICES ACROSS SIX CLIENT SECTORS.

Diversification at Adapt IT is approached at various levels:

Skills diversification

Adapt IT categorises technology specialists as having international expertise, single market expertise, specialised skills, as consultants in specific fields or as technology experts in software skills.

Product diversification

Continuous innovation in building new technologies and solutions for clients ensures that the solutions offered exceed clients' expectations and deliver on Adapt IT's value proposition to assist clients across the targeted industries to Achieve more by improving their:

- Customer experience
- Core business operations
- Business administration
- Enterprise resource planning
- Public service delivery

Client diversification

Client diversification is pursued through both sector diversification and software sales. Adapt IT has over 10 000 customers in 53 countries where it focuses on the six sectors of Education, Manufacturing, Financial Services, Energy, Communications and Hospitality.

Geographic diversification

Adapt IT has selected specific markets for diversification where it has realised success, these being the Pan African and Asia Pacific markets.

Acquisitions

Acquisitions made historically have been fundamental to diversification by adding businesses in new vertical industries with skills, products, clients and new geographies, where these cannot be added rapidly through organic efforts. These businesses typically have their own software IP and access to markets and enable enhanced cross selling.

CREATING VALUE
STAKEHOLDER ENGAGEMENT

ADAPT IT IS AWARE THAT ITS ACTIVITIES HAVE AN IMPACT ON A RANGE OF STAKEHOLDERS FROM INVESTORS THROUGH TO THE COMMUNITIES IN WHICH IT OPERATES. THE COMPANY IS COMMITTED TO BUILDING AND MAINTAINING OPEN, LONG TERM AND MUTUALLY BENEFICIAL RELATIONSHIPS WITH ALL OF ITS STAKEHOLDER GROUPS.

Initiatives to this end include:

- An investor relations programme
- An annual employee engagement survey
- User group events hosted during the financial year, by the Education and Financial Services divisions, for the benefit of their customers

Furthermore, stakeholders are encouraged to engage with management using email channels and the website, www.adaptit.com. To define its stakeholders, Adapt IT used the definition by the Global Reporting Initiative (GRI) as a guideline. It states:

"Stakeholders are defined as entities or individuals that can reasonably be expected to be significantly affected by the reporting organisation's activities, products, or services; or whose actions can reasonably be expected to affect the ability of the organisation to implement its strategies or achieve its objectives." (Consolidated Set of GRI Sustainability Reporting Standards, 2018.)

With that as a guideline, the following have been identified:

- Shareholders and the investment community
- Employees
- Customers
- Government
- JSE and other regulatory authorities
- Financial institutions and funders
- Communities
- Suppliers and partners

Shareholders and the investment community

Adapt IT pursues engagement opportunities that continue to cultivate a relationship of trust with shareholders, investors and analysts through transparent communication of operations, strategies and overall performance.

Nature of engagement

- Interim and annual reports
- Results announcements and presentations
- Corporate website
- Feedback emails
- Investor day events
- Annual general meetings (AGM)
- Shareholder meetings

Areas of focus	Strategic response
Sustainable revenue and profit growth	• Development, roll out and monitoring of a robust integrated enterprise-wide strategy with a project implementation programme • Shareholder value creation through the implementation of linked organic and acquisitive growth strategy. The acquisitive aspect is on hold until debt levels reach approximately 50% net debt to equity ratio • Effective integration of acquired companies to maximise synergies • Improvement of value propositions to the respective target markets • Sustainable growth through diversified product offerings and markets • Regional diversification into Pan African, Asia Pacific and other target markets • Strengthening of divisional sales structures and processes • Leveraging and strengthening group-wide support structures to enable growth, extract profit and drive operating efficiencies
Capital allocation	• Repaying debt is a priority • Maintenance and enhancement of software IP – funding internal research and ongoing product development to sustain and grow existing businesses • Funding infrastructure capital requirements; recurring infrastructure maintenance capital costs are not significant • Acquisitions are on hold until the capital structure has been redressed and shareholder returns improved
Succession planning for leadership	• Implementation of a succession plan as recommended by the Nominations Committee
Macro-economic and socio-economic considerations	• Pursuit of sustainable operations, social investment and adherence to corporate governance standards
Integration of acquired companies	• Integration of Wisenet and Conor into Adapt IT has been successful, with Wisenet contributing towards growth in Asia Pacific and Conor providing expansion into high performance telecommunications and mobile financial service solutions

Employees

Adapt IT appreciates the pivotal role its employees play in its ongoing operations – with an employee complement of 1 117, it is able to access markets beyond South Africa. Adapt IT employees are professional, enthusiastic and demonstrate the highest level of integrity, respect and teamwork. They are an important pillar without which Adapt IT would not be able to deliver on its goals. As such, it is incumbent on Adapt IT to maintain an open and mutually beneficial relationship with its employees.

Nature of engagement

- HCM policy engagement sessions
- One-on-one sessions with line managers
- Monthly communication sessions
- Quarterly newsletters and Intranet
- Chief Executive Officer (CEO) webinars
- Interim and full year performance reviews
- Interim and full year results presentations
- Employee engagement survey
- Employee training
- Adapt IT social events
- Group communication

Areas of focus	Strategic response
Transformation	• Social and Ethics Committee's commitment to implementing B-BBEE Codes of Good Practice
Provision of gainful employment	• Affording employment security and creating opportunities for economic participation and empowerment
Fair labour practices	• Open communication around fair management practices together with alignment to group-wide policies
Career development	• Enabling continuous personal development and career progression through the performance review process and training • Collaborating towards a high performance culture of which employees can be proud to be a part
Competitive remuneration and benefits packages	• Equitable remuneration and performance recognition • Job benchmarking and grading exercise to ensure parity between remuneration of employees of same skill/function level, across divisions
Skills shortages	• Adapt IT offers competitive salaries in order to attract and retain talent • Structured graduate and youth employment programmes
Health and safety	• Adoption of Safety, Health, Environment and Quality (SHEQ) policy • The Employee Wellness Programme (EWP) offers confidential advice and support in wellness matters such as health, financial, psychological and legal
A healthy and attractive working environment	• The Adapt IT working environment is healthy and attractive, designed to encourage collaboration • Strict Covid-19 safety protocols are in place
Ethics and values	• Continuous ethics and values programmes supported by policies and behavioural charters

CREATING VALUE
STAKEHOLDER ENGAGEMENT CONTINUED

Customers

Adapt IT provides specialised software to over 10 000 customers in 53 counties. It is through these partnerships with its customers, by understanding and serving their needs, that Adapt IT is able to sustain revenue generation and growth. Adapt IT maintains constant communication with customers so that it is able to solve their problems and enable them to realise more value in their operations.

Nature of engagement

- Account management meetings and visits
- Service management reports
- Solution and service updates and launches
- Contract negotiations
- Call centre support
- Corporate website and brochures
- Media press releases
- Social media interactions
- Tradeshows, exhibitions and conferences

Areas of focus	Strategic response
Customer value creation	• Providing industry-specific innovative solutions that assists clients in improving operations and interaction with their customers, addressing their administrative needs and providing value-add services
Competitive pricing	• Adapt IT's integrated service offering lends affordability to solutions
Service delivery	• Delivery of high quality services and solutions • Expert customer support • Continuous training of employees for better solution delivery and support
Anti-competitive behaviour	• Adherence to Ethics and Code of Conduct policies, that do not condone anti-competitive behaviour
User group events	• The Education and Financial Services divisions host user groups as engagement opportunities to network, benchmark and share ideas and experiences

Government

The government is a stakeholder group that is able to permit Adapt IT to operate or deny it the ability to do so as it provides licenses to operate and a clear and supportive regulatory environment. The company ensures that it remains a going concern by complying with the requirements of legislation, guidelines, procedures and policies. It also maintains good standing through transparent and open communication, as well as proactive action towards making an impact.

Nature of engagement

- Written correspondence
- Collaborative forums

Areas of focus	Strategic response
Statutory and legal compliance	• Compliance with applicable legislation, guidelines, procedure and policies • Fair and sustainable business practices • Regular and transparent communication of information • Full contribution to the fiscus through taxation and levies
Contribution to shaping industry policy	• Proactive consulting and contribution as required • Job creation and retention • Contributions to the Public Private Growth Initiative (PPGI), an ongoing initiative that seeks to contribute towards ICT sector growth

JSE and other regulatory bodies

As a company listed on the JSE, Adapt IT is required to meet certain regulations, and maintain proactive ongoing communication with various regulatory bodies. Adapt IT communicates and consults with the following bodies to ensure compliance and support in implementing best practice: IRC, Institute of Directors Southern Africa (IoDSA), the GRI, and Sustainability Accounting Standards Board (SASB).

Nature of engagement

- Written correspondence
- Meetings
- External and internal audits
- Business associations
- Interim and annual reports
- Presentations

Areas of focus	Strategic response
Statutory and legal compliance	• Strict adherence to the prescripts of the JSE and various related laws
Disclosure	• Complete transparency and disclosure in line with regulations
Adherence to the best practice guidelines	• Compliance with requirements and guidelines of international best practice such as The Companies Act of South Africa, IFRS, JSE Listings Requirements, King IV™, GRI and IRC

CREATING VALUE
STAKEHOLDER ENGAGEMENT CONTINUED

Financial institutions and funders

In order to maintain good relationships with financial partners, Adapt IT has been diligent in its management of finances, from the management of cash and debt to related risk.

Nature of engagement

- Meetings and CEO events
- Written correspondence
- Interim and annual reports
- Financial and cash flow analyses

Areas of focus	Strategic response
Relationship management engagement	• Ongoing meetings with financial partners
Prudent financial management	• Adapt IT has a highly qualified finance team that has been entrusted by the company to ensure good financial decision making and financial discipline • Risk management structures that are aligned to best practice
Macro-economic concerns	• Agile and responsive strategies are in place to address changes in the macro-economic environment • Focus on integration initiatives that will maximise divisional synergies
Disclosure of financial and related information	• Interim and annual reports are made available to financial partners • Specific reports and analyses are provided to funders
Liquidity	• Adoption of a prudent cash management approach • Accurate forecasting and monitoring • Stringent cash management through Covid-19 period and ongoing
Management of risk and related exposure	• The board defines the policies related to risk management and risk tolerance levels • Continuous monitoring of financial position against pre-defined tolerance levels
Risk tolerance and covenants	• The Audit and Risk Committee, together with financial partners, define risk tolerance ratios and monitor covenants • Continuous monitoring of risk tolerance ratios allows for the identification of risk
External assurance providers	• External assurance providers actively engaged

Communities

Adapt IT embraces its responsibility to make a positive contribution to local communities and proactively seeks out opportunities to contribute in the communities in which it operates. Adapt IT values the relationships that have been cultivated through engagements. One such engagement has led to an ongoing relationship with the Adopt-a-School Foundation, targeting technology education in disadvantaged communities.

Nature of engagement

- Meetings
- Corporate Social Investment (CSI) initiatives
- Media releases

Areas of focus	Strategic response
Good corporate citizenship	• Provision of employment opportunities within communities • Proactive contribution to communities IT educational needs
Sustainable business practices	• Commitment to monitoring operations to ensure that harm is not done to communities within which Adapt IT operates
CSI initiatives	• The Adopt-a-School initiative is targeted at facilitating technology education in disadvantaged communities • In 2020, the company selected Hlahlindlela Secondary School as the primary beneficiary and Modilati Secondary School as the secondary beneficiary of ICT-based learner and educator programmes, in response to the lost teaching and learning time due to the Covid-19 lockdown • In May 2020, Adapt IT donated face masks and infrared thermometers valued at R100 000 to the South African Department of Home Affairs for front line workers as part of concerted efforts between government and the private sector to fight against Covid-19

Suppliers and partners

Adapt IT seeks partnerships that enable it to provide solutions of superior quality to its customers; partnerships that provide access to superior technologies in support of those solutions. It is therefore important that suppliers and solution partners have a clear understanding of Adapt IT's plans and goals, achieved through frequent and mutually beneficial communication. These partnerships include the Oracle Gold, Microsoft Gold, SAP™, IBM™ Business partnerships and the new Moodle Certified Partner status.

Nature of engagement

- Relationship management meetings and visits
- Technology conferences
- Technology certifications
- Performance audits and reports
- Supplier days
- Contract negotiations

Areas of focus	Strategic response
Continued growth and meaningful relationships	• Management of long term relationships with partners for sustained growth • Efficient payment cycles for suppliers
Collaboration	• Continuous assessment for better collaboration for constantly evolving solutions
Supportive procurement practices	• Preferential procurement in line with B-BBEE Codes of Good Practice recommendations • Adapt IT's landlord for the Johannesburg campus meets the preferential procurement requirements
Supplier vetting	• Implementing enhanced review of suppliers to ensure ethics maintained and the Adapt IT brand is protected

CREATING VALUE
MANAGING MATERIAL ISSUES

ADAPT IT OPERATES IN A FAST CHANGING ENVIRONMENT THAT CONTINUALLY PRESENTS MANAGEMENT WITH A MULTITUDE OF RISKS, WHICH CANNOT BE AVOIDED OR IGNORED. AN EFFECTIVE AND EFFICIENT RISK MANAGEMENT PROCESS IS IN PLACE THAT ALLOWS THE CAPTURING OF OPPORTUNITIES AND PROVIDES MITIGATION AGAINST ADVERSE EVENTS, WHERE POSSIBLE.

The Adapt IT Enterprise Risk Management framework provides a methodology to achieve this by providing guidance to implement a consistent, efficient, and economical approach to identify, evaluate and respond to key risks that may impact business objectives. The framework is based on the principles embodied in the Enterprise Risk Management Framework published by the Committee of Sponsoring Organisations (COSO) of the Treadway Commission, the International Standard on Risk Management (ISO 31000) and King IV™.

All relevant internal, industry and macro-economic factors are evaluated. The needs, expectations and concerns of the stakeholder groups that are most likely to influence Adapt IT's ability to create sustainable value – notably customers, suppliers, employees, shareholders and providers of financial capital – are central to determining the material issues. Despite the ongoing risks and challenges faced, as was significantly tested through the recent peak and ongoing impact of the Covid-19 pandemic, the business remains resilient and sustainable.

In the review for the 2020 financial year, the directors have reviewed the material issues and confirm that they are relevant.

In this report, opportunities and mitigating actions are presented for each material issue to indicate how Adapt IT is using its competitive advantage and specific strategies to manage the impacts of the material issues on value creation.

Navigating a tough trading environment

Overview	Risk	Adapt IT's response
The year under review was met with challenging and poor market conditions in South Africa. The economic and political uncertainty was exacerbated by the Covid-19 worldwide pandemic, which in turn dampened demand for some technologies. There were challenging economic conditions in South Africa before the advent of Covid-19. South Africa, which accounts for 73% of Adapt IT's revenue (2019: 76%). Management's diversification strategy continued to prove itself in the financial year through the ability to absorb the impact of the economy on some divisions, and with positive results in others.	Challenging economic conditions in most sectors that Adapt IT serves, together with the Covid-19 pandemic, prompted lower than anticipated organic revenue growth. Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) margin of 20% (2019: 16%) was achieved in the year under review. In a previous communication to shareholders, Adapt IT communicated the suspension of further acquisitive growth until the debt ratios normalise back to set targets. Therefore, acquisitive growth was limited to the contribution from prior year acquisitions.	The tough trading conditions in South Africa have been a catalyst for Adapt IT to focus on operational improvements and on diversifying its product, client and geographic revenue spread. Both focus areas present opportunities for the company. • Adapt IT continues to employ strategies to develop all divisions to become more skilled at growing organically, together with diversification in geography, customer portfolio and foreign currency revenue. • Operational focus during the year under review required significant cost cutting in divisions that were most impacted by the Covid-19 pandemic. All divisions continue to drive efficiency projects and where cost to serve analysis required some adjustment, cost reduction programmes were implemented. • There has been a continuous focus on improving sales focus and supporting systems and processes. Continuous monitoring of strategy implementation is undertaken across the business, to drive towards the financial ambition and the vision within the group (see page 22).

Managing the Covid-19 impact

Overview	Risk	Adapt IT's response
In the regions which Adapt IT operates, it is under obligation to comply with government legislation regarding the management of pandemics such as Covid-19, including all economic decisions and lockdown regulations. Adapt IT has a responsibility to navigate the Covid-19 landscape in a responsible way to continue adding value to clients, ensuring that operations continue, that employees are safe and that their jobs are protected as far as possible.	The continuously changing Covid-19 landscape and the governments' responses regarding economic activity create a complex operating environment due to Adapt IT's diversified market sector approach. The regulations and lockdown requirements impact the ability of the divisions to generate revenue depending on the restrictions put in place. The negative economic impact on the market also impacts consumer demand for Adapt IT solutions.	Adapt IT put in place a Response Plan, led by the CEO, to manage the Covid-19 risks and potential impact on the business. The Response Plan has a separate Project Management Office that oversees the key response streams. The project streams have representatives across each Adapt IT division and weekly status and progress updates are made and communicated to the group executive committee. The project streams cover the following areas: • **Finance Tracking:** The focus of the stream is to monitor any declining revenues and to identify cost cutting initiatives to put in place as well as monitor spend across Adapt IT. • **Risk Monitoring:** The area of responsibility for this stream is to constantly monitor all operational and client risks and, where possible, identify mitigating actions that can be put in place. • **Operations:** The main focus of this stream is to ensure that all operational issues are addressed and that the operational activities can go ahead unhindered. • **Employee Engagement:** The stream drives employee engagement and communication with the key activities reiterating communication from the company, tracking team engagement and the overall ability for divisions to continue delivering to customers. • **Customer Engagement:** The focus of the stream is to manage customer expectations and concerns, especially aligned to the Covid-19 landscape and impact on delivery. • **Innovation and Response Hub:** This stream drives the innovative response required to navigate the Covid-19 landscape changes and market requirements. The stream is responsible for identifying strategies to outperform competitors, areas of investment required for recovery, potential customer behaviour changes as well as general opportunities that should be earmarked for future investment.

CREATING VALUE
MANAGING MATERIAL ISSUES CONTINUED

Retaining top talent

Overview	Risk	Adapt IT's response
Attracting and retaining the most highly skilled individuals in the Software and Services sector is a challenge for businesses in South Africa. Adapt IT's sustainability depends predominantly on its ability to continue to attract technology skills. Successful implementation of the Adapt IT strategy requires continuity and stability in the workforce, prompting a focus on retaining key team members in an environment in which skilled employees are in demand.	The shortage of deep Software and Services Sector skills remains a market challenge and risk to Adapt IT. This is particularly due to the fierce competition for skills in the sector.	The upliftment of Adapt IT's HCM capability in the previous period has yielded significant improvements and remains focused on improving the ability to attract and retain top talent. Key actions taken include: • Embedding and improving the revised recruitment model: dedicated on site recruitment process outsourcing model • Independent employee engagement surveys • Continuous improvement of group-wide HCM policies • Robust remuneration benchmarking conducted annually using data from PwC's REMchannel salary benchmarking tool • Continuous improvement of learnership, internship and apprenticeship programmes to bring new capacity and skills into the business • Management development and skills development programmes, with both formal and on-the-job mentorship, which assist in developing the necessary skills • Formal succession initiatives The positive impact of these initiatives reflects in responses to recruitment drives as well as employee satisfaction. Employee engagement levels have improved significantly with results exceeding market benchmarks.

Managing acquisition integration

Overview	Risk	Adapt IT's response
Adapt IT integrates the businesses it acquires to enable and encourage collaboration and to enhance cross selling of software solutions, operational efficiencies and innovation. These integrated shared services functions (integration of systems capability for shared services see page 25) allow for access and visibility of sales, market positioning, finance and client support. Financial consolidation allows for a direct line of sight and the ability to have a centralised treasury function and resource management. Even with the suspended acquisitive growth strategy, Adapt IT remains focused on ensuring that previously acquired entities achieve successful integration.	Unsuccessful integration of acquisitions compromises Adapt IT and erodes the expected return on investment.	Adapt IT has developed (and continues to enhance) an effective integration strategy for acquired businesses. A formal integration methodology involves the Commercial, HCM and divisional representatives who are responsible for planning and tracking the integration process, milestones and finalisation. Integration processes are focused on maintaining good employee morale, a high performance culture and business success. Adapt IT targets acquisitions only within the strategic vision, and will resume this aspect of the strategy once debt levels are restored to target level.

Need for a high-performance culture

Overview	Risk	Adapt IT's response
A high performance culture is a prerequisite to achieving the strategic goals and targets that Adapt IT has set.	Without a high performance culture, Adapt IT risks not achieving the growth targets that it has set.	Adapt IT has made strides in developing the building blocks of a high-performance organisation by setting a clear strategic vision, communicating the shared values system, linking remuneration to performance, configuring organisational agility and seeking to continuously improve performance measurement and recognition. A high-performance culture is also enabled through: • Strategy sessions, robust budget and forecasting sessions • Performance management • Monitoring of key performance indicators • Performance-based incentives • Setting a high-performance culture at the top of the organisation • A revised executive remuneration model focused on pay for performance

Non-compliance with legislation in operating environments

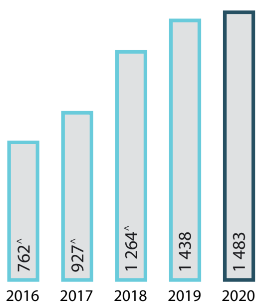
Overview	Risk	Adapt IT's response
Adapt IT has ongoing obligations to comply with legislation in the environments in which it operates. Risks relate to geographic diversification, which increases the number of jurisdictions in which Adapt IT must comply, as well as regular changes to standards and regulations. These include JSE Listings Requirements; King IV™; B-BBEE regulation; Protection of Personal Information Act (POPIA); General Data Protection Regulation (GDPR); and Anti-bribery and Anti-corruption regulation (ABAC). Adapt IT also complies with foreign legislation (Mauritius, Asia Pacific, Ireland, Botswana, Kenya and Nigeria).	The rapid and consistent change of regulatory requirements provides for the ongoing need to stay abreast of changes and to ensure governance and compliance standards are met. This is particularly complex given Adapt IT's increasingly multinational nature.	Adapt IT takes the following actions to ensure governance and compliance requirements are met: • Ongoing engagement with external and internal auditors to ensure internal control compliance • Ongoing counsel from internal and external legal advisors • Third party service providers provide visibility and guidance on changes related to JSE Listings Requirements, King IV™, B-BBEE legislation, POPIA, GDPR and ABAC • Third party service providers provide visibility and guidance on foreign legislation (Mauritius, Asia Pacific, Ireland, Botswana, Kenya and Nigeria) • In the period under review, a POPIA/Data Privacy final implementation project commenced to ensure compliance • There is ongoing engagement at the different layers of assurance (audit, JSE Sponsor, Company Secretary and legal) to supplement knowledge

CREATING VALUE
FINANCIAL HIGHLIGHTS

Net gearing	**43%, down from 66%**
Cash generated from operations up 27%	**R227 million**
Cash conversion ratio	**1,28 times**

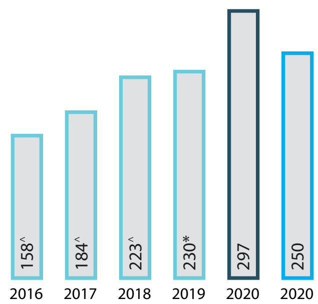
		After IFRS 16 2020	**Before IFRS 16 2020**	Restated 2019	After IFRS 16 % Change	Before IFRS 16 % Change
Revenue	(R'000)	**1 483 347**	**1 483 347**	1 438 138	3	3
EBITDA	(R'000)	**297 264**	**249 548**	229 573	29	9
Operating profit	(R'000)	**197 187**	**177 591**	163 376	21	9
EBITDA margin	(%)	**20,04**	**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



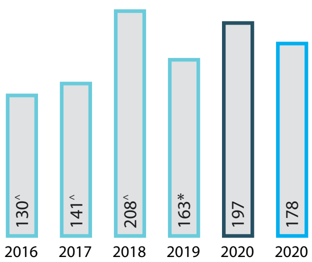
^ *From continuing operations*

EBITDA
Rm



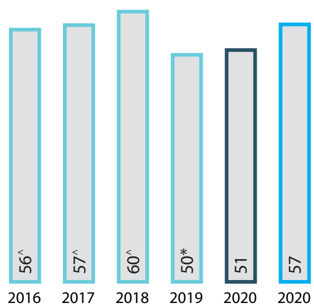
^ *From continuing operations*
* *Restated (refer to note 37)*
After IFRS 16 Leases
Before IFRS 16 Leases

Operating profit
Rm



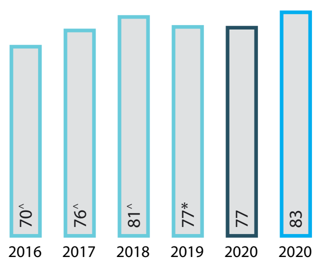
^ *From continuing operations*
* *Restated (refer to note 37)*
After IFRS 16 Leases
Before IFRS 16 Leases

Basic earnings per share
cents



^ *From continuing operations*
* *Restated (refer to note 37)*
After IFRS 16 Leases
Before IFRS 16 Leases

Normalised headline earnings per share
cents



^ *From continuing operations*
* *Restated (refer to note 37)*
After IFRS 16 Leases
Before IFRS 16 Leases

CREATING VALUE
NON-FINANCIAL HIGHLIGHTS

Transformation

Achieved Level 1 B-BBEE contributor rating

Covid-19 response

Employee safety maintained

Continuous service to customers

Excellent response from Adapt IT employees with productivity increased

Cloud adoption strategy accelerated

People

Employee engagement – improved engagement scores and retention

Investors

Stakeholder engagement – enhanced dialogue with institutional shareholders

Market communication – Adapt IT was awarded the "Excellence in Financial Reporting and Communications" award in 2019 by the Investment Analysts Society of South Africa

Revenue diversification and geographic reach

Improved diversification of revenue by **geography to 27% foreign revenue**

Pan African presence
Market share gained in **Kenya**

Won targeted **new clients,** including adding clients in Togo and Madagascar

Global presence
Australia, New Zealand and **Singapore** expansion

Strengthened relationships with OSMs and strategic channel partners including Moodle and AWS

Sustainability

Virtualisation of operations proved the ultimate business continuity test

Cost reduction undertaken to improve margins, manage Covid-19 impact and ensure a structure that is fit for the future. A significant focus was placed on the Hospitality division, resulting in an approximate cost reduction of 20%

CREATING VALUE
VISION

A LEADER IN SPECIALISED SOFTWARE AND DIGITALLY-LED BUSINESS SOLUTIONS.

The vision defines a very clear message about the business Adapt IT wants to be and provides all employees with a sense of purpose. The vision is not only about revenue and profit targets, but places equal emphasis on customer success, environmental, social and governance (ESG) issues that affect people as well as society at large. A large component of Adapt IT employees are millennials who have the view that purpose should be at the very centre of a company's operations. Attracting and retaining the best talent thus requires a clear expression of purpose and assigning equal weight to ESG components, whilst still striving to attain ambitious growth targets and profits.

Building blocks of Adapt IT's vision

Organisational structure, governance and risk controls

- A global business with
  - A South African head office
  - Strategic regional offices
- Centralised risk management
- Leading governance and controls

Operational and technology infrastructure

- Shared services
  - Finance
  - Commercial
  - Strategic sales and marketing
  - Group strategy
  - Human capital management
  - Integration management
  - Risk management
- Customer experience monitoring
- Technology
  - Integrated systems
  - Leading customer centre

Financial ambition

- Revenue growth
  - Organic growth targets to beat market performance
  - Acquisitive growth targets to complement organic growth (on hold)
- Profitable growth
  - EBITDA growth and margin targets
  - Normalised headline earnings per share (NHEPS) growth target
- High cash conversion
  - Cash conversion targets
- Appropriate gearing levels
  - Targeted debt to equity ratios
- Sustainable value growth
  - Improved return on invested capital (ROIC)
  - Targeted increase in intrinsic value

Core business processes and capabilities

- Software sales
- Technology innovation
- Application development
- Application support
- Industry specific IP development
- Industry consulting
- Digitally-led business consulting
- Software enabled business process outsourcing

The vision emphasises the Adapt IT value proposition and highlights where its key strengths and capabilities lie. Adapt IT is a company focused at providing leading specialised software and digitally-led business solutions that assist our clients, across the targeted industries, to Achieve more by improving their:

CUSTOMER EXPERIENCE | CORE BUSINESS OPERATIONS | BUSINESS ADMINISTRATION | ENTERPRISE RESOURCE PLANNING | PUBLIC SERVICE DELIVERY

Markets and regional structures

- Pan African market
  - Southern African Development Community (SADC) Countries
  - East Africa
  - West Africa
- International market
  - Australia
  - New Zealand
  - Singapore
  - Ireland

People and culture

- A caring organisation
- Reflective of country demographics
- Experts in our respective markets
- Delivery focused and responsive
- Values-based culture
  - Respect
  - Honesty
  - Responsibility
  - Accountability

Clients and channels

- Primary specialised industries
  - Education
  - Telecommunications
  - Finance professionals
  - Hospitality
  - Energy and natural resources
  - Financial services
- Targeted large accounts
  - Private sector
  - Public sector

Contribution to communities

- Employee development
  - Further education sponsorship
- Employment creation
  - Employment of local professionals
  - Youth Employment Services (YES) programme
- Social impact in communities
  - Prioritising Maths, Science and ICT education

Propositions and brands

- Adapt IT provides leading specialised software and digitally-led business solutions that assists clients, across the targeted industries, to Achieve more by improving their:
  - Customer experience
  - Core business operations
  - Business administration
  - Enterprise resource planning
  - Public service delivery

CREATING VALUE
STRATEGIC FOCUS

ADAPT IT'S STRATEGY IS TO CREATE SUSTAINABLE LONG TERM SHAREHOLDER VALUE BY PROVIDING SPECIALISED SOFTWARE AND DIGITALLY-LED BUSINESS SOLUTIONS THAT ASSIST CUSTOMERS, ACROSS THE TARGETED INDUSTRIES, TO Achieve more BY IMPROVING THEIR CUSTOMER EXPERIENCE, CORE BUSINESS OPERATIONS, BUSINESS ADMINISTRATION, ENTERPRISE RESOURCE PLANNING AND PUBLIC SERVICE DELIVERY.

An annual strategic review process to facilitate medium and long term growth is conducted to further enhance the divisional strategy alignment, financial sustainability, market share growth, good corporate citizenship and integration throughout the Adapt IT business. Covid-19 has highlighted business sustainability as a priority for businesses across the globe. The effects of the pandemic will be felt well into the future and as such Adapt IT will focus on maintaining appropriate mitigation measures and incorporating these into strategic initiatives.

The following priorities were identified as key focus areas:

Priority 1:
Generate above-industry organic growth

Adapt IT remains committed to generating above-industry organic growth through augmented sales efforts, and to this end, group wide and divisional sales structures and processes continue to be fortified.

As a leader in specialised software and digitally-led business solutions, sales capability is central to the business reaching its organic growth targets. Adapt IT must be equipped with the required operating and sales processes, culture and delivery channels to ensure effective client delivery through a strengthened sales function.

Adapt IT's IP is a source of competitive advantage and continued efforts to develop innovative, value adding solutions will enable growth both within and outside of the existing customer base. Strategic partnerships with select organisations continue to be a source of enhancement and diversification in the group's offering.

Adapt IT keeps up with market demands and industry trends by enhancing its products and incorporating cutting- edge technology, such as Cloud, AI, Internet of Things (IoT), Mobility and Analytics.

Priority 2:
Develop strategic consulting capability

Adapt IT has identified opportunities in the services and consulting segment of the ICT market and in the Financial Services sector that would enable the group to keep delivering innovative solutions aligned to customer needs and the changing market landscape. An independent market share study revealed that these two areas remain largely untapped by Adapt IT and that substantial growth opportunities exist.

The market landscape is changing, and corporate services companies are diversifying to offer complementary solutions. The software and services sector is fast changing, relative to other sectors and for this reason Adapt IT will focus more on building digitally-led consulting and specialised BPO competencies. This will enable Adapt IT to establish multiple touch points with the existing customer base, defend key accounts by being more strategic and value adding and it will further allow the organisation to build a digitally-enabled solutions capability that enhances the technology brand.

Priority 3:
Pursue geographic diversification

Geographic diversification is an imperative part of the Adapt IT strategy and will continue to be in the long term, with two regions currently holding priority for market development:

Pan Africa

The current Pan African footprint includes Botswana, Kenya, Nigeria and Mauritius. Fortifying business development capabilities within the Pan African market will underpin further success in the region and will be supported by the delivery teams that are predominantly based in South Africa. Central to this will be to grow the South Africa market share. Focus has been on organic growth measures during the financial year. In addition, Adapt IT's portfolio of products and solutions that are industry agnostic has grown and provides for an improved growth platform for the rest of Africa.

Asia Pacific

The group has focused on opportunities that have been identified in the greater Asia Pacific region, in the form of key customers for solutions and services within targeted sectors. Strategic support continues to be availed to regional operations from project delivery and business development perspectives, thereby deriving value from the group's sector focussed expertise. Adapt IT's enlarged footprint in the region has increased opportunities to cross sell existing Adapt IT products and solutions into a market in which a local presence is already established.

Priority 4:
Capital allocation

Adapt IT is prioritising capital allocation towards the reduction of debt and as a consequence suspended acquisitions and dividends. Reduction of debt over the short term horizon will enable Adapt IT to return to the pursuit of strategic investments that will improve organic growth, enhance existing solutions and capabilities and support market expansion, to improve shareholder returns.

Priority 5:

Enhance organisational culture

Adapt IT employees play a pivotal role in the group's success, and with an employee complement of 1 117, the organisation is focused on enhancing its organisational culture across all operations. Employee engagement is measured every year and there was a marked improvement in engagement in the year to 30 June 2020.

A strategic priority for Adapt IT continues to be to embed its values-based culture across the organisation through initiatives such as behaviour charters, employee surveys and improved communications. The group contributes towards making a substantial difference through upskilling and empowering individuals, both internally and within broader communities. Adapt IT's employees remain a key focus area, with an emphasis placed on empowerment through education and structured bursary frameworks that can aid them to further their studies.

Employee wellbeing is the foundation upon which the Adapt IT culture is built and its importance became even more evident during the Covid-19 pandemic. Maintaining employee wellbeing throughout the group is a responsibility that is shared by all employees.

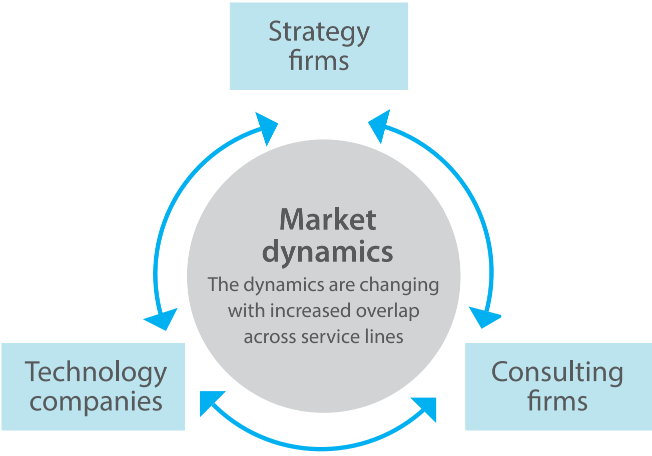
Priority 6:

Improve operating structure and efficiency

As a growing technology company, Adapt IT aims to enhance its effectiveness which entails improvement in governance, transformation, efficiencies and shared services capability to support the delivery of value-adding solutions to the markets served.

Adapt IT is committed to continuing its investment in improving transformation and diversity through a multitude of initiatives embedded within the group. It intends to maintain its transformation status through the continuous upskilling of employees and prioritising training focused at management development, technical skills and personal development. Hiring skilled individuals aligned to Adapt IT's transformation requirements will further progress the group's transformation for long term sustainability.

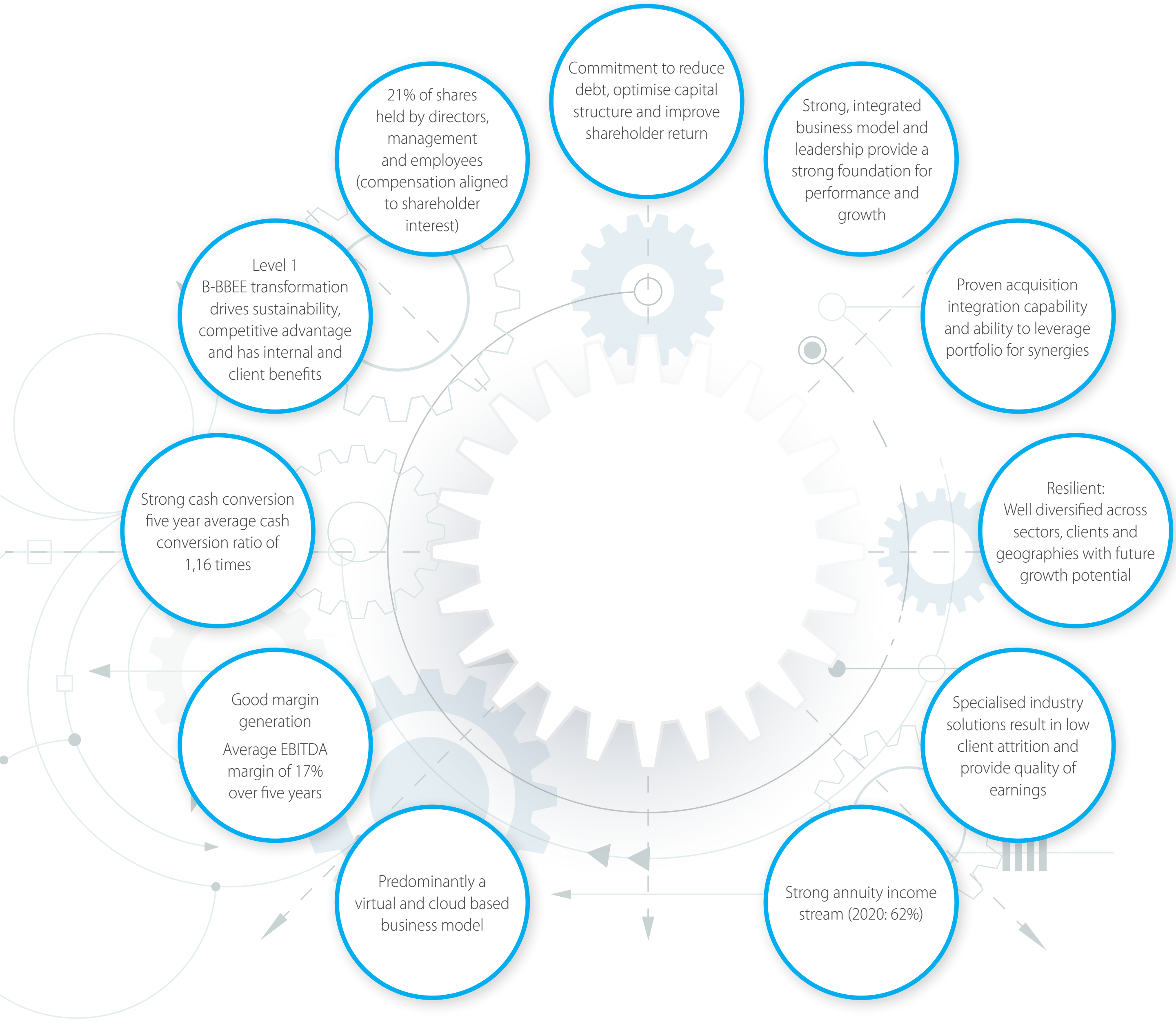
As a leading technology company, Adapt IT continuously challenges its ways of working by identifying and implementing efficiency initiatives across the divisions.



ADAPT IT IS COMMITTED TO CONTINUING ITS INVESTMENT IN IMPROVING TRANSFORMATION AND DIVERSITY THROUGH A MULTITUDE OF INITIATIVES EMBEDDED WITHIN THE GROUP.

CREATING VALUE
INVESTMENT CASE

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



CREATING VALUE
ACQUISITION HISTORY

Key company milestones

- **R1.5 billion** – Revenue
- **16%** – Percentage of Pan African revenue
- **11%** – Percentage of other International revenue
- **Achieve more.** – Integrated business model

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

OCT 2008
Adapt IT, specialising in software for the manufacturing sector, 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 Asia Pacific.

OCT 2012
The Swicon360 acquisition extends the manufacturing offering with SAP™ HCM 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
Telecommunications intelligence management software added through the AspiviaUnison acquisition.

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

AUG 2016
EasyRoster acquisition expands the Manufacturing division offering with rostering optimisation software services to staffing solutions business.

JUL 2017
Micros South Africa, a leader in hospitality software, is acquired by Adapt IT.

JUN 2018
LGR Telecommunications, provider of end-to-end data warehouse and business intelligence systems with presence in Africa and Australia, is acquired.

JAN 2019
Conor, specialist in high-performance telco and mobile financial service solutions to extend the Telecoms division service offering, is acquired.

MAR 2019
Wisenet, a provider of SaaS Learning Relationship Management Platform in the Asia Pacific education sector, is acquired.

PERFORMANCE
CHAIRMAN'S REPORT

"THE NET GEARING RATIO DECLINED TO 43% FROM 66% YEAR ON YEAR, WHILE CASH WAS RETAINED TO INSULATE AGAINST LIQUIDITY RISK. OUR STRONG CASH GENERATION HAS DEMONSTRATED ADAPT IT'S ABILITY TO SERVICE ITS DEBT, DESPITE THIS PERIOD OF UNPRECEDENTED ECONOMIC WEAKNESS."

Craig Chambers
Independent non-executive chairman

Overview of performance

I am pleased to report good operating results in the face of a challenging 2020 financial year impacted by the global Covid-19 pandemic, which exacerbated already tough trading conditions in South Africa, our primary market. The diversification of the group provided a high degree of resilience. While some divisions were severely impacted by Covid-19 regulations, others found opportunity and expanded.

The response of our people was truly excellent, with increased commitment and productivity being evident through remote working, which accelerated the digitisation of our business.

The key focus on managing the impact of Covid-19 on the business was ensuring employee safety, providing continuous service to our clients, supporting those clients who were hardest hit by the pandemic, and managing our own cash flow stringently to ensure no liquidity squeeze. We have undertaken the difficult task of right-sizing several areas of the business, which I am pleased to say is stable and intently focused on trading through the next uncertain chapter as the effects of the pandemic unfold into the future periods.

Adapt IT continues to cement itself as a reliable, capable and relevant ICT provider delivering specialised software and digitally-led business solutions across the Education, Manufacturing, Energy, Financial Services, Communications and Hospitality sectors. The group currently employs 1 117 professionals (2019: 1 088) serving more than 10 000 clients that are operational across 53 countries.

Revenue increased by 3% to R1,5 billion. Organic growth was -2% (2019: 5%), whilst acquisitive growth contributed 5% (2019: 9%). Foreign revenue grew from 24% to 27% and annuity income was 62% (2019: 61%).

Growth in EBITDA was 9% at a healthy and slightly improved EBITDA margin of 17% (2019: 16%).

Cash generation was strong, with R227 million generated by operations (2019: R179 million).

Normalised headline earnings per share was up by 7% (2019: down 6%).

Due to the net borrowing position and reduced share price, acquisitions were suspended in March 2020 in favour of reducing debt. The net gearing ratio declined to 43% from 66% year on year, while cash was retained to insulate against liquidity risk. Our strong cash generation has demonstrated Adapt IT's ability to service its debt, despite this period of unprecedented economic weakness.

Given Covid-19 and the difficult economic climate locally and abroad, the focus pivoted to managing the business through the pandemic with utmost attention given to working capital management, cash preservation and liquidity. It was a period of consolidation, reorganisation and optimisation, with ongoing diligence on governance.

The board's approach remains prudent and no dividend was declared.

Transformation milestone

Adapt IT achieved a Level 1 B-BBEE rating in September 2020. This is the result of a consistent and conscious drive to embed transformation at every level in the business. This is part of our organisational value set, but we also know we cannot do business in South Africa, our largest geography in terms of revenue at 73% (2019: 76%), without true transformation. Likewise, in the remaining geographies in which Adapt IT operates, we strive to ensure that our people are well versed in the requirements of each country to ensure inclusivity, diversity and at the same time creating sustainability.

Shareholder engagement

Pursuant to the 2019 AGM, the board undertook engagement on a revised remuneration policy with the company's largest institutional shareholders. The board appreciates the constructive dialogue and is pleased it shaped the resultant policy. The board views it as critical that executive pay is market related with transparent performance-based metrics and aligned to shareholder interests. This will be monitored on an ongoing basis.

Governance and sustainability

In our Integrated Annual Reports, we continuously strive to improve feedback to stakeholders on how Adapt IT approaches and thinks about sustainability. A comprehensive and separate Sustainability Report is available on the website, www.adaptit.com. The sustainability information was compiled with reference to the Global Reporting

Initiative (GRI) Standards with the aim of being in accordance with the "core" option and using the Sustainability Accounting Standards board (SASB) standards.

In the report Adapt IT explores the impact that it has across a wide range of areas: economic, people, transformation, social responsibility, environmental management and systemic consideration from technology disruptions, and strives to show how Adapt IT approaches sustainability to ensure it remains a good corporate citizen.

The Corporate Governance Report contains feedback from the various board sub-committees of which Adapt IT has four, namely the Audit and Risk, Nominations, Remuneration and Social and Ethics committees respectively. The roles and responsibilities of the committees, their respective members as well as the overall importance Adapt IT places on governance is well documented.

This report can be found on pages 53 to 63.

Board of directors

On 22 November 2019, Bongiwe Ntuli retired from the board at the AGM and we thank her most sincerely for 11 years of service in which she chaired the Audit and Risk Committee and saw Adapt IT grow from revenue of R58 million in 2008 to R1,4 billion in the 2019 financial year. Oliver Fortuin was appointed as lead independent director on 14 October 2019. Oliver's leadership in the ICT sector spans more than two decades and he brings a deep understanding of technology related operations, corporate finance and global trends.

The board has strong diversity reflected in terms of age, gender, race, tenure and capability. The value each board member brings to the group, together with resume information, can be found on pages 54 to 55. The board fulfils its fiduciary duties effectively. We do not interfere with the management of the group but do oversee that the strategic mandate of growth and returns is responsibly pursued by management.

Annual general meeting

In the Notice of the AGM on page 159 you will find all relevant information pertaining to the meeting to be held virtually via webcast on 27 November 2020. Adapt IT encourages shareholders to participate in the meeting and take the opportunity to engage with management.

Should you require interaction with Adapt IT outside of the AGM please take a look at the Investor Dashboard on the website, www.adapit.com, for contact details through which meetings can be arranged.

The future

Over the last decade, Adapt IT has transitioned successfully from being a small software business to a leading specialised software and digitally-led business solutions provider in a journey that has progressed steadily, sustainably and globally. The group is now in a good position to capitalise on organic growth opportunities. We have touched on our appetite for public sector work, which is already being executed, although on a small scale.

Similarly, the group's cautious expansion into Africa has been prescient, given the further slowdown in South Africa. This has resulted in improved growth prospects in the countries of operation. The bedding down of acquisitions in Asia Pacific whilst simultaneously strengthening the Education offering in this geography has positioned Adapt IT for further growth. As a board, we strive to ensure that Adapt IT is consistent in pursuit of its strategy through this negative market cycle and it is this relentless pursuit that underpins the market position in our areas and countries of operation.

We will continue to ensure our people and the skills they hold are well looked after and enhanced in order to be the best we can be for our clients.

Thank you and appreciation

It would not be possible to report the results achieved were it not for our dedicated employees. To everyone at Adapt IT, thank you for your tremendous efforts in serving our clients throughout the Covid-19 period and beyond. Our business continuity plans were thoroughly tested with pleasing results, both in the operational mechanics and also in the spirit of our people.

Similarly, management and the executives must be commended for their intense focus on navigating the group through the pandemic and taking decisive action to ensure Adapt IT's ongoing sustainability and that resilient results were achieved.

To my fellow board members, thank you for the time, dedication and thoughtful contributions you make to our deliberations, even more so for the advice provided during the pandemic. Your wisdom and guidance is appreciated.

To all clients, partners, suppliers and shareholders, thank you for your continued support. We appreciate our constructive relationships with you, which underpin our mutual success.

Craig Chambers
Independent non-executive chairman

23 October 2020

PERFORMANCE

CHIEF EXECUTIVE OFFICER'S REPORT

"ADAPT IT DELIVERED A PLEASING FINANCIAL PERFORMANCE, IN A YEAR DOMINATED BY GLOBAL MACROECONOMIC CHALLENGES AND THE COVID-19 PANDEMIC, BY FOCUSING ON EXTRACTING INTERNAL EFFICIENCIES, WORKING CAPITAL MANAGEMENT AND CASH PRESERVATION, WHILST ENSURING EMPLOYEE SAFETY AND PROVIDING AN UNINTERRUPTED SERVICE TO SUPPORT OUR CUSTOMERS. A POSITIVE RESPONSE WAS RECEIVED FROM THE ADAPT IT EMPLOYEES, WHO BANDED TOGETHER IN SUPPORT OF THEIR COLLEAGUES, SHOWING A TRUE SPIRIT OF CAMARADERIE AND RESILIENCE."

Sbu Shabalala
Chief Executive Officer

Business performance

The performance of the business has been adversely impacted by the global macroeconomic challenges that persisted throughout the financial year, exacerbated by the Covid-19 global pandemic in the last quarter, and all contributed to a challenging environment for new software sales. The Adapt IT revenue model of focusing on annuity revenue, which increased to 62% of total revenue, was the cornerstone of the resilience shown by the business during this period.

Revenue increased by 3% to R1,5 billion with organic growth being muted at -2%, and acquisitive growth contributing 5%. The geographic diversification drive continued to yield a positive result, with foreign revenue growing from 24% to 27%, aided by both the Pan African and Asia Pacific growth efforts.

Whilst revenue growth was muted due to the economic climate and the global pandemic, focus was placed on business integration and optimisation, in order to extract business synergies and reduce operating costs. These efforts resulted in growth in EBITDA of 9% to R250 million, yielding a healthy and improved EBITDA margin of 17% (2019: 16%) and growth in operating margin of 12% (2019: 11%).

The group's focus on working capital management, cash preservation and liquidity led to improved cash generation for the period, with R227 million (2019: R179 million) generated by operations. This was driven by a sharpened focus on debtors' management within all divisions and will continue in future.

Due to the net borrowing position and reduced share price, acquisitions were suspended in March 2020 in favour of reducing debt. The net gearing ratio declined to 43% (2019: 66%) while excess cash was retained to insulate against liquidity risk. The strong cash generation demonstrated Adapt IT's ability to service debt, despite a period of unprecedented economic weakness. The board has remained prudent in preserving cash during these unprecedented times and has not declared a dividend.

The group's summary results are contained in the Chief Financial Officer's Report on pages 34 to 37.

Covid-19 update

Much like a multitude of businesses across the globe, the Covid-19 pandemic had a considerable impact on the group. However, Adapt IT's quick response alleviated the worst of the effects on both the business and its people. When the first Covid-19 case was confirmed in South Africa, where Adapt IT's largest operation is based, the company promptly initiated a remote work protocol, which was well underway by the time the government instituted lockdown was announced. Due to management's decisive leadership and employees' effective response and adaptation to change, Adapt IT was able to continue servicing its customers and maintained service delivery levels.

The Adapt IT business leveraged its services, sector and geographic diversification to help navigate these uncharted waters of a world under lockdown. Some of the industries we serve found themselves having to shut down, or operate remotely to service customers. Fortunately, most Adapt IT divisions did not experience major business disruptions during lockdown, except for the deferral of planned onsite project delivery.

A detailed report on the impact of the pandemic on Adapt IT employees can be found in the Sustainability Report.

The impact of Covid-19 on the business, highlighting where divisions were significantly affected, is illustrated in the table below:

Time period	
HY1	• Global macroeconomic slowdown
HY2	
January – last week in March 2020	• Adapt IT implemented remote work policy with no disruption to customer service, for customers that did not shut down. • Hospitality Division significantly impacted as the majority of customers shut down operations. Cost cutting and restructuring undertaken to maintain sustainability of the division and position it for recovery.
April 2020	• Adapt IT offices remained closed with a large majority of Adapt IT employees working from home.
May 2020	• Leave and reduced hours were implemented within teams where full productivity was not possible due to lockdown regulations. • Adapt IT offices prepared for reopening in anticipation of reduced lockdown restrictions.
June 2020	• Limited occupancy permitted at offices (maximum of 25%), with the majority of employees continuing with remote work. • Education and Hospitality divisions limited resumption of projects as affected customers remain cautious.
Future outlook	
July 2020 onwards	• Divisions pursuing growth prospects and re-doubling efforts on innovation, including implementing Cloud platforms where these didn't already exist.

Covid-19 Opportunities

Adapt IT's Cloud-enabled solutions proved to be of significance in the virtualisation of business processes and in providing business continuity. They enabled teams to support customers as they strived to limit the disruptions to their businesses during the lockdown period. As these solutions become even more widely used, the need for innovation and cyber security increased further, which resulted in more opportunities for organisations such as Adapt IT.

The Communications, Education and Finance Professionals divisions saw increased sales activity, as customers sought to limit disruptions in their processes, while further strengthening key relationships with strategic partners and customers. These divisions maintained excellent customer retention levels, while implementing new solutions, which included eLearning, CaseWare Cloud and Next-Gen Value Added Services (VAS), amongst others.

Covid-19 Impact

The key focus of managing the impact of Covid-19 on the business was ensuring employee safety, providing continuous service to customers, supporting customers who were hardest hit by the pandemic, and managing cash flow stringently to avoid liquidity challenges. Adapt IT undertook the difficult task of right sizing several areas of the business, which I am pleased to report are stable and intently focused on trading through the next uncertain chapter as the effects of the pandemic unfold into future periods.

The two divisions most impacted by Covid-19 were:

- The Manufacturing division experienced an 18% decrease in revenue due to project volume declines and delays. The EBITDA margin was at 13% (2019: 15%) and contributed 17% 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%). Non-recurring costs during the reporting period were mainly due to inventory write-offs of R7 million and retrenchment costs of R2 million, brought about by the acceleration of planned operational efficiency projects to respond to Covid-19.

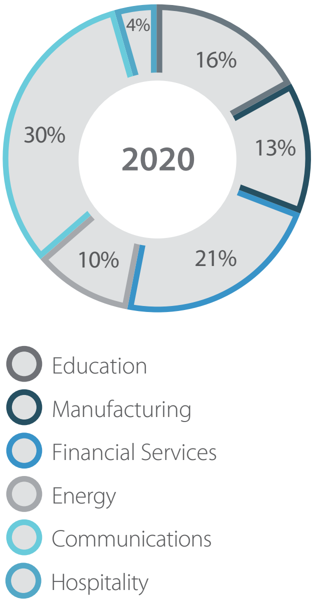
Divisional contribution

Given the pandemic and difficult economic climate locally and abroad, focus pivoted to managing the business through the pandemic with utmost attention given to efficiencies, working capital management, cash preservation and liquidity. Most Adapt IT divisions did not experience major business disruptions during lockdown, save for the deferral of planned on site project delivery, and were able to grow and maintain their contribution to the group's performance showing great resilience.

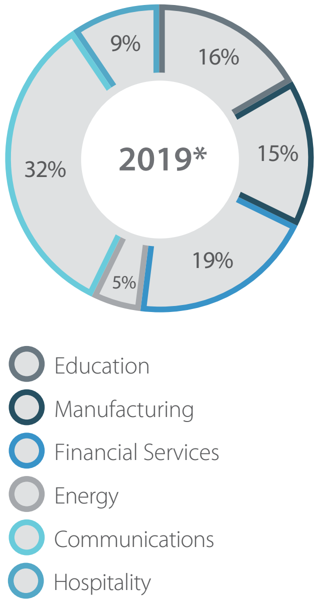
The Hospitality, and to a lesser extent, the Manufacturing sector customers were most impacted as depicted by their EBITDA margin contribution.

PERFORMANCE
CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

EBITDA margin (%)



EBITDA margin (%)



** Restated*

Adapt IT strategic priorities

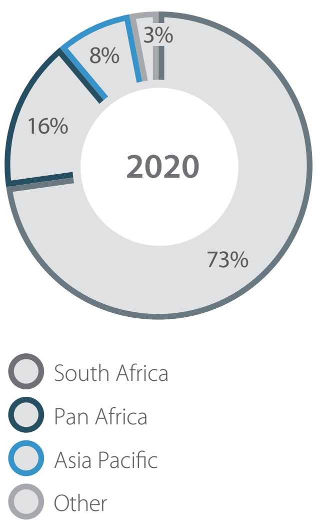
Adapt IT continuously reviews its strategic priorities to further leverage its leading position as a specialised software and digitally-led business solutions company, its strong customer relationships and geographic footprint to ensure future sustainability. The company's diversification not only in products, but also in terms of services and specialisation into targeted sectors, remains a key focus of Adapt IT.

Our strategic priorities are to:

Priority 1: Generate above-industry organic growth	**Priority 2: Develop strategic consulting capability**	**Priority 3: Pursue geographic diversification**
• Enhance sales processes and culture • Innovate on own IP	• Develop digitally-led consulting and specialised business process outsourcing (BPO) capabilities	• Further grow Pan African and Asia Pacific markets
Priority 4: Capital allocation	**Priority 5: Enhance organisational culture**	**Priority 6: Improve operating structure and efficiency**
• Reduce debt • Pursue strategic investments • Increased return on invested capital (ROIC)	• Enhance organisational culture and collaboration • Continue to empower employees	• Enhance governance and integration capabilities • Drive transformation, diversity and skills upliftment

The group executive team is focused on delivering on these strategic priorities and believes that the combination of these factors will create a sustainable competitive advantage for the group.

Revenue by geograhy (%)



Transformation within Adapt IT

Adapt IT achieved its target of B-BBEE Level 1 rating for the first time, effective 29 September 2020. It is an indication of the company's progress towards implementing and maintaining a transformed environment that invests in the betterment of previously disadvantaged groups. Empowerment is a strategic imperative and a vital component of the continued sustainability of Adapt IT's operations in South Africa. The company made improvements across key elements of the scorecard such as ownership, employment equity, preferential procurement and supplier development practices, as well as maintaining impactful socioeconomic development initiatives.

Outlook

The impacts of Covid-19 are envisaged to continue well into the future and the Adapt IT executive management is prepared to continue to not only mitigate its adverse effects, but to pursue growth and opportunities, in a macroeconomic environment that remains largely uncertain. The company continues to place efforts on extending the current solution offerings more broadly, enhancing new sales initiatives and carefully expanding the Pan Africa and Asia Pacific strategy, while ensuring prudent capital allocation and cost containment, amongst other initiatives.

With the concerted effort of all internal stakeholders and alignment of shareholder interests, the company continues to pursue strategies that will bolster its long term sustainability and yield the growth and return targets that the board has set.

Thanks and appreciation

I extend my sincere gratitude to the employees of Adapt IT, who have shown resilience and commitment during the pandemic. Their willingness to help the company navigate this uncharted territory has been a commendable display of the values that the company seeks to embody. Beyond the service delivery dedication shown to customers, employees made voluntary contributions to the value of R2 million to the Employee Contribution Pool, which was established to assist colleagues who were most impacted by the pandemic. Furthermore, their understanding of the need to forego annual increases and performance based incentives, as well as their graceful adjustment to the circumstances, are greatly appreciated by the leadership team.

I extend my sincere thanks to customers for their ongoing support and for entrusting Adapt IT with assisting them through what continues to be a trying time. Adapt IT's goal has always been to add value to customers' businesses, and with close collaboration with customers, we were able to achieve that under trying conditions.

To the leadership and management teams within Adapt IT, I value the incredible work you have put into the respective divisions throughout a particularly challenging year. Your ability to steer your teams through the obstacles that Adapt IT faced during the financial year has been invaluable.

To the board of directors, who offered guidance and provided counsel as we sought to implement measures that would assist the business to withstand the turbulence of this financial year, we express our sincerest appreciation. Your continued support is a pillar that will enable the company to thrive.

Sbu Shabalala
Chief Executive Officer

23 October 2020

PERFORMANCE
CHIEF FINANCIAL OFFICER'S REPORT

"ADAPT IT'S DIVERSIFICATION STRATEGY CONTINUES TO PROVE ITS RESILIENCE THROUGH THE ABILITY TO ABSORB THE IMPACT OF CHALLENGING TRADING CONDITIONS, EXACERBATED BY THE GLOBAL COVID-19 PANDEMIC, AND DELIVER ROBUST PERFORMANCE, STRONG CASH GENERATION AND AN IMPROVED NET GEARING RATIO."

Nombali Mbambo
Chief Financial Officer

Adoption of new 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 (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, consequently comparative information has not been restated. The impact of the adoption of IFRS 16 is set out in note 1.8 on page 98.

Restatement of 2019 results

Prior year figures have been restated mainly for the measurement period adjustment with regards to the acquisition of Conor and Wisenet, provisionally accounted for in the previous results, in terms of the allowance per IFRS 3 Business Combinations and an error related to lease incentives under SIC 15, identified during the detailed analysis of lease agreements pursuant to the adoption of IFRS 16, which had a nil impact to profit after tax. The components of the restatement are set out in note 37 on page 153. The total impact on revenue was nil and the decrease in profit after tax was R1 million. The commentary in this report is therefore presented against the restated 2019 results.

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

All restated figures are indicated with an asterisk (*).

Financial performance

Revenue increased by 3% to R1,483 billion (2019: R1,438 billion).

Organic growth was -2% due to the ongoing challenging and poor trading conditions in South Africa, which remains Adapt IT's primary market, constituting 73% of total revenue. The Covid-19 pandemic resulted in project volume decline and delays. It is encouraging that in spite of these conditions, two divisions delivered double-digit organic growth.

Acquisitive growth was 5% comprising the results of Strive Software for two months, Conor for six months and Wisenet for eight months during the financial year.

The five year compound annual growth rate for revenue was 13%.

Annuity revenue remains healthy and has improved from the previous reporting period to 62% (2019: 61%).

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

The tough trading conditions in South Africa have been a catalyst for Adapt IT to drive operational improvements, through significant cost containment measures in segments that were most impacted by Covid-19 with most operational efficiency projects completed, that will result in cost savings in future financial periods. The business cost structures where the market landscape has changed are 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. The foreign currency exposure at year end was R44 million (2019: R23 million) and is set out in note 32.4 on page 148. This is due to the weakened Rand at 30 June 2020.

Refer to note 1.4 on page 96 for the applicable exchange rates.

Total finance costs were R54 million (2019: R43 million). Finance costs on bank borrowings grew from R37 million to R49 million, with capital repayments of R37 million made during the year under review.

Imputed interest on financial liabilities arising from the deferred portions of the purchase considerations for EasyRoster and Wisenet was R3 million (2019: R4 million).

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.

Amortisation of intangible assets acquired arising from the allocation of the purchase considerations for acquisitions to separable intangible assets, being primarily customer relationships and internally developed software, increased to R44 million (2019: R40 million*).

EPS increased by 13% to 57,16 cents and HEPS increased by 29% to 72,58 cents. Normalised HEPS increased by 7% to 82,73 cents.

Cash flow, liquidity and borrowings

Cash generation

Cash generated from operations after working capital changes was R227 million (2019: R179 million), representing a 27% increase due mainly to the improvement in working capital management. The cash conversion ratio improved to 1.28 times (2019: 1.09 times). Net cash and cash equivalents was R185 million (2019: R58 million) at the end of the period.

Gearing

In line with the communication to shareholders to prioritise the reduction of net interest bearing debt back to the targeted level of 50% of equity, the net gearing ratio as at 30 June 2020 was 43%. This represents an improvement from the unusually high 66% gearing at the 2019 year end, where acquisitions concluded in the year were funded exclusively with cash (no shares issued) and a share buyback programme was undertaken.

Borrowings

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.

The debt covenants relating to the Standard Bank of South Africa borrowings were all met with sufficient headroom.

Working capital

In response to uncertainties with respect to cashflow due to Covid-19, cost containment and cash preservation controls were intensified. These included accelerating operational efficiency projects, particularly in divisions that were most impacted by Covid-19. Capital spend and recruitment were subject to approval at senior levels, and no bonuses were awarded irrespective of divisional performance. The monitoring of trade debtor collections through the finance credit committee also intensified.

All initiatives were monitored by the Covid-19 Response Plan, led by the CEO, which resulted in an improvement in working capital, mainly driven by the decrease in trade receivables.

Adapt IT has adequate cash resources and working capital for all operational requirements and capital repayment commitments.

Operational performance

Revenue diversification

Revenue is well diversified across six sectors and various geographies monitored in the operating divisions of Adapt IT.

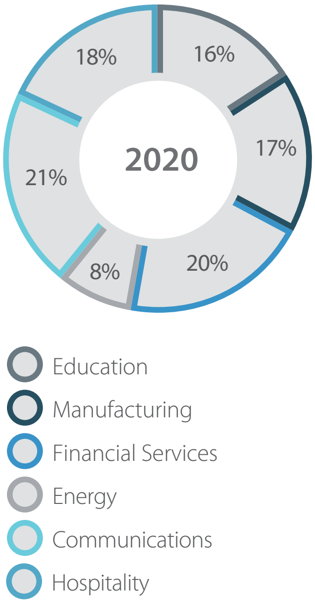
The operating divisions are driven and reported in segments, namely Education, Manufacturing, Financial Services, Energy, Communications and Hospitality.

- 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 delivered 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 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.

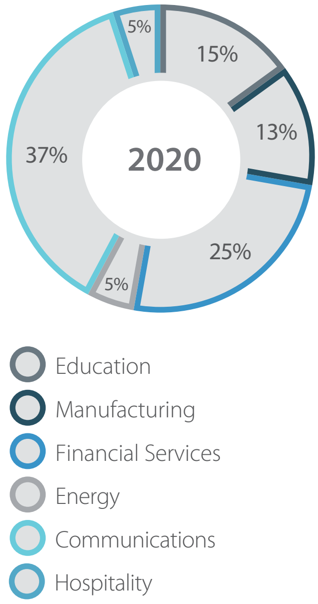
The segmental analysis of revenue is provided in note 35 on page 150, and shown graphically on page 36, demonstrating a good balance and spread of risk, and illustrating the impact of Adapt IT's diversification strategy, which ensures resilience and sustainability through negative market cycles.

PERFORMANCE
CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Revenue contribution by segment (%)



EBITDA contribution by segment (%)



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.

Acquisitions and earn outs

Adapt IT communicated to shareholders the suspension of further acquisitive growth until interest bearing debt is reduced to the targeted level of 50%. Acquisitive growth of 5% therefore comprises the roll forward of prior year acquisitions, resulting from Strive Software, Conor and Wisenet.

EasyRoster achieved 90% of its fourth and final profit warranty in the period from 1 July 2019 to 30 June 2020.

Adapt IT acquired the going concern and intellectual property of Wisenet for a minimum consideration of R54 million plus a contingent earn out consideration for performance to the end of December 2021, the fair value of which is estimated at R6 million (2019: R24 million). The gain arising on remeasurement and consequent derecognition of financial liabilities was R22 million during the reporting period.

Financial position

Total equity after the adoption of IFRS 16 increased to R746 million (2019: R678 million*), primarily as a result of the increase in retained earnings from profit for the year of R71 million (2019: R75 million*) and the foreign currency translation gain of R21 million (2019: R2 million loss), offset by the R23 million transitional adjustment arising from the adoption of IFRS 16.

The board's approach remains prudent, resulting in a decision not to declare a dividend.

Share capital was converted from 200 000 000 ordinary par value shares of 0,01 cents each to 200 000 000 ordinary shares of no par value as approved by shareholders at the AGM held on 22 November 2019. Shareholders further approved the increase of authorised share capital from 200 000 000 ordinary shares of no par value to 300 000 000 ordinary shares of no par value, resulting in issued share capital of 152 513 154 ordinary shares of 0,01 cents each and share premium of R248 million as at 30 June 2019 converting to R248 million stated capital.

Adapt IT held 15,3 million treasury shares at the start of the financial year, of which 7,6 million were cancelled in June 2020 and 7,6 million shares (10%) are held in treasury at year end.

Goodwill, representing the portion of the consideration paid relating to the benefit of the expected synergies, revenue growth, new market penetration and future market development, increased marginally to R705 million (2019: R704 million*). This was due to the finalisation of the

Conor and Wisenet purchase price allocations, provisionally accounted for in the previous results in terms of the allowance per IFRS 3 Business Combinations, the impairment of the Aquilon cash generating unit (CGU) by R16 million, and an unrealised foreign exchange gain of R17 million from translation of the functional currency to the reporting currency, mainly relating to the goodwill of LGR Australia and Wisenet Australia's CGU.

Impairment testing was performed by comparing the recoverable amount of each CGU to the carrying value of the unit. Sensitivity analysis was further applied to the test and all CGUs had sufficient headroom, barring the Aquilon CGU as a result of the uncertainties on adjudication delays on project revenue due to Covid-19. Consequently, an impairment of R16 million was recognised in profit or loss. Refer to note 10 on page 116 for further details.

Intangible assets decreased by R49 million to R247 million (2019: R297 million*), relating mainly to amortisation. Included in the customer relationships carrying value was R6 million allocated to the Micros CGU for a key customer, which was impaired following the loss of the client due to a global franchisor decision to change software solution. Refer to note 8 on page 113 for further details. An unrealised foreign exchange gain of R11 million arose from the translation of the functional currency to the reporting currency on the intangible assets in Australia and Singapore.

Property and equipment decreased to R108 million (2019: R123 million*) due to depreciation. The prior year restatement relates to a fit out allowance that should have been capitalised to property and equipment with a corresponding lease liability incentive recognised under SIC 15 Operating Leases Incentives. Total capital commitments of R23 million (2019: R45 million), disclosed in note 28.2 on page 142 are to be financed through internal cash resources and relate primarily to additional computer equipment.

As a result of the adoption of IFRS 16 Leases standard in relation to leases that were previously classified as operating leases, the group recognised right-of-use assets (R240 million) and lease liabilities (R302 million) at period end. IFRS 16 adoption also resulted in a transitional adjustment of R23 million, reducing opening retained earnings.

Finance lease receivables of R33 million relate to finance lease arrangements with Micros customers for IT equipment. Inventory comprised R32 million of finished goods held at year end, with R7 million written off during the year due to theft at the main warehouse. Additional controls have been implemented to minimise the risk of fraud.

Trade and other receivables decreased to R285 million (2019: R312 million) largely due to the intensified focus on collections. Consequently, the average debtors' days outstanding at the end of the year improved to 63 days (2019: 71 days). The ageing of trade receivables is provided in note 32.1 on page 146 together with a comparison of the prior year. Management believes that the allowance for expected credit losses is adequate. Contract assets amounted to R37 million as at 30 June 2020. Refer to note 17 on page 128 for a detailed breakdown of contract assets and allowance for expected credit losses.

Contract liabilities increased to R132 million (2019: R108 million). These relate mainly to the Education and Hospitality segments where revenue in respect of license fees and product development and support is received annually in advance at the beginning of each calendar year. Furthermore, there are certain project revenues, including other license and support revenues, received in advance across the segments. Refer to note 26 on page 140 for a detailed breakdown.

Leave pay accrual and provisions decreased by R36 million from R60 million to R23 million. This was mainly due to a decrease in the bonus provision during the current financial year, as bonuses were not awarded.

Financial controls and risk management

The combined assurance model including the internal control framework detailing financial controls, has been approved by the Audit and Risk Committee Report. The financial risk management is covered on page 66.

Accounting policies

IFRS 16 Leases was adopted during the year. The adoption of new or revised accounting standards, interpretations and amendments have been described in note 1.8 on page 98. The other accounting policies and methods of computation used in the preparation of the annual financial statements are in keeping with IFRS and consistent with those used in the previous financial year.

Going concern assertion

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

Conclusion

Adapt IT's diversification strategy continues to prove its resilience through the ability to absorb the impact of challenging trading conditions, exacerbated by the global Covid-19 pandemic, and deliver robust performance, strong cash generation and an improved net gearing ratio.

Focus remains on continuing to manage the impact of Covid-19 with great agility and to position the business sustainably, thus ensuring that Adapt IT continues to be stable and able to trade through the next uncertain chapter as the effects of the pandemic continue to unfold.

Nombali Mbambo
Chief Financial Officer

23 October 2020

PERFORMANCE

SEGMENTAL PERFORMANCE

Education

What we do

The division's in-depth understanding of the challenges faced by the education sector enables it to design, develop, implement and maintain a range of education software products and services.

Financial contribution

	2020* **%**	2019 %
Percentage of revenue	**16**	15
Percentage of EBITDA	**15**	15
EBITDA margin	**16**	16

** Before IFRS 16*

Highlights

- Significant client and project wins
- Adapt IT Moodle partnership and Certification

Flagship software

- ITS Integrator
- CELCAT Timetabler
- ICAS® Integrated Campus Administrative System
- Wisenet LRM

Services

- ITS Integrator Support
- Implementation, Customisation, Development and Integration
- Automated Exam and Class Timetabling
- Training and Consulting
- Learning Relationship Management Platform

History – Education

1986
The Integrated Tertiary Software (ITS) business was founded.

2003
ITS established a presence in Ireland, where it supports three of Ireland's seven public universities.

2008
Established an Asia Pacific presence.

2009
The ITS group was acquired by Adapt IT.

2012
Entered into an agreement to distribute CELCAT Timetabling. Acquired SMSS Limited (Artena), and thereafter Meta Office Limited (Take 2).

2018
Acquired ICAS®
to service local private higher education institutions.

2019
Acquired Wisenet to focus on Cloud based technologies as well as delivering ICT solutions as SaaS.

2020
Obtained Moodle Certified Partner status.

Background

The Adapt IT Education division provides solutions to higher education institutions worldwide. The division's operations date back 34 years, and it currently services more than 800 customers in Africa, Europe and Asia Pacific. The flagship product is the ERP software solution used by educational institutions for the optimisation of back-office processes including applications to study, registrations, study periods, examination scheduling and graduations.

The software supports the Department of Higher Education and Training's (DHET) statutory reporting requirements, with integration into agencies such as the DHET and National Student Financial Aid Scheme (NSFAS). The Adapt IT Education division uses its understanding of the challenges faced by the education sector to design, develop, implement and maintain value-adding software products and services.

Growth and strategy update

The division's growth strategy is anchored on customer centricity. This is evident by the adoption of Agile Methodology and DevOps for rapid development and deployment. Focus on innovation through the Digital Research and Innovation unit enables Adapt IT to effectively respond to the opportunities presented by, *inter alia,* fourth industrial revolution (4IR) as evident across developments in areas such as Chatbots, Big Data/Analytics, Artificial Intelligence, and Biometric Technology.

Moodle LMS certification for Adapt IT is further affirmation of the deep sector knowledge and experience that Adapt IT possesses. The company is now able to support digital teaching and learning, not only in the public and private higher education, but in the corporate sector as well.

In addition to fulfilling changing needs of its existing clients, the division is central in executing Adapt IT's Pan African strategy. Support from the offices in Botswana, Kenya and Mauritius will further enable Adapt IT's plans to formalise the division's presence in West Africa in the near future.

Adapt IT Education continues to look into strategic partnerships with institutions of higher learning, centered on collaboration to co-create commercially viable solutions for the sector.

Corporate actions

During the period under review, Adapt IT:

- Fully integrated Wisenet, acquired effective 1 March 2019, to increase Adapt IT's presence in the Asia Pacific region. Wisenet is a leading provider of Learning Relationship Management Applications to the education industry;
- Rationalised the product offering across the Asia Pacific region; and
- Obtained Moodle learning management system (LMS) partner certification for five African countries, namely, South Africa, Botswana, Mauritius, Kenya and Nigeria.

Prospects

The division is bullish on its prospects. The business possesses unparalleled experience exceeding 34 years in higher education. Certification of Adapt IT by Moodle enables Adapt IT to provide a 360-degree view of the student lifecycle combining administration and digital teaching and learning. Significant wins have been secured in this area.

The education portfolio of products enables Adapt IT to support students from enquiry, application, registration, fund administration, accommodation management, digital/online teaching and learning, examination, graduation and alumni management.

The division executes these processes in public and private institutions of higher learning, as well as within the corporate sector, particularly within those companies which have a significant training portfolio.

Adapt IT is confident that its education solutions are responsive to the needs of its customers.

PERFORMANCE

SEGMENTAL PERFORMANCE

Manufacturing

What we do

The division is a provider of specialised software products for sugar producers, security providers, energy and natural resources and other heavy industry. The software products are serviced by industry subject matter experts.

Financial contribution

	2020* %	2019 %
Percentage of revenue	**17**	21
Percentage of EBITDA	**13**	19
EBITDA margin	**13**	15

** Before IFRS 16*

Highlights

- Increased focus on manufacturing service provision
- Good growth in workforce management domain
- First petrochemical sector sale of IntelliPERMIT

Flagship software

- Sugar Industry ERP Solution
- Sugar Industry LIMS Solution – CaneLab
- Weighbridge Automation – ScaleABILITY
- Operational Risk Management – OpSUITE (including IntelliPERMIT)
- Shift Roster Software – EasyRoster
- Expense Management
- Enterprise Performance Management

Services

- Business Advisory
- Software Development, Implementations, Systems Integration
- Sustainability Reporting
- ERP Support

History – Manufacturing

1996
Outsourced a major sugar company's applications to form the sugar industry software business.

2001
Successful implementation of ERP at Africa's largest sugar mill, outside of South Africa.

2003
CaneLab integrated weighbridge automation, cane testing and factory laboratory system was released.

2005
Entered the mining and metals sector with IntelliPERMIT.

2009
First Australian deal was secured with an international mining company, leading to sustained growth in this market.

2009
Entered electricity generation sector.

2011
Three eThekwini-based businesses consolidated into new offices in La Lucia, KwaZulu-Natal.

2013
Aladdin Warehouse Management System (WMS) implemented at a major sugar company's new distribution centre in Pietermaritzburg, KwaZulu-Natal.

2016
Acquired EasyRoster workforce optimisation business.

2017
Deployed IntelliPERMIT in Canada.

2018
IntelliPERMIT implemented at the top three iron ore mining companies in Australia.

2019
Released ScaleABILITY product for automated weighbridge.

2020
First oil and gas sector implementation of IntelliPERMIT.

Background

The Adapt IT Manufacturing division develops software solutions for the manufacturing, agri-processing, security and energy and natural resources sectors, servicing clients in 27 countries. The division comprises of businesses with over 24 years of experience. It designs and builds solutions that address sector challenges ranging from the coordination of centralised procurement and inventory management to the controlled payment of cane growers, optimisation of security guard rosters, and solutions managing the safety of nuclear power plant refueling shutdowns.

Growth and strategy update

The various product and service lines have delivered mixed results for the division over the past financial year, with some service lines having been rationalised. While activities in the sugar sector have decreased due to adverse market conditions, the EasyRoster product line proved to be resilient and achieved good growth despite the challenges experienced by the security services sector. Growth will come primarily from the operational risk management set of solutions in addition to the Cloud enablement of the software solutions being offered to the security industry.

Prospects

The opportunities within the sectors in which the division operates remain limited as a result of the challenging market conditions. While most of the organisations that Adapt IT serves were deemed "essential services" in the context of Covid-19, Adapt IT has seen widespread disruption to operations and supply chains.

The stance of the division remains defensive, focusing on key customers and core products with differentiated intellectual property.

Strategic initiatives for the year ahead include:

- The migration to the new Cloud based version of EasyRoster is a priority for the division to protect and grow the product line.
- The division's annuity revenue streams remain the basis for the resilience of this business, and it is in the process of implementing a revised quality management system in order to ensure that it can continue to provide reliable and excellent service to its customers.
- Demand for the division's operational risk management solutions remains robust – particularly in Australia, where it continues to win new business.
- The division is recalibrating the sugar industry team in order to meet the digital transformation needs of its customers within this sector.

PERFORMANCE
SEGMENTAL PERFORMANCE

Financial Services

What we do

The division has specialised in the design, development and deployment of software solutions for financial professionals for over 24 years.

Financial contribution

	2020* %	2019 %
Percentage of revenue	**20**	19
Percentage of EBITDA	**25**	21
EBITDA margin	**21**	19

** Before IFRS 16*

Highlights

- Completed implementation of a Modified Cash Reporting solution across all provincial government departments in Mpumalanga
- Worked closely with National Treasury to automate the Mscoa Specimen Financial Statements to support local government reporting in South Africa
- Launched an Interim Financial Statement solution for Corporate Reporting
- Extended the Cloud based tax offering with Corporate Annual Tax Returns

Flagship software

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

Services

Software implementation services in support of:

- Audit
- Financial Reporting
- Practice Management
- Tax and Secretarial Solutions
- Bank Confirmations

History – Financial Services

- **1995** CQS signed first four clients.
- **1996** CQS launched first Financial Statements template for Generally Accepted Accounting Principles (GAAP).
- **1996** CQS granted sole distribution rights for CaseWare.
- **2005** CQS launched automated IFRS Financial Statements.
- **2006** CQS integrated with South African Revenue Services (SARS) e-filing system.
- **2009** CQS signed its 10 000th user.
- **2012** Confirmation.com SA launched.
- **2014** CQS acquired PROBE. CQS launched CaseWare Cloud.
- **2016** CQS became an Adapt IT company.
- **2017** CaseWare Africa leveraged Adapt IT African presence through existing partner channels and invested in a direct model in Kenya, Botswana, Mauritius and Nigeria.
- **2018** CaseWare Africa signed first public sector client in Kenya.
- **2019** 25 000 desk top users; 7 500 Cloud users.
- **2019** South African public sector market reach expanded with Modified Cash Offering for National and Provincial Departments.
- **2019** CaseWare Africa signed memorandum of understanding (MOU) with Mauritius Institute of Professional Accountants (MIPA).
- **2020** Cloud offering expanded to include Annual Returns for Corporations and Individuals and seamless integration to online accounting solutions.
- **2020** Cloud Assurance engagements launched.
- **2020** Launched Interim Reporting solution for listed entities.

Background

The Adapt IT Financial Services division provides a range of software solutions that automate financial statement and assurance engagements, streamline tax management processes, and enable simplified time and billing management in addition to taking care of company secretarial duties. The division serves approximately 4 500 audit and accounting firms, government entities, municipalities and large companies across Africa. The business dates back to 1995.

Adapt IT is the authorised distributor for CaseWare International, the global provider of auditing and financial software, serving more than 25 000 users across Africa.

Growth and strategy update

The auditing and accounting profession is experiencing unprecedented change, particularly in relation to technologies such as advanced analytics, robotics, process automation and emerging innovations. As a result, the division is focused on:

- Cloud based integrated offerings that leverage big data and automate production, enabling clients to free up time for value-added services and enabling consolidated oversight;
- Data-driven solutions enabling clients to have analytics embedded throughout financial management and audit processes;
- Collaboration with industry bodies, regulators, and professional institutes across Southern Africa and the African continent to support digital transformation initiatives where appropriate, as well as the ongoing evolution in compliance and regulation; and
- Automated International Public Sector Accounting Standards (IPSAS) solutions for cash and accrual basis of reporting.

Prospects

The division envisages growth in:

- Pan Africa (including South Africa)
  - Expanding services across regional financial professionals' networks
  - Expanding services to small and medium-sized financial services practices through partnerships with institutes
  - Expanding within the public sector
- South Africa
  - Expanding into provincial and national government departments
- Integration of analytics capabilities into all audit offerings

PERFORMANCE

SEGMENTAL PERFORMANCE

Energy

What we do

The division has deep sector expertise in providing niche solutions and services within the oil and gas industry. It has a proven track record in large scale SAP™ and supply chain solution implementations and is the lead terminal automation software provider and implementer in Africa.

Financial contribution

	2020* %	2019 %
Percentage of revenue	**8**	9
Percentage of EBITDA	**5**	3
EBITDA margin	**10**	5

** Before IFRS 16*

Highlights

- The division's partnership with global supply chain software leaders in SAP™, FuelFacs+ and Ortec continues to strengthen
- Extended and enhanced SAP™ solutions and downstream oil and gas sector offering to the market
- Diversified into new territories and penetrated adjacent market and customer segments

Flagship software

- SAP™ Oil-in-One
- SAP™ HCM Spectrum
- SAP™ B1PL
- TechnipFMC FUEL-FACS+
- ARMS (Adapt IT Remote Management System)
- ORTEC Inventory Routing (OIR)
- ORTEC Warehouse Management (O4S)

Services

- Supply Chain Optimisation Technology and Innovation
- Supply Chain and Operational Advisory
- SAP™ IS-OIL Services and Integration
- SAP™ Services and Support
- Terminal Automation Management and Services Support
- Transportation and Distribution Management
- Fuel Retail Network Services and Support
- Industry Solution Development, Deployment and Integration
- Business Process Outsourcing (BPO)

History – Energy

2011
Authorised Technical Representative for FUEL-FACs+ Terminal Automation Solution (TAS) in Southern Africa.

2012
SAP™ Human Capital SaaS Cloud business process outsourcing business, Swicon360, acquired.

2013
Terminal Solutions Global Support Hub established in Mauritius. Adapt IT Remote Management System (ARMS) implemented for global fuel retailer.

2014
SAP™ Africa Partner of the Year in "Managed Cloud-as-a-Service" category. First SAP™ certified Oil and Gas Template Solution (Oil-in-One) in Africa.

2015
Digital and mobility concept deployed at a major fuel retailer.

2016
Global SAP™ Quality Award for the Fast-start Category for Oil and Gas Template. Successful completion of global FuelFacs deployment programme for an Oil Major.

2017
Successfully deployed SAP™ Oil and Gas Solution to South African based oil client.

2018
Developed SAP™ IoT Fuel Retail Solution with SAP™ Leonardo.

2019
Greenfields implementation of FUEL-FACs+ TAS for storage and bunkering for a major oil tanking company.

2020
Named Africa Partner for ORTEC GMBH, a global leader in supply chain optimisation. Successful implementation and support of ORTEC Integrated Warehouse Management Solution for the largest bottler in Africa.

2020
Full spectrum SAP™ Partner in Africa. Launch of specialised SAP™ solutions into Africa market.

2020
Implementation of full integrated FUEL-FACs+ TAS for Oil Major in Southern Africa.

Background

Adapt IT Energy designs, implements and supports SAP™ and leading supply chain solutions within the oil and gas sector, in Africa and globally. The division provides innovation and digitisation across the oil and gas supply chain, with solutions for companies operating refineries, bulk fuel distribution and storage, warehousing, retail and commercial operations.

Growth and strategy update

The division diversified into new geographies and client segments with a focus on cross-selling opportunities enabled through the integration of company-owned businesses. The new market focus is on SADC, East and West Africa.

The partnership with ORTEC and SAP™ has enhanced the division's profile and appeal as an African software distributor, creating offerings into the extended supply chain value chain.

Furthermore, there is continued investment and development of the leadership, sales and delivery teams.

Prospects

The division is focused on entrenching its reputation of its oil and gas supply chain specialisation.

The growth prospects are anticipated through:

- Penetration of new markets and regions on the African continent
- Extending the niche and specialised offering
- Strengthening its partnership with SAP™ and ORTEC
- Enhanced oil and gas sector supply chain value chain specialisation
- Solidifying Adapt IT as a leading software and solutions provider in the oil and gas sector

PERFORMANCE
SEGMENTAL PERFORMANCE

Communications

What we do

Communications operators are constantly looking for innovative ways to stay ahead of their competitors in an operating environment that is constantly evolving.

Adapt IT's Communications solutions reduce the pressure on cash flow and margins while adding value through go-to-market features and quick investment returns. The solutions are Cloud and security ready, dynamic and flexible, and provide actionable intelligence to grow clients' market share.

Financial contribution

	2020* %	2019 %
Percentage of revenue	**21**	16
Percentage of EBITDA	**37**	31
EBITDA margin	**30**	32

** Before IFRS 16*

Highlights

- Acquisition and integration of Conor V-services offering
- Technology Expense Management (TEM) expands solutions to include Enterprise Performance Management (EPM), Hosted Voice and Telecoms Fraud offering

Flagship software

- Customer Experience and Mobility Platform
  - Enabling Self-Service and Self-Care Platform
  - Corporate Carrier Self Service (CCSS)
- Advanced Telecoms Analytics
  - CDR Live
- v.Services
  - Next-Gen Value Added Services (VAS), Multi-VAS and Omni-Channel Secure Integration Layer
- Multi-Opco High Volume Extract Transform Load (ETL) Platform
  - VISION Law Enforcement Agencies (LEA) and Regulatory Application
- FINTECH
  - Mobile Money, KYC
- Telecoms Expense Management
- Telecoms Fraud Management
- EPM Solutions
- TEM Solutions

Services

- SaaS
- APN-as-a-Service
- Analytics-as-a-Service
- Telecommunication and TEM
- Customer Experience (CX) and Self-Service Advisory
- Enterprise Data Services and Connectivity
- EPM solutions

History – Communications

2014
Joined Adapt IT with 18 years of TEM experience in the corporate and large enterprise market. Uniquely positioned to leverage focused corporate and enterprise self-service driven expense management offering.

2016
Telecoms division formed with focus on solutions and the Mobile Network Operator market.

2018
Acquired the CDRlive "Advanced Telecoms Analytics" platform and extended Pan Africa and Asia Pacific footprint.

2019
Acquired Conor, adding V-Services Multi-VAS platform to the product portfolio and extended reach into the critical core systems area of Mobile Network Operations.

2020
Won customers in new territories: Kenya, Togo, Namibia and Madagascar.

2020
Assisted clients in rapid response to requirements in Covid-19 pandemic.

Background

Adapt IT Communications division is an advanced telecommunications solutions provider with 19 years of experience. The division understands and is able to enhance and anticipate clients' business needs through the provision of specialist proprietary software and value added services to the telecommunications industry. It has a footprint in Africa, Australia and South America.

The division's products and solutions are offered across Mobile Network Operator's Core Networks and range from Next-Gen VAS through to Data Analytics, Internet of Things (IoT) Management, Customer Experience and Self Service as well as Mobility. These solutions offer a high return on investment through neatly packaged, scalable, resilient, carrier grade and fully integrated software suites.

The platforms are Cloud ready, use Application Programming Interface (API) integration and can be deployed within any hardware environment – streamlining and accelerating integration within even diverse network architectures.

Branded self-service and self-care capabilities extend the division's Customer Experience competencies into the Mobile Network Operator's corporate and enterprise end users, servicing over 1 500 corporate customers across multiple industry sectors.

Growth and strategy update

A combination of two client trends provides growth opportunities for the division:

- Digitisation dominates this sector, with technologies including Customer Experience, Self-Service/Self-Care, Know-Your- Customer, Artificial Intelligence and Augmented Reality all being considered necessities.
- Margin and cash flow pressures across the industry mean business leaders are pursuing monetisation of both existing as well as future assets.

This means that value-added services, efficiently and effectively implemented, are considered key to any carrier's future sustainability.

Clients are pursuing only Cloud based or Cloud ready platforms, secure and enabled with analytics, IoT and fintech technologies, seen as future revenue growth areas, including solutions supporting 5G. All of the division's platforms are Cloud enabled, support the latest security protocols and data sharing. The solutions also provide multiple opportunities for monetisation through IoT as well as fintech offerings.

Corporate actions

During the period, Adapt IT successfully completed the integration of Conor, a South African ICT company with technology solutions for mobile operators, financial institutions, enterprises and smaller businesses in Africa and South America.

Prospects

In the medium term, the division sees growth in:

- Expanding on customer experience and advanced analytics offerings.
- Using its capabilities and data management experience to enhance its position in the remote-working and IoT space.
- Expanding the fintech competency to maximise Mobile Money and Mobile Wallet.
- Further expanding sales into regions across Africa and Asia Pacific.
- Expanding and broadening the capabilities of its TEM offering and enhancing its ability to offer pre-built industry specific solutions

PERFORMANCE

SEGMENTAL PERFORMANCE

Hospitality

What we do

The Hospitality division has 22 years of experience in the hospitality, retail, and food and beverage industries. Throughout this period, Adapt IT has been the market leader in enabling the hospitality sector and in delivering best of breed technology.

Financial contribution

	2020* %	2019 %
Percentage of revenue	**18**	20
Percentage of EBITDA	**5**	11
EBITDA margin	**4**	9

** Before IFRS 16*

Highlights

- Concluded a successful internal restructuring and cost reduction exercise
- Enabled a significant portion of the market with e-commerce platform solutions

Flagship software

- Oracle Hospitality Simphony
- Oracle Hospitality RES
- Oracle Hospitality Opera Property Management
- Oracle Hospitality Cloud – Opera Cloud
- Micros SA SaaS – Oracle Hospitality Simphony, Reporting and Analytics, Inventory, Labour, Gifts and Loyalty

Services

- Consulting
- Project Management
- Implementation Services
- Hosting and Database Services
- Application Services
- 24/7 Support
- E-commerce Platform Solutions

History – Hospitality

1997
Founded as Micros South Africa (Pty) Ltd.

2001
Merged with Fidelio South Africa to form Micros Fidelio South Africa (Pty) Ltd.

2015
Micros South Africa was a distributor of Micros Inc. until 2015, then transitioned to Oracle. Recognised as a Hospitality Gold Partner after the acquisition of Micros Inc. by Oracle.

2016
Micros acquired Cash Bases.

2017
Micros acquired by Adapt IT.

2019
Concluded an agreement with Oracle for hosting rights until December 2024.

2020
Hospitality industry in South Africa closed for several months due to Covid-19 regulations, resulting in rightsizing to be fit for the future.

Background

Adapt IT's Hospitality division offers digitally-led business solutions to clients in the hospitality industry that improves their service, controls, efficiency and profitability.

The division was created through the acquisition of Micros South Africa (Micros), which specialises in the resale, support, and deployment of software and hardware products. The division complements these services with its rapidly growing Cloud solutions and the provision of professional services for the industry.

Growth and strategy update

The presence of online aggregators is significantly changing the way the consumer buys from food and beverage establishments, and as a result, the sector faces increasing pressure to be present online. This makes Cloud based technologies a key factor in most customers' buying decisions for food and beverages as well as for hotels.

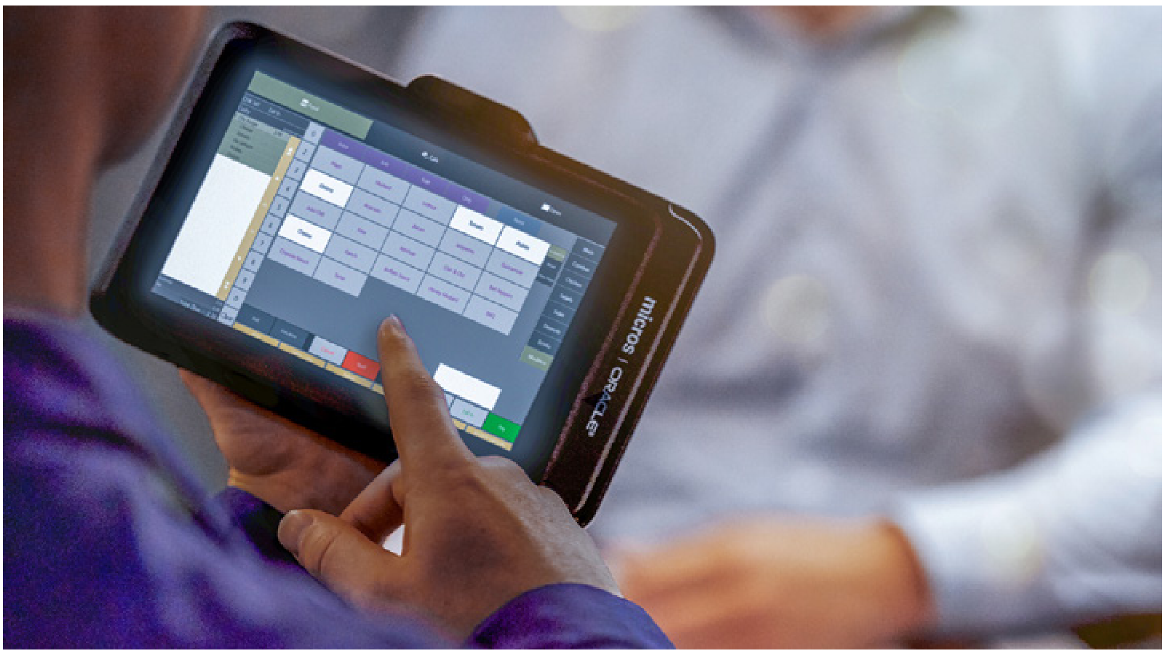
The division has offered clients its Cloud offering for the food and beverage sector since 2003, starting with reporting and analytics and growing its offering in line with its clients' needs to include point of sale, inventory management, labour management and loyalty solutions.

The industry shut down due to Covid-19 caused immense financial pressure on clients and consequently on the division. Significant cost cutting and reorganisation has taken place to ensure the division's sustainability and positioning it to recover its financial performance as lockdown regulations allow the industry to progress back to normal trade.

Prospects

The division sees future growth in:

- Conversion of on-premise customers to Cloud
- Opportunity in the SME retail sector with a new Cloud based retail platform
- Online integrations using the Cloud based integration platform



PERFORMANCE
FIVE YEAR REVIEW

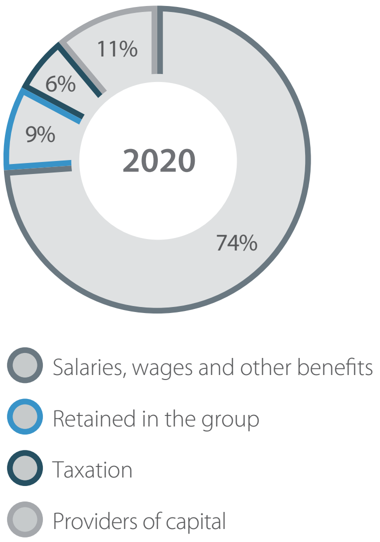
		After IFRS 16 30 June 2020	Before IFRS 16 30 June 2020	30 June 2019*	30 June 2018*	30 June 2017	30 June 2016
Operating results							
Revenue	(R'000)	**1 483 347**	**1 483 347**	1 438 138	1 332 849	993 671	796 178
EBITDA	(R'000)	**297 264**	**249 548**	229 573	260 242	194 326	165 140
Operating profit	(R'000)	**197 187**	**177 591**	163 376	207 945	150 983	136 389
Profit for the year	(R'000)	**70 792**	**78 608**	75 030	122 149	92 546	80 957
Profit attributable to equity holders of the parent	(R'000)	**70 653**	**78 464**	73 976	114 558	88 133	78 357
Headline earnings	(R'000)	**91 807**	**99 619**	82 701	97 723	88 150	78 259
Normalised headline earnings	(R'000)	**105 740**	**113 551**	113 459	130 409	118 461	97 480
Cash generated from operations	(R'000)	**274 361**	**226 645**	178 688	259 995	139 325	173 602
Financial position							
Total equity	(R'000)	**746 494**	**777 961**	677 686	747 457	668 537	472 688
Total assets	(R'000)	**1 937 818**	**1 681 070**	1 645 018	1 386 733	1 086 447	964 877
Total current assets	(R'000)	**589 797**	**589 797**	456 425	376 032	355 666	259 556
Total liabilities	(R'000)	**1 191 323**	**903 109**	967 332	639 276	417 910	492 189
Total current liabilities	(R'000)	**385 284**	**372 968**	862 104	352 496	224 733	301 422
Financial ratios							
EBITDA margin	(%)	**20,04**	**16,82**	15,96	19,53	19,56	20,74
Operating profit margin	(%)	**13,29**	**11,97**	11,36	15,60	15,19	17,13
Return on invested capital (ROIC)	(%)	**9,39**	**9,44**	9,31	16,34	16,15	17,75
Return on equity	(%)	**9,92**	**10,78**	10,38	16,18	15,45	19,74
Return on assets	(%)	**3,94**	**4,72**	4,88	9,26	8,59	10,26
Interest-bearing liabilities less cash to equity (net gearing ratio)	(%)	**45,21**	**43,38**	65,60	17,51	15,47	34,94
Average debtors days	(days)	**63,48**	**63,48**	71,42	68,45	71,76	71,92
Solvency ratio	(times)	**1,63**	**1,86**	1,70	2,17	2,60	1,96
Liquidity ratio	(times)	**1,53**	**1,58**	0,53	1,07	1,58	0,86
Cash conversion ratio	(times)	**1,39**	**1,28**	1,09	1,25	0,92	1,27
Number of permanent employees	(number)	**1 117**	**1 117**	1 088	943	670	664
Share performance							
Number of shares in issue at year end	('000)	**144 887**	**144 887**	152 513	160 540	153 597	140 062
Number of treasury shares held at year end	('000)	**7 626**	**7 626**	15 251	8 189	–	–
Number of shares, net of treasury shares, in issue at year end	('000)	**137 261**	**137 261**	137 262	152 351	153 597	140 062
Basic earnings per share	(cents)	**51,47**	**57,16**	50,42	72,77	58,74	57,61
Diluted earnings per share	(cents)	**51,47**	**57,16**	50,42	72,77	58,74	55,28
Headline earnings per share	(cents)	**66,88**	**72,58**	56,36	62,08	58,76	57,54
Diluted headline earnings per share	(cents)	**66,88**	**72,58**	56,36	62,08	58,75	55,21
Normalised headline earnings per share	(cents)	**77,03**	**82,73**	77,33	82,84	78,96	71,67
Net asset value per share**	(cents)	**543,85**	**566,78**	493,72	490,61	435,25	337,49
Tangible net asset value per share**	(cents)	**(98,69)**	**(54,32)**	(128,16)	50,02	68,51	(34,18)
Closing share price at year end	(cents)	**158**	**158**	568	900	968	1 242
Dividend per share (paid)	(cents)	**–**	**–**	17,10	13,70	13,40	10,90

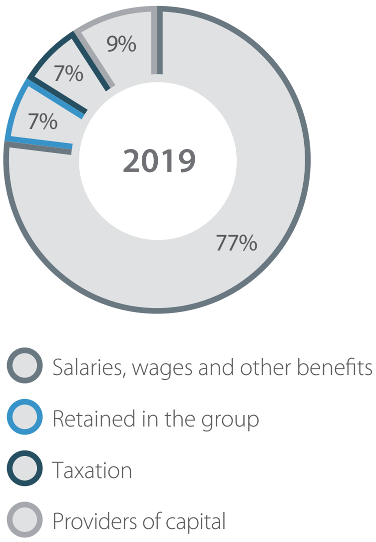
* *Restated.*
** *Based on issued shares, net of treasury shares, held at year end.*

PERFORMANCE
VALUE ADDED STATEMENT

	Consolidated 2020 R'000	%	Consolidated 2019* R'000	%
Revenue	**1 483 347**		1 438 138	
Less:				
Net cost of products and services	**(675 179)**		(689 900)	
Value added	**808 168**		748 238	
Wealth created	**808 168**		748 238	
Applied to:				
Employees				
Salaries, wages and other benefits	**602 298**	**74,5**	577 511	77,2
Providers of capital	**84 699**	**10,5**	68 647	9,2
Interest on borrowings	**84 699**	**10,5**	42 830	5,7
Dividends to shareholders	**–**	**–**	25 817	3,5
Government				
Taxation	**50 519**	**6,3**	53 921	7,2
Income taxation: normal and deferred	**44 029**	**5,5**	48 549	6,5
Skills development levies	**6 490**	**0,8**	5 372	0,7
Retained in the group	**70 652**	**8,7**	48 159	6,4
Wealth distributed	**808 168**	**100,0**	748 238	100,0

** Restated.*





GOVERNANCE REPORT
THE BOARD OF DIRECTORS

The board

The board is responsible for determining the strategic direction of Adapt IT and exercising prudent control over the group and its affairs. The board and the individual directors will, at all times, act in the best interest of Adapt IT and adhere to all relevant legal standards of conduct.

Board committees

The board has appointed four permanent sub-committees to assist it in fulfilling its governance role. The roles and responsibilities of the committees are presented below together with the members of the respective committees.

Executive directors	Independent non-executive directors
S Shabalala (CEO)	C Chambers
N Mbambo (CFO)	O Fortuin
T Dunsdon (CCO)	C Koffman
	Z Nyanga

Audit and Risk Committee	Remuneration Committee	Nominations Committee	Social and Ethics Committee
Fulfils a vital role in corporate governance and is in place to ensure, among other things, the integrity of integrated reporting and internal financial controls, identify and manage financial risks and monitor the financial sustainability of the group.	Responsible for establishing a formal and transparent procedure for developing a policy for executive directors' remuneration and performance appraisals and for establishing remuneration packages for key senior management.	Accountable for the thorough and objective nomination and appointment of members to the board and committees of the board. In so doing, the committee regularly reviews the structure, size and composition of the board and evaluates the balance of race, gender, skills, knowledge and experience of members in line with the Diversity Policy.	Accountable for ensuring the existence of an ethical and responsible relationship, between Adapt IT and the society in which it operates, through a code of ethics.
Z Nyanga (Chairperson)	C Koffman (Chairperson)	C Chambers (Chairperson)	O Fortuin (Chairperson)
C Koffman	C Chambers	C Koffman	C Koffman
O Fortuin	Z Nyanga	Z Nyanga	T Dunsdon (CCO)
S Shabalala (CEO) – Attendee	S Shabalala (CEO) – Attendee	S Shabalala (CEO) – Attendee	S Shabalala (CEO) – Attendee
N Mbambo (CFO) – Attendee	N Mbambo (CFO) – Attendee	N Mbambo (CFO) – Attendee	N Mbambo (CFO) – Attendee
T Dunsdon (CCO) – Attendee	T Dunsdon (CCO) – Attendee	T Dunsdon (CCO) – Attendee	

GOVERNANCE REPORT
THE BOARD OF DIRECTORS

Non-executive Directors

CRAIG CHAMBERS

CFA, PDM, BCom
Independent non-executive Chairman
Appointed to the board
3 May 2011

Craig is a certified Chartered Financial Analyst (CFA), having obtained a BCom degree majoring in accounting from the University of the Witwatersrand and a postgraduate Business Administration Certificate (PDM) from Wits Business School. Craig has been in asset management for 22 years, with five years at Standard Corporate and Merchant Bank (SCMB) Asset Management as a small cap Unit Trust Manager. Craig is currently a senior professional at Old Mutual Investment Group. In October 2012, Craig was appointed Independent Non-executive Chairman.

Value to the board
His extensive experience in financial markets and strong financial background enables Craig to not only lead the board in an outstanding manner, but also to provide guidance to members on financial information and aspects to consider especially when acquisitions are being considered.

CATHERINE KOFFMAN

BA, LLB, LLM, Admitted Attorney
Independent non-executive director
Appointed to the board
9 February 2015

Catherine is a qualified attorney, having obtained her law degree at the University of the Witwatersrand. Catherine has 23 years' experience in the legal, commercial and financial services sectors. She joined Arthur Andersen (later KPMG) in 1999 as a tax lawyer and in 2004 Catherine joined Nedbank Capital as an Internal Legal Counsel supporting the Infrastructure Project Finance team in evaluating and structuring limited recourse transactions. Following a period as a fund manager for Pan African Infrastructure Development Fund (PAIDF), a sub-Saharan African private equity infrastructure development fund, Catherine was appointed as the Head of Infrastructure and Telecommunications Project Finance at Nedbank Limited in January 2015 and retains this position today albeit with an increased scope and a funding mandate in South Africa and the rest of the African continent.

Value to the board
Catherine's strong background in law and Technology Media and Telecommunications (TMT) infrastructure funding across Africa ensures that Adapt IT maintains high risk awareness. Catherine approaches board matters in a comprehensive way and is involved across all committees where her sharp mind and attention to detail is appreciated.

OLIVER FORTUIN

MBA
Lead independent non-executive director
Appointed to the board
8 February 2013

Oliver has in excess of 28 years' experience in the technology industry, having held various leadership positions in the ICT sector. Having been with the IBM Corporation for over 17 years, Oliver has held various executive positions including General Manager of the IBM PC business for Africa as well as General Manager of IBM South Africa and sub-Saharan Africa. Oliver was a Hewlett Packard South Africa Director for HP Services, and headed HP's Technology Services Group (TSG) and also served as Managing Director of Hewlett Packard South Africa. Oliver is the former Managing Director of i1 Solutions (a privately-owned technology company) and has been a director and Lead Independent Non-executive Director for Ellies Holdings since April 2011. In May 2014, Oliver was appointed Managing Director of British Telecommunications sub-Saharan Africa (BT). In February 2017, Oliver left BT to join MTN, where he assumed the position of Executive Head of Business Enterprise, effective 1 March 2017.

Value to the board
Having a person with close to three decades of experience in the ICT sector is a huge advantage to the board. Oliver gained this experience working in large, global, reputable ICT firms and his deep expertise assists fellow board members to understand the nuances of the sector. His African and global expertise are also highly valuable.

ZIZIPHO NYANGA

CA(SA), GEDP
Independent non-executive director
Appointed to the board
27 May 2019

Zizipho has over 15 years' experience in external audit, development finance, financial and risk management in fast-paced organisations. She holds a BCom Accounting from the (former) University of Transkei and a Higher Diploma in Accounting from the University of the Witwatersrand. She completed her articles at Ernst & Young (EY) and later joined various companies such as Kagiso Media, the Industrial Development Corporation and Old Mutual where she was appointed as CEO of Masisizane Fund until 30 April 2020. Zizipho completed a Global Executive Development Programme with the Gordon Institute of Business Science in 2018, with distinction.

Value to the board
Zizipho's background spans entrepreneurial beginnings to becoming the CEO of Old Mutual's Masisizane Fund, allowing her passion for entrepreneurial development to continue. Her experience and solid financial and business background, together with extensive knowledge on governance and her fresh perspective, is extremely valuable to the board.

Executive Directors

SIBUSISO (SBU) SHABALALA

BCom
Chief Executive Officer
Appointed to the board
5 December 2007

Sbu attained a Bachelor of Commerce degree and a postgraduate diploma in Financial Information Systems. With over 24 years' IT experience, Sbu joined the group where he gained project management expertise in the implementation of Oracle applications with operations in various African countries. He founded Adapt IT 15 years ago as a black-owned SME in the IT sector. As Managing Director, Sbu grew Adapt IT (Pty) Ltd into a successful ICT business. Through a merger with InfoWave Holdings in 2007, Sbu effected the listing of Adapt IT onto the JSE and has been CEO and Director of Adapt IT Holdings Limited since January 2008.

TIFFANY DUNSDON

CA(SA)
Chief Commercial Officer
Appointed to the board
18 April 2002

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

NOMBALI MBAMBO

CA(SA)
Chief Financial Officer
Appointed to the board
18 August 2016

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

- Chairperson of the board
- Remuneration Committee
- Nominations Committee
- Social and Ethics Committee
- Audit and Risk Committee
- Chairperson

THE BOARD OF DIRECTORS HAS THE NECESSARY SKILLS TO FUNCTION EFFECTIVELY. NONE OF THE NON-EXECUTIVE BOARD MEMBERS HAVE PREVIOUSLY WORKED, AUDITED OR BEEN AN AUDIT PARTNER FOR ADAPT IT.

GOVERNANCE REPORT
GOVERNANCE APPROACH

ADAPT IT'S APPROACH TO GOVERNANCE IS UNDERPINNED BY ITS VALUES OF RESPECT, HONESTY, RESPONSIBILITY AND ACCOUNTABILITY. THE GROUP REMAINS COMMITTED TO THE HIGHEST STANDARDS OF GOVERNANCE, ETHICS AND INTEGRITY.

In the challenging year under review, the board has remained focused on Adapt IT's vision to be a leading provider of specialised software and digitally-led business solutions.

In this, the board continues to provide effective leadership, premised on the belief that governance remains the foundation for ensuring Adapt IT's long term success. The board pays close attention to cementing appropriate governance processes and frameworks, which ensure that the company is compliant with the regulatory environment that governs the business landscape, including the application of King IV™, the JSE Listings Requirements, the Companies Act, and other applicable legislation.

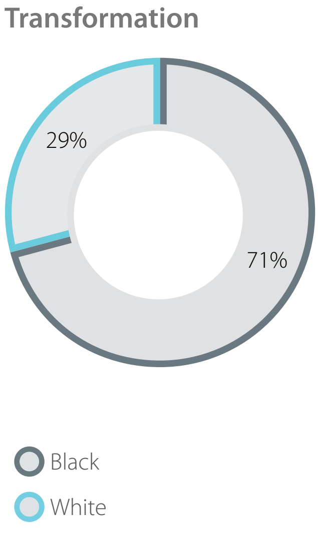
THE BOARD'S ROLE DURING COVID-19

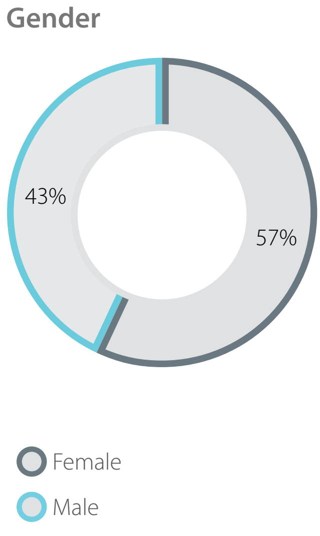
In recognising that the Covid-19 pandemic has had, and will continue to have, major and ongoing ramifications on the way in which the world does business, as well as having severe impacts on economies, businesses and people across the globe, the company felt it was important to include an update in this report specifically to address the board's role in providing guidance to the company during the pandemic.

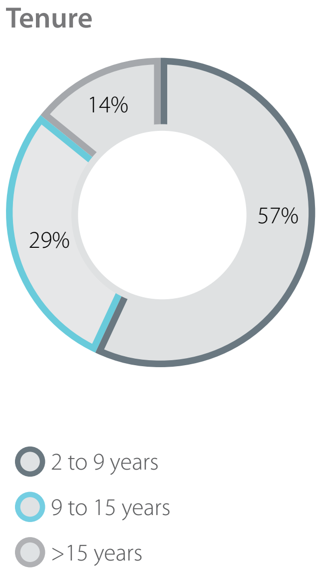
The board provided pivotal advice and leadership in respect of Adapt IT's response to Covid-19, and both the board and its sub-committees acknowledge that this pandemic has and will continue to test the company's resilience, and understands it has an ongoing and critical role to play in directing and overseeing Adapt IT's plans in relation to Covid-19 and in supporting executive leadership. It also has a role to play in ensuring that Adapt IT emerges from the current crisis and pushes forward into a new era of resilience and opportunity to the benefit of all stakeholders.

BOARD DIVERSITY

The company has always prided itself on a strong and diverse board. Board diversity in all forms – race, gender, nationality, business acumen, skills, and experience – continues to drive board succession planning as Adapt IT considers the attributes required to steer the company forward.







GOVERNANCE REPORT
GOVERNANCE FRAMEWORK

THE BOARD TAKES ULTIMATE RESPONSIBILITY FOR ADAPT IT'S ADHERENCE TO SOUND CORPORATE GOVERNANCE STANDARDS AND IS FULLY COMMITTED TO THE PROMOTION OF GOOD CORPORATE GOVERNANCE, WHICH IS CONSIDERED PIVOTAL TO THE SUSTAINABLE GROWTH OF THE BUSINESS.

The Governance Framework is encompassed in the board Charter, duly aligned with King IV™. Compliance with the board Charter is reviewed annually to enhance the Governance Framework.

Anti-bribery and anti-corruption

The law has a significant role to play in the fight to combat bribery and corruption. Adapt IT, therefore, has an ongoing programme to follow international best practice and complies with various laws, including the Prevention and Combating of Corrupt Activities Act, the United Kingdom Bribery Act, and the Foreign Corrupt Practices Act.

Data protection

Adapt IT recognises that data protection laws (like the General Data Protect Regulation and POPIA) apply to the various relationships the company has with its stakeholders. The company generally performs the role of a processor, with its customers as the controllers. There are also various instances where Adapt IT is the responsible party. Adapt IT takes its obligations under data protection laws seriously regardless of the role the company is performing and the relationship it has with its stakeholders. Adapt IT continually strives to meet its regulatory obligations. Adapt IT's Privacy Policy and Promotion of Access to Information Act (PAIA) Manual are available at www.adaptit.com.

JSE Listings Requirements

As a listed company, Adapt IT must comply with the JSE Listings Requirements. The company appreciates the importance of these requirements, including compliance with King IV™, the requirements of which are mandatory. Adapt IT, therefore, not only complies with the requirements, but also commits to disclosing the company's application of King IV™ annually in its various reports, such as the Integrated Annual Report.

IFRS

In addition to Adapt IT's general governance, the company is diligent in establishing, maintaining and auditing its financial accounting policies. The company always wants to ensure consistency with the requirements of IFRS and that it reports its results with objectivity and the highest degree of integrity. Adapt IT is committed to providing financial information that is transparent, timely, complete, relevant and accurate.

KING IV™

King IV™ was released on 1 November 2016, and advocates an outcomes-based approach, defining corporate governance as the exercise of ethical and effective leadership by the governing body (board) towards the achievement of the following governance outcomes:

- Ethical culture
- Good performance
- Effective control
- Legitimacy

The board is continuing on a journey to further enhance its corporate governance practices and the year under review saw a continued focus on embedding the King IV™ principles throughout the organisation.

Board meetings

In line with the formally adopted terms of reference aligned to Principle 8 of King IV™, the board meets formally four times per year and reviews strategy, operational performance, capital expenditure, risk management, internal controls, communications and other material aspects pertaining to Adapt IT's business. Additional *ad-hoc* meetings are held to deliberate on various matters of substance, when necessary.

During the year under review, the board held two ad-hoc meetings in response to the continuously changing Covid-19 landscape, in addition to the four formal meetings.

The board remains committed to driving outcomes that support the company's vision to be a leading provider of specialised software and digitally-led business solutions. Details on board and committee attendance have been included in the Governance Report on page 59.

Board independence

The company has a unitary board with a majority of non-executive directors. All non-executive directors are independent. The board views the objective judgement of directors as an essential attribute. The company's Memorandum of Incorporation (MOI) incorporates and entrenches the conflict of interest procedures and requirements of section 75 of the Companies Act. The independence of non- executive directors is further advocated for in the board Charter, duly aligned to King IV™ requirements.

GOVERNANCE REPORT
GOVERNANCE FRAMEWORK CONTINUED

Composition of board of directors

The board regularly considers whether its size, diversity and demographics make it effective by setting the direction and approving the processes for it to attain the appropriate balance of knowledge, skills, experience, diversity and independence to discharge its governance role and responsibilities objectively and effectively. It further ensures that it is large enough to incorporate a variety of perspectives and skills, and gender diversity to represent the best interests of Adapt IT as a whole rather than of individual shareholders or interest groups.

Oliver Fortuin serves as the Lead Independent director of the board and Bongiwe Ntuli retired from the board after 11 years of valued service.

In accordance with Principle 7 of King IV™, the board is therefore deemed to be suitably constituted and comprises a balance of four independent non-executive directors and three executive directors, with all of the non-executive directors being independent. The Chairman of the board is an independent non-executive director.

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

The board is satisfied that there have been no material instances of non-compliance with King IV™ or the JSE Listings Requirements during the reporting period.

The quorum for board meetings is a majority of directors, as provided for in the Adapt IT board Charter and in line with Principle 7 of King IV™

If a non-executive director has served on the board of a company for a period longer than nine years, the board conducts an assessment on an annual basis to conclude whether the director exercises objective judgment and that there is no interest, position, association or relationship that is likely to influence unduly or cause bias in decision-making.

The board is satisfied that the composition of the board is in line with the King IV™ recommendations, that the governing body comprises the appropriate balance of knowledge, skills, experience, and is fully compliant with the board diversity policy.

In accordance with the MOI, one third of the non-executive directors are required to retire at each annual general meeting. The directors to retire in every year shall be those who have been longest in office since their last election. A retiring director shall be eligible for re-election. Appointment to the board is made in a formal, objective and transparent manner in accordance with the Nominations Committee terms of reference, as managed by the Nominations Committee on behalf of the board.

Non-executive directors retiring by rotation and standing for re-election are Oliver Fortuin and Catherine Koffman

(see page 54 for resumes of relevant directors).

Accountability

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

Board charter and responsibilities

The general powers of the board and the directors are conferred in the company's MOI.

The terms of reference for the board are set out in the board Charter, comply with King IV™ and set out the powers and authority of the board.

The Charter sets out clear guidelines on the roles, responsibilities of the functions and powers of individual directors and the officials and executives of the company. The Charter further provides an overview of policies and practices of the board in respect of matters such as corporate governance, trading by directors in the securities of the company, declarations and conflicts of interest, board meeting documentation and procedures, composition of the board and the nomination, appointment, induction, training and evaluation of directors and members of board committees.

The performance of the board is evaluated against the guidelines set out in the work plan of the Charter.

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

The powers and responsibilities of the board include the following:

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

Regulatory compliance

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

Board and sub-committee meeting attendance

	Board	Audit and Risk Committee	Remuneration Committee	Nominations Committee	Social and Ethics Committee
Meetings held	6	4	2	1	2
C Chambers	**6***		**2**	**1^**	
O Fortuin	**6****	**4**			**2^**
C Koffman	**5**	**3**	**2^**	**1**	**1**
Z Nyanga	**6**	**4^**	**1**		
B Ntuli#	**1**	**1**	**1**		
S Shabalala (CEO)	**6**				
T Dunsdon (CCO)	**6**				**2**
N Mbambo (CFO)	**6**				

* *Chairperson of board*
** *Lead Independent director*
^ *Chairperson of committee*
# *Resigned 22 November 2019*

Delegation of authority

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

Board sub-committees

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

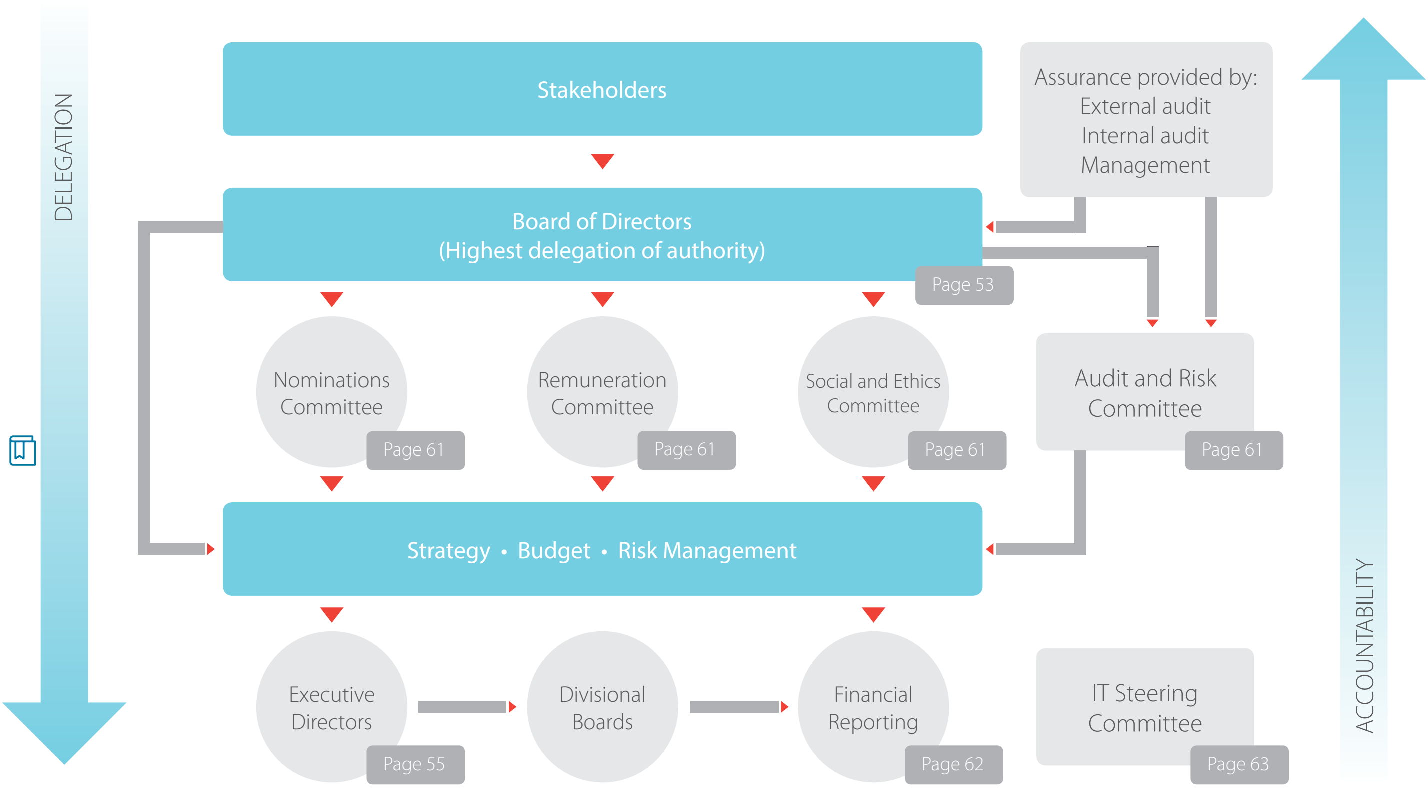
- Audit and Risk Committee
- Remuneration Committee
- Nominations Committee
- Social and Ethics Committee

The Audit and Risk Committee members were formally appointed in terms of the Companies Act at the AGM held on 22 November 2019.

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

GOVERNANCE REPORT
GOVERNANCE STRUCTURE

A COMPLETE GOVERNANCE STRUCTURE WITH A FUNCTIONAL BOARD AND COMMITTEES NECESSARY FOR DELEGATION AND ACCOUNTABILITY FORM THE BASIS OF ADAPT IT. THE ADAPT IT CORPORATE GOVERNANCE STRUCTURE IS REPRESENTED IN THE DIAGRAM BELOW:



Board and committee evaluation

In line with Principle 9 of King IV™, the board and individual directors' performance is assessed annually in terms of the board Charter, through a formal process of detailed evaluation questionnaires.

The assessment includes the Chairperson, the board as a whole as well as the board committees, including committee members, in order to evaluate their effectiveness and performance.

Statucor (Pty) Ltd (Statucor) conducted the board evaluation in September 2020 and the appraisals concluded that the board and its committees were found to have operated and functioned effectively. The evaluation further indicated that the board displays confidence in its ability to function well as the strategic leaders of the company. This confidence manifests further in the individual members' rating of their own knowledge, skills and characteristics. The composition of the board and the collective skills and wisdom of its members contributes to its agility and efficacy, while at the same time ensuring strong support for the strategy and of the company.

Out of the areas assessed, "Knowledge and Skills", "Board Independence", "Board Composition and Performance", "Oversight and Responsibilities of the Board", "Sub-Committees" and "Compliance with Laws and Regulations", there are no significant areas of concern, merely focus on continuous improvement.

The board recognises the importance of board evaluation and development, not only as it constitutes good governance but also as it is a valuable process in improving board performance.

The board is responsible for determining Adapt IT's strategic direction and exercising prudent control over the company and its affairs. The board and the individual directors will, at all times, act in the best interest of Adapt IT and adhere to all relevant legal standards of conduct.

Audit and Risk Committee

The Audit and Risk Committee operates under formally adopted terms of reference aligned with Principle 15 of King IV™, assisting the board to fulfil its oversight responsibility on corporate governance. Its specific responsibility is on accurate financial reporting and the existence of adequate financial systems and controls.

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

In accordance with the committee's charter, the committee consists of no less than three independent non-executive directors, one of whom is the Chairperson of the committee. The Chairperson of the committee is not the Chairman of the board. The CEO, CFO, internal auditors and external auditors are required to attend the committee meetings but do not vote at meetings of the committee. Other board members also have the right of attendance only. Adapt IT's internal auditors and external auditors have unfettered access to members of the committee and the CEO.

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

During the year under review, Zizipho Nyanga was appointed as Chairperson of this committee, following the retirement of Bongiwe Ntuli.

In terms of section 94 of the Companies Act of South Africa, a public company must elect an audit committee at each AGM. It is proposed in the notice of AGM for the forthcoming AGM of the company that Catherine Koffman, Oliver Fortuin and Zizipho Nyanga be re-appointed as members of the committee, until the next AGM.

Remuneration Committee

In line with Principle 14 of King IV™, the Remuneration Committee is responsible for establishing a formal and transparent procedure for developing a policy for executive directors' remuneration and performance measurement and for establishing remuneration packages for key senior management.

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

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

Nominations Committee

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

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

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

The committee meets at least once a year, consists of independent non-executive directors and is chaired by the Chairman of the board, an independent non-executive director.

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

The induction and ongoing training and development of directors is conducted through the formal processes adopted through the Nominations process that has been established as recommended by the Nominations Committee and approved by the board as per the recommendations of King IV™.

Social and Ethics Committee

In line with Principle 2 of King IV™, the Social and Ethics Committee is accountable for ensuring the existence of an ethical and responsible relationship, between Adapt IT and the society in which it operates, through a code of ethics.

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

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

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

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

GOVERNANCE REPORT
GOVERNANCE STRUCTURE CONTINUED

Ethics hotline

Adapt IT has an independent ethics whistleblower hotline that allows the reporting of information that can identify risks for investigation, prevent financial losses and facilitate the development of controls that will aid in the detection and prevention of fraud, corruption and unethical behaviour. This is done through a confidential conduit to assist employees in reporting sensitive information without fear of retribution. Significant cases are tabled at every Social and Ethics Committee meeting where these cases are reviewed, and best course of action agreed.

Executive Committee

The Executive Committee meets regularly to deliberate on matters of strategy, budget, business planning and the effective operation of the business and monitors the performance of the divisions. The committee provides leadership on key issues to divisions. The committee comprises the CEO, CFO, CCO, Chief Strategy Officer and divisional executives.

Management reporting

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

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

Company Secretary

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

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

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

Dealing in company shares

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

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

Investor relations

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

Transparent communication and engagement with stakeholders is vital to ensure that the principles on stakeholder management expressed in King IV™ are adopted. The company regularly communicates its strategy, performance and vision to shareholders during results presentations. Management engages with investors and shareholders in one-on-one meetings on request. The CCO and CFO are tasked to be the spokespersons in the above instances.

It is Adapt IT's policy to pursue regular dialogue with institutional investors, engaging constructively within the frameworks provided by statutory and regulatory environments regarding the dissemination of information. This helps ensure a fair and accurate representation of the group and its performance. Merchantec Capital (Pty) Ltd acts as Adapt IT's Sponsor in compliance with the JSE Listings Requirements.

The company's annual general meeting provides an important platform for engagement with shareholders and offers them the opportunity to participate in discussions relating to the company.

Internal audit

Adapt IT acknowledges the importance of an independent internal audit function to assist the Audit and Risk Committee in discharging its responsibilities. Adapt IT has outsourced the provision of internal audit services to PwC.

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

The Audit and Risk Committee approves the annual audit plan and monitors the scope and effectiveness of the internal audit function. Internal audit provides reports to the Audit and Risk Committee on the progress against the approved audit plan, results of any unsatisfactory audits and action plans to address these.

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

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

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

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

The focus in the 2020 financial year was the induction of PwC and collaboration with management, other internal assurance providers and Adapt IT's external auditor to ensure optimal coverage of the key risks and minimal duplication of effort. The purpose of this collaboration is aligned with the combined assurance framework and policy, as approved by the Audit and Risk Committee.

IT governance

In line with Principle 12 of King IV™, the board recognises that IT is an integral part of conducting business at Adapt IT, as IT is fundamental to the support, sustainability and growth of the organisation. IT serves all aspects, components and processes in the organisation and is therefore not only an operational enabler for Adapt IT, but a strategic business asset which can be leveraged to create opportunities and to gain competitive advantage.

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

IT is implemented based on the following model:

- the business applications and IT infrastructure being centralised as far as is possible;
- an IT Steering Committee, comprised of the CEO, key senior management and technical specialists, oversees the IT strategy and its implementation;
- the IT Steering Committee reports to the Audit and Risk Committee; and
- the IT Steering Committee is responsible for ensuring that IT is managed within a defined framework that takes into account, *inter alia:*
  - IT standards;
  - international Cyber Security Frameworks;
  - legal requirements such as the Electronic Communications and Transactions Act, the PAIA, the Regulation of Interception of Communications Act and the POPIA;
  - internal policies defining application and use of IT resources;
  - stricter controls when new businesses are acquired, requiring new businesses to comply with Adapt IT standards both locally and internationally;
  - overall IT spend and allocation of investment; and
  - IT risk.

AUDIT AND RISK COMMITTEE REPORT

"THE GLOBAL PANDEMIC HAS TESTED OUR RISK MANAGEMENT PROCESSES AND WE ARE PLEASED TO REPORT THAT THE ADAPT IT BUSINESS IS RESILIENT AND SUSTAINABLE."

Zizipho Nyanga
Chairperson, Audit and Risk Committee

The Audit and Risk Committee is constituted as a statutory committee in terms of the Companies Act of South Africa and operates as a committee of the board in line with the board approved mandate and terms of reference as set out in its Charter.

The committee's formal terms of reference contained in the Charter are reviewed annually in line with best practice and to conform with King IV™ and the Companies Act of South Africa. The committee has conducted its affairs in compliance with these terms, as approved by the board. The activities of the committee are set out in an annual work plan.

Functions of the Audit and Risk Committee

The functions of the committee are primarily to assist the board in overseeing the:

- quality and integrity of integrated reporting and interim reporting;
- appointment, reappointment and removal of the external auditor considering qualifications and independence;
- scope and effectiveness of the external audit function and negotiating the fees to be paid to the auditor and the auditor's terms of engagement;
- nature and extent of non-audit services provided to Adapt IT;
- effectiveness of internal controls and the internal audit function
- compliance with legal and regulatory requirements, to the extent it may have an impact on financial statements;
- monitoring of risk management, review of reports and making recommendations to the board; and
- reporting to the board and shareholders on how it has discharged its duties.

Composition and frequency of meetings

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

During the reporting period four meetings were held, attendance of the meetings by committee members is reflected on page 59, and the committee reported on its findings to the board after each formal meeting.

Key duties discharged

External auditor appointment and independence

The committee undertook a formal process to identify a new external audit firm, in line with the results of ordinary resolution number seven at the 2019 AGM. Following the conclusion of the Request for Proposal process, the committee recommended, and the board endorsed the appointment of KPMG as Adapt IT's external auditors with effect from and including the financial year ended 30 June 2020, subject to shareholder approval at the 2020 AGM on 27 November 2020.

The committee was provided with the information in paragraph 22.15(h) of the JSE Listings Requirements by KPMG. The information was used by the committee to assess the suitability for appointment of both KPMG as the external auditor and Giuseppina Aldrighetti as the designated audit partner.

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

- internal independence processes within the external audit firm; and
- periodic internal quality reviews, as well as those conducted by the Independent Regulatory Board for Auditors (IRBA).

As a result of the assessments, the committee is satisfied that the appointed group external auditor is independent of Adapt IT and has the requisite knowledge, expertise and experience.

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

The committee, in consultation with executive management, reviewed and approved the engagement letter terms, audit plan, non-audit services and audit fees in respect of the 2020 financial year.

The policy for non-audit services that can be provided by external auditors and the pre-approval process for these services, was reviewed and approved by the committee. The committee assessed that the scope of non-audit services provided by KPMG during the 2020 financial year, individually and in aggregate, are in compliance with the policy.

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

The committee has nominated and recommended to shareholders the appointment of KPMG at the forthcoming AGM, as the external audit firm and Giuseppina Aldrighetti as the designated auditor responsible for performing the functions of auditor, for the 2021 financial year. The audit firm and designated auditor are on the JSE list of accredited auditors and advisors.

Internal audit and combined assurance

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

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

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

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

Financial statements and accounting practises

The committee has reviewed the accounting policies and the financial statements of the company and the group and is satisfied that they are appropriate and comply with IFRS and the requirements of the Companies Act.

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

Going concern

The committee has reviewed a documented assessment, prepared by management, which includes key assumptions including the impact of Covid-19, on the going concern status of Adapt IT. The board's statement on the going concern status of Adapt IT, as supported by the committee, is disclosed in the directors' responsibility and approval statement of the annual financial statements.

Expertise and experience of the chief financial officer and finance function

The committee has satisfied itself that the CFO has the appropriate expertise and experience. The committee has considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the finance function. The committee has confirmed that the company has, with consideration to all entities included in the consolidated group IFRS financial statements, established appropriate financial reporting procedures and that those procedures are operating to ensure that it has access to all financial information of the group, to allow the group to effectively prepare and report on the financial statements.

Significant matters considered in the consolidated annual financial statements

The committee has considered the qualitative and quantitative information presented in the statement of financial position and other items that require significant judgement, as detailed in the notes to the annual financial statements. The committee is satisfied that areas that require significant judgement have been highlighted as key audit matters in the Independent Auditors report on the audit of the consolidated annual financial statements for the year ended 30 June 2020, on page 83.

Following discussions and a review of the reports from management and the external auditor, the committee was satisfied that the consolidated annual financial statements appropriately address the critical judgements and key estimates pertaining to the key audit matters, in respect of both amounts and disclosure.

The impact of Covid-19 on Adapt IT's financial reporting has been reviewed in conjunction with KPMG and additional disclosure relating to management judgment has been included where appropriate. The committee also considered the impact of the JSE report on proactive monitoring of financial statements in 2019, the Activities of the Financial Reporting Investigation Panel in 2019 and the thematic review for compliance with IFRS 9 and IFRS 15. Having given due consideration, together with external auditors, to prior reporting and best practice, the committee is satisfied that these matters were adequately addressed.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

The committee noted that the external auditor has concluded that the consolidated and separate annual financial statements were presented fairly in all material respects.

Approach to governance of risk

The board is ultimately responsible for the governance of risk, provides the direction on risk management philosophy, and approves the risk appetite and tolerance levels, ensuring that the risks are managed within these levels. The board has mandated the committee to monitor and oversee risk management and to consider opportunities as appropriate, within the ambit of its terms of reference and the Enterprise Risk Management framework.

Risk management

A risk management approach to strategy implementation was adopted and focused on identifying what could go wrong, evaluating the risks to be mitigated and implementing strategies to address those risks.

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

The risk management process adopted facilitates proactive identification, measurements and monitoring of risks and opportunities and involves:

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

The process of risk management has improved decision-making, planning and prioritisation, enabled allocation of resources, improved the anticipation of what can go wrong, minimised the number of unforeseen circumstances, and significantly improved the probability of delivering on Adapt IT's business strategy. The global pandemic has tested our risk management processes and we are pleased to report that the Adapt IT business is resilient and sustainable.

The key inherent risks were identified as follows:

1. Economic risk: organic revenue growth and maintaining profitability given a tough trading environment
2. Investment risk: managing acquisition integration
3. Human capital risk: attracting and retaining top talent given ICT skills shortage
4. Operational risk: need for a high-performance culture
5. Governance and compliance risk: non-compliance with legislation in the environments in which we operate

These risks, and associated opportunities, are discussed on pages 16 to 19 of this report.

The "black swan" risk of the global pandemic as a pervasive threat to Adapt IT's sustainability and prosperity was managed with board oversight through a specific CEO led Covid-19 Response Plan, including a specific risk management plan.

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

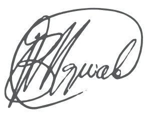
The combined assurance provided by internal and external assurance providers as well as management, in line with the combined assurance framework and policy, has been sufficient to satisfy the committee that significant risk areas within Adapt IT have been adequately addressed and suitable controls exist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

Approval of integrated annual report

The committee reviewed this Integrated Annual Report for the year ended 30 June 2020 and recommended it to the board for approval.

Conclusion

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



Zizipho Nyanga
Chairperson, Audit and Risk Committee

23 October 2020

REMUNERATION REPORT

"ADAPT IT'S REMUNERATION POLICY AIMS TO CREATE TRANSPARENT ALIGNMENT OF SUSTAINABLE CORPORATE PERFORMANCE, LONG TERM VALUE CREATION FOR SHAREHOLDERS AND ALIGNMENT WITH IMPLEMENTING AND REWARDING A HIGH-PERFORMANCE CULTURE."

Catherine Koffman
Chairperson, Remuneration Committee

On behalf of the board of directors and the Remuneration Committee (committee), the Remuneration Report (the report) for the period ending 30 June 2020 is presented in the requisite parts. The committee is tasked by the board to independently oversee the implementation of the Remuneration Policy that promotes the achievement of strategic objectives and promotes individual performance. The committee also makes recommendations to the board to ensure that the group remunerates all employees, executive and non-executive directors fairly and responsibly.

In line with King IV™ recommended practice, and in accordance with the JSE Listings Requirements, the report has been segregated into:

- Part 1: Background Statement – which sets out the principles of the decisions taken by the Remuneration Committee throughout the year and what the strategy will be going forward.
- Part 2: Remuneration Policy (the policy) – an overview of the policy, setting out the remuneration principles that will be in place for the coming financial year. A brief overview of the policy is provided as it applies to all employees and an in-depth overview of the policy as it applies to executive management and non-executive directors.
- Part 3: Implementation Report – which sets out how the policy was implemented during the 2020 financial year and includes the King IV™ recommended single figure format disclosure for emoluments.

Part 1: Background statement

Adapt IT's Remuneration Policy aims to create transparent alignment of sustainable corporate performance, long term value creation for shareholders and alignment with implementing and rewarding a high-performance culture. This requires a balancing act of connecting at times divergent interests between stakeholders and becomes more challenging against the backdrop of a global pandemic affecting every industry in the world.

As for many, it has been a challenging few years for Adapt IT, having to navigate a declining economy in its main geography of operation, South Africa. This has impacted the Remuneration Policy and most notably, the legacy remuneration long term executive share incentive plan (LTIP) that was implemented in the 2015 financial year. It was designed to ensure that key executives were motivated and retained over a medium to long term period and to align their interests with those of shareholders.

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

The challenge of attracting and retaining talent is a tireless and necessary objective of the committee, equalled by the aspiration to ensure an alignment of long term incentives being realised on successful achievement of group strategy and value creation for shareholders.

In addition to an inoperative legacy LTIP, following the remuneration voting outcomes at the previous AGM held on 22 November 2019 (Remuneration Policy – 45.6% dissenting; and Implementation Report – 38.3% dissenting), the Remuneration Committee's review of a redesigned holistic policy, which included total guaranteed package and short term incentives, necessitated further circumspection in the context of the pandemic.

It is acknowledged that there is work to be done in rebuilding value for Adapt IT shareholders, and this remains the committee's focus.

The committee understands that to achieve this, a high-performance culture has to be matched with an incentivising remuneration package for executives, which adheres to best practice corporate governance standards. As such, Adapt IT appointed PwC as an independent advisor to review the total remuneration offering and redesigned the short term incentive (STI) and long term incentive (LTI) plans. Adopting a remuneration policy aligned to the company strategy, reflecting a correlation to what executives contribute towards company performance and value creation for the company over the long term, were important considerations in the redesign.

The Value Appreciation Rights Plan (VARP) was arrived at and is detailed below. The committee was very sensitive to the fact that the suppressed share price could result in a risk of unjustified windfalls (and excessive dilution to shareholders) at the time of vesting for any share based scheme. The VARP is intended to:

(i) limit dilution to shareholders through the use of market purchase as the only settlement method;
(ii) recognise that equity based long term incentive schemes are the most effective way to align the interests of executives and shareholders, hence the introduction of the settlement in shares, and 100% of the award being linked to performance conditions which are aligned with shareholder value creation;
(iii) introduce a minimum shareholding requirement for group executives or equity retention period; and
(iv) safeguard against windfall gains arising from the effect of the suppressed share price, encouraging the growth in Adapt IT's intrinsic value over the long term, whilst encouraging a focus on conversion to share price growth through settlement in equity.

In refining the fundamentals and metrics of the VARP, the committee adopted improved levels of transparency with stakeholders. The engagement with shareholders has been of great value.

The Chairman of the board and I value shareholder opinion and appreciated the opportunity to meet (online) with some of Adapt IT's major shareholders to discuss the redesigned policy, especially in light of the outcome of the previous AGM. During these meetings valuable feedback was received and proposals discussed that have resulted in clarity and improvements to the original VARP proposed by PwC. It is of course not possible that all the shareholders would be aligned, however, Adapt IT has made considerable strides to ensure that the revised VARP following these discussions has taken into account this feedback. The legacy scheme will be cancelled and replaced with the new VARP (which does not require approval by the JSE Limited), for which we seek the support of shareholders at the upcoming AGM.

Factors influencing remuneration

The impact of the Covid-19 pandemic brought unprecedented changes for all stakeholders: shareholders, executives who worked relentlessly, the board, which helped to navigate the group's course during the crisis, and all employees and the communities in which they live. Adapt IT regrettably found itself in the unavoidable position of having to make necessary retrenchments in certain areas of the business. The impact of the retrenchments on the number of affected employees was managed by limiting retrenchments to anticipated permanent market reductions, while retaining all temporarily affected employees who faced the impossibility of performing due to Covid-19 related regulations.

Additional *ex gratia* severance payments and extended medical aid cover were provided to ensure all affected employees have medical aid until the end of December 2020. To support the group in providing these *ex-gratia* payments, the following were implemented:

- a voluntary 10% reduction in executive pay for a period of six months;
- a similar reduction in the non-executive director fees;
- a zero percent increase for all employees; and
- no STIs were awarded irrespective of the achievement of any of the relevant key performance indicators (KPIs).

The impact of the pandemic had a significant impact on business performance, which also contributed to the decision to not pay an STI for 2020 financial year (FY20). As a result of the Covid-19 pandemic, the following measures were implemented or where applicable, will be implemented going forward:

- guaranteed pay remuneration freeze for the new financial year;
- remuneration adjustments limited to a small number of employees (not executives) requiring market benchmark related adjustments;
- employee retrenchments in divisions where the market has a forecasted permanent reduction in demand;
- temporary reduction in employee work hours for divisions where there is/was temporary impossibility to perform as a result of circumstances related to Covid-19 lock down rules; and
- strict review of new staff hires to ensure costs are contained.

Shareholder voting and engagement

Following the remuneration voting outcomes at the previous AGM held on 22 November 2019 (Remuneration Policy – 45.6% dissenting; and Implementation Report – 38.3% dissenting), prior to seeking approval of the VARP in the non-binding advisory vote on the Remuneration Policy at the forthcoming AGM, the company embarked on a shareholder engagement process with a significant component of dissenting voters.

During these consultations concerns were addressed and solutions provided to the concerns raised, which together with other commentary received from other shareholders and proxy advisors, are summarised below. These consultations were not merely an exercise of validation but intended to also obtain a better understanding of shareholders' concerns and preferences. The process to redesign the incentive structures is ongoing and will be revisited and re-affirmed as the impact of the pandemic becomes clearer.

Policy issues raised	The Adapt IT response
The dilution limit (in excess of 5% of issued shares capital) of the LTI	A new LTI, namely the VARP will be adopted for the 2021 financial year (FY21) (see part 2 for full details) that will result in no dilution for shareholders.
The LTIs vesting period (shorter than three years)	The VARP's vesting period will be over a longer time horizon. Vesting will occur in year three, subject to the achievement of performance conditions. The introduction of the Minimum Shareholding Requirements (MSR), which requires a retention period post vesting.
The potential of LTI retention awards	Adapt IT's current LTI did not yield any retention or incentive benefit for executives. However, rather than introducing retention awards, the committee undertook the redesign of a fit for purpose LTI. The VARP is 100% performance linked and the committee believes this reward for performance model will yield benefits for shareholders and executives alike.

REMUNERATION REPORT CONTINUED

Implementation issues raised	The Adapt IT response
The increase in fixed pay was not supported by shareholders	The committee appreciates the need to ensure pay for performance and to ensure that variable pay compensates executives adequately while at the same time ensuring that shareholder alignment is achieved. The redesign and benchmarking of the total guarantee pay (TGP) was performed. The STI and LTI were recalibrated and a target pay mix approach has been abandoned.

Parts 2 and 3 of the report are subject to separate non-binding advisory votes by shareholders at Adapt IT's AGM annually. In the event that 25% or more of the shareholders vote against either or both the Remuneration Policy or the Implementation Report, Adapt IT will include a note in its SENS announcement following the AGM, inviting dissenting shareholders to engage with the group on their reasons for voting against either or both of these resolution/s, but will in any event arrange a collective call with all-dissenting shareholders on the outcome of the vote and their collective concerns.

The results of the next shareholder engagement, and the committee's response to shareholder concerns will be published in the Remuneration Report for the next financial year.

Key areas of focus during FY20 and future focus areas

The committee focused on the following matters during FY20:

- Active shareholder engagement following the previous AGM.
- A total reward benchmarking exercise for executives, independently conducted by PwC. The purpose of the exercise was to set the incentive levels of the new STI and LTI and to ensure that the total reward offering and the mix between fixed and variable pay is market related and aligned with Adapt IT's strategy.
- Redesign of the STI and LTI.
- Calibration of performance conditions for the new STI and LTI.
- Increased transparency around performance measures.

The committee's focus areas for FY21 are:

Implementation of a redesigned Remuneration Policy, which will achieve:

- implementation of a minimum shareholding and retention requirement to ensure executives acquire company shares and achieve alignment with shareholder interest;
- adoption of a malus and clawback policy to ensure our pay practices remain aligned with shareholder interest; and
- a fair and responsible pay framework.

Redesigning a remuneration policy while the full impact of Covid-19 is still to be revealed, is challenging, however Adapt IT is committed to its intended purpose which is to drive a performance culture aligned with company strategic objectives and long term value creation for shareholders.

Remuneration governance

Committee composition and meetings

The committee is tasked with ensuring the alignment of remuneration with the interests of shareholders. The committee operates under terms of reference which are reviewed annually, approved by the board and encompass the provisions of the Companies Act of South Africa and the requirements of King IV™. The composition and attendance of meetings of the committee is set out in the Corporate Governance Report on page 59. Executives are invited to attend part of the meeting to report on performance and implementation matters for the workforce, however they are not present when their own remuneration is discussed. The committee members and chairperson attend the AGM and are available to address any queries, if necessary, from shareholders.

Remuneration consultants

During the reporting period, Adapt IT contracted PwC to provide the following services:

- Total reward benchmarking
- Conducting an STI market practice assessment and providing a recommendations paper
- Conducting an LTI market practice assessment and providing a recommendations paper
- Assisting in providing market practice relating to STI and LTI performance conditions
- Assessing related affordability financial modelling
- Support in stakeholder consultations
- Support in setting of performance metrics
- Support in drafting the rules

The committee is satisfied that the remuneration consultants used were independent and remained objective in the provision of their services.

Approval

The committee has satisfied itself that the policy, as detailed in the 2019 Remuneration Report was complied with, and that there were no substantial deviations from the policy during the year. As the previous policy did not meet its stated objectives, the committee has undertaken the amendments to variable pay, as set out above and throughout this report. The board has subsequently approved this Remuneration Report.

Signed on behalf of the Remuneration Committee

Catherine Koffman
Chairperson, Remuneration Committee

Part 2: Overview of the remuneration policy

Remuneration philosophy

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

The policy is reviewed annually, with an extensive review having taken place in FY20. Below is an overview of each of the elements of remuneration, followed by a detailed discussion of the key design principles of each of the elements of remuneration, with a particular focus on the performance measures applicable to executives.

Some of the internal factors that influence remuneration are:

- internal parity, which Adapt IT is always striving for as an acquisitive business, with ongoing alignment required to achieve internal fairness in remuneration;
- performance, which is the key determinant of remuneration as it affects promotion into senior roles and reward in those roles; and
- fair and responsible executive remuneration in the context of overall employee remuneration.

Some of the external factors that influence remuneration are:

- external parity, primarily assessed through market benchmarks, incorporated through the use of independent and credible remuneration survey data; and
- competition for scarce skills.

Elements of remuneration

Element	Component	Eligibility	Details/policy	Link to company strategy
Total guaranteed pay (TGP)	**Salary**	All employees	▶ Adapt IT benchmarks to the 50th percentile of market pay with pay scales lying between 80 – 120% of the 50th percentile, with some exceptions made for retention of very scarce skills and exceptionally high performers. ▶ Takes into account job complexity, seniority and parity of pay across the group.	Appropriate salary levels to attract and retain the appropriate calibre of talent.
	Benefits	All employees	The details of Adapt IT's benefits policy are set out below.	Offering appropriate benefits is essential in attracting and retaining key individuals.
	STI	All employees	▶ Bottom up, based on a *pro forma*, calculated as a market related percentage of annual pay. ▶ *Pro forma* modified according to role of employee. ▶ Element of company performance for all employees, meaning a self-funding element and a focus on company level performance, balanced with line of sight and controllable measures.	Through cascading down the company strategy into personal scorecards, corporate scorecards and divisional scorecards, and introducing these as modifiers within the STI formula, each employee has a link to strategy through their pay and is motivated to deliver in relation to targets which are relevant to them. The incorporation of a company score, which incorporates organic EBITDA growth, EBITDA margin growth and a cash conversion ratio in the design of the STI as strategic focus areas which influence pay in an appropriate manner.

REMUNERATION REPORT CONTINUED

Element	Component	Eligibility	Details/policy	Link to company strategy
Variable pay	**LTI**	Paterson D Upper and above (senior management and upwards) and key talent at other grades at the discretion of the committee	▶ Consists of a VARP, proposed for FY21, in terms of which award value is linked to intrinsic value based on growth over the performance period, and performance relative to relevant performance conditions over the same period. "intrinsic value" = EBITDA x EBITDA multiple* (5x) less net debt	Through the use of 100% performance linked long term incentive awards, participating employees are motivated to deliver on long term strategic priorities which ultimately translate to shareholder value creation, such as normalised headline earnings per share (NHEPS) growth and return on invested capital (ROIC). Through the link to intrinsic value, participants are encouraged to grow EBITDA over the long term, complementing the use of EBITDA in the short term incentive, whilst effectively managing net debt during the same period, to maximise returns. Through settlement in equity, combined with the requirement for executives to hold shares towards the achievement of a minimum shareholding requirement, the design of the incentive seeks to ensure executives act with shareholders' best interests at heart, and are fully motivated to safeguard and grow shareholder value.
	Sales Incentives	Sales staff	Commission based structures designed per specific role/division	Rewarding for performance determined against commission based structures

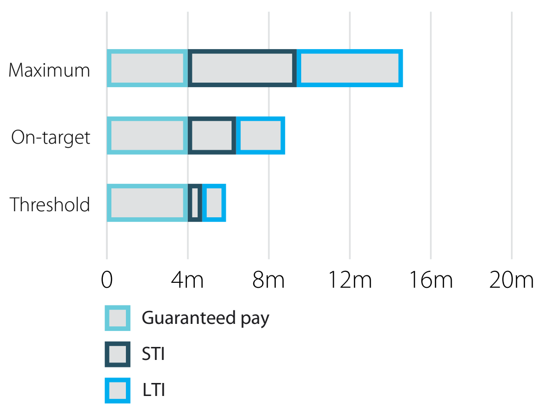
Package structure

The package design for employees comprises total guaranteed pay and variable pay either in the form of an STI or as sales commission. Executive pay comprises three elements namely TGP, STI and LTI.

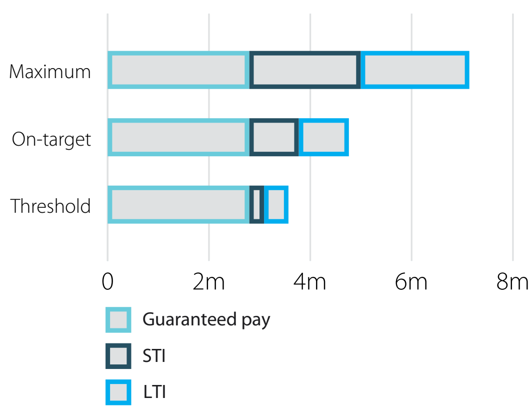
Remuneration outcomes under various performance scenarios

Set out below are the remuneration outcomes for the executive directors and prescribed officers, under threshold, target and stretch/maximum performance.

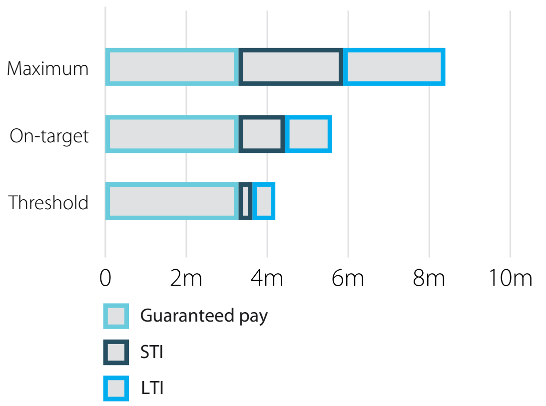
Chief Executive Officer



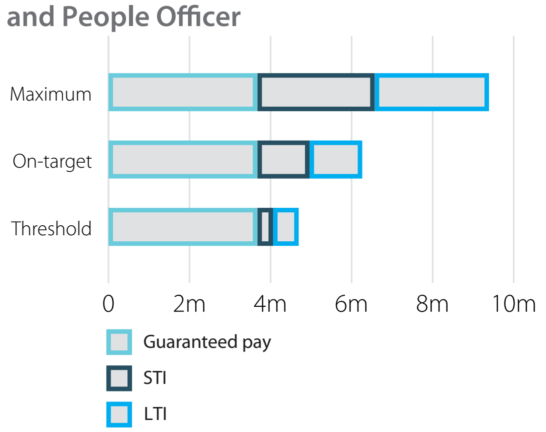
Chief Financial Officer



Chief Commercial Officer



Group Executive: Chief Strategy and People Officer



Total guaranteed pay

TGP is based on a total cost to company, consisting of a basic salary and benefits.

Market benchmarks, sourced predominantly from PwC REMChannel, taking cognisance of specific skills requirements and benchmarks for similar roles (revenue, profit and number of staff reporting, consequence of error etc.) and of other similar sized companies listed on the JSE, are used. Adapt IT benchmarks against the 50th percentile, with discretion to take account of the range of experience and performance in each role. A key retention risk is to ensure executives' TGP is comparable to market to mitigate the risk of attrition of key management required to realise the group's performance objectives.

Variable pay

Variable pay comprises a short term element for all employees and a long term element for executives. Following the engagement with shareholders, and PwC, the committee proposes implementing new STI and LTI structures in the form of a bottom up multiplicative short term incentive and VARP, respectively.

A sales commission scheme, linked to driving organic growth and cross selling, is another key aspect of variable pay for sales executives and managers who are on risk based packages.

Malus and clawback principles are incorporated into the variable pay structures should events such as fraud, misconduct or misrepresentation or related actions occur.

STI – bottom up multiplicative short term incentive

Purpose and description	The STI is a bottom up multiplicative plan with the primary purposes of: – ensuring transparent remuneration of all participants through a documented and measurable incentive; – entrenching a remuneration philosophy of pay for performance which motivates participants towards the achievement of stretch performance targets resulting in increased variable pay; and – driving and rewarding superior individual and company performance which, in turn, helps Adapt IT achieve its long term strategy and performance targets, ensuring line of sight between business and performance and incentives paid. Design features: – A *pro forma* STI is determined with reference to the employee's TGP and an on target percentage relevant to the employee's grade. The *pro forma* STI will be modified based on different modifiers, depending on level. – At the group executive director level, the company performance and corporate performance will be the only modifiers. – The corporate performance metrics include non-financial performance measures which currently include strategic growth objectives, operational efficiency objectives, transformation targets, customer experience targets, employer of choice targets and risk management. These are reviewed and updated on an annual basis. – At below group executive levels, as appropriate, a personal modifier and a divisional modifier as well as the company performance modifier are used to modify the *pro forma* STI. – If the threshold performance is not achieved in any of the focus areas (company, personal, divisional and corporate as applicable), no bonus will be paid out to the employee. – In this manner, there is an element of self-funding inherent in the design.

REMUNERATION REPORT CONTINUED

Eligibility	All employees, save those who earn sales commission
On target STI percentages	The on target percentages used are informed by market benchmarks, company affordability and is driven by the grade of a participant:

Grade	On target STI %
F2	60%
F1	50%
EU	35%
EL	20%
DU	15%
DL	15%
C	10%
B	8%
A	8%

Calculation of STI

Group executive:

Formula:

Participant's final STI = TGP x on target STI percentage x Corporate Score (0% – 150%) x Company Score (0% – 150%)

Shared services:

Formula:

Participant's final STI = TGP x on target STI percentage x Personal Score (0% – 150%) x Company Score (0% – 150%).

Divisional executives and other employees:

Formula:

Participant's final STI = TGP x on target STI percentage x Personal Score (0% – 130%) x Divisional Score (0%-130%) x Company Score (0% – 130%).

The maximum combined modifier applicable is 225% of the *pro forma* STI, achievable only where stretch performance in every focus area is achieved.

Performance conditions

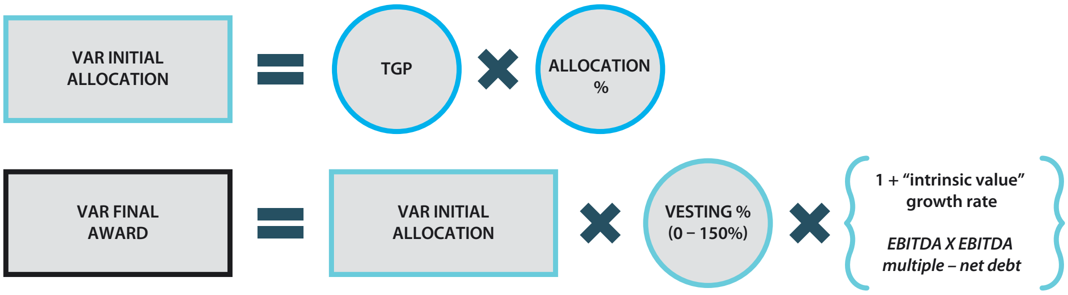
The following proposed performance conditions, weightings and targets for FY21 are set out below, and take into account the current market conditions

	Weighting	Threshold	Target	Stretch
1. EBITDA	34%	CPI + GDP	CPI + GDP + 2%	CPI + GDP + 4%
2. EBITDA margin	33%	Dependent on historical performance and set as a percentage of, for instance, a three year average (e.g. 90% for threshold, 100% for target and 110% for stretch). The appropriate % will depend on how much variance has been noted in the last five or so years.		
3. EBITDA to cash conversion	33%	85% – 90% conversion rate	90% – 95% conversion rate	>95% or more conversion rate

Transition measure	In the initial years the Remuneration Committee may, if required, increase the EBITDA pre STI growth targets to enable the funding of STI.

LTI – VARP

Following the shareholder engagement, the affordability financial modelling and in line with market practice and Adapt IT's strategy, Adapt IT will be introducing a VARP. A key consideration for long term incentives that was re-affirmed with the introduction of the VARP, is that equity based long-term incentive schemes are the most effective way to align the interests of executives and shareholders. Thus the new VARP is an equity settled plan that links participant's award value to Adapt IT's intrinsic value growth and the achievement of performance conditions over a three year period. Vesting occurs at the end of year three.



A market related percentage of TGP is allocated to participants, and for vesting to occur, suitably stretching performance conditions must be met. The allocation value will be adjusted by the performance vesting percentage and the change in intrinsic value, and will be settled in equity through the use of market purchased shares near the time of the settlement in order to avoid dilution to shareholders.

Applicable performance conditions will be linked to factors enhancing shareholder value and which require strong levels of overall corporate performance.

Description of LTI	On the award date, participants are awarded an allocation (expressed in rands) based on a market related on target percentage specific to their Paterson grade. At the vesting date, the achievement of the performance conditions is assessed, and the value of the initial allocation is adjusted by the performance outcome (between 100 – 150%), and then further adjusted by the change in intrinsic value growth. Intrinsic value is determined as *EBITDA x EBITDA multiple* (5x) less net debt.* *The EBITDA multiple remains fixed for the duration of the performance period, thus rewarding growth in EBITDA and reduction of net debt as the key intrinsic value growth factors.* The purpose of a VARP is to incentivise eligible participants to drive particular financial measures linked to value creation (e.g. earnings and debt management), to encourage a long term focus on sustainable growth. The VARP will also enable Adapt IT to attract and retain suitably skilled and competent talent required to grow and build the business, and retain key talent already in employ.
Eligibility	Annual awards are made to executives and senior management. Awards may also be made to high performers, identified key talent and critical skills in lower grades.
Vesting period	The performance awards will be made subject to performance conditions and continued employment with Adapt IT over a three year period for each award.
Allocation levels/calculations	VARP initial allocation = TGP x Paterson grade allocation % VARP final award value = VARP initial allocation x Performance Vesting % (0 – 150%) x (Intrinsic value at vesting date/intrinsic value at award date)* Performance vesting percentages – below threshold 0%, threshold 30%, target 100%, stretch 150% Final award value is settled in shares which are market purchased near time of settlement **calculated over the vesting period*

REMUNERATION REPORT CONTINUED

Allocation percentages	The allocation percentages are a function of the participants grade and are informed by market benchmarks and company grade:

Grade	Allocation %
F2	60%
F1	50%
EU	35%
EL	25%
D	15%

Performance period, measures, weightings and targets

The performance conditions will be measured over a three year period.

New financial performance conditions and targets can be set every year for each allocation to ensure alignment with business strategy. Performance conditions are linked to factors enhancing shareholder value and which require strong levels of overall corporate performance.

The following performance measures are applicable for FY21 allocations, which take into account the current market conditions:

	Weighting	Threshold	Target	Stretch
Return on invested capital (ROIC)	50%	Average ROIC over award period = FY20 ROIC + 1,5%	Average ROIC over award period = FY20 ROIC + 2,25%	Average ROIC over award period = FY20 ROIC + 3%
NHEPS growth	50%	CPI + GDP	CPI + GDP + 2%	CPI + GDP + 4%

The ROIC measure has been set as an average increase in ROIC over ROIC achieved for FY20 (ROIC was 9,4% after all amortisation and impairments of intangibles, including purchase price allocation and before IFRS 16).

The performance metrics will be assessed annually taking into account the actual ROIC being achieved to ensure it represents a fair set of performance measures for each LTI award.

ROIC definition and formula:

ROIC is a capital efficiency measure that calculates how efficiently a company allocates its controllable capital to profitable investments. It therefore effectively provides an indicator of a company's quality of earnings with reference to the risk categorisation of the company's underlying asset portfolio.

The formula to calculate ROIC (annually) is widely presented as follows:

Net profit after tax (NOPAT)[1]/Average invested capital[2]

[1] NOPAT is quantified as earnings before interest but after tax [i.e. EBIT x (1 – effective tax rate)]

[2] Average invested capital is quantified as the sum of the following parts: average of – debt + shareholders equity less cash

In general terms ROIC performance is usually assessed with reference to a company's weighted average cost of capital (WACC) which represents the sum of a company's weighted (after tax) cost of debt and the company's weighted cost of equity. Cost of equity is usually determined with reference to a risk free rate and a company's equity risk premium.

The group recognises the need to produce a ROIC that exceeds its WACC. The group's immediate focus is to drive organic growth and profitability and reduce debt. Therefore, following the initial introduction and implementation of the LTI Plan, the objective is to migrate the ROIC performance measures to a WACC plus spread in subsequent VARP allocations. At inception, the metrics to be used as a threshold, target or a stretch outcome are based on an average ROIC to exceed the FY20 starting ROIC. This provides an objective mechanism to motivate the improvement of ROIC, whilst not rendering the LTI valueless to participants from the start.

Settlement

The VARP will be equity settled in order to create alignment with shareholders.

To minimise dilution, the company will purchase from the market the shares required to settle the LTI.

Employment contracts

The current executives are:

1. Sbu Shabalala – appointed as CEO on 5 December 2007;
2. Tiffany Dunsdon – appointed as CCO on 1 October 2018 (employed at Adapt IT from March 2002);
3. Nombali Mbambo – appointed as CFO on 18 August 2016; and
4. Tony Vicente – appointed as Chief Strategy Officer on 1 September 2018.

The listed executives are all permanent employees of Adapt IT subject to three months' notice upon termination of employment.

Minimum shareholding requirement policy

As part of Adapt IT's focus on aligning the interests of executives with those of shareholders, an MSR policy will be introduced concurrently with the LTI model. The policy will require share ownership by executives and create an environment where participants of an LTI retain shares post vesting. It is anticipated that the following targets will be applied to executives, with a period of five years from introduction of the MSR (alternatively the date of appointment, whichever is later), to comply:

Executive	Minimum shareholding requirement
CEO	250% of TGP
CFO	100% of TGP
Executive directors	100% of TGP
Other identified employees	50% of TGP

Non-executive director fees

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

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

Non-executive directors' fees are benchmarked across three levels, namely Chairman, Lead Independent Director (LID) and general non-executive director. The Chairman and non-executive directors' fees are referenced to the lower and median quartile of the small cap Industrial sector of the JSE. LID fees are referenced to the lower and median quartile for all sectors.

All non-executive directors voluntarily reduced their fees by 10% for six months due to Covid-19, and there will be no increases in the fees for Chairman, LID or non-executive directors for the following financial year.

The resolution to approve non-executive directors' fees for the forthcoming year is special resolution number 1 in the notice of the AGM on page 159 of this Integrated Annual Report which aligns to the table on page 79 contained in part 3 of the Implementation Report.

Fair and responsible pay

The overall Remuneration Policy is designed to ensure fair and responsible remuneration for executive management in the context of overall employee remuneration as it is market related (benchmarked) and has a significant component that is performance based. Job grading is undertaken, and pay is targeted at 80% to 120% of the market benchmark, set at the 50th percentile. All staff outside of those bands are carefully scrutinised. All jobs are graded using the Paterson Scale and associated market pay benchmarks, using the same independent remuneration consultants for all levels. Where discrepancies are identified, plans are put in place to address these through adjustments over a reasonable timeframe.

REMUNERATION REPORT CONTINUED

Part 3: Remuneration implementation report

This section explains how the Remuneration Policy was implemented in the reporting year, and the resulting payments each of the members of executive management received (backward looking).

The following matters are covered:

1. TGP adjustments
2. STI outcomes
3. LTI outcomes
4. LTIs awarded
5. There are three tables that should be included in the Implementation Report – following King IV™ recommended guidance:
   a. the single figure total remuneration table;
   b. the table of unvested awards; and
   c. the cash value of awards from variable incentive schemes settled in the year.
6. Non-executive director fees paid

TGP adjustments

Given the current economic environment, and in light of Covid-19, the decision was made that TGP adjustments will be limited to a small number of employees (not executives) requiring market benchmark related adjustments.

Executive directors' and prescribed officers' remuneration

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

	Total guaranteed R	STI (bonus) R	LTI R	Less portion of voluntary sacrifices* R	Total R
June 2020*					
S Shabalala	**3 989 209**	–	–	**(66 487)**	**3 922 722**
T Dunsdon	**3 347 974**	–	–	**(28 192)**	**3 319 782**
N Mbambo	**2 794 110**	–	–	**(46 568)**	**2 747 542**
T Vicente	**3 675 000**	–	–	–	**3 675 000**
C Young**	**1 710 713**	–	–	–	**1 710 713**
Total	**15 517 006**	–	–	**(141 247)**	**15 375 759**
June 2019					
S Shabalala	3 666 994	1 179 450	–	–	4 846 444
T Dunsdon	2 983 909	697 500	–	–	3 681 409
N Mbambo	2 540 100	631 125	–	–	3 171 225
C Young	2 754 200	594 000	–	–	3 348 200
Total	11 945 203	3 102 075	–	–	15 047 278

* *The executives agreed to a 10% voluntary salary sacrifices taken over six months (over individually selected periods up to December 2020).*
** *Resigned as at 31 January 2020 (seven months' pay included).*

STI outcomes for FY20

As discussed in part 1 of the report, the decision was made to not make any STI payments, irrespective of the group's results to safeguard the business under the Covid-19 environment.

LTIs vesting during FY20

No LTIs vested for FY20 as the performance hurdles were not met.

Refer to the notes to the annual financial statements, note 21 on page 132, for full details of share appreciation rights issued, vested, forfeited and lapsed.

Refer to the Directors' Statutory Report on page 81 for directors' interests in the company and interests of directors in contracts.

LTIs awarded during FY20

No LTI awards were made during FY20.

Non-executive directors' fees

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

	2020 **R**	Portion of voluntary sacrifices* R	**2020** **Net total** **R**	2019 R
C Chambers	**446 098**	(7 435)	**438 663**	424 855
O Fortuin**	**355 034**	(6 248)	**348 786**	289 238
C Koffman	**303 700**	(5 064)	**298 636**	289 238
Z Nyanga	**303 700**	(5 064)	**298 636**	24 103
B Ntuli^	**119 310**	–	**119 310**	289 238
Total	**1 527 842**	(23 811)	**1 504 031**	1 316 672

* *The non-executives agreed to a 10% voluntary salary sacrifices taken over six months.*
** *Appointed as lead independent director on 14 October 2019.*
^ *Bongiwe Ntuli retired from the board on 22 November 2019.*

As did the group executives, the non-executive directors took a voluntary 10% pay cut for a six month period upon the advent of the Covid-19 pandemic.

Approval

The committee together with the board approved this report on 23 October 2020.

Signed on behalf of the Remuneration Committee

Catherine Koffman
Chairperson, Remuneration Committee

23 October 2020

ANNUAL FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITIES AND APPROVAL

AS AT 30 JUNE 2020

The directors are required by the Companies Act of South Africa, No 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements of Adapt IT Holdings Limited and its subsidiaries and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company and the group as at the end of the financial year and the results of their operations and cash flows for the year ended 30 June 2020, in conformity with IFRS, the JSE Listings Requirements and the Companies Act of South Africa, No 71 of 2008. The external auditors are engaged to express an independent opinion on the financial statements.

The annual financial statements are prepared in accordance with IFRS and the Companies Act of South Africa, No 71 of 2008, and are based upon appropriate accounting policies consistently applied except for the adoption of IFRS 16 in the current year and supported by reasonable and prudent judgements and estimates.

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

The directors are satisfied that the company has complied with and operates in conformity with:

- The provisions of the Companies Act of South Africa, No 71. of 2008 and any other applicable laws relating to its incorporation; and
- The company's MOI and other relevant constitutional documents.

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

The annual financial statements of the group and company, set out on pages 81 to 156, were approved by the board on 23 October 2020 and were signed on its behalf by:

Craig Chambers
Independent non-executive Chairman

Sbu Shabalala
Chief Executive Officer

Johannesburg
23 October 2020

PREPARER OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

Nombali Mbambo CA(SA)
Chief Financial Officer

Johannesburg
23 October 2020

CERTIFICATE OF THE COMPANY SECRETARY

FOR THE YEAR ENDED 30 JUNE 2020

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

Statucor (Pty) Ltd
Company Secretary

Johannesburg
23 October 2020

ANNUAL FINANCIAL STATEMENTS
DIRECTORS' STATUTORY REPORT
FOR THE YEAR ENDED 30 JUNE 2020

Nature of the business

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

Financial results

The prior year results have been restated for measurement period adjustments and lease incentive accounting. Refer to note 37 on page 153 for further details. All restated figures are indicated with an asterisk*. The net profit attributable to shareholders of the company for the year ended 30 June 2020 amounted to R70 652 503 (2019: R73 975 543*). This translates into basic earnings per share of 51,47 cents (2019: 50,42 cents*) and headline earnings per share of 66,88 cents (2019: 56,36 cents*) based on the weighted average number of shares in issue during the year.

Review of operations

Commentary on operations and the impact of the global Covid-19 pandemic is provided under the CEO report on page 30 and segment analysis on page 150.

Events after the reporting date

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

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.

Share capital and treasury shares

The authorised share capital was amended from 200 000 000 ordinary par value shares of 0.01 cents each to 300 000 000 ordinary shares of no par value, in accordance with the new consolidated memorandum of incorporation (MOI), as approved by shareholders at the annual general meeting (AGM) held on 22 November 2019. As a result of this amendment, the issued share capital of 152 513 154 ordinary shares of 0.01 cents each and share premium of R337 305 365 as at 30 June 2019 was converted and disclosed as stated capital of R337 320 616 as set out in note 19 on page 130.

During the current year, the issued ordinary share capital of the company reduced by 7 625 657 shares to 144 887 497 (2019: 152 513 154) shares as a result of the company cancelling half of the treasury shares held. The 7 625 657 cancelled shares have been delisted and returned to authorised but unissued share capital.

The remaining 7 625 658 treasury shares held by the group at 30 June 2020 (2019: 15 251 315), result in a reduction of issued share capital in the current year to 137 261 839 shares (2019: 137 261 839 shares). The board intends to cancel these shares in June 2021.

At the last AGM, a general authority was granted by shareholders to allow the company or its subsidiaries to purchase up to 20% of its own shares in terms of the Companies Act, 2008, as amended, and the Listings Requirements of the JSE Limited. The directors have prioritised the reduction of debt for the moment and no share repurchase plan is currently envisaged. This resolution is, however, sought on a routine basis to avoid the need for a special meeting of shareholders, should the board deem a share repurchase programme to be suitable at a future date. Accordingly, shareholders will be asked to consider a similar special resolution to this effect at the forthcoming AGM.

Investments in subsidiaries

Details of the subsidiaries appear in note 11 and note 36 to the annual financial statements. Aggregate profit before tax from subsidiaries for the year ended 30 June 2020 amounted to R119 153 230 (2019: R127 241 762*).

Directorate

Full details of the current board of directors appear on pages 54 and 55. In terms of the company's MOI, one third of the directors retire annually by rotation at the AGM. Provided that if a director is appointed as an employee of the company, he or she shall not, while continuing to be employed by the company, be subject to retirement by rotation and shall not be taken into account in determining the rotation or retirement of directors. A retiring director shall be eligible for re-election.

Accordingly, Oliver Fortuin and Catherine Koffman retire at the AGM to be held on 27 November 2020 and offer themselves for re-election.

Directors' interest in shares

At 30 June 2020, the directors held interests in the company as follows:

Executive directors	**2020 Direct beneficial**	**%**	2019 Direct beneficial	%	**2020 Indirect beneficial**	**%**	2019 Indirect beneficial	%
S Shabalala	**14 316 646**	**10**	14 316 646	9	**–**	**–**	–	–
T Dunsdon	**1 900 000**	**1**	1 400 000	1	**2 600 000**	**2**	2 600 000	2
N Mbambo	**318 115**	**–**	113 115	–	**–**	**–**	–	–
Total	**16 534 761**	**11**	15 829 761	10	**2 600 000**	**2**	2 600 000	2

ANNUAL FINANCIAL STATEMENTS
DIRECTORS' STATUTORY REPORT CONTINUED
FOR THE YEAR ENDED 30 JUNE 2020

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

Pledged securities

At 30 June 2020, the following director has pledged securities as collateral for loan facility:

	Financial obligation			Security/Guarantee/Collateral	
Director	Nature	Term	Amount	Ordinary number of shares	Value of shares*
S Shabalala	Asset finance	Four years	R89 million	14 316 646	R22 620 301

** The value of the shares pledged is at 30 June 2020 closing price of 158 cents.*

No other directors have pledged shares as security/guarantee/collateral during the course of the reporting period or at the present date. Should securities be pledged the necessary announcement will be made to the market.

Interest of directors in contracts

Mshengu Property Holdings Pty Ltd (MPH), where Sbu Shabalala is a director, is the landlord of the Johannesburg campus. Mr Shabalala recuses himself from deliberations or dealings concerning the Johannesburg campus. Refer to related party note 31 on page 143 for further details.

The directors, apart from Mr Shabalala, have certified that they have no interest in any transaction of material significance, which affected the business of the group, with the company or any of its subsidiaries. Accordingly, no conflict of interest, with regard to these directors' interests in contracts exists.

There have been no material changes to the above since 30 June 2020 up to the date of this Integrated Annual Report.

Financial assistance to related companies

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

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.

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. 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.

Special resolutions passed by the company

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

- Increase the directors' fees, as tabled;
- Repurchase a maximum of 20% of the company's shares, valid until the next AGM;
- Provide financial assistance to subsidiaries in the form of inter company loans and guarantees of their debts as and when appropriate in the course of business;
- Convert share capital to no par value shares and amend article 6.1.1 of the MOI;
- Increase authorised share capital and amend article 6.1.1 of the MOI;
- Remove the time limit for filing of proxies and delete article 21.4.3 of the MOI;
- Permit interim director appointments and amend article 24.9 of the MOI;
- Provide for alternate directors and the insertion of new article 24.20 in the MOI; and
- Adopt a new consolidated MOI.

Nombali Mbambo
Chief Financial Officer

Johannesburg
23 October 2020

ANNUAL FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ADAPT IT HOLDINGS LIMITED

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Adapt IT Holdings Limited (the group and company) set out on pages 87 to 156, which comprise the consolidated and company statements of financial position as at 30 June 2020, and the consolidated and company statements of profit or loss and other comprehensive income, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the year then ended, notes to the statements of cash flows and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Adapt IT Holdings Limited as at 30 June 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in respect of the separate financial statements.

ANNUAL FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT CONTINUED
TO THE SHAREHOLDERS OF ADAPT IT HOLDINGS LIMITED

Valuation of goodwill and intangible assets

Applicable to the consolidated financial statements

Refer to notes 8 and 10 to the financial statements

Key audit matter	How the matter was addressed in our audit
As at 30 June 2020, goodwill and other intangible assets of R 705 million and R 247 million respectively are recognised on the consolidated statement of financial position. These balances represent 49% of the group's total assets. As required by IAS 36 – Impairment of Assets (IAS 36), the directors conduct annual impairment assessments to test the recoverability of the carrying amount of goodwill. Intangible assets are tested for impairment when an impairment indicator is identified. These impairment assessments are performed using discounted cash flow models to determine value-in-use of the cash generating units ("CGU's"). There are a number of key assumptions made in determining the inputs into these models which include: • Future cash flows; • Growth rates; and • The discount rate applied to the projected future cash flows. An asset level impairment assessment was performed over the customer relationships intangible asset attributable to the hospitality division due to the loss of a key customer as disclosed in note 8. Total impairment amounting to R22 million was recognised as a result of the assessments over goodwill and intangible assets. Given the significance of goodwill and intangible assets to the consolidated financial statements and the judgements involved in determining the key assumptions used in the discounted cash flow model, this was considered to be a key audit matter.	We performed the following audit procedures, amongst others: • Critically evaluated whether the discounted cash flow model used by the directors to calculate the value in use of each cash generating unit complies with the requirements of IAS 36. • Challenged the assumptions used by the directors in their value in use calculations by: – assessing the reasonableness of assumptions relating to revenue and EBITDA growth in relation to our knowledge of the group and the industries in which it operates; – assessing the reasonableness of the terminal growth rates in relation to external market data; and – assessing the reasonableness of the discount rates applied by independently calculating the rates, with assistance from our corporate finance valuation specialists, and comparing the rates to those used by management. • Evaluated whether the goodwill had been allocated: – to the appropriate level of CGU or group of CGUs and to those CGUs/groups of CGUs expected to benefit from the synergies of the business combination from which it arose; and – on a consistent basis with the prior period. • Evaluated the future projected cash flows for each cash generating unit to determine whether they are reasonable and supportable given the current macro-economic climate and expected future performance of each cash generating unit, including consideration of the likely impact of COVID-19 on the cash generating unit • Compared the projected cash flows, including assumptions relating to profit growth and terminal growth rates, against historical performance to test the accuracy of the directors' projections. • Performed sensitivity analyses on key assumptions to assess the impact on the value-in-use calculations, with specific attention to the Micros and Aquilon cash-generating units where the headroom is limited; and • Evaluated the adequacy of the disclosures made by the directors in the consolidated financial statements in accordance with IAS 36.

Other matter relating to comparative information

The consolidated and separate financial statements of Adapt IT Holdings Limited as at and for the years ended 30 June 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 11 October 2019.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Adapt IT Integrated Annual Report for the year ended 30 June 2020", which includes the Directors' Statutory Report, the Audit and Risk Committee Report and the Certificate of the Company Secretary as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

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

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

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

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

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

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

ANNUAL FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT CONTINUED
TO THE SHAREHOLDERS OF ADAPT IT HOLDINGS LIMITED

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Adapt IT Holdings Limited for one year.

KPMG Inc.
Registered Auditor

Per G Aldrighetti
Chartered Accountant (SA)
Registered Auditor
Director

23 October 2020

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

ANNUAL FINANCIAL STATEMENTS

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

		Notes	Consolidated 2020 R	Consolidated 2019 Restated* R	Company 2020 R	Company 2019 R
Revenue		2	**1 483 346 995**	1 438 138 457	**3 800 100**	29 416 428
Cost of sales			**(661 285 411)**	(645 556 263)	**–**	–
Gross profit			**822 061 584**	792 582 194	**3 800 100**	29 416 428
Administrative, selling and other costs			**(601 497 016)**	(622 900 117)	**(4 344 300)**	(3 646 195)
Impairment loss on trade receivables, contract assets and finance lease receivables		3	**(1 243 380)**	(6 306 183)	**–**	–
Impairment of non-current assets		3	**(22 134 216)**	–	**–**	–
Profit from operations		3	**197 186 972**	163 375 894	**(544 200)**	25 770 233
Finance income		3	**2 332 399**	3 033 728	**2 334 560**	2 303 262
Finance costs		3	**(84 698 847)**	(42 830 348)	**(20 565)**	(16 293)
Profit before tax		3	**114 820 524**	123 579 274	**1 769 795**	28 057 202
Income tax expense		5	**(44 028 610)**	(48 549 339)	**(1 103 594)**	(1 098 104)
Profit for the year			**70 791 914**	75 029 935	**666 201**	26 959 098
Attributable to:						
Equity holders of the parent			**70 652 503**	73 975 543	**666 201**	26 959 098
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	**666 201**	26 959 098
Attributable to:						
Equity holders of the parent			**91 989 898**	72 045 254	**666 201**	26 959 098
Non-controlling interests			**139 411**	1 054 392	**–**	–
Basic earnings per share	(cents)	6.1	**51,47**	50,42		
Diluted earnings per share	(cents)	6.1	**51,47**	50,42		

** See note 37.1 and note 37.2 for details regarding the restatement for measurement period adjustments.*

ANNUAL FINANCIAL STATEMENTS
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	7	**108 422 774**	122 968 584	109 829 565
Intangible assets	8	**246 896 147**	296 666 349	219 762 342
Right-of-use assets	9	**239 839 938**	–	–
Goodwill	10	**705 099 424**	704 183 385	598 251 511
Finance lease receivables	12	**22 993 060**	20 200 070	23 666 262
Loans receivable	13	**500 000**	6 000 000	15 288 798
Deferred taxation asset	14	**14 769 835**	30 748 316	28 340 412
Current assets		**589 796 586**	456 425 060	376 031 870
Inventories	15	**31 685 937**	26 417 695	21 994 177
Trade and other receivables	16	**285 280 103**	311 535 257	248 563 134
Contract assets	17	**37 259 177**	24 224 014	–
Current tax receivable		**40 566 298**	22 538 189	3 813 541
Finance lease receivables	12	**9 900 352**	12 804 422	10 986 946
Loans receivable	13	**541 667**	500 000	4 096 044
Cash and cash equivalents	D	**184 563 052**	58 405 483	86 578 028
Non-current assets classified as held for sale	18	**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	19	**248 138 154**	–	–
Share capital	19	**–**	15 251	16 054
Share premium	19	**–**	248 123 665	340 277 986
Treasury shares	20	**(763)**	(1 525)	(819)
Equity compensation reserve	21	**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	22	**486 932 556**	2 986 854	200 794 458
Financial liabilities	23	**6 279 638**	40 749 830	33 479 340
Lease liabilities	24	**276 207 597**	877 849	1 670 033
Deferred taxation liability	14	**36 619 632**	60 613 697	50 836 572
Current liabilities		**385 283 991**	862 103 906	352 495 749
Trade and other payables	25	**141 570 638**	170 537 886	148 517 520
Contract liabilities	26	**131 518 788**	107 743 673	–
Deferred income		**–**	–	95 669 242
Leave pay and provisions	27	**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	22	**34 145 448**	498 005 325	13 680 725
Current portion of financial liabilities	23	**18 469 219**	16 866 530	38 951 795
Current portion of lease liabilities	24	**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 37.1 and note 37.2 for details regarding the restatement for measurement period adjustments and note 37.3 for details of a restatement due to a prior period error.*
*** 1 July 2018 was restated for SIC 15 Operating Leases Incentives (refer note 37.3).*

ANNUAL FINANCIAL STATEMENTS
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Notes	30 June 2020 R	30 June 2019 R
ASSETS			
Non-current assets		**171 806 594**	171 949 296
Interest in subsidiaries and share trust	11	**147 869 830**	147 869 730
Amounts owing by subsidiaries	11	**23 936 764**	23 974 901
Deferred taxation asset	14	**–**	104 665
Current assets		**140 222 401**	187 487 773
Trade and other receivables	16	**168 524**	183 598
Amounts owing by subsidiaries	11	**139 468 173**	186 865 007
Cash and cash equivalents	D	**585 704**	439 168
Total assets		**312 028 995**	359 437 069
EQUITY AND LIABILITIES			
Equity			
Stated capital	19	**289 423 273**	–
Share capital	19	**–**	15 251
Share premium	19	**–**	337 305 365
Equity compensation reserve	21	**17 988 406**	17 988 406
Retained earnings		**2 942 945**	2 276 744
Total equity		**310 354 624**	357 585 766
Non-current liabilities			
Deferred taxation liability	14	**6 869**	–
Current liabilities		**1 667 502**	1 851 303
Trade and other payables	25	**1 232 186**	1 361 435
Current tax payable		**435 316**	489 868
Total liabilities		**1 674 371**	1 851 303
Total equity and liabilities		**312 028 995**	359 437 069

ANNUAL FINANCIAL STATEMENTS
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

Consolidated	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 1.8)	–	–	–
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 37.1 and note 37.2 for details regarding the restatement for measurement period adjustments.*

Refer to note 19 for detail on share capital movement.

Company	Share capital R	Share premium R	Stated capital R
Balance at 30 June 2018	16 054	400 647 135	–
Total comprehensive income for the year	–	–	–
Subsidiary capital contribution for share-based payment	–	–	–
Cancellation of shares	(803)	(63 341 770)	–
Dividend paid	–	–	–
Balance at 30 June 2019	15 251	337 305 365	–
Total comprehensive income for the year	–	–	–
Share capital conversion to no par value shares	**(15 251)**	**(337 305 365)**	**337 320 616**
Cancellation of shares	–	–	**(47 897 343)**
Balance at 30 June 2020	–	–	**289 423 273**

Refer to note 19 for detail on share capital movement.

Attributable to equity holders of the parent							
Stated capital R	Equity compensation reserve R	Foreign currency translation reserve R	Busness 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**

Equity compensation reserve R	Retained earnings R	Total equity R
19 221 006	1 134 074	421 018 269
–	26 959 098	26 959 098
(1 232 600)	–	(1 232 600)
–	–	(63 342 573)
–	(25 816 428)	(25 816 428)
17 988 406	2 276 744	357 585 766
–	**666 201**	**666 201**
–	**–**	**–**
–	**–**	**(47 897 343)**
17 988 406	**2 942 945**	**310 354 624**

ANNUAL FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Consolidated 2020 R	Consolidated 2019 R	Company 2020 R	Company 2019 R
OPERATING ACTIVITIES					
Operating cash flow	A	**305 383 086**	232 199 817	**(512 142)**	(46 195)
Working capital (outflow)/inflow	B	**(31 021 826)**	(53 512 179)	**(114 175)**	136 920
Cash generated from operations		**274 361 260**	178 687 638	**(626 317)**	90 725
Finance income		**2 332 399**	3 033 728	**–**	903
Finance costs		**(79 980 139)**	(41 669 024)	**(20 565)**	(16 293)
Dividends received		**–**	–	**–**	25 816 428
Dividends paid		**–**	(28 906 428)	**–**	(25 816 428)
Tax paid	C	**(55 582 586)**	(68 838 320)	**(1 046 612)**	(548 047)
Net cash flow from operating activities		**141 130 934**	42 307 594	**(1 693 494)**	(472 712)
INVESTING ACTIVITIES					
Property and equipment acquired	7	**(10 405 108)**	(35 021 299)	**–**	–
Intangible assets acquired and developed	8	**(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)	**–**	–
Increase in investment in subsidiary		**–**	–	**(100)**	(58 782 083)
Net cash utilised in investment activities		**(22 705 716)**	(238 193 488)	**(100)**	(58 782 083)
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)	**–**	–
Decrease in amounts owing by subsidiaries		**–**	–	**1 840 130**	59 400 189
Net cash flow from financing activities		**1 682 896**	168 510 947	**1 840 130**	59 400 189
Net increase/(decrease) in cash resources		**120 108 114**	(27 374 947)	**146 536**	145 394
Exchange gain/(loss) on translation		**6 049 455**	(797 598)	**–**	–
Cash and cash equivalents at beginning of year		**58 405 483**	86 578 028	**439 168**	293 774
Cash and cash equivalents at end of year	D	**184 563 052**	58 405 483	**585 704**	439 168

ANNUAL FINANCIAL STATEMENTS
NOTES TO THE STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Consolidated 2020 R	Consolidated 2019 R	Company 2020 R	Company 2019 R
A Operating cash flow				
Profit before tax*	**114 820 524**	123 579 274	**1 769 795**	28 057 202
Adjustments for:				
Depreciation and amortisation*	**81 062 756**	78 444 061	**–**	–
Depreciation right-of-use assets	**28 120 437**	–	**–**	–
Unrealised foreign exchange losses/(gains)	**2 073 637**	(171 773)	**–**	–
Finance income (refer note 3)	**(2 332 399)**	(3 033 728)	**(2 334 560)**	(2 303 262)
Finance costs (refer note 3)	**84 698 847**	42 830 348	**20 565**	16 293
Lease liability accrual release*	**–**	(1 032 625)	**–**	–
Dividend received	**–**	–	**(100)**	(25 816 428)
Share-based payment release	**–**	(1 232 600)		
Write off of amounts owing by Share Incentive Trust	**–**	–	**32 158**	–
Net (profit)/loss on disposal of property and equipment (refer note 3)	**(5 999)**	952 256	**–**	–
Scrapping of property and equipment (refer note 3)	**–**	430 000	**–**	–
Scrapping of intangible assets (refer note 3)	**3 238 902**	–	**–**	–
Impairment of intangible assets (refer note 3)	**5 934 216**	–	**–**	–
Inventory write-off (refer note 3)	**7 391 961**	–	**–**	–
Impairment of goodwill (refer note 3)	**16 200 000**	–	**–**	–
Subsequent remeasurement of contingent liabilities (refer note 3)	**(22 016 764)**	(3 261 614)	**–**	–
(Reversal)/impairment of asset held for sale (refer note 18)	**(1 673 913)**	7 735 901	**–**	–
Discount on settlement of loans receivable	**–**	161 765	**–**	–
Transaction costs related to borrowings	**142 418**	2 412 655	**–**	–
Gain on modification of lease liabilities (refer note 3)	**(906 863)**	–	**–**	–
Loss on modification of finance lease receivables (refer note 3)	**1 415 366**	–	**–**	–
Finance lease receivable profit	**(12 780 040)**	(15 614 103)	**–**	–
	305 383 086	232 199 817	**(512 142)**	(46 195)

** See note 37.1 and note 37.2 for details regarding the restatement for measurement period adjustments and note 37.3 for details of a restatement due to a prior period error.*

	Consolidated 2020 R	Consolidated 2019 R	Company 2020 R	Company 2019 R
B Working capital (outflow)/inflow				
Increase in inventory	**(10 200 364)**	(3 234 464)	**–**	–
Decrease/(increase) in trade and other receivables, including contract assets	**11 150 790**	(94 387 343)	**15 074**	29 206
(Decrease)/increase in trade and other payables	**(28 967 248)**	27 606 715	**(129 249)**	107 714
Increase/(decrease) in contract liabilities	**23 775 115**	(3 415 845)	**–**	–
Finance lease receivable receipts	**9 549 225**	14 119 770	**–**	–
(Decrease)/increase in leave pay and provisions	**(36 329 344)**	5 798 988	**–**	–
	(31 021 826)	(53 512 179)	**(114 175)**	136 920

ANNUAL FINANCIAL STATEMENTS
NOTES TO THE STATEMENTS OF CASH FLOWS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2020

	Consolidated 2020 R	Consolidated 2019 R	Company 2020 R	Company 2019 R
C Tax paid				
Charge to the statement of profit or loss and other comprehensive income	**44 028 610**	48 549 339	**1 103 594**	1 098 104
Adjustment for deferred taxation	**(5 448 036)**	6 058 731	**(111 534)**	39 206
Acquisition of subsidiary	**–**	1 363 032	**–**	–
Foreign exchange adjustments	**1 560 128**	(306 912)	**–**	–
Movement in tax balance	**15 441 884**	13 174 130	**54 552**	(589 263)
	55 582 586	68 838 320	**1 046 612**	548 047
D Cash and cash equivalents				
Bank balances	**166 753 938**	54 784 263	**585 704**	439 168
Cash on deposit	**11 375 272**	624 088	**–**	–
Foreign currency	**6 368 276**	2 929 535	**–**	–
Petty cash	**65 566**	67 597	**–**	–
Net cash and cash equivalents at year end	**184 563 052**	58 405 483	**585 704**	439 168

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

Adapt IT Holdings Limited, Adapt IT (Pty) Ltd and CQS Confirmations (Pty) Ltd bank balances totalling R111 521 845 (2019: R21 152 872) have been ceded as security for The Standard Bank of South Africa Limited debt (note 22).

ANNUAL FINANCIAL STATEMENTS
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

1. Accounting policies

1.1 Basis of preparation

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

The separate and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited and the requirements of the Companies Act. The financial statements have been prepared under the historical cost method, except for certain financial instruments and properties at fair value.

These accounting policies have been consistently applied to all the years presented, except for the Standards and Interpretations which became effective during the current financial year which are disclosed in note 1.8 to the financial statements.

The financial information is presented in the consolidated financial statements for the parent company Adapt IT Holdings Limited, together with its subsidiaries.

The financial information presented in the company financial statements comprises that of the parent company, Adapt IT Holdings Limited.

1.2 Basis of consolidation

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

Subsidiaries
Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control and continue to be consolidated until the date when such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated.

None of the investments in subsidiaries are listed. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Where considered necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies in line with those of the group.

Any subsequent changes to the group's ownership interests in subsidiaries are accounted for as equity transactions and are accumulated in the business combination reserve.

Disposal of subsidiaries
When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying value recognised in profit or loss. The fair value is the initial carrying value for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

1.3 Business combinations

Acquisitions of subsidiaries (entities acquired) and businesses (assets and liabilities acquired) are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net fair value of the identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. Non-controlling interests at acquisition date are determined as the non-controlling shareholders' proportionate share of the fair value of the net assets of the subsidiary acquired. Acquisition-related costs are recognised in profit or loss as incurred.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Contingent consideration in a business combination is included in the cost of a business combination at fair value on the date of acquisition. The classification of the arrangement into debt or equity will dictate the subsequent accounting. If the arrangement is classified as debt the amount will have to be remeasured at each reporting period with changes being recognised in profit or loss. Changes in the fair value of a contingent consideration that has been classified as equity are not recognised and settlement is accounted for within equity.

ANNUAL FINANCIAL STATEMENTS
NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2020

1. Accounting policies continued

1.3 Business combinations continued

When the accounting for a business combination can only be determined provisionally at the date of reporting, provisional values are used. These provisional values are adjusted once the initial accounting has been completed, which must be within 12 months of the date of acquisition, by retrospectively adjusting the fair values of the net assets acquired and goodwill.

1.4 Foreign currency transactions

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

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

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within other costs.

The following foreign currency exchange rates were used to prepare the 30 June consolidated financial statements:

	Average rate		Closing rate	
	2020	2019	**2020**	2019
US Dollar/Rand	**15.678**	14.142	**17.360**	14.045
Australian Dollar/Rand	**10.493**	10.140	**11.961**	9.850
Euro/Rand	**17.334**	16.190	**19.504**	15.966
New Zealand Dollar/Rand	**9.952**	9.515	**11.187**	9.433
Singapore Dollar/Rand	**11.315**	10.372	**12.449**	10.372
Botswana Pula/Rand	**1.401**	1.333	**1.472**	1.302
Kenyan Shilling/Rand	**0.149**	0.139	**0.161**	0.136
Nigerian Naira/Rand	**0.042**	0.037	**0.045**	0.039

On disposal of a foreign operation, the cumulative amount in the foreign currency translation reserve relating to that particular foreign operation is reclassified to profit or loss.

1.5 Dividends

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

Dividends paid are classified as a component of cash flows from operating activities in order to assist users to determine the ability of the group to pay dividends out of operating cash flows.

1.6 Cost of sales

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

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

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

1.7 Financial instruments

Financial instruments are initially recognised when the group becomes a party to the contractual terms of the instrument.

Financial assets
Financial assets are presented as non-current assets, except for those with maturities within 12 months from the statement of financial position date, which are classified as current assets.

The group classifies its financial assets into the category discussed below:

Amortised cost
These assets arise principally from the provision of goods and services to customers, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The group calculates its allowance for credit losses based on expected credit losses (ECLs). To calculate ECLs, the group segments financial assets by customer type i.e. corporate, parastatal/government and SME.

Impairment provisions for trade receivables and contract assets are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables and contract assets. Trade receivables are written off against the associated provision where there is no realistic prospect of future recovery and all methods of collections including legal interventions have been exhausted.

The group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the group may also consider a financial asset to be in default when internal or external information indicates that the group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the group. Refer to note 32.1 credit risk for management's processes for assessing such default. The inputs used in the calculation of the ECLs are based on various relevant published indices.

The group has elected the general approach for measuring the loss allowance for finance lease receivables due to there being a significant financing component on these financial assets. Stage 1 includes finance lease receivables that have not had a significant increase in credit risk. All finance lease receivables which are current and until 30 days past due date of contractual terms are included in stage 1. Stage 2 includes finance lease receivables that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment risk since initial recognition or that have low credit risk at the reporting date. Stage 2 includes the finance lease receivables which are 31 days to 89 days past due date. The group considers finance lease receivables in default when contractual payments are 90 days past due.

The group's financial assets measured at amortised cost comprise trade and other receivables, contract assets, finance lease receivables, loan receivables and cash and cash equivalents in the consolidated statement of financial position.

In the company, related party loans include loans between the parent and a subsidiary (i.e. intragroup loans). The following types of arrangements exist within the company:

- Loans advanced on an interest rate that is considered arm's length and repayable on a specified date (term loan); and
- Loans advanced on an interest-free basis that are payable on demand.

These loans are within the scope of IFRS 9. All related party loans are held with the objective of collecting their contractual cash flow under a 'hold to collect' business model and consequently classified at amortised cost. Intercompany positions eliminate in the consolidated financial statements.

Simplifications from IFRS 9's general 3 stage impairment model are available for trade receivables, contract assets or lease receivables, but these do not apply to intercompany loans. The general model was therefore applied to calculate the expected credit loss on related party loans within the company.

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

ANNUAL FINANCIAL STATEMENTS
NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2020

1. Accounting policies continued

1.7 Financial instruments continued

Judgements and estimates
The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation. The group considers all reasonable and supportable information available to management at year end. Such information may be evaluated on an individual basis, a portfolio basis or a portion of a portfolio in determining the requisite expected credit loss. Management has adopted a multifactor and holistic analysis which considers both qualitative and quantitative information as criteria for the recognition of lifetime ECLs.

Financial liabilities
Financial liabilities are classified and measured at amortised cost or fair value through profit or loss depending on the nature of the instrument.

Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

1.8 Adoption of new and revised standards

New and amended IFRS Standards that are effective for the current 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.

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.

(a) Definition of a lease
The group assessed all existing lease agreements and 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, the 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

ANNUAL FINANCIAL STATEMENTS
NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2020

1. Accounting policies continued

1.8 Adoption of new and revised standards continued

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.

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.

1.9 New or revised IFRS standards

The following standards, interpretations and amendments to standards applicable to the group were 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.

2. Revenue

Accounting policy

Revenue from contracts with customers

The group derives revenue from offering multiple services to customers. Certain service offerings are highly interdependent and interrelated as the customer cannot use one aspect without the other services/resources for their benefit and the benefit of the total service offering is only realised when certain service offerings are combined.

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the group expects to be entitled in exchange for those goods or services. The group has generally concluded that it is the principal in its revenue arrangements and recognises revenue on the gross basis, except where the group is acting in the capacity of an agent, in which case, revenue is recognised on the net basis.

Revenue is derived from fees charged to customers for the following service offerings:

- Software licenses;
- Subscriptions;
- Software installation, implementation and development;
- Maintenance and support services;
- Services such as project consulting and training;
- Hardware sales; and
- Other revenue from goods and services.

The group does not encounter any revenue reversal due to returns, refunds, rebates and other similar obligations.

All invoices are due and payable within payment terms of 30 to 60 days therefore the group has elected to apply the practical expedient as there are no significant financing components.

Revenue stream	Performance obligation	Timing	Measurement	Judgement
Software licenses	Software license revenue represents fees earned from the sale or licensing of software to customers. Software license revenue includes revenue from the sale of standard software products and customised software developed in-house and/or at client's premises. License revenue may also include access to updates and/or upgrades throughout the contract period. Where the group sells on-premise software licenses with the right to updates and such updates are critical to the functionality of the software, the group concluded that these arrangements consist of one performance obligation. The group acts a principal in certain contracts and as an agent in others depending on the nature and scope of the contract. In concluding that the group is a principal in the contract, management determines whether the license was controlled by the group prior to transferring it to the customer. In determining control, the following factors are assessed: who is responsible for the delivery of the licenses and who sets the price for the licenses provided.	In assessing the timing of the revenue recognition, management assesses whether there are any activities that the group is required to undertake after delivery of the license that would significantly affect the license. When significant activities are required, the group recognises the license revenue over time rather than at a point in time. Where the license revenue relates to a right to use, these are recognised at a point in time. The benefit received by the customer does not significantly change during the contract period and the group has no further significant obligations once the license has been delivered to the customer. Revenue is recognised over time, when the license grants the customer a right to access over the contract period. Right to access entitles a customer to the benefit of significant upgrades or services over the contract period.	Revenue is based on fixed prices as per contractual terms/ agreement with customers.	No judgement involved relating to amount or timing of software license revenue recognised.
Subscriptions	Software as a Service (SaaS) subscriptions are a right to access software functionality (including standard functionalities and extensions) together with hosting and other similar inter-dependent services with the same pattern of transfer.	Revenue from subscriptions is recognised over time as the customer receives the right to access software. When subscriptions are invoiced for the full contract period, the transaction price is recognised as a contract liability, except where contracts are executory in nature, at the time of the initial sales transaction and is released to income over the period of the service.	Revenue from subscriptions is based on pre-determined selling prices depending on the type of subscription procured by the customer.	No judgement involved relating to amount or timing of subscription revenue recognised.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2020

2. Revenue continued

Accounting policy continued

Revenue stream	Performance obligation	Timing	Measurement	Judgement
Software installation, development and implementation services revenue	The group provides a service of installation, development and implementation of various software products for specialised business operations based on requirements set out in each respective contract. Project implementation services include customising, configuring, enabling, training, enhancing, deploying, upgrading, integrating, configuring and/or installing third party or in-house developed software applications. For certain contracts, the milestones cannot be split into distinct performance obligations. Accordingly, these are treated as one performance obligation.	Dependent on the nature of installation and implementation services, revenue may be recognised at a point in time or over time. Where performance obligations are satisfied over time, this is due to the customer simultaneously receiving benefits and/or the customer's asset being enhanced over time. For contracts with distinct performance obligations, revenue is recognised at a point in time when the installation and implementation has been fully satisfied per each obligation and the customer obtains control of the asset.	For installation services performed at a point time, revenue is based on the contract price stipulated per agreements and per assigned performance obligations. For certain installation, development and implementation services which are recognised over time, revenue is determined as a percentage of completion using the following methods: • work completed over estimated work required to complete the service; and • the cost incurred at period end over the total estimated costs to complete the service.	Management applies judgement to estimate: • work completed over estimated work required to complete the service; and • the cost incurred at period end over the total estimated costs to complete the service. This is performed on an individual contract basis.
Maintenance and support revenue	Maintenance and support services comprise unspecified future software updates, upgrades and enhancements as well as technical product support services for software products.	Revenue relating to maintenance and support services is recognised over time as the group is obligated to perform services under the contracts for the full contractual period. Alternatively, it is invoiced per month. When maintenance and support are invoiced for the full contract period, the transaction price is recognised as a contract liability, except where contracts are executory in nature, at the time of the initial sales transaction and is released to income over the period of the service.	Maintenance and support revenue is based on fixed or predetermined rates over the period of service received by the customer.	No judgement involved relating to amount or timing of maintenance and support revenue recognised.
Services revenue	Services revenue primarily represents fees earned from professional consulting services, premium support services, training services, and messaging services.	Revenue is recognised either at a point in time or over time depending on the nature of the work to be performed. For example: training revenue is recognised at a point in time when the training is provided. Consulting services are recognised over the period of time that the hours are delivered.	Service revenue is based on agreed upon hours and rates or amounts with the customer.	No judgement involved relating to amount or timing of services revenue recognised.
Hardware sales revenue	The group sells a range of hardware goods to its customers.	Revenue from the sale of hardware is recognised when control is transferred at a point in time, being when the customer accepts delivery of the goods.	Revenue is based on fixed prices as per contractual terms with customers.	No judgement involved relating to amount or timing of hardware revenue recognised.
Other revenue	Other revenue earned by the group on products and services are ancillary to those described above.	Other revenue is recognised at a point in time or over time depending of the service or product being supplied.	Revenue is based on pre determined rates. These are agreed upon with the customer prior to commencement of service.	No judgement involved relating to amount or timing of revenue recognised.

Administrative fees and dividends received

Administrative fees received from subsidiaries is recognised as services are provided. Dividends received from subsidiaries are recognised when the company's right to receive payment has been established.

2. Revenue continued

2.1 Consolidated 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.

Consolidated 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

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2. Revenue continued

2.1 Consolidated revenue continued

Consolidated 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

2.2 Company revenue

	2020 R	2019 R
Administrative fees received from subsidiaries	**3 800 000**	3 600 000
Dividends received from subsidiary	**100**	25 816 428
Total revenue	**3 800 100**	29 416 428

3. Profit before tax

	Consolidated 2020 R	Consolidated 2019 Restated* R	Company 2020 R	Company 2019 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	2 334 560	2 303 262
Other interest received	786 024	863 650	–	903
Interest received from subsidiaries	–	–	2 334 560	2 302 359
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 (refer note 18)	1 673 913	–	–	–
Subsequent remeasurement of contingent liabilities (refer note 23)	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	520 955	481 954
– Current year fees	7 874 262	5 830 236	520 955	481 954
– Prior year fees	2 630 451	–	–	–
– Other services	1 066 760	62 800	–	–
Depreciation (refer note 7)	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 (refer note 8)	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 (refer note 9)	28 120 437	–	–	–
Finance costs	84 698 847	42 830 348	20 565	16 293
– Borrowings	48 516 272	37 496 953	–	–
– Lease liabilities	30 717 229	258 936	–	–
– Other	2 179 573	985 432	20 565	16 293
– Financial liabilities (imputed)	3 285 773	4 089 027	–	–

** See note 37.1 and note 37.2 for details regarding the restatement for measurement period adjustments and note 37.3 for details of a restatement due to a prior period error.*

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3. Profit before tax continued

	Consolidated 2020 R	Consolidated 2019 R	**Company 2020 R**	Company 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**	–	**–**	–
Write off amounts owing by Share Incentive Trust	**–**	–	**32 158**	–
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-offs (refer note 15)	**7 391 961**	–	**–**	–
Scrapping of intangible assets (refer note 8)	**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 (refer note 16)	**2 346 793**	6 404 751	**–**	–
– Loss allowance on amounts due from contract assets (refer note 17)	**(443 517)**	(700 712)	**–**	–
– Loss allowance on finance lease receivables (refer note 12)	**(659 896)**	602 144	**–**	–
Impairment of non-current assets	**22 134 216**	–	**–**	–
– Impairment of intangible assets (refer note 8)	**5 934 216**	–	**–**	–
– Impairment of goodwill (refer note 10)	**16 200 000**	–	**–**	–
Impairment of asset held for sale (refer note 18)	**–**	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.*

4. Directors' remuneration

	Consolidated 2020 R	Consolidated 2019 R	Company 2020 R	Company 2019 R
Executive directors				
In connection with the affairs of the group	**9 990 046**	11 120 890	**9 990 046**	11 120 890
Salary and medical aid				
– S Shabalala^*	**3 922 722**	3 666 994	**3 922 722**	3 666 994
– T Dunsdon#*	**3 319 782**	2 983 909	**3 319 782**	2 983 909
– N Mbambo^*	**2 747 542**	2 540 100	**2 747 542**	2 540 100
Share-based payment release				
– S Shabalala	**–**	(313 046)	**–**	(313 046)
– T Dunsdon	**–**	(185 640)	**–**	(185 640)
– N Mbambo	**–**	(79 502)	**–**	(79 502)
Bonus and performance-related payments				
– S Shabalala^	**–**	1 179 450	**–**	1 179 450
– T Dunsdon#	**–**	697 500	**–**	697 500
– N Mbambo^	**–**	631 125	**–**	631 125
Prescribed Officer				
In connection with the affairs of the group	**5 385 713**	3 199 230	**–**	–
Salary and medical aid				
– T Vicente	**3 675 000**	–	**–**	–
– C Young**	**1 710 713**	2 754 200	**–**	–
Share-based payment release				
– C Young	**–**	(148 970)	**–**	–
Bonus and performance-related payments				
– C Young	**–**	594 000	**–**	–
Non-executive directors' fees				
For attending meetings	**5 385 713**	1 316 672	**1 504 031**	1 316 672
C Chambers*	**438 663**	424 855	**438 663**	424 855
B Ntuli***	**119 310**	289 238	**119 310**	289 238
O Fortuin*	**348 786**	289 238	**348 786**	289 238
C Koffman*	**298 636**	289 238	**298 636**	289 238
Z Nyanga*	**298 636**	24 103	**298 636**	24 103
	16 879 790	15 636 792	**11 494 077**	12 437 562

^ *Directors' remuneration paid by Adapt IT (Pty) Ltd.*
# *Directors' remuneration paid by Adapt IT Australasia (Pty) Ltd.*
* *The earnings reflected is after a 10% voluntary salary sacrifice taken as from 1 May 2020 due to Covid-19.*
** *Resigned 31 January 2020.*
*** *Resigned 22 November 2019.*

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5. Income tax expense

Accounting policy

Tax expense, recognised in the statement of profit or loss and other comprehensive income, comprises current and deferred taxation. Current and deferred taxation is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity, in which case it is also recognised in equity, and, to the extent that it relates to items recognised in other comprehensive income (OCI), it is also recognised in OCI.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years (prior period tax paid). Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred taxation

Deferred taxation is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective taxation bases. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities and is measured at the taxation rates (enacted or substantively enacted at the reporting date) that are expected to be applied to the temporary differences when they reverse.

Deferred taxation is recognised in profit or loss for the period, except to the extent that it relates to a transaction that is recognised directly in equity or in OCI, or a business combination that is accounted for as an acquisition.

Withholding tax

Withholding tax is payable at varying tax rates on revenue earned in certain foreign jurisdictions including revenue charged by one group company to another.

	Consolidated 2020 R	Consolidated 2019 Restated* R	**Company 2020 R**	Company 2019 R
Current tax#				
– Current year	**26 664 858**	43 324 037	**634 988**	736 960
– Prior year (over)/under provision	**(1 247 016)**	120 987	**357 072**	400 350
Deferred tax				
– Current year	**1 791 176**	(4 887 448)	**111 534**	(39 092)
– Prior year under/(over) provision	**3 609 703**	(1 171 283)	**–**	(114)
– Change in tax rate	**47 157**	–	**–**	–
Withholding tax#	**13 162 732**	11 163 046	**–**	–
Tax for the year	**44 028 610**	48 549 339	**1 103 594**	1 098 104

* *See note 37.1 and note 37.2 for details regarding the restatement for measurement period adjustments.*
\# *The 30 June 2019 current tax and withholding tax have been represented.*

	Consolidated 2020 %	Consolidated 2019 Restated* %	Company 2020 %	Company 2019 %
Effective rate of taxation^				
South African normal tax rate	**28,0**	28,0	**28,0**	28,0
Adjusted for:				
– Dividends received from subsidiary	**–**	–	**–**	(25,7)
– Prior year (over)/under provision in current and foreign tax	**(1,1)**	0,1	**20,2**	1,4
– Prior year under/(over) provision in deferred tax	**3,1**	(0,9)	**–**	–
– Other disallowed expenses[1]	**1,3**	1,3	**0,9**	0,2
– Disallowed interest	**2,0**	2,6	**0,3**	–
– Controlled foreign company imputed amount	**0,2**	–	**13,0**	–
– Acquisition and business formation costs disallowed	**1,0**	1,6	**–**	–
– (Reversal)/impairment of asset held for sale	**(0,4)**	1,7	**–**	–
– Gain arising on derecognition of financial liabilities	**(3,3)**	(0,7)	**–**	–
– Allowances[2]	**(0,4)**	(1,9)	**–**	–
– Withholding tax paid	**11,5**	9,0	**–**	–
– Withholding tax credits and rebates	**(2,0)**	(1,7)	**–**	–
– Tax losses not recognised	**0,6**	0,6	**–**	–
– Impairment of goodwill	**4,0**	–	**–**	–
– Tax losses utilised to reduce tax[3]	**(0,7)**	(0,5)	**–**	–
– Different tax rates[4]	**(5,5)**	0,1	**–**	–
Effective rate of taxation	**38,3**	39,3	**62,4**	3,9

* *See note 37.1 and note 37.2 for details regarding the restatement for measurement period adjustments.*

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

(1) *This includes consultancy fees, legal costs, donations, fines and penalties, which are not deductible for tax purposes in many countries in which the group operates. These items are immaterial on an individual basis.*

(2) *Allowances includes Government incentives for learnerships and business formation cost allowance in Australia.*

(3) *R3 769 301 (2019: R4 968 318) of assessed losses brought forward were utilised in the current year to reduce taxable profits.*

(4) *The statutory tax rate of foreign operating subsidiaries (refer note 36) are as follows:*
Australia and Nigeria 30%, Kenya 25%, Botswana 22%, United States of America 21%, Singapore 17%, Ireland 13% and Mauritius 3%.

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6. Earnings and dividends per share

6.1 Earnings per share

The calculation of earnings per share is based on the profit attributable to equity holders of the parent of R 70 652 503 (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).

		Consolidated 2020	Consolidated 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 3)		**(1 673 913)**	7 735 901
– (Profit)/loss on sale of property and equipment (refer note 3)		**(5 999)**	952 256
– Scrapping of property and equipment (refer note 3)		**–**	430 000
– Scrapping of intangible assets (refer note 3)		**3 238 902**	–
– Impairment of intangible asset acquired through business combinations (refer note 3)		**5 934 216**	–
– Impairment of goodwill (refer note 3)		**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
6.2 Dividends per share			
Dividends per share	(cents)	**–**	17,10

** See note 37.1 and note 37.2 for details regarding the restatement for measurement period adjustments.*

7. Property and equipment

Accounting policy

Property and equipment are initially recognised at cost if it is probable that any future economic benefits associated with the items will flow to the group and they have a cost that can be measured reliably.

Subsequent costs are included in the asset's carrying value, or recognised as a separate asset, only when it is probable that the future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss in the period in which they are incurred.

Depreciation
Property and equipment are depreciated to estimated residual value on a straight-line basis over their expected useful life. The assets' residual values and useful lives are reviewed annually and adjusted prospectively, if applicable. Leasehold improvements are depreciated over the lesser of the period of the lease and the useful life of the asset.

Derecognition
Items of property and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is recognised in profit or loss and is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Judgements and estimates
The group depreciates its property and equipment over their estimated useful lives taking into account residual values, where appropriate. The estimation of the useful lives of assets and residual values is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. The actual lives of these assets and residual values can vary depending on a variety of factors, including technological innovation, maintenance programmes and relevant market information.

Depreciation rates
The estimated useful life information for 2020 was as follows:

Category	Useful life
Computer hardware	3 to 6 years
Leasehold improvements	Period of lease
Motor vehicles	4 to 6 years
Other tangible assets:	
Furniture and fittings	6 to 10 years
Telephone equipment	5 to 7 years
Office equipment	4 to 6 years

Covid-19 considerations
Due to the nature of property and equipment within the group, there has been no direct Covid-19 impact on the valuation thereof.

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7. Property and equipment continued

	Computer hardware R	Other tangible assets* R	Leasehold improvements R	Motor vehicles** R	Total+ R
Consolidated 2020					
Carrying amount at end of year					
– Cost or valuation	**35 810 577**	**65 014 196**	**52 419 370**	**3 578 426**	**156 822 569**
– Accumulated depreciation	**(15 655 646)**	**(18 648 424)**	**(12 273 554)**	**(1 822 171)**	**(48 399 795)**
Carrying amount at end of year	**20 154 931**	**46 365 772**	**40 145 816**	**1 756 255**	**108 422 774**
Movement in property and equipment					
Carrying amount at beginning of year	**23 801 476**	**48 880 594**	**47 466 841**	**2 819 673**	**122 968 584**
Additions	**5 344 181**	**3 641 155**	**1 195 477**	**224 295**	**10 405 108**
Reclassification	**795 234**	**2 468 236**	**(3 263 470)**	**–**	**–**
Disposals/scrapping	**(80 621)**	**(419 891)**	**(1 129 612)**	**(151 182)**	**(1 781 306)**
Depreciation	**(9 902 565)**	**(8 367 835)**	**(4 130 564)**	**(1 178 167)**	**(23 579 131)**
Foreign exchange adjustments	**197 226**	**163 513**	**7 144**	**41 636**	**409 519**
Carrying amount at end of year#	**20 154 931**	**46 365 772**	**40 145 816**	**1 756 255**	**108 422 774**
Consolidated 2019 (restated)^					
Carrying amount at end of year					
– Cost or valuation	40 898 363	63 300 508	55 962 576	5 300 979	165 462 426
– Accumulated depreciation	(17 096 887)	(14 419 914)	(8 495 735)	(2 481 306)	(42 493 842)
Carrying amount at end of year	23 801 476	48 880 594	47 466 841	2 819 673	122 968 584
Movement in property and equipment					
Carrying amount at beginning of year	17 479 473	48 811 179	40 047 864	3 491 049	109 829 565
Additions	14 474 693	7 725 711	11 941 834	879 061	35 021 299
Acquisition of subsidiary	1 109 310	460 360	–	–	1 569 670
Disposals/scrapping	(391 711)	(799 944)	(430 000)	(51 452)	(1 673 107)
Depreciation	(8 888 998)	(7 316 413)	(4 097 653)	(1 509 363)	(21 812 427)
Foreign exchange adjustments	18 709	(299)	4 796	10 378	33 584
Carrying amount at end of year#	23 801 476	48 880 594	47 466 841	2 819 673	122 968 584

* *Other tangible assets comprise mainly furniture and fittings, telephone equipment and office equipment.*

** *Motor vehicles acquired through leases are held as security for the amount outstanding on the lease. The carrying value of motor vehicles held as security at year end is R686 244 (2019: R1 940 613).*

\+ *Property and equipment with a cost value of R22 248 216 and accumulated depreciation value of R22 248 216 was scrapped during the 30 June 2020 year.*

\# *Movable assets of Adapt IT (Pty) Ltd are held as security for The Standard Bank of South Africa Limited debt (refer note 22) with a carrying value at year end of R94 846 159 (2019: R93 264 363).*

^ *See note 37.3 for details regarding prior period error.*

8. Intangible assets

Accounting policy

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

Inhouse developed software
Research costs are expensed as and when incurred.

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

The expenditure capitalised, provided the costs are measurable, includes the cost of material, direct labour and an appropriate portion of overheads. Capitalised development expenditure is shown as cost less accumulated amortisation and impairment losses. The amount of capitalised development cost recognised as an asset is amortised over the estimated useful life of the asset.

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

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

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

Licenses acquired
Licenses acquired are measured on initial recognition at cost. Following initial recognition, licenses acquired are carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is recognised in profit or loss and is included in cost of sales.

Impairment
The group applies IAS 36 to determine whether an intangible asset is impaired and accounts for any identified impairment loss immediately in profit or loss. Impairment testing is performed by comparing the recoverable amount of the asset to the carrying value of the asset. The recoverable amount is the greater of the value in use and fair value less costs to sell.

Judgements and estimates
The group amortises its finite useful life intangible assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, maintenance programmes and relevant market information.

Amortisation rates
The estimated useful life information for 2020 was as follows:

Category	Useful life
Customer relationships	7 to 13 years
Acquired business combination software	3 to 10 years
Inhouse developed software	2 to 7 years
Computer software	2 to 5 years
Trademarks	20 years
Licenses acquired	3 to 7 years

Covid-19 considerations
Due to the nature of intangible assets within the group, there has been no direct Covid-19 impact on the valuation thereof.

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8. Intangible assets continued

	Customer relationships R	Acquired and inhouse developed software R	Computer software R	Trademarks R	Licenses acquired R	Total R
Consolidated 2020						
Carrying amount at end of year						
– Cost or valuation	**250 043 214**	**153 862 360**	**10 527 181**	**71 180**	**37 921 856**	**452 425 791**
– Accumulated amortisation	**(113 727 947)**	**(66 686 573)**	**(7 905 023)**	**(69 144)**	**(17 140 957)**	**(205 529 644)**
Carrying amount at end of year	**136 315 267**	**87 175 787**	**2 622 158**	**2 036**	**20 780 899**	**246 896 147**
Movement in intangible assets						
Carrying amount at beginning of year	**170 368 646**	**90 233 724**	**3 771 394**	**4 775**	**32 287 810**	**296 666 349**
Additions	**–**	**5 700 321**	**417 007**	**–**	**86 618**	**6 203 946**
Scrapping	**–**	**–**	**–**	**–**	**(3 238 902)**	**(3 238 902)**
Impairment^	**(5 934 216)**	**–**	**–**	**–**	**–**	**(5 934 216)**
Amortisation	**(29 588 652)**	**(17 971 364)**	**(1 566 243)**	**(2 739)**	**(8 354 627)**	**(57 483 625)**
Foreign exchange adjustments	**1 469 489**	**9 213 106**	**–**	**–**	**–**	**10 682 595**
Carrying amount at end of year	**136 315 267**	**87 175 787**	**2 622 158**	**2 036**	**20 780 899**	**246 896 147**
Consolidated 2019 (restated)*						
Carrying amount at end of year						
– Cost or valuation	256 719 445	137 243 284	14 941 409	67 672	43 974 199	452 946 009
– Accumulated amortisation	(86 350 799)	(47 009 560)	(11 170 015)	(62 897)	(11 686 389)	(156 279 660)
Carrying amount at end of year	170 368 646	90 233 724	3 771 394	4 775	32 287 810	296 666 349
Movement in intangible assets						
Carrying amount at beginning of year	151 444 933	66 611 275	1 706 648	(514)	–	219 762 342
Additions	–	4 168 882	3 766 315	–	43 974 199	51 909 396
Acquisition of subsidiary	45 477 766	35 292 223	–	7 905	–	80 777 894
Amortisation	(26 453 909)	(16 787 151)	(1 701 569)	(2 616)	(11 686 389)	(56 631 634)
Foreign exchange adjustments	(100 144)	948 495	–	–	–	848 351
Carrying amount at end of year	170 368 646	90 233 724	3 771 394	4 775	32 287 810	296 666 349

* *See note 37.1 and note 37.2 for details regarding the restatement for measurement period adjustments.*

^ *The impairment of customer relationships is due to the loss of a key client in the Hospitality division following a global franchisor decision to change its software solution.*

9. Right-of-use assets

Accounting policy

Right-of-use assets are recognised at the commencement date of the lease and are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs and lease payments made at or before the commencement date, less any lease incentives received.

Depreciation
Right-of-use assets are depreciated on a straight-line basis from commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Impairment
The group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss immediately in profit or loss. Impairment testing is performed by comparing the recoverable amount of the asset to the carrying value of the asset. The recoverable amount is the greater of the value in use and fair value less costs to sell.

Judgements and estimates
Determination of the right-of-use asset involves judgement on and estimate of key inputs being interest rates and the duration of the lease contract including take up of lease options.

Depreciation rates
The estimated useful life information for 2020 was as follows:

Category	Useful life
Leasehold premises	2 to 13 years
IT equipment	5 years

Covid-19 considerations
An impairment assessment was performed and no resulting Covid-19 impact was identified.

	Leasehold premises R	Equipment R	Total R
Consolidated 2020			
Carrying amount at end of year			
– Cost or valuation	268 020 134	93 332	268 113 466
– Accumulated depreciation	(28 232 047)	(41 481)	(28 273 528)
Carrying amount at end of year	239 788 087	51 851	239 839 938
Movement in right-of-use assets			
Carrying amount at beginning of year^	–	–	–
Transitional adjustment for IFRS 16 (refer note 1.8)	252 298 678	93 332	252 392 010
Adjusted balance at 1 July 2019	252 298 678	93 332	252 392 010
Lease modifications and remeasurements	14 587 355	–	14 587 355
Depreciation	(28 078 956)	(41 481)	(28 120 437)
Foreign exchange adjustments	981 010	–	981 010
Carrying amount at end of year	239 788 087	51 851	239 839 938

^ The comparative amounts have not been disclosed due to the adoption of IFRS 16 on the modified retrospective approach.

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10. Goodwill

Accounting policy

Goodwill arises on the acquisition of subsidiaries and is recognised as an asset on the date that control is acquired, being the acquisition date. Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net fair value of the identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment

Goodwill is not amortised but is tested for impairment at least once a year. Any impairment loss is recognised immediately in profit or loss. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Impairment testing is performed by comparing the recoverable amount of the cash generating unit to the carrying value of the unit, including allocated goodwill. The recoverable amount is the greater of the value in use and fair value less costs to sell.

Derecognition

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

Significant judgements and estimates

The group's impairment test for goodwill is based on value in use calculations that use a discounted cash flow model. Future cash flows are derived from the budget for a period of five years and do not include restructuring activities that the group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The discount rates used in the discounted cash flow models are calculated using the principles of the Capital Asset Pricing Model, taking into account current market conditions. Management judgement is applied in estimating the future cash inflows of the cash generating units when preparing detailed budgets. These estimates are set in relation to historic figures and current projects and opportunities that each unit is currently delivering or pursuing.

	Consolidated 2020 R	Consolidated 2019 Restated* R
Carrying amount at beginning of the year	**704 183 385**	598 251 511
Impairment of Aquilon (Energy) (refer note 3)	**(16 200 000)**	–
Acquisition of Strive Software	**–**	7 636 139
Acquisition of Conor	**–**	39 578 670
Acquisition of Wisenet	**–**	59 735 800
Foreign exchange adjustments	**17 116 039**	(1 018 735)
Carrying amount at end of year	**705 099 424**	704 183 385
The carrying amount of goodwill has been allocated to cash generating units (CGUs) as follows:		
– Manufacturing	**10 407 854**	10 407 854
– HCM	**12 352 476**	12 352 476
– Aquilon (Energy)	**79 276 795**	95 476 795
– AspiviaUnison (Telecoms)	**143 038 405**	143 038 405
– CQS	**187 932 511**	187 932 511
– EasyRoster	**41 700 780**	41 700 780
– Micros	**78 047 323**	78 047 323
– LGR Australia	**26 063 226**	21 464 460
– LGR South Africa	**7 192 771**	7 192 771
– Strive Software	**7 636 139**	7 636 139
– Conor	**39 578 670**	39 578 670
– Wisenet Australia	**63 503 939**	52 298 888
– Wisenet New Zealand	**8 368 535**	7 056 313
Total	**705 099 424**	704 183 385

** See note 37.1 and note 37.2 for details regarding the restatement for measurement period adjustments.*

Covid-19 considerations

Detailed budgets prepared for financial year 2021 included specific risk factors for revenue and operating profit depending on the product offering and industry within which each CGU operates. The impact of Covid-19 is more pronounced in certain CGUs where customers were unable to operate during lockdown periods, in compliance with government regulations. Whilst the impact of Covid-19 on business performance remains uncertain, management has performed a review of budgets utilising deep industry knowledge, pipeline of customer demand for solutions and opportunities pursued to ensure that budgets for the financial year 2021 are reflective of current and anticipated market conditions. Yearly and terminal growth rate assumptions were lowered from the previous financial year and higher discount rates applied, particularly in year one to three of the discounted cash flow models.

Sensitivity assessment of goodwill impairment

The recoverable amount of each CGU is determined based on a value in use calculation which uses cash flow projections based on financial forecasts approved by the directors. The group has conducted an analysis of the sensitivity of the impairment test to changes in key assumptions used to determine the recoverable amount for each CGU to which goodwill is allocated. Management believes that any reasonable change in the key assumptions, on which the recoverable amounts are based, would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGUs, apart from Aquilon. The tables below illustrate the sensitivity assessment per key input on the existing headroom per CGU.

South Africa

The discounted cash flows cover a five year period with an average growth rate of 4,4% used for revenue and operating profit (2019: 5,0%).

The pre-tax discount rate ranged from 16,9% to 20,2% (2019: 16,3%) and post tax from 16,6% to 19,7% (2019: 16,0%) with higher discount rates utilised in year one to three to incorporate current economic and market conditions in South Africa.

The terminal growth rate used was 4,4% (2019: 4,6%).

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10. Goodwill continued

CGU	Sensitivity assessment per key input to the existing headroom (% change)*			
	Discount rate increase of 1%	Financial year 2021 forecast operating profit: 90% achieved	Growth rate reduction of 1% on financial year 2021 forecast operating profit (year two to four)	Terminal growth rate reduction to 4%
– Manufacturing	(8)	(10)	(3)	(2)
– HCM	(10)	(14)	(4)	(3)
– Aquilon (Energy)	(344)	(429)	(141)	(316)
– AspiviaUnison (Telecoms)	(15)	(20)	(6)	(4)
– CQS	(11)	(15)	(4)	(3)
– EasyRoster	(23)	(30)	(9)	(6)
– Micros	(60)	(33)	(22)	(17)
– LGR South Africa	(12)	(19)	(5)	(4)
– Strive Software	(12)	(17)	(4)	(10)
– Conor	(12)	(16)	(5)	(3)

** Only a percentage change of more than 100% would result in an impairment charge.*

The outcome of the sensitivity analysis for the Aquilon CGU is out of range due to the current turbulent economic environment. The following impairment outcome was determined:

Aquilon
The Aquilon CGU revenue is mainly project driven. Given the uncertainty on adjudication delays on project revenue due to Covid-19, management performed further stress testing to this CGU and the carrying amount of the Aquilon CGU was determined to be higher than its recoverable amount and an impairment loss of R16 200 000 (2019: R nil) was recognised. The impairment loss was allocated fully to goodwill and included in impairment of non-current assets in profit or loss. Following the impairment loss recognised, the recoverable amount was equal to the carrying amount.

Additional consideration
Micros
Due to the significant impact of Covid-19 on the hospitality industry, additional stress testing was performed for the Micros CGU. The pre-tax discount rate was adjusted to account for the potential impact and a range of 18,7% to 20.2% and post tax of 18,2% to 19,7% was utilised. Including this additional risk factor, there is still sufficient headroom in the valuation of the CGU to support the carrying value of goodwill. Management therefore believes that any reasonable change in the key assumptions, on which the recoverable amount is based, would not cause the aggregate carrying amount to exceed the aggregate recoverable amount on the CGU and no impairment losses are required.

Australia and New Zealand
The discounted cash flows cover a five year period using a 4,0% and 1,2% growth in revenue and operating profit for Australia and New Zealand respectively.

The pre-tax discount rate applied to the cash flow projections ranges from 10,3% to 10,9% (2019: 10,2%) and post tax from 10,2% to 10,8% (2019: 10,0%).

The terminal growth rate used was 2,1% (2019: 2,2%) for Australia and 1,2% for New Zealand.

CGU	Sensitivity assessment per key input to the existing headroom (% change)*			
	Discount rate increase of 1%	Financial year 2021 forecast operating profit – 90% achieved	Growth rate reduction of 0.5% on financial year 2021 forecast operating profit (year two to four)	Terminal growth rate reduction to 1%
– LGR Australia	(14)	(12)	(2)	(11)
– Wisenet Australia	(22)	(20)	(3)	(19)
– Wisenet New Zealand	(11)	(9)	(2)	(2)

** Only a percentage change of more than 100% would result in an impairment charge.*

11. Interest in subsidiaries and share trust

Accounting policy

Subsidiaries
In the company, investments in subsidiaries are accounted for at cost, in accordance with IAS 27, less any accumulated impairment losses.

	Company Effective holding 2020 %	Company Effective holding 2019 %	Company 2020 R	Company 2019 R
Incorporated in South Africa				
Adapt IT (Pty) Ltd	100	100	67 687 647	67 687 647
Adapt IT Consulting (Pty) Ltd	100	–	100	–
Adapt IT Holdings Limited Share Incentive Trust	**	**	–	–
Incorporated in Mauritius				
Adapt IT International Ltd	100	100	55 616 951	55 616 951
Incorporated in Singapore				
Adapt IT Solutions Pte Ltd	100	100	24 565 132	24 565 132
			147 869 830	147 869 730

*** 100% consolidation*

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11. Interest in subsidiaries and share trust continued

	Company 2020 R	Company 2019 R
Adapt IT (Pty) Ltd		
Shares at cost	**48 115 401**	48 115 401
Capital contribution for share-based payment charge of subsidiary	**19 572 246**	19 572 246
Total shares	**67 687 647**	67 687 647
Amounts owing by subsidiary	**139 468 173**	186 865 007
	207 155 820	254 552 654
This intercompany amount is between Adapt IT (Pty) Ltd and Adapt IT Holdings Limited.		
No interest is charged and there are no fixed terms of repayment. The loan is unsecured.		
The investment in Adapt IT (Pty) Ltd has been pledged as security for The Standard Bank of South Africa Limited debt (refer note 22).		
Adapt IT Consulting (Pty) Ltd		
Shares at cost	**100**	–
Adapt IT International Ltd		
Shares at cost	**55 616 951**	55 616 951
Amounts owing by subsidiary	**23 936 764**	23 942 743
	79 553 715	79 559 694
The loan is Rand denominated. Interest is charged at the South African prime rate and the full loan amount is repayable by 31 May 2026. The loan is unsecured.		
Adapt IT Solutions Pte Ltd		
Shares at cost	**24 565 132**	24 565 132
Adapt IT Holdings Limited Share Incentive Trust		
Amounts owing by Share Incentive Trust	**–**	32 158
The indebtedness of the Share Incentive Trust was as a result of interest earned on financial assistance in respect of share options.		
The loan was unsecured and no interest was charged. The loan was impaired at 30 June 2020.		
Total interest in subsidiaries and Share Incentive Trust		
Total shares	**147 869 830**	147 869 730
Net amounts owing by subsidiaries	**163 404 937**	210 839 908
– Non-current loans^	**23 936 764**	23 974 901
– Current loans#	**139 468 173**	186 865 007
Total interest	**311 274 767**	358 709 638

^ *There has been no significant increase in credit risk since the loan was initially recognised. The loan is therefore in stage 1 of the impairment model and a 12 month expected credit loss is applicable. The borrower is not in default and has enough unrestricted cash to repay the loan on reporting date. The expected credit loss is therefore negligible, and no further consideration was considered necessary.*

Interest free intercompany loans with no stated term are assumed to be payable on demand. There is no distinction between 12 month and lifetime expected credit losses from a measurement point of view. This is due to the lender's credit exposure being limited to the time it takes to demand repayment (i.e. as short as one day or less). The borrower has enough unrestricted cash to repay the loan at reporting date. The expected credit loss is therefore negligible, and no further consideration was considered necessary.

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

Refer to note 31 for details of transactions between related parties.

Loans receivable not past due, nor impaired amount to R163 404 937 (2019: R210 839 908).

12. Finance lease receivables

Accounting policy

The group applied IFRS 16 Leases to account for all lease contracts effective 1 July 2019.

Where the group acts as a lessor, it determines at inception whether each lease is a finance or operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Amounts due from lessees under finance leases are recognised as receivables at the amount of the group's net investment in the leases. Each lease payment received from the customer is allocated between the finance lease receivable and finance lease interest income. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Refer to note 1.7 for the group's accounting policy regarding the impairment of the finance lease receivables.

The accounting policies applicable to the group as a lessor in the comparative period under IAS 17 Leases are not different from those under IFRS 16 Leases.

	Consolidated 2020 R	Consolidated 2019 R	**Company 2020 R**	Company 2019 R
Minimum lease payments:				
Amounts receivable under finance leases:				
Within one year	**15 634 920**	20 159 532	**–**	–
In second to fifth year inclusive	**31 049 080**	31 809 766	**–**	–
	46 684 000	51 969 298	**–**	–
Less: unearned interest	**(13 107 047)**	(17 621 369)	**–**	–
Present value of minimum lease payments receivable	**33 576 953**	34 347 929	**–**	–
Loss allowance	**(683 541)**	(1 343 437)	**–**	–
	32 893 412	33 004 492	**–**	–
Present value of minimum lease payments:				
Amounts receivable under finance leases:				
Current finance lease receivables	**10 258 647**	13 377 697	**–**	–
Non-current finance lease receivables	**23 318 306**	20 970 232	**–**	–
Present value of minimum lease payments	**33 576 953**	34 347 929	**–**	–
Analysed as:				
Current finance lease receivables	**9 900 352**	12 804 422	**–**	–
Non-current finance lease receivables	**22 993 060**	20 200 070	**–**	–
	32 893 412	33 004 492	**–**	–
The movement in the impairment allowance in respect of finance leases receivables during the year was as follows:				
Balance at beginning of year	**1 343 437**	741 293	**–**	–
Loss allowance on finance lease receivables	**(659 896)**	602 144	**–**	–
Balance at end of year	**683 541**	1 343 437	**–**	–

Micros South Africa (Pty) Ltd entered into finance lease arrangements for IT equipment. The average term of finance leases entered into is five years. The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 20% (2019: 19%).

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13. Loans receivable

Accounting policy

Loans receivable are measured at amortised cost as they are generated through a business model, the objective of which is to hold these assets for the purpose of collecting contractual cashflows and those cashflows comprise solely payments of principal and interest (i.e. "hold to collect" business model).

Enterprise Development loans are made for the purposes of Black Economic Empowerment and may not be secured or bear interest. Refer to note 1.7 for the group's complete accounting policies regarding financial assets and liabilities.

	Consolidated 2020 R	Consolidated 2019 R	**Company 2020 R**	Company 2019 R
Non-current loans receivable	**500 000**	6 000 000	**–**	–
Current loans receivable	**541 667**	500 000	**–**	–
	1 041 667	6 500 000	**–**	–
Split of balance:				
Enterprise Development loan	**–**	5 000 000	**–**	–
Loan to Uyandiswa Project Management Services (Pty) Ltd	**1 041 667**	1 500 000	**–**	–
	1 041 667	6 500 000	**–**	–

Enterprise Development loan

On 28 June 2019, the group entered into an agreement with Jubilee Line Consulting (Pty) Ltd (JLC), whereby loan funding was advanced.

The loan was a 38 month facility and was interest free. The loan was repaid in June 2020.

Loan to Uyandiswa Project Management Services (Pty) Ltd

The loan balance of R1 041 667 (2019: R1 500 000) has monthly repayments of R41 667 with the last repayment being 30 June 2022. The loan is unsecured and interest free.

The loans are carried at amortised cost.

14. Deferred taxation

Accounting policy

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

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

Deferred tax assets and liabilities are only offset to the extent that the balances are recoverable from the same tax authority and there is a legal right to offset them at settlement of those balances.

Judgements and estimates

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

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

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

	Consolidated 2020 R	Consolidated 2019 Restated* R	Company 2020 R	Company 2019 R
The major components of the deferred taxation balance are as follows:				
Deferred taxation asset				
Temporary differences to be offset against future income:				
Leave pay, loss allowance, lease receivable, bonus and other provisions	**16 784 113**	31 615 187	**27 440**	139 033
Contract liabilities	**22 297 962**	20 224 951	**–**	–
Lease liabilities	**83 772 166**	–	**–**	–
Estimated tax losses	**638 778**	1 754 234	**–**	–
Other	**–**	372 211	**–**	–
	123 493 019	53 966 583	**27 440**	139 033
Deferred taxation liability				
Prepaid expenditure	**(3 258 521)**	(4 353 555)	**(34 309)**	(34 368)
Contract assets	**(10 615 770)**	(7 067 475)	**–**	–
Property and equipment	**(15 233 225)**	(11 797 239)	**–**	–
Business combination on intangible asset	**(49 370 911)**	(60 613 695)	**–**	–
Right-of-use assets	**(66 864 389)**	–	**–**	–
	(145 342 816)	(83 831 964)	**(34 309)**	(34 368)
Comprising:				
Deferred taxation asset	**14 769 835**	30 748 316	**–**	104 665
Deferred taxation liability	**(36 619 632)**	(60 613 697)	**(6 869)**	–
	(21 849 797)	(29 865 381)	**(6 869)**	104 665
Reconciliation of deferred taxation:				
Balance at beginning of year	**(29 865 381)**	(22 496 160)	**104 665**	65 459
Movements during the period attributable to:				
– Business combination on intangible asset	**–**	(20 048 316)	**–**	–
– Charge to profit and loss	**(1 791 176)**	4 887 448	**(111 534)**	39 092
– Prior year (under)/over provision	**(3 609 703)**	1 171 283	**–**	114
– Change in tax rate	**(47 157)**	–	**–**	–
– Transition period adjustments	**13 695 527**	1 667 298	**–**	–
– Foreign currency differences	**(231 907)**	(31 960)	**–**	–
– Acquisition of subsidiary	**–**	4 985 026	**–**	–
Balance at end of year	**(21 849 797)**	(29 865 381)	**(6 869)**	104 665

** See note 37.1 and note 37.2 for details regarding the restatement for measurement period adjustments.*

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15. Inventories

Accounting policy

The group recognises inventories initially at cost when it has control of the inventories, expects it to provide future economic benefits and the cost can be measured reliably. Inventories are subsequently measured at the lower of cost and net realisable value. Net realisable value is the estimate of the selling price in the ordinary course of business, less applicable variable selling expenses.

Covid-19 consideration
Inventory relates to IT equipment sold in the Hospitality industry. The industry in South Africa closed for several months due to Covid-19 regulations. The group has considered the impact of the Covid-19 pandemic on the valuation of inventory. No material change to the valuation of inventory was considered necessary due to the nature of inventory holdings.

	Consolidated 2020 R	Consolidated 2019 R	**Company 2020 R**	Company 2019 R
Finished goods	**31 685 937**	26 417 695	**–**	–

Inventory relates to IT equipment sold by the Hospitality segment. During the year R6 422 072 (2019: Rnil) was written off due to stock theft and R969 889 was written off as obsolete stock (refer note 3).

16. Trade and other receivables

Accounting policy

Trade and other receivables, which generally have 30 to 60 day terms, are recognised and carried at original invoice amount, less an allowance for any uncollectible amounts. Short duration receivables with no stated interest rate are measured at original invoice amount. Due to their short term nature, the carrying amount of trade receivables approximates their fair value and they are classified and measured at amortised cost.

Refer to note 1.7 for the group's complete accounting policies regarding financial assets and liabilities.

Prepayments and other receivables are stated at their nominal values.

Covid-19 consideration
In determining the possible extent of future credit losses as a consequence of Covid-19, the group performed sensitivity analyses and stress testing on a range of possible scenarios, varying in severity. While some of the scenarios suggest that further credit losses could be incurred if Covid-19 affects the ability of the group's customer base to pay amounts due on time, there has been little evidence post year end to suggest any slowdown in payment behaviour. Customer receipts subsequent to year end have been in line with historic patterns. Management is monitoring all portfolios and material individual customers closely and has concluded that the likelihood of a material change to expected credit losses is low.

	Consolidated 2020 R	Consolidated 2019 R	Company 2020 R	Company 2019 R
Trade receivables	**257 278 982**	281 559 791	**–**	15 119
Prepaid expenses	**33 662 219**	34 958 260	**168 524**	168 479
Other receivables	**4 944 844**	9 228 486	**–**	–
VAT	**1 816 355**	7 822 617	**–**	–
	297 702 400	333 569 154	**168 524**	183 598
Loss allowance	**(12 422 297)**	(22 033 897)	**–**	–
	285 280 103	311 535 257	**168 524**	183 598

Adapt IT (Pty) Ltd carrying value of trade receivables pledged as security for The Standard Bank of South Africa Limited debt at year end is R237 080 520 (2019: R263 044 584) (refer note 22).

The carrying value of trade receivables pledged as security for the FirstRand Bank Limited debt at year end is nil (2019: R31 549 386) (refer note 22).

Other receivables relates mainly to deposits and suppliers with debit balances.

	Consolidated 2020 R	Consolidated 2019 R	Company 2020 R	Company 2019 R
Loss allowance/provision for impairment reconciliation:				
Balance at beginning of year	**22 033 897**	17 020 131	**–**	–
Net remeasurement for the year	**2 346 793**	6 404 751	**–**	–
Recovered for the year	**–**	(93 959)	**–**	–
Amounts written-off	**(12 124 320)**	(1 315 708)	**–**	–
Foreign exchange movement	**165 927**	(13 833)	**–**	–
Acquisition of subsidiary	**–**	32 515	**–**	–
Balance at end of year	**12 422 297**	22 033 897	**–**	–

The table below provides a breakdown of the customer types identified by the group:

Category	Description
Corporate	Business to business channel, where the counterparty predominantly is in the formal space in the economy.
Parastatal/Government	A company, agency, or intergovernmental organisation, that possesses political clout and is separate from the government, but whose activities serve the state, either directly or indirectly. General purpose administrative subdivisions of government at a local level whom have corporate status and powers of self government or jurisdiction as granted by national and regional laws.
SME	SME entity type is defined using the Minister of Small Business Development amended definitions of micro, small and medium enterprises in South Africa published in the Government Gazette. Included in this grouping are business to consumer, and business to micro/small business customers who specifically do not meet the requirements of any of the other groupings.

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16. Trade and other receivables continued

As at 30 June 2020 the lifetime expected loss allowances for trade receivables are as follows:

		Not past due	Past due by one to 30 days	Past due by 31 to 60 days	Past due by 61 to 90 days	90+ days past due	Total
Corporate							
Expected loss rate	%	0,05	0,09	0,09	1,67	31,08	3,91
Estimated total gross carrying amount at default	R	106 042 487	39 710 842	14 838 636	9 987 339	23 584 381	194 163 685
Expected credit loss allowance	R	50 946	37 474	13 331	166 807	7 329 827	7 598 385
Parastatal/Government							
Expected loss rate	%	0,02	0,02	0,07	0,09	10,88	3,71
Estimated total gross carrying amount at default	R	8 071 784	7 052 097	3 397 921	3 119 560	11 088 016	32 729 378
Expected credit loss allowance	R	1 654	1 591	2 340	2 756	1 206 843	1 215 184
SME							
Expected loss rate	%	0,39	5,99	6,18	10,04	44,27	11,88
Estimated total gross carrying amount at default	R	10 546 572	3 393 588	3 987 309	7 005 309	5 453 141	30 385 919
Expected credit loss allowance	R	41 271	203 285	246 236	703 562	2 414 374	3 608 728
Total trade receivables							
Expected loss rate	%	0,08	0,48	1,18	4,34	27,29	4,83
Estimated total gross carrying amount at default	R	124 660 843	50 156 527	22 223 866	20 112 208	40 125 538	257 278 982
Expected credit loss allowance	R	93 871	242 350	261 907	873 125	10 951 044	12 422 297

The group considered all reasonable and supportable information available at year end. Where such evidence indicated that a portfolio, a portion of the portfolio or an individual customer reflected objective evidence of impairment, the group recognised a specific credit loss allowance. Accordingly, the above expected loss rates do not portray an incremental profile.

The below table represents the expected credit loss rate profile excluding the specific credit loss allowance as detailed above:

Total trade receivables excluding specific credit loss allowance

		Not past due	Past due by one to 30 days	Past due by 31 to 60 days	Past due by 61 to 90 days	90+ days past due	Total
Expected loss rate	%	0,08	0,48	0,27	4,34	26,34	4,60
Estimated total gross carrying amount at default	R	124 660 843	50 156 525	22 223 866	20 112 210	40 125 538	257 278 982
Expected credit loss allowance	R	93 871	242 350	59 756	873 125	10 567 520	11 836 622

As at 30 June 2019 the lifetime expected loss allowance for trade receivables were as follows:

		Not past due	Past due by one to 30 days	Past due by 31 to 60 days	Past due by 61 to 90 days	90+ days past due	Total
Corporate							
Expected loss rate	%	0,48	0,05	0,53	1,01	51,05	5,10
Estimated total gross carrying amount at default	R	86 673 586	48 021 869	21 359 066	9 210 901	16 941 321	182 206 743
Expected credit loss allowance	R	412 279	24 184	114 248	93 354	8 648 089	9 292 154
Parastatal/Government							
Expected loss rate	%	0,02	0,07	0,00	0,02	46,65	10,99
Estimated total gross carrying amount at default	R	45 426 625	5 361 435	5 084 242	2 433 832	17 932 546	76 238 680
Expected credit loss allowance	R	7 761	3 507	146	395	8 365 162	8 376 971
SME							
Expected loss rate	%	0,13	0,23	0,23	4,25	72,14	18,88
Estimated total gross carrying amount at default	R	11 919 441	2 372 726	2 600 673	221 733	5 999 795	23 114 368
Expected credit loss allowance	R	15 662	5 430	6 102	9 415	4 328 163	4 364 772
Total trade receivables							
Expected loss rate	%	0,30	0,06	0,41	0,87	52,21	7,83
Estimated total gross carrying amount at default	R	144 019 652	55 756 030	29 043 981	11 866 466	40 873 662	281 559 791
Expected credit loss allowance	R	435 702	33 121	120 496	103 164	21 341 414	22 033 897

The group considered all reasonable and supportable information available at year end. Where such evidence indicated that a portfolio, a portion of the portfolio or an individual customer reflected objective evidence of impairment, the group recognised a specific credit loss allowance. Accordingly, the above expected loss rates did not portray an incremental profile.

The below table represents the expected credit loss rate profile excluding the specific credit loss allowance as detailed above:

Total trade receivables excluding specific credit loss allowance

		Not past due	Past due by one to 30 days	Past due by 31 to 60 days	Past due by 61 to 90 days	90+ days past due	Total
Expected loss rate	%	0,04	0,06	0,12	0,15	21,52	3,18
Estimated total gross carrying amount at default	R	144 019 653	55 756 030	29 043 981	11 866 466	40 873 661	281 559 791
Expected credit loss allowance	R	57 544	33 117	35 804	18 392	8 796 802	8 941 659

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17. Contract assets

Accounting policy

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration. Contract assets are measured at amortised cost.

Refer to note 1.7 for the group's complete accounting policies regarding financial assets and liabilities.

	Consolidated 2020 R	Consolidated 2019 R	**Company 2020 R**	Company 2019 R
Education	**12 978 701**	12 118 539	**–**	–
Manufacturing	**3 380 808**	1 482 935	**–**	–
Financial Services	**144 548**	–	**–**	–
Energy	**3 923 721**	6 242 064	**–**	–
Communications	**16 413 580**	5 532 781	**–**	–
Hospitality	**1 126 609**	–	**–**	–
	37 967 967	25 376 319	**–**	–
Loss allowance (expected loss rate of 1,9% (2019: 4,5%))	**(708 790)**	(1 152 305)	**–**	–
	37 259 177	24 224 014	**–**	–
The movement in the impairment allowance in respect of contract assets during the year was as follows:				
Balance at beginning of year	**1 152 305**	1 853 017	**–**	–
Loss allowance on amounts due from contract assets	**(443 517)**	(700 712)	**–**	–
Foreign exchange movement	**2**	–	**–**	–
Balance at end of year	**708 790**	1 152 305	**–**	–
The table below discloses significant changes to the contract asset balances during the financial year:				
Balance at beginning of year	**24 224 014**	28 256 363	**–**	–
Net movement during the year	**12 591 648**	(4 915 879)	**–**	–
Movement on loss allowance on amounts due from contract assets	**443 517**	700 712	**–**	–
Foreign exchange movement	**(2)**	182 818	**–**	–
Balance at end of year	**37 259 177**	24 224 014	**–**	–

18. Non-current assets classified as held for sale

Accounting policy

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for the sales of such assets and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amounts and fair value less directly attributable cost to sell and are not depreciated.

The group considers a sale as highly probable when director approval, or shareholder approval where necessary, is obtained and an active plan to locate a buyer has been initiated.

A sale agreement in the prior year fell through and the property was marketed once more. As at year end, the group had entered into a new sale agreement subject to customary conditions to dispose of the property for a consideration of R9 500 000 (excluding VAT), resulting in an impairment reversal of R1 673 913.

Due to unanticipated delays experienced outside of the control of management, the group has not yet been able to complete the disposal of the land and building. Management is actively pursuing the fulfilment of the final conditions being the issuing of the required rates certificates by the local authority which were unattainable due to Covid-19 lockdown measures implemented. Management has continued to classify the property as held for sale and is satisfied that the IFRS 5 requirements are fulfilled.

In accordance with IFRS 13, the property was held at fair value determined in relation to a sale agreement. Accordingly, the fair value was determined as a level 2 input in terms of the fair value hierarchy as per paragraph 82 of IFRS 13.

	Consolidated 2020 R	Consolidated 2019 R	**Company 2020 R**	Company 2019 R
Property – land and buildings	**9 500 000**	7 826 087	**–**	–
Total	**9 500 000**	7 826 087	**–**	–
Reconciliation of balance:				
Balance at beginning of year	**7 826 087**	15 561 988	**–**	–
Reversal of impairment (refer note 3)	**1 673 913**	–	**–**	–
Impairment (refer note 3)	**–**	(7 735 901)	**–**	–
Balance at end of year	**9 500 000**	7 826 087	**–**	–

The property described as Erf 1488 Monument Park, Registration Division JR, Province of Gauteng: measuring 5 090 square metres.

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19. Stated capital, share capital and share premium

Accounting policy

Consideration paid or received for equity instruments is recognised directly in equity. Issued stated capital is initially measured at the proceeds received less directly attributable issue costs. Shares which are cancelled are delisted and returned to authorised but unissued stated capital.

Share premium
Share premium represents the excess of the issue price over the par value on shares issued less transaction costs arising on issue.

	Consolidated 2020 R	Consolidated 2019 R	Company 2020 R	Company 2019 R
Authorised				
200 000 000 ordinary shares at 0,01 cent each (2019)	–	20 000	–	20 000
300 000 000 ordinary shares of no par value (2020)	–	–	–	–
	–	20 000	–	20 000
Issued				
152 513 154 ordinary shares of 0,01 cent each (2019)	–	15 251	–	15 251
144 887 497 ordinary shares of no par value (2020)	–	–	–	–
	–	15 251	–	15 251

	2020 Number of shares	2019 Number of shares
Reconciliation of the number of ordinary shares in issue		
Ordinary shares in issue:		
Balance at beginning of year	**152 513 154**	160 539 761
Cancellation of shares	**(7 625 657)**	(8 026 607)
Balance at end of year	**144 887 497**	152 513 154

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

At the Annual General Meeting held on 22 November 2019, the shareholders approved the conversion of share capital from 200 000 000 ordinary par value shares of 0.01 cents each to 200 000 000 ordinary shares of no par value. The shareholders further approved the increase in authorised share capital from 200 000 000 ordinary shares of no par value to 300 000 000 ordinary shares of no par value.

	Consolidated 2020 R	Consolidated 2019 R	Company 2020 R	Company 2019 R
Reconciliation of movement in share capital:				
Balance at beginning of year	**15 251**	16 054	**15 251**	16 054
Converted to no par value shares	**(15 251)**	–	**(15 251)**	–
Cancellation of shares	**–**	(803)	**–**	(803)
Balance at end of year	**–**	15 251	**–**	15 251
Reconciliation of movement in share premium:				
Balance at beginning of year	**248 123 665**	340 277 986	**337 305 365**	400 647 135
Converted to no par value shares	**(248 123 665)**	–	**(337 305 365)**	–
On shares cancelled during the year	**–**	–	**–**	(63 341 770)
On treasury shares allotted during the year	**–**	3 610 001	**–**	–
On shares repurchased during the year	**–**	(94 718 031)	**–**	–
Share buyback costs	**–**	(1 046 291)	**–**	–
Balance at end of year	**–**	248 123 665	**–**	337 305 365
Reconciliation of movement in stated capital:				
Balance at beginning of year	**–**	–	**–**	–
Converted from par value shares	**248 138 916**	–	**337 320 616**	–
Cancellation of shares	**(762)**	–	**(47 897 343)**	–
Balance at end of year	**248 138 154**	–	**289 423 273**	–

20. Treasury shares

Accounting policy

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

	Consolidated 2020 R	Consolidated 2019 R
15 251 315 treasury shares of 0,01 cent each	**–**	1 525
7 625 658 treasury shares of no par value	**763**	–

	2020 Number of shares	2019 Number of shares
Reconciliation of the number of treasury shares on hand:		
Balance at beginning of year	**15 251 315**	8 189 244
Cancellation of treasury shares	**(7 625 657)**	(8 026 607)
Purchase of treasury shares	**–**	15 547 388
Issue of treasury shares	**–**	(458 710)
Balance at end of year	**7 625 658**	15 251 315

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21. Equity compensation reserve

Accounting policy

Executive directors and senior executives were granted equity-settled share options in terms of the Adapt IT Holdings Limited Executive Share Incentive Plan (a share appreciation rights scheme). Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant and recognised in profit or loss based on the anticipated vesting profile over the vesting period. Fair value is adjusted for the effect of non-market-based vesting conditions at year end. Fair value is measured using a binomial pricing model.

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

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

In terms of the approved Share Incentive Plan, the company has the obligation to settle in its own shares to employees of the group with respect to any incentive vested and exercised. The company makes a capital contribution to its subsidiary as the share-based payment expense is recorded by the subsidiary that receives the services of the employees in terms of the incentive plan.

The company measures its obligation under the incentive plan over the vesting period by increasing the cost of its investment in its subsidiary and its equity compensation reserve. The share-based payment expense is recognised in the underlying subsidiaries where the services are rendered.

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

- 50% after one year
- 50% after two years

The units lapse three years after issue date.

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

	Consolidated 2020 R	Consolidated 2019 R	**Company 2020 R**	Company 2019 R
Equity compensation reserve				
Balance at beginning of year	**17 988 406**	19 221 006	**17 988 406**	19 221 006
Investment in Adapt IT (Pty) Ltd	**–**	–	**–**	(1 232 600)
Total release recognised arising from share-based payment	**–**	(1 232 600)	**–**	–
Balance at end of year	**17 988 406**	17 988 406	**17 988 406**	17 988 406

	Number of shares (number of share units)	Weighted average strike price of share units (cents)
Reconciliation of incentive units		
Granted during the 30 June 2017 year:		
Outstanding at beginning of year	1 478 553	1 294
Lapsed during the year	(1 478 553)	–

Basis of valuation

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

Unit price	(cents)	1 294
Strike price	(cents)	1 294
Expected volatility	(%)	29,3
Expected dividend yield	(%)	0,8
Weighted fair value of options issued	(cents)	359
Expiry date from issue	(years)	3

	Number of shares (number of share units)	Weighted average strike price of share units (cents)
Reconciliation of incentive units		
Granted during the 30 June 2018 year:		
Outstanding at beginning of year	4 085 833	933
Forfeited/cancelled during the year	(449 013)	–
Outstanding at end of year	3 636 820	933
Exercisable at end of year	3 636 820	933

Basis of valuation

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

Unit price	(cents)	933
Strike price	(cents)	933
Expected volatility	(%)	29,8
Expected dividend yield	(%)	1,5
Weighted fair value of options issued	(cents)	215
Expiry date from issue	(years)	3

Share appreciation units granted to executive directors:

Expiring three years from	Issue price (cents)	Number of conditional awards 30 June 2019	Granted	Exercised	Lapsed	Cancelled	**Number of conditional awards 30 June 2020**	Time constrained
S Shabalala								
Granted during the 30 June 2018 year	933	943 553	–	–	–	–	**943 553**	943 553
		943 553	–	–	–	–	**943 553**	943 553
T Dunsdon								
Granted during the 30 June 2018 year	933	559 539	–	–	–	–	**559 539**	559 539
		559 539	–	–	–	–	**559 539**	559 539
N Mbambo								
Granted during the 30 June 2017 year	1 294	106 109	–	–	(106 109)	–	**–**	–
Granted during the 30 June 2018 year	933	299 561	–	–	–	–	**299 561**	299 561
		405 670	–	–	(106 109)	–	**299 561**	299 561
Share appreciation units granted to prescribed officer:								
C Young								
Granted during the 30 June 2018 year	933	449 013	–	–	–	(449 013)	**–**	–
		449 013	–	–	–	(449 013)	**–**	–

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

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22. Interest-bearing borrowings

Accounting policy

Interest-bearing borrowings are recognised initially at fair value and net of directly attributable transaction costs. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest rate method. The effective interest rate amortisation is included as finance costs in the statement of profit or loss.

Fees paid on the establishment of selected loan facilities are capitalised as a prepayment against the loan and amortised over the period of the facility to which they relate.

The group presents current and non-current borrowings separately on the face of the statement of financial position. A liability is classified as current unless the group has an unconditional right to defer settlement of the liability for at least 12 months after year end.

Refer to note 1.7 for the group's complete accounting policies regarding financial assets and liabilities.

	Consolidated 2020 R	Consolidated 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 Ltd, 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

Micros 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 Micros South Africa (Pty) Ltd.

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

Interest-bearing borrowings are carried at amortised cost.

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23. Financial liabilities

Accounting policy

Financial liabilities are recognised initially at fair value and expected future payments are discounted to present value using an appropriate market-related discount rate. The liabilities are subsequently measured at amortised cost using the effective interest rate method. The amount expected to be settled within 12 months from year end date is shown as current and the amounts expected to be settled 12 months after year end date is shown as non-current on the statement of financial position. The difference between the total capital repayments and the present value of the liabilities will be released to financing costs in the profit or loss over the terms on the liabilities.

Refer to note 1.7 for the group's complete accounting policies regarding financial assets and liabilities.

Presentation of cash flows on the Statement of Cash Flows
The settlement of contingent considerations recognised on the date of acquisition are presented as investing activities. The imputed interest is recorded in operating activities as this is where finance costs cash flows are presented for the group. The group has elected to present cash flows in relation to changes to the anticipated amounts determined to be paid on the date of acquisition as financing activities as these cash flows arise from a remeasurement of the financial liability.

Judgements and estimates
On 1 March 2019 the group acquired Wisenet. The purchase agreement allows for a further contingent consideration of a maximum amount of SGD 14 784 000 (contingent earn out portion) to be settled in cash. The contingent earn out portion payable is subject to the achievement by Wisenet of EBITDA performance warranties over 34 months and is based on three remeasurements (Contingent Payments 2, 3 and 4). The remeasurements are at the end of each calendar year for 2019, 2020 and 2021 respectively.

No earn-out was realised for 2019 (payment 2).

Management estimates have been used in calculating the EBITDA used in the contingent earn out model. These estimates were based on detailed forecasts which were set in relation to current market conditions and the Wisenet strategy. The estimates indicate that no earn out is anticipated in respect of 2020 (payment 3), however, an earn out is anticipated for 2021 (payment 4).

The discount rate used in present valuing the contingent consideration was 5,25% (2019: 5,25%).

Sensitivities: Wisenet contingent earn out
The key assumption used in the model is the forecast EBITDA. A change in EBITDA of 5% would result in an increase of SGD 225 506 in the total contingent consideration estimated of SGD 545 667.

Covid-19 considerations
The continuously changing Covid-19 landscape and lockdown measures implemented have had a negative impact on economic activity with new business sales slowing down in the second half of the financial year. The uncertainty of the effects of Covid-19 on future cash flows, has necessitated the use of judgements and assumptions in estimating the future EBITDA of Wisenet. The forecasted EBITDA over the remaining 18 months has reduced significantly and ultimately led to a derecognition of SGD 1 907 101 (R21 579 685) in the estimate of the contingent consideration.

	Consolidated 2020 R	Consolidated 2019 R
Non-current	**6 279 638**	40 749 830
EasyRoster future performance warranties	–	17 019 791
Wisenet contingent earn out	**6 279 638**	23 730 039
Current	**18 469 219**	16 866 530
EasyRoster performance warranty achieved	**18 469 219**	16 866 530
Total	**24 748 857**	57 616 360

The Wisenet future performance warranties are contingent upon the achievement by Wisenet of EBITDA performance warranties (18 months remaining).

24. Lease liabilities

Accounting policy

The group assesses whether a contract is or contains a lease, at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (value of under R75 000 such as IT equipment and printers). For these leases, the group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses its incremental borrowing rate. The incremental borrowing rate applied to leases during the year varied between 6,17% and 10,26%.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable

The lease liability is subsequently measured at amortised cost using the effective interest rate method. Lease payments are apportioned between the finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

When the group modifies the terms of a lease or reassesses the estimates without increasing the scope of the lease, that results in changes to future payments, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. An equivalent adjustment is made to the carrying amount of the right-of-use asset, with the revised carrying amount being depreciated over the revised lease term.

When the group modifies the terms of a lease resulting in an increase in scope, the group accounts for these modifications as a separate new lease.

Judgements and estimates

Determination of the lease liability involves judgement on and estimate of key inputs being interest rates as described above and the duration of the lease contract including take up of extension options. 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.

Accounting policy applicable pre 1 July 2019

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

Finance lease liabilities are recognised at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease.

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24. Lease liabilities continued

	Consolidated 2020 R	Consolidated 2019 R	Company 2020 R	Company 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 (refer note 1.8)	**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.*

The motor vehicle leases are secured over the leased assets (refer note 7).

25. Trade and other payables

Accounting policy

Trade payables are initially measured at cost, being the fair value of the consideration to be paid in the future for goods and services rendered. These are subsequently measured at amortised cost using the effective interest rate method.

Other payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Refer to note 1.7 for the group's complete accounting policies regarding financial assets and liabilities.

	Consolidated 2020 R	Consolidated 2019 Restated R	**Company 2020 R**	Company 2019 R
Trade payables	**69 217 298**	85 929 096	**347 114**	58 926
Accruals	**45 398 078**	45 945 942	**100 631**	496 545
VAT	**11 291 062**	10 674 948	**516 117**	493 659
Other payables	**15 395 876**	15 139 596	**–**	–
Unclaimed dividends	**268 324**	312 305	**268 324**	312 305
Lease accrual*	**–**	12 535 999	**–**	–
	141 570 638	170 537 886	**1 232 186**	1 361 435

** See note 37.3 for details about restatement as a result of prior period error.*

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

Accruals are non-interest-bearing and are normally settled between 30 days and 60 days.

Other payables mainly relate to payroll-related payables. Other payables are non-interest bearing and settled within 30 days.

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

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26. Contract liabilities

Accounting policy

A contract liability is recognised if a payment is received from a customer before the group transfers the related goods or services. Contract liabilities are recognised as revenue when the group performs under the contract (i.e. transfers control of the related goods or services to the customer). There is no significant financing component in contract liabilities.

	Consolidated 2020 R	Consolidated 2019 R	Company 2020 R	Company 2019 R
Education	**78 637 499**	64 523 642	**–**	–
Manufacturing	**11 941 241**	2 398 965	**–**	–
Financial Services	**7 791 322**	6 113 394	**–**	–
Energy	**4 596 812**	1 722 018	**–**	–
Communications	**685 824**	6 141 512	**–**	–
Hospitality	**27 866 090**	26 844 142	**–**	–
	131 518 788	107 743 673	**–**	–
Reconciliation of balance				
Balance at beginning of year	**107 743 673**	94 554 067	**–**	–
Net movement during the year	**19 778 144**	(4 011 643)	**–**	–
Acquisition of subsidiaries	**–**	16 605 451	**–**	–
Foreign exchange movement	**3 996 971**	595 798	**–**	–
Balance at end of year	**131 518 788**	107 743 673	**–**	–

Contract liabilities relates to maintenance, software licenses, software as a service (SaaS), long term software projects in progress, ongoing upgrades and hosting pre-invoiced for future periods.

27. Leave pay and provisions

Accounting policy

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, in respect of which it is probable that an outflow of economic benefits will occur, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the reasonable estimate of the expenditure required to settle the obligation at the reporting date. Provisions are reviewed at each reporting date and adjusted to reflect the current reasonable estimate. If it is no longer probable that an outflow of resources will be required to settle the obligation, the provision is reversed.

	Consolidated 2020 R	Consolidated 2019 R	**Company 2020 R**	Company 2019 R
Leave pay				
Carrying value at beginning of year	**26 509 837**	22 316 411	**–**	–
Leave pay raised during the year	**4 213 821**	6 810 658	**–**	–
Utilised/paid during the year	**(8 803 138)**	(4 773 658)	**–**	–
Acquisition of subsidiary	**–**	2 122 967	**–**	–
Foreign exchange movement	**1 335 439**	33 459	**–**	–
Balance at end of year	**23 255 959**	26 509 837	**–**	–
The leave pay is calculated using the total cost of employment multiplied by the leave days outstanding at year end.				
The expected release date of leave pay benefits is within the subsequent year.				
Bonus				
Carrying value at beginning of year	**33 042 193**	29 135 658	**–**	–
Prior year over provision	**(13 847)**	(72 172)	**–**	–
Provision raised during the year	**–**	37 300 949	**–**	–
Provision utilised/paid during the year in respect of the prior year	**(33 221 676)**	(33 407 350)	**–**	–
Foreign exchange movement	**193 330**	85 108	**–**	–
Balance at end of year	**–**	33 042 193	**–**	–
The bonus provision is based on the results of the group and the related performance evaluation of the employees.				
Warranties				
Carrying value at beginning of year	**211 187**	389 193	**–**	–
Provision released during the year	**(33 273)**	(178 006)		
Balance at end of year	**177 914**	211 187	**–**	–
Total	**23 433 873**	59 763 217	**–**	–

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28. Commitments

28.1 Property operating lease commitments (under IAS 17)

Accounting policies

Operating leases

Leases where a significant portion of risks and rewards of ownership is retained by the lessor are classified as operating leases. Operating lease costs (net of any incentives from the lessor) are charged against operating profit on a straight-line basis over the period of the lease. All contingent lease costs are excluded from the operating lease commitments detailed below. The operating lease commitments detailed below are measured under IAS 17. Refer to note 1.8 for details of the impact for the change in accounting policy from IAS 17 to IFRS 16.

	Consolidated 2020 R	Consolidated 2019 R
No later than one year	–	43 480 730
Later than one year and no later than five years	–	166 346 487
Later than five years and no later than ten years	–	200 444 622
Later than ten years and no later than fifteen years	–	66 814 874
	–	477 086 713

The group has entered into various operating lease agreements on premises. Leased premises are contracted for remaining periods of between one and 12 years, with further renewal options thereafter. The commitments disclosed above comprise the minimum lease payments under non-cancellable operating leases.

28.2 Capital commitments

	Consolidated 2020 R	Consolidated 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.

The company does not have any capital commitments.

29. Contingent liabilities

	Consolidated 2020 R	Consolidated 2019 R
Bank guarantees:		
Property leases	**7 390 002**	7 390 002
Performance obligation	**1 406 568**	2 845 071
License obligation	**10 416 187**	–
Credit card facilities	**1 200 000**	1 305 000
Total bank guarantees	**20 412 757**	11 540 073

The property lease guarantees are in favour of Johannesburg Campus, Durban and Cape Town landlords and relate to the last three months office rental. The bank guarantee will only be released upon the expiry of the office lease agreements.

The performance obligation guarantees relate to bid/tenders for the fulfilment of performance obligations under the contract.

The license obligation guarantee is in favour of a foreign software vendor for USD600 000 and expires August 2021.

30. Borrowing limits

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

The group intends to reduce the current borrowing levels.

31. Related party transactions

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

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

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial and operating decisions.

These transactions occurred under terms that are no more or less favourable than those arranged with third parties.

	Company Effective holding 2020 %	Company Effective holding 2019 %
Related party relationship:		
Incorporated in South Africa		
Adapt IT (Pty) Ltd	**100**	100
Adapt IT Consulting (Pty) Ltd	**100**	–
Adapt IT Holdings Limited Share Incentive Trust	**	**
Incorporated in Mauritius		
Adapt IT International Ltd	**100**	100
Incorporated in Singapore		
Adapt IT Solutions Pte Ltd	**100**	100

*** 100% consolidated*

	2020 R	2019 R
Loan		
Loans from the company to (refer note 11):		
Adapt IT Holdings Share Incentive Trust	**–**	32 158
Adapt IT (Pty) Ltd	**139 468 173**	186 865 007
Adapt IT International Ltd	**23 936 764**	23 942 743

The loan to Adapt IT (Pty) Ltd is unsecured and no interest is charged. The loan has no set terms of repayment.

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

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

	2020 R	2019 R
Management fees received by the company from:		
Adapt IT (Pty) Ltd	**3 800 000**	3 600 000

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

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

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31. Related party transactions continued

Transactions with directors

The Landlord of the Johannesburg Campus is Mshengu Property Holdings (Pty) Ltd (MPH). MPH is 100% owned by the Mshengu Family Trust.

Mr S Shabalala, the Chief Executive Officer of the group, is a beneficiary and trustee of the Mshengu Family Trust. Furthermore, Mr S Shabalala is a director of MPH.

The lease is a commercial double net agreement. All property lease expenses invoiced to the group by MPH are assessed to the underlying third party invoice and all transactions are concluded at arm's length in the ordinary course of business.

Transactions with MPH for the year ended 30 June 2020 were as follows:

	2020 R	2019 R
Operating lease charges under IAS 17	–	11 051 018
Payment of lease liability (IFRS 16)	34 620 449	–
Finance costs (IFRS 16)	27 715 578	–
Capital payment (IFRS 16)	6 904 871	–
Property municipal charges	8 186 210	–
Maintenance charges	1 925 460	1 323 700
Total	44 732 119	12 374 718

The amounts presented for 30 June 2019 was for four months (1 March 2019 to 30 June 2019).

Other than disclosed above, and in the Directors' Report, no significant related party transactions were entered into during the year under review.

32. Financial risk management

The group is exposed through its operation to the following financial risks:

- Credit risk;
- Liquidity risk;
- Market risk;
- Foreign currency risk; and
- Interest rate risk.

The group is exposed to risks that arise from its use of financial instruments. This note describes the group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

	Consolidated 2020 R	Consolidated 2019 Restated R	**Company 2020 R**	Company 2019 R
Categories of financial instruments				
Financial assets				
Amortised cost	**505 558 837**	390 888 369	**163 990 641**	211 294 195
Reconciliation to statements of financial position				
Amounts owing from subsidiaries	**–**	–	**163 404 937**	210 839 908
Trade and other receivables net of loss allowance	**249 801 529**	268 754 380	**–**	15 119
Contract assets net of loss allowance	**37 259 177**	24 224 014	**–**	–
Finance lease receivables net of loss allowance	**32 893 412**	33 004 492	**–**	–
Loans receivable	**1 041 667**	6 500 000	**–**	–
Cash and cash equivalents	**184 563 052**	58 405 483	**585 704**	439 168
Financial liabilities				
Other financial liabilities measured at amortised cost	**977 803 965**	720 466 732	**716 069**	867 776
Reconciliation to statements of financial position				
Trade and other payables*	**130 279 576**	159 862 938	**716 069**	867 776
Interest-bearing borrowings	**521 078 004**	500 992 179	**–**	–
Financial liabilities	**24 748 857**	57 616 360	**–**	–
Lease liabilities	**301 697 528**	1 995 255	**–**	–

** See note 37.3 for details about restatement as a result of prior period error.*

Due to their nature, the carrying value of the financial assets and liabilities approximates their fair value.

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

General objectives, policies and processes

The board has overall responsibility for the determination of the group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the group's finance function. The board receives quarterly reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The group's internal auditors also review the risk management policies and processes and report their findings to the audit committee.

The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the group's competitiveness and flexibility.

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32. Financial risk management continued

32.1 Credit risk

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

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

Receivables comprise loans to associated companies and accounts receivable. Trade receivables comprise mainly of a blue chip customer base and are spread amongst a number of different customers and geographic areas. Weekly meetings are held with the credit committee, comprising the Chief Financial Officer, finance executives, debtors management team and the commercial department.

At these meetings, the trade receivables ageing is reviewed and updates regarding collections of long-outstanding or debtors in default are monitored.

Further disclosures regarding trade and other receivables are provided in note 16.

The group does not hold collateral as security.

The group grants varied credit terms of between 30 to 60 days to its customers. The analysis of trade, other receivables and contract assets (excluding prepayments and VAT) which are past due at reporting date is as follows:

	Consolidated 2020 R	Consolidated 2019 R
Not past due or impaired	**143 947 163**	167 772 311
Past due by 31 to 60 days but not impaired	**54 659 019**	59 936 021
Past due by 61 to 90 days but not impaired	**31 271 090**	30 256 180
Past due over 90 days but not impaired	**70 314 521**	58 200 084
Total trade, and other not impaired	**300 191 793**	316 164 596

The carrying amount of the trade receivables loss allowance is R12 422 297 (2019: R22 033 897).

The carrying amount of the contract assets loss allowance is R708 790 (2019: R1 152 305).

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

32.2 Liquidity risk

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

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

The board receives rolling 12 month cash flow projections on a quarterly basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the group is expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The liquidity risk of the group is managed centrally by the shared services finance function. Budgets are set and agreed by the board in advance, enabling the group's cash requirements to be anticipated.

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

	On demand R	Within one year R	Two to five years R	Greater than five years R	Total R
Consolidated					
2020					
Interest-bearing borrowings	**100 435**	**68 890 187**	**511 888 509**	**–**	**580 879 131**
Financial liabilities	**18 469 219**	**–**	**6 792 986**	**–**	**25 262 205**
Lease liabilities	**–**	**55 054 375**	**186 653 376**	**243 148 180**	**484 855 931**
Trade and other payables	**–**	**130 279 576**	**–**	**–**	**130 279 576**
Total	**18 569 654**	**254 224 136**	**705 334 871**	**243 148 180**	**1 221 276 843**
2019					
Interest-bearing borrowings	490 182 518	7 995 621	3 712 795	–	501 890 934
Financial liabilities	16 866 530	18 906 298	27 048 207	–	62 821 035
Finance lease liabilities	–	1 270 265	950 809	–	2 221 074
Trade and other payables*	–	147 014 634	–	–	147 014 634
Total	507 049 048	175 186 818	31 711 811	–	713 947 677
Company					
2020					
Trade and other payables	**–**	**716 069**	**–**	**–**	**716 069**
Total	**–**	**716 069**	**–**	**–**	**716 069**
2019					
Trade and other payables	–	867 776	–	–	867 776
Total	–	867 776	–	–	867 776

** See note 37.3 for details about restatement as a result of prior period error.*

32.3 Market risk management

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

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

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32. Financial risk management continued

32.4 Foreign currency risk management

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

The group's exposure to the risk of changes in foreign exchange rates relates primarily to the group's operating activities (when revenue or expenses is denominated in a different currency from the company's functional currency). Apart from these particular cash flows, the group aims to fund expenses and investments in the respective currency and to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred.

Most transactions are Rand based with a limited exposure to other currencies, mainly US Dollars, Australian Dollars, Euro and Ghanaian Cedi resulting in a foreign exchange profit for the year of R10 583 651 (2019: loss of R6 218 096).

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

	2020		2019	
	Foreign amount	R	Foreign amount	R
US Dollar	1 921 103	33 350 954	1 104 279	15 509 152
Ghanaian Cedi	642 314	1 908 629	2 843 803	7 329 136
Australian Dollar	499 370	5 972 859	149 483	1 472 461
Euro	223 378	4 356 687	31 735	506 680
Namibian Dollar	–	–	109 796	109 796
British Pounds	(71 289)	(1 530 728)	(84 730)	(1 510 087)
New Zealand Dollar	1 055	11 802	1 066	10 058
Singapore Dollar	355	4 419	389	4 035
Indian Rupee	16 180	3 719	16 180	3 290
UAE Dirham	680	3 214	680	2 600
Canadian Dollar	220	2 805	220	2 359
Rwanda Franc	52 000	930	63 101	965
Mozambique Metical	771 510	188 372	2 649	591
Botswana Pula	390	574	453	590
Kenya Shilling	7 600	1 221	3 200	435
Ugandan Shilling	345 000	1 587	48 000	181
Tanzanian Shillings	102 000	759	22 000	134
Zambian Kwacha	15 759	14 983	–	–
Lesotho Loti	52 096	52 096	–	–
Malawi Kwacha	155 900	3 630	–	–
Malaysian Ringgit	294	1 185	–	–
Total		44 349 697		23 442 376

Foreign currency sensitivity

The group's exchange rate exposure relates mainly to the US Dollars, Australian Dollars, Euro and Ghanaian Cedi. The following details the group's sensitivity to a 20,0% (2019: 14,0%) increase or decrease in the Rand against the relevant foreign currencies. 20,0% is the sensitivity rate used based on the average movement in foreign exchange rates between reporting dates and represents management's best assessment of the possible change in foreign exchange rates (refer to note 1.4 for foreign exchange rates at reporting dates). The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and adjusts their translation at the year end for a 20,0% change in foreign currency rates. The amount below indicates the amount by which profit or loss and equity would increase or decrease if the Rand strengthens or weakens by 20,0% (2019: 14,0%). This is reflective of the currency risk exposure throughout the year.

	Consolidated 2020 R	Consolidated 2019 R
Sensitivity analysis		
If the foreign currency rates had been 20,0% (2019: 14,0%) higher/lower and all other variables held constant, the group's profit for the year (before tax) would increase/decrease by	**8 869 939**	3 281 933

32.5 Interest rate risk management

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

Interest rate sensitivity

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

A 100 basis point increase or decrease has been used.

	Consolidated 2020 R	Consolidated 2019 R
Sensitivity analysis		
If the interest rates had been 100 basis points higher/lower and all other variables held constant, the group's profit for the year (before tax) would increase/decrease by	**6 053 191**	4 115 775

33. Capital management

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

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

The group monitors capital using a net gearing ratio, which is net debt (excluding financial liabilities and premises and equipment lease liabilities) divided by total equity. The group's policy is to keep the net gearing ratio below 50%.

The group is not subject to any external capital requirements.

		2020	2019*
Net gearing ratio	(%)	**45,2**	65,6

** See note 37.1 and note 37.2 for details regarding the restatement for measurement period adjustment.*

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34. Going concern and events after the reporting date

34.1 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 22).

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 and company'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 these financial statements and confirm that they have not identified events or conditions that may cast significant doubt on the group and company's ability to continue as a going concern. Accordingly, the financial statements of the group and company have been prepared on a going concern basis which assumes that the group and company have adequate resources to realise their assets and discharge their liabilities in the ordinary course of business.

34.2 Events after the reporting date

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

35. 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 3)							(22 827 781)
Depreciation on right-of-use assets (refer note 3)							(28 120 437)
Amortisation (refer note 3)							(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 3)								(21 252 037)
Amortisation (refer note 3)								(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 37.1 and note 37.2 for details regarding the restatement for measurement period adjustment and note 37.3 for detail of a restatement due to a prior period error.*

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.*

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FOR THE YEAR ENDED 30 JUNE 2020

36. Operating subsidiaries

Company name	Country of incorporation	Currency	Effective group holding 2020 %	Effective group holding 2019 %	Investment 2020 R	Investment 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

37. Restatement

37.1 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)

ANNUAL FINANCIAL STATEMENTS

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FOR THE YEAR ENDED 30 JUNE 2020

37.2 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)

37.3 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 (refer note 25). 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 37.1 and 37.2) 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

ANNUAL FINANCIAL STATEMENTS
NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2020

37. Restatement continued

37.3 Measurement period adjustments and correction of prior period error to 30 June 2019 as previously reported

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	87 869 376	11 760 031	5 598 823	–	105 228 230
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.

SHAREHOLDER INFORMATION
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.

Normalised headline earnings

		Consolidated 2020	Consolidated 2019 Restated*
Reconciliation between headline earnings and normalised headline earnings:			
Headline earnings (refer note 6.1)		**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 3)		**3 285 773**	4 089 027
Subsequent remeasurement of contingent liabilities (refer note 23)		**(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 37.1 and note 37.2 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).

SHAREHOLDER INFORMATION
SHARES AND SHAREHOLDERS

		2020	2019
Performance on the JSE Limited			
Total number of shares traded	('000)	**34 186**	29 071
Total number of shares traded as a percentage of total issue shares (liquidity)	(%)	**24**	19
Total value of shares traded	(R'000)	**95 467**	165 907
Prices per share:			
Closing	(cents)	**158**	568
High	(cents)	**694**	579
Low	(cents)	**121**	550
Spread (number of shareholders)			
Up to 10 000 shares		**7 890**	6 771
10 001 to 100 000 shares		**811**	975
100 001 to 200 000 shares		**53**	50
Over 200 000 shares		**80**	82
		8 834	7 878

	Number	%	Shares	%
Shareholder distribution				
Public	**8 754**	**99**	**107 759 303**	**74**
Non-public	**75**	**1**	**9 567 775**	**7**
Directors	**3**	**–**	**19 134 761**	**13**
Associates of directors	**1**	**–**	**800 000**	**1**
Subsidiaries – Treasury Shares held	**1**	**–**	**7 625 658**	**5**
	8 834	**100**	**144 887 497**	**100**

Principal shareholders

The following are the principal shareholders whose holdings in the company total more than 5% of the total issued share capital as at 30 June 2020.

	Shares	%
Sbu Shabalala	**14 316 646**	**10**
Nedgroup Asset Management	**9 882 600**	**7**
Adapt IT (Pty) Ltd – Treasury Shares held	**7 625 658**	**5**

SHAREHOLDERS' DIARY

Shareholders' diary	
Financial year end	**30 June**
Annual general meeting	**November**
Reports and profit statements:	
Interim report	**February**
Audited group results	**September**
Annual report and financial statements issued	**October**

Shareholders are reminded to notify the transfer secretary of any change in address.

SHAREHOLDER INFORMATION
NOTICE OF ANNUAL GENERAL MEETING

Adapt IT Holdings Limited

Incorporated in the Republic of South Africa
Registration number 1998/017276/06
Share code: ADI
SIN: ZAE000113163
("**Adapt IT**" or "**the company**" or "**the group**")

Notice of the 21st Annual General Meeting of Shareholders

If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant ("**CSDP**"), broker, banker, attorney, accountant or other professional adviser immediately.

Notice is hereby given that the 21st annual general meeting of shareholders of Adapt IT will be held at 09:00 on Friday, 27 November 2020 for the purpose of considering, and, if deemed fit, passing, with or without modification, the resolutions set out hereafter. This will be a meeting conducted entirely by electronic communication as contemplated in section 63(2)(a) of the Companies Act, 2008 (Act 71 of 2008), as amended ("Companies Act") and shareholders will require to access the meeting platform at https://web.lumiagm.com. A unique meeting ID (ID number 186-079-494), 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 company Investor Relations website: https://www.adaptit.com/agm as well as on the SmartAGM portal: https://smartagm.co.za.

The Board of Directors of the company ("the Board") has determined that, in terms of section 62(3)(a), as read with section 59 of the Companies Act, the record date for the purposes of determining which shareholders of the company are entitled to participate in and vote at the annual general meeting is Friday, 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 annual general meeting is Tuesday, 17 November 2020.

1. Special resolutions

To consider and, if deemed fit, to pass, with or without modification, the following special resolutions. The percentage of voting rights that will be required for the adoption of each special resolution is the support of at least 75% of the voting rights exercised on the resolution.

1.1 Special resolution number 1 – non-executive directors' fees

Resolved as a special resolution that, unless otherwise determined by the company in a general meeting, the following annual fees payable by the company to its non-executive directors for their service as directors, with effect from 1 July 2020, are approved:

	Fee for the year ended 30 June 2020 R	Proposed fee year ending 30 June 2021 R
Chairman	**446 098**	446 098
Lead Independent Director	**374 899**	374 899
Director	**303 700**	303 700

Explanation

Section 66(9) of the Companies Act requires that a company may pay remuneration to its directors for their services as directors only in accordance with a special resolution approved by the shareholders within the previous two years. The reason for, and effect of, special resolution number 1 is to grant the company the authority to pay fees to its non-executive directors for their services as directors. The non-executive directors' fees are benchmarked against similar sized companies listed on the JSE.

In light of Covid-19 and the subsequent business and global economic impact, the remuneration committee recommended, and the Board agreed, to not apply any fee increases for the 2021 financial year.

SHAREHOLDER INFORMATION
NOTICE OF ANNUAL GENERAL MEETING CONTINUED

1. Special resolutions continued

1.2 Special resolution number 2 – general approval to acquire own shares

Resolved, as a general approval by special resolution, that the company and/or any of its subsidiaries from time to time be and are hereby authorised to acquire ordinary shares in the company in terms of, and subject to, the Companies Act, the Memorandum of Incorporation of the company and its subsidiaries and the Listings Requirements of the JSE Limited ("**JSE Listings Requirements**"), as amended from time to time. Any acquisition of ordinary shares is also subject to the sanction of any other authority whose approval is required by law, regulation or the JSE Listings Requirements.

Note: The JSE Listings Requirements currently provide, *inter alia*, that:

- the acquisition of the ordinary shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- this general authority shall only be valid until the earlier of the company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which the company's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date on which the transaction is effected;
- at any point in time, the company may only appoint one agent to effect any acquisition/s on its behalf;
- the acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty percent) of the company's issued ordinary share capital;
- the company may only effect the repurchase once a resolution has been passed by the Board confirming that the Board has authorised the repurchase, that the company has passed the solvency and liquidity test ("test") and that since the test was done there have been no material changes to the financial position of the group;
- the company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements; and
- an announcement will be published once the company has cumulatively repurchased 3% (three percent) of the number of the ordinary shares in issue at the time this general authority is granted ("initial number"), and for each 3% (three percent) in aggregate of the initial number acquired thereafter.

Explanation

Special resolution number 2 is to grant the company a general authority for the company and the company's subsidiaries to acquire the company's issued ordinary shares. There is no requirement in the Companies Act for shareholder approval unless the acquisition by the company of any particular class of securities exceeds 5% (five percent) of the issued shares of that class, either alone or together with other transactions in an integrated series of transactions, per sections 48(8), 115 and 116 of the Companies Act.

The directors have prioritised the reduction of debt and no share repurchase plan is currently envisaged. This resolution is, however, sought on a routine basis to avoid the need for a special meeting of shareholders, should the Board deem a share repurchase programme to be suitable at a future date subject at all times to the requirements of the Companies Act, the JSE Listings Requirements and the Memorandum of Incorporation of the company.

1.2.1 Other disclosure in terms of section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosures, which are contained in the integrated annual report of which this notice forms part:

- Share capital of the company page 130; and
- Major shareholders of the company page 158.

1.2.2 Material change

There have been no material changes in the affairs or financial position of the company and its subsidiaries since the company's financial year-end and the date of this notice.

1.2.3 Directors' responsibility statement

The directors, whose names are given on pages 54 and 55 of the integrated annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 2 and certify that to the best of their knowledge and belief there are no facts in relation to special resolution number 2 that have been omitted which would make any statement in relation to special resolution number 2 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 2 together with this notice contains all information required by law and the JSE Listings Requirements in relation to special resolution number 2.

1.2.4 Adequacy of working capital

At the time that the contemplated repurchase is to take place, the directors of the company will ensure that, after considering the effect of the maximum repurchase and for a period of 12 months thereafter:

- the company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business;
- the consolidated assets of the company and its subsidiaries, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the consolidated liabilities of the company and its subsidiaries;
- the issued share capital and reserves of the company and its subsidiaries will be adequate for the purpose of the ordinary business of the company and its subsidiaries; and
- the working capital available to the company and its subsidiaries will be sufficient for the group's requirements.

1.3 Special resolution number 3 – loans or other financial assistance to related companies

Resolved that, as a special resolution, in terms of section 45 of the Companies Act, the shareholders hereby approve of the company providing, at any time and from time to time during the period of two years commencing on the date of this special resolution number 3, any direct or indirect financial assistance (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) as contemplated in section 45 of the Companies Act to a related or inter-related company or corporation or to a member of any such related or inter-related corporation provided that:

- the Board from time to time, determines:
  - the specific recipient or general category of potential recipients of such financial assistance;
  - the form, nature and extent of such financial assistance;
  - the terms and conditions under which such financial assistance is provided; and
- the Board may not authorise the company to provide any financial assistance pursuant to this special resolution number 3 unless the Board meets all those requirements of section 45 of the Companies Act which it is required to meet in order to authorise the company to provide such financial assistance.

Explanation

The reason for and effect of special resolution number 3 is to grant the Board the authority to authorise the company to provide financial assistance as contemplated in section 45 of the Companies Act, to the persons specified in section 45(2), i.e. a related or inter-related company or corporation, or to a member of a related or inter-related corporation.

This resolution is intended to enable the company to provide inter-company loans and guarantees within the group.

2. Ordinary resolutions

To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolutions. The percentage of voting rights that will be required for the adoption of each ordinary resolution is the support of more than 50% (fifty percent) of the voting rights exercised on the resolution. In the case of ordinary resolution number 10, the JSE Listings Requirements prescribe a 75% (seventy-five percent) majority vote.

2.1 Ordinary resolution number 1 – financial statements

To receive, consider and adopt the consolidated audited annual financial statements of the company for the year ended 30 June 2020, incorporating the reports of the auditors, the directors, the Audit and Risk Committee, and the Social and Ethics Committee, which will be presented to shareholders as required in terms of section 30(3)(d) of the Companies Act.

Note: The annual financial statements appear on pages 81 to 156 of the integrated annual report of which this notice forms part.

Re-election of a Director

2.2 Ordinary resolution number 2 – re-election of Mr O Fortuin as a director

To re-elect, Mr O Fortuin as a director of the company who, in terms of Article 24.7.1 of the company's Memorandum of Incorporation, retires by rotation at this annual general meeting but, being eligible to do so, offers himself for re-election.

Note: The curriculum vitae of Mr O Fortuin is provided on page 54 of the integrated annual report.

2.3 Ordinary resolution number 3 – re-election of Ms C Koffman as a director

To re-elect, Ms C Koffman as a director of the company who, in terms of Article 24.7.1 of the company's Memorandum of Incorporation, retires by rotation at this annual general meeting but, being eligible to do so, offers herself for re-election.

Note: The curriculum vitae of Ms C Koffman is provided on page 54 of the integrated annual report.

SHAREHOLDER INFORMATION
NOTICE OF ANNUAL GENERAL MEETING CONTINUED

2. Ordinary resolutions continued

2.4 Ordinary resolution number 4 – re-appointment of Ms Z Nyanga to the Audit and Risk Committee

Pursuant to the requirements of section 94(2) of the Companies Act, to re-appoint Ms Z Nyanga, a non-executive, independent director of the company, as a member and Chairperson of the Audit and Risk Committee until the next annual general meeting.

Note: The curriculum vitae of Ms Z Nyanga is provided on page 54 of the integrated annual report.

2.5 Ordinary resolution number 5 – re-appointment of Mr O Fortuin to the Audit and Risk Committee

Pursuant to the requirements of section 94(2) of the Companies Act, to re-appoint Mr O Fortuin, a non-executive, independent director of the company, as a member of the Audit and Risk Committee until the next annual general meeting.

Note: The curriculum vitae of Mr O Fortuin is provided on page 54 of the integrated annual report.

2.6 Ordinary resolution number 6 – re-appointment of Ms C Koffman to the Audit and Risk Committee

Pursuant to the requirements of section 94(2) of the Companies Act, to re-appoint Ms C Koffman, a non-executive, independent director of the company, as a member of the Audit and Risk Committee until the next annual general meeting.

Note: The curriculum vitae of Ms C Koffman is provided on page 54 of the integrated annual report.

2.7 Ordinary resolution number 7 – appointment of the independent registered auditor

Pursuant to the requirements of section 90(1) read with section 61(8) of the Companies Act, and as nominated by the company's Audit and Risk Committee, to confirm the appointment of KPMG Inc. as independent auditors of the company for the financial year ending 30 June 2021, with Ms G Aldrighetti being the individual registered auditor, and to authorise the Audit and Risk Committee to determine the auditor's remuneration.

2.8 Ordinary resolution number 8 – non-binding advisory endorsement of the new remuneration policy

Resolved that the shareholders endorse, on a non-binding advisory basis, the company's new remuneration policy ("Remuneration Policy"), which appears on pages 68 to 79 of the integrated annual report.

Note: King IV recommends that the company's Remuneration Policy be tabled to shareholders as a non-binding advisory vote at each annual general meeting. Failure to pass this resolution will not have legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into consideration when assessing the company's Remuneration Policy.

Pursuant to the outcome of the vote on the remuneration policy at the previous annual general meeting, the Remuneration Committee consulted independent remuneration experts on remuneration design, policy and benchmarking and following an engagement process with large institutional stakeholders on the proposed new remuneration policy, this is now proposed for a non-binding advisory vote.

2.9 Ordinary resolution number 9 – non-binding advisory endorsement of the company's implementation report

Resolved that the shareholders endorse, on a non-binding advisory basis, the company's implementation report ("Implementation Report"), which appears on pages 78 and 79 of the integrated annual report.

Note: King IV™ recommends that the Implementation Report on a company's remuneration policy be tabled as a non-binding advisory vote by shareholders at each annual general meeting of the company. This enables shareholders to express their views on the implementation of a company's remuneration policy. The effect of ordinary resolution number 9, if passed, will be to endorse the company's Implementation Report in relation to its prior Remuneration Policy. Ordinary resolution number 9 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the Board will take the outcome of the vote into consideration when considering amendments to the company's Remuneration Policy and its implementation.

2.10 Ordinary resolution number 10 – approval to issue ordinary shares, and to sell treasury shares, for cash

Resolved that the directors of the company and/or any of its subsidiaries from time to time be and are hereby authorised, by way of a general authority, to:

- issue all or any of the authorised but unissued ordinary shares in the capital of the company, or to allot, issue and grant options to subscribe for, all or any of the authorised but unissued ordinary shares in the capital of the company; and/or
- sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the company purchased by subsidiaries of the company,

for cash, to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the Companies Act, the Memorandum of Incorporation of the company and its subsidiaries and the JSE Listings Requirements from time to time.

Note: Ordinary resolution number 10 is subject to the following:

- the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue may only be made to "public shareholders" as defined in the JSE Listings Requirements and not to related parties;
- the securities which are the subject of a general issue for cash may not exceed 30% (thirty percent) of the number of listed securities, excluding treasury shares, as at the date of this notice, being 41 178 552 securities. Any securities issued under this authorisation will be deducted from the aforementioned 41 178 552 listed securities. In the event of a sub-division or a consolidation during the period contemplated above the authority will be adjusted to represent the same allocation ratio;
- this general authority will be valid until the earlier of the company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given;
- an announcement giving full details, including the number of securities issued, the average discount to the weighted average traded price of the securities over 30 (thirty) business days prior to the date that the issue is agreed in writing between the issuer and the parties subscribing for the securities, and in respect of options and convertible securities, the effects of the issue on the statement of financial position, net asset value per share, net tangible asset value per share, the statement of profit or loss and other comprehensive income, earnings per share and headline earnings per share and, if applicable, diluted earnings and headline earnings per share, or in respect of an issue of shares, an explanation, including supporting documents (if any), of the intended use of the funds will be published when the company has issued securities representing, on a cumulative basis within the earlier of the company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given, 5% (five percent) or more of the number of securities in issue prior to the issue;
- in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE Limited of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities; and
- whenever the company wishes to use ordinary shares, held as treasury shares by a subsidiary of the company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares.

In terms of the JSE Listings Requirements a 75% (seventy five percent) majority of the votes cast by shareholders present or represented by proxy and entitled to vote at the annual general meeting must be cast in favour of ordinary resolution number 10 for it to be approved.

2.11 ORDINARY RESOLUTION NUMBER 11 – SIGNATURE OF DOCUMENTS

Resolved that each director of the company be and is hereby individually authorised to sign all such documents and do all such things as may be necessary for or incidental to the implementation of those resolutions to be proposed at the annual general meeting convened to consider the resolutions which are passed, in the case of ordinary resolutions, or are passed and registered by the Companies and Intellectual Property Commission, in the case of special resolutions.

3. OTHER BUSINESS

To transact such other business as may be transacted at an annual general meeting of shareholders.

Information schedule

Record date

The record date for the purpose of determining which shareholders are entitled to participate in, and vote at, the annual general meeting is Friday, 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 annual general meeting is Tuesday, 17 November 2020.

Shareholders should take note of the following important dates:

Record date for the purposes of determining which shareholders are entitled to receive notice of the annual general meeting	Friday, 16 October 2020
Last date to trade in order to be registered in the register of shareholders of the company and therefore be eligible to participate in and vote at the annual general meeting	Tuesday, 17 November 2020
Record date for purposes of determining which shareholders are entitled to participate in and vote at the annual general meeting	Friday, 20 November 2020
Last day to lodge forms of proxy	Wednesday, 25 November 2020 at 09:00
Date of the annual general meeting	Friday, 27 November 2020 at 09:00

SHAREHOLDER INFORMATION
NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Proxies/representation at the meeting

Shareholders holding certificated shares and shareholders that have dematerialised their shares and have elected own name registration in the sub-register maintained by a Central Securities Depository Participant (CSDP), may attend, speak and vote at the annual general meeting or may appoint one or more proxies (who need not be shareholders of the company) to attend, speak and vote at the annual general meeting on behalf of the shareholder who appointed such proxy or proxies.

A proxy form is enclosed with this notice. Duly completed proxy forms should be returned to the transfer secretaries, Computershare Investor Services Proprietary Limited (Private Bag X9000, Saxonwold, 2132 or Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196) by no later than 09:00 on Wednesday, 18 November 2020 or otherwise presented to the Chairperson immediately before the appointed proxy exercises any of the shareholder's votes at the annual general meeting.

Shareholders who have dematerialised their shares through a CSDP or a broker and who have not elected own name registration in the sub-register maintained by the CSDP and who wish to attend the annual general meeting, should instruct their CSDP/broker to issue them with the necessary authority to attend. Shareholders who are unable or do not intend to attend the meeting, but wish to be represented at the meeting, may provide their CSDP/broker with their voting instructions in terms of the custody agreement entered into between such shareholders and their CSDP/broker.

Electronic participation in the 2020 AGM

Prior registration is necessary to participate in the meeting. Shareholders or their proxies will be given unique login details.

Shareholders or their duly appointed proxy or proxies that wish to participate in the annual general meeting via electronic communication ("Participant" or "Participants") must either register online using the online registration portal at www.smartagm.co.za; or apply to Computershare, by emailing a request to participate at the annual general meeting to proxy@computershare.co.za, to be received by Computershare by no later than 09:00 on Wednesday, 25 November 2020. Computershare will first validate such requests and confirm the identity of the shareholder in terms of section 63(1) of the companies Act, and, if the request is validated, further details on using the electronic communication facility will be provided. The company will inform Participants who notified Computershare of their intended participation in accordance with paragraph 1 under Electronic Participation, by no later than 09:00 on Thursday, 26 November 2020 by email of the relevant details through which Participants can participate electronically.

Shareholders participating in the meeting using the online platform https://web.lumiagm.com will be able to vote between the commencement of the meeting (09:00 on Friday, 27 November 2020) and the closure of voting as announced by the Chairperson during the meeting.

More information regarding online participation at the meeting (including how to vote and ask questions online during the meeting) is available in the Online Shareholders' Meeting Guide which can be accessed on Adapt IT's Investor Relations website page as well as on the SmartAGM portal. To ensure your browser is compatible, please follow the instructions in the Online Shareholders' Meeting Guide. It is also recommended that shareholders who elect to participate in the meeting through the online platform log into the online platform at least 15 minutes prior to the scheduled start time of the meeting. Should shareholders require assistance with accessing the online platform, they can call the following helpline: +27 11 370 5302 or email proxy@computershare.co.za.

Action to take

If you are in any doubt as to what action you should take in respect of the resolutions, please consult your CSDP, broker, banker, attorney, accountant or other professional adviser immediately.

On behalf of the Board

Statucor (Pty) Ltd
Company Secretary

Johannesburg

23 October 2020

SHAREHOLDER INFORMATION
FORM OF PROXY

Adapt IT Holdings Limited

Incorporated in the Republic of South Africa
Registration number 1998/017276/06
Share code: ADI
SIN: ZAE000113163
("**Adapt IT**" or "**the company**" or "**the group**")

For use only by ordinary shareholders who:

hold ordinary shares in certificated form ("**certificated ordinary shareholders**"); or have dematerialised their ordinary shares ("**dematerialised ordinary shareholders**") and are registered with own-name registration, at the 21st annual general meeting of shareholders of the company to be held entirely by electronic communication at 09:00 on Friday, 27 November 2020 and any adjournment thereof.

Dematerialised ordinary shareholders holding ordinary shares other than with own-name registration who wish to attend the annual general meeting must inform their Central Securities Depository Participant (CSDP) or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the relevant Letter of Representation to attend the annual general meeting in person or by proxy and vote. If they do not wish to attend the annual general meeting in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. These ordinary shareholders must not use this form of proxy.

Name of beneficial shareholder

Name of registered shareholder

Address

Telephone work Telephone home Cell:

being the holder/custodian of ordinary shares in the company, hereby appoint (see note):

1. or failing him/her,

2. or failing him/her,

3. the Chairperson of the meeting,

as my/our proxy to attend and act for me/us on my/our behalf at the annual general meeting of the company convened for purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat ("resolutions") and at each postponement or adjournment thereof and to vote for and/or against such resolutions, and/or abstain from voting, in respect of the ordinary shares in the issued share capital of the company registered in my/our name/s in accordance with the following instructions:

		Number of ordinary shares		
Special resolutions	**Agenda item**	**For**	**Against**	**Abstain**
Special resolution 1	Approval of non-executive directors' fees			
Special resolution 2	General approval to acquire own shares			
Special resolution 3	Loans or other financial assistance to related companies			
Ordinary resolutions	**Agenda item**	**For**	**Against**	**Abstain**
Ordinary resolution 1	To receive, consider and adopt the annual financial statements of the company and group for the financial year ended 30 June 2020			
Ordinary resolution 2	Re-election of director – Mr O Fortuin			
Ordinary resolution 3	Re-election of director – Ms C Koffman			
Ordinary resolution 4	Re-appointment of Ms Z Nyanga to the Audit and Risk Committee			
Ordinary resolution 5	Re-appointment of Mr O Fortuin to the Audit and Risk Committee			
Ordinary resolution 6	Re-appointment of Ms C Koffman to the Audit and Risk Committee			
Ordinary resolution 7	Appointment of the Independent Registered Auditor			
Ordinary resolution 8	Non-binding advisory endorsement of the Remuneration Policy			
Ordinary resolution 9	Non-binding advisory endorsement of the Implementation Report			
Ordinary resolution 10	Approval to issue ordinary shares, and to sell treasury shares, for cash			
Ordinary resolution 11	Signature of documents			

Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable.

A member entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend and act in his stead. A proxy so appointed need not be a member of the company.

Signed at on this day of 2020

Signature

Assisted by (if applicable)

SHAREHOLDER INFORMATION
NOTES TO THE FORM OF PROXY

1. Summary of Rights Contained in section 58 of the Companies Act in terms of section 58 of the Companies Act:
   - a shareholder may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder;
   - a proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy;
   - irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder;
   - any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
   - if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the company; and
   - a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise (see note 7).
2. The form of proxy must only be used by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
3. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the annual general meeting must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
4. A shareholder entitled to attend and vote at the annual general meeting may insert the name of a proxy or the names of two alternate proxies of the shareholder's choice in the space provided, with or without deleting "the Chairperson of the meeting". The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of such proxy(ies) whose names follow.
5. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
6. A vote given in terms of an instrument of proxy shall be valid in relation to the annual general meeting, notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries not less than 48 (forty-eight) hours before the commencement of the annual general meeting.
7. If a shareholder does not indicate on this form of proxy that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the annual general meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.
8. The Chairperson of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
9. A shareholder's authorisation to the proxy including the Chairperson of the general meeting, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the annual general meeting.
10. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
11. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company's transfer secretaries or is waived by the Chairperson of the annual general meeting.
12. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the company.
13. Where there are joint holders of shares:
    - any one holder may sign the form of proxy;
    - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
14. Forms of proxy should be lodged with or mailed to Computershare Investor Services Proprietary Limited ("Computershare"):

    Hand deliveries to:

    Computershare Investor Services Proprietary Limited
    15 Biermann Avenue, Rosebank, Johannesburg, 2196

    Postal deliveries to:

    Computershare Investor Services Proprietary Limited
    Private Bag X9000, Saxonwold, 2132

    to be received by no later than 09:00 on Wednesday 25 November 2020 (or 48 hours before any adjournment of the annual general meeting, which date, if necessary, will be notified on SENS).
15. Any forms of Proxy not delivered to Computershare within the stipulated timeframe, may be handed to the Chairperson of the annual general meeting immediately before the appointed proxy exercises any of the shareholder's votes at the annual general meeting.
16. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.

GENERAL

1. QUORUM REQUIREMENTS

In terms of the company's Memorandum of Incorporation:

"The quorum for a shareholders' meeting to begin or for a matter to be considered, shall be at least 3 (three) shareholders entitled to attend and vote and present in person. In addition:

- a shareholders' meeting may not begin until sufficient persons are present at the meeting to exercise, in aggregate, at least 25% (twenty-five percent) of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the meeting; and
- a matter to be decided at a shareholders' meeting may not begin to be considered unless sufficient persons are present at the meeting to exercise, in aggregate, at least 25% (twenty-five percent) of all of the voting rights that are entitled to be exercised in respect of that matter at the time the matter is called on the agenda."

2. VOTES OF SHAREHOLDERS

In terms of the Memorandum of Incorporation, should the vote be conducted by poll, each shareholder present at the meeting in person or by proxy shall be entitled to vote in accordance with the voting rights associated with the securities held by that shareholder.

CORPORATE INFORMATION

Adapt IT Holdings Limited

Incorporated in the
Republic of South Africa
Registration number 1998/017276/06
Share code: ADI
ISIN: ZAE000113163
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
Wanderers Office Park
52 Corlett Drive
Illovo
Sandton
2196

Registered office

Adapt IT Johannesburg Campus
152 14th Road
Midrand
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

Computershare Investor Services (Pty) Ltd
Private Bag X9000, Saxonwold, 2132

T: +27 (0) 11 370 5000
F: +27 (0) 11 688 5200

Auditors

KPMG Incorporated

Sponsor

Merchantec Capital
13th floor, Illovo Point
68 Melville Road
Illovo, Sandton
2196

Corporate bankers

The Standard Bank of South Africa Limited
ABSA Bank

Legal representatives

Garlicke & Bousfield Incorporated
Michalsons Attorneys
Corrs Chambers Westgarth

Adapt IT website

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