adapt IT

INTEGRATED ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE

2017

SCOPE AND BOUNDARY

ABOUT THIS REPORT

The Adapt IT integrated annual report for the year ended 30 June 2017 covers information from all operating divisions and where additional information is available, this is clearly indicated. For a comprehensive overview, it is recommended that this review is read in conjunction with the information available on the Adapt IT website (www.adaptit.co.za).

Adapt IT continues to progress on the journey outlined by the King Report on Corporate Governance for South Africa 2009 (King III), while ensuring increased integration of reported financial, social, governance and environmental information. The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), the Companies Act of South Africa (the Companies Act, No 71 of 2008) and the Listings Requirements of JSE Limited (JSE Listings Requirements). Adapt IT uses the concepts, guiding principles and content elements contained in the International Reporting (IR) Framework issued by the International Integrated Reporting Council (IIRC) as a platform for this integrated annual report, as well as the Global Reporting Initiative (GRI) framework and guidelines for sustainability reporting.

ASSURANCE

The integrated annual report has been compiled in accordance with the integrated reporting principles contained in the Code of Corporate Practices and Conduct set out in the King III Report. This report covers all divisions across the various geographies in which Adapt IT operates and has been structured to provide stakeholders with relevant financial and non-financial information to enable them to obtain a balanced view of our business.

The annual financial statements have been audited by Deloitte & Touche.

Adapt IT (Pty) Ltd is a Level 3 Broad-Based Black Economic Empowerment (B-BBEE) contributor. Verification is carried out by an organisation accredited by the South African National Accreditation System (SANAS).

DIRECTORS' RESPONSIBILITY

The Adapt IT Board of Directors (Board) acknowledges its responsibility to ensure that the integrity of the integrated annual report is uncompromised. The Board has applied all appropriate resources to fulfil the requirements of the integrated report and confirms that the report addresses all material issues and presents the integrated performance of Adapt IT fairly and without prejudice.

Adapt IT is committed to an integrated approach to creating value for its stakeholders and the environment for a sustainable future.

CONTENTS

ABOUT ADAPT IT

Adapt IT is a leader in the ICT market through the provision of turnkey solutions to the *Education, Manufacturing, Energy, Financial Services and Hospitality sectors,* employing over 1 000 technology professionals and servicing more than 10 000 customers in 40 countries.

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

STRATEGIC FOCUS

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

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

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

LOOKING AHEAD

In the medium-term, Adapt IT will continue:

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

EDUCATION

The Adapt IT Education division has been providing solutions to higher and further education institutions for over 31 years worldwide servicing more than 200 customers in Africa, Europe and Australasia, with the flagship product being the comprehensive administrative Enterprise Resource Planning (ERP) software solution – Integrated Tertiary Software (ITS Integrator).

The software is deployed in 70% of all higher education institutions in South Africa, fully supporting the Statutory Department of Higher Education and Training (DHET) reporting requirements with integration to agencies such as DHET and National Student Financial Aid Scheme (NSFAS).

The Adapt IT Education division has an in-depth understanding of the intricate and complex challenges faced by the education sector utilising this deep industry expertise to design, develop, implement, and maintain a range of software products and services, whilst offering a comprehensive process management service.

FLAGSHIP SOFTWARE

- Integrated Tertiary Software – ITS Integrator
- CELCAT Timetabling

SERVICES

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

MANUFACTURING

The Adapt IT Manufacturing division develops software solutions for manufacturing, agri-processing, resources and utilities sectors, servicing over 120 clients in 27 countries.

The division combines 22 years of experience with a consultative approach to design innovative solutions that address unique sector challenges ranging from the coordination of large-scale procurement; inventory management; control payment of cane growers; to solutions managing the safety of nuclear power plant refuelling shutdowns.

FLAGSHIP SOFTWARE

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

SERVICES

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

FINANCIAL SERVICES

The Adapt IT Financial Services division has been providing specialised services, skills and solutions to leading financial services institutions for over 20 years and built a solid reputation of being trusted advisors to South Africa's leading banks and institutions, together with its strategic technology partners. The Financial Services team of 200 employees services over 2 600 customers, spanning Audit, Risk Management and Corporate Performance Management.

The flagship product is CaseWare, a global leader in auditing and financial reporting software, used in over 130 countries worldwide. CaseWare is the leader in compliance, and ensures that customers conform to the latest financial disclosure standards being ISAs, IFRS and IPSAS.

FLAGSHIP PRODUCTS

- CaseWare
- TaxWare
- ACL

SERVICES

- Audit, Tax and Secretarial solutions
- Financial reporting
- Data analytics
- Controls monitoring
- Software implementation and customisation
- Corporate performance management

ENERGY

The Adapt IT Energy division has subject matter experts that design, implement, and support SAP™ and supply chain solutions in the Oil and Gas sector globally, with deep industry knowledge providing thought leadership and innovation in Supply Chain, Terminal Automation Systems and Enterprise Asset Management.

The flagship product is a cloud-based SAP™ Industry Solution template for Oil and Gas with integration to FMC's FUEL-FACS+ Terminal Automation Software. The division services major oil companies with the development and management of complex supply chain solutions that rely on close collaboration between the different operational areas of the Oil and Gas downstream supply chain.

FLAGSHIP PRODUCTS

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

SERVICES

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

COMMUNICATIONS

The Adapt IT Communications division is a leading provider of cloud-based communication technology expense management solutions, servicing over 1 300 corporate customers across manufacturing and financial services sectors.

The Service Provider Solutions (SPS) competency further provides branded self-service capabilities to Mobile Network Operators across Africa.

The Communication division's cloud-based solutions have been successfully improving technology and telecommunication business efficiencies for over 30 years, with a long-term view to deliver continuous bottom-line value from telecommunication and technology investments.

FLAGSHIP PRODUCTS

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

SERVICES

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

HOSPITALITY

The Adapt IT Hospitality division was created through the acquisition of Micros South Africa effective 1 July 2017. The acquisition positions Adapt IT as a leader in the hospitality, retail, and food and beverage industries.

Micros has over 20 years' experience and 360 employees specialising in the resale, support, and deployment of software and hardware products. It complements these services with rapidly growing cloud solutions and the provision of professional services for the hospitality industry.

Micros distributes Oracle Hospitality products under Gold Partner agreements with global software vendor Oracle Inc. Oracle's hospitality solutions are in use across some 330 000 customer sites in 180 countries globally. The portfolio of products and services form the platform used in the management of hotels, retailers and food and beverage facilities across large corporates, small and medium-sized enterprises and independent businesses.

FLAGSHIP PRODUCTS

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

SERVICES

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

NON-FINANCIAL HIGHLIGHTS

STRATEGIC ACHIEVEMENTS

Streamlined operations by amalgamating six operating units into one.

Completed a three-year Enterprise Development programme in a black woman-owned project management consultancy.

Successfully entered the hospitality sector through the acquisition of Micros South Africa. The transaction strengthens the overall Oracle capability within Adapt IT.

FAST FACTS

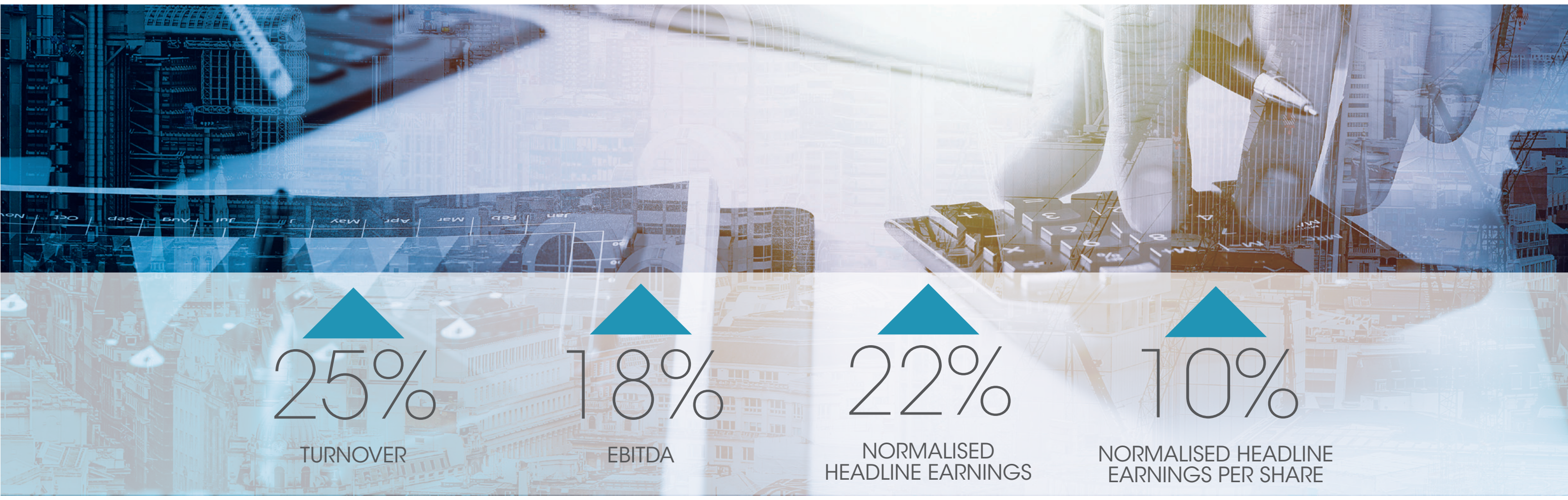
Seven out of ten public universities in South Africa run ITS Integrator

The CaneLAB solution weighs 383 000 deliveries in a season

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

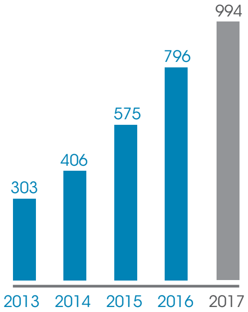
Over one million tax returns filed in a 21-day period with TaxWare

FINANCIAL HIGHLIGHTS

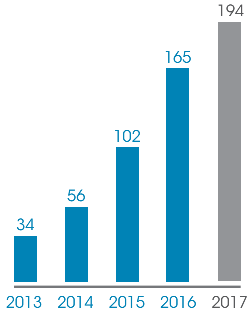


GROUP HIGHLIGHTS		2017	2016	% Change
Basic earnings per share	(cents)	**58,74**	57,61	2,0
Headline earnings per share	(cents)	**58,76**	57,54	2,1
Normalised headline earnings per share	(cents)	**78,96**	71,67	10,2
Dividends paid per share	(cents)	**13,40**	10,90	22,9
Earnings before interest, tax, depreciation and amortisation (EBITDA) margin	(%)	**19,56**	20,74	(5,7)
Operating profit margin	(%)	**15,19**	17,13	(11,2)
Return on assets	(%)	**8,59**	10,26	(16,2)
Net asset value	(R'000)	**668 537**	472 688	41,4
Liquidity ratio	(times)	**1,58**	0,86	84,0
Turnover	(R'000)	**993 671**	796 178	24,8
EBITDA	(R'000)	**194 326**	165 140	17,7
Operating profit	(R'000)	**150 983**	136 389	10,7
Profit for the year	(R'000)	**92 546**	80 957	14,3

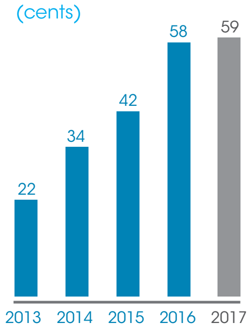
TURNOVER
(Rm)



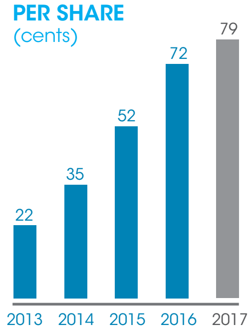
EBITDA
(Rm)



BASIC EARNINGS PER SHARE
(cents)



NORMALISED HEADLINE EARNINGS PER SHARE
(cents)



STAKEHOLDER ENGAGEMENT

INTRODUCTION

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

	STAKEHOLDER AND WHY ADAPT IT ENGAGES	NATURE OF ENGAGEMENT	MATERIAL ISSUES	ACTIONS AND AREAS OF FOCUS
Shareholders and investment community	Provides financial capital to finance future growth	• Interim and annual reports • Results announcements • Regular investor presentations • Corporate website • Annual general meeting	• Sustainable revenue and profit growth • Dividends • Return on investment	• Shareholder value creation • Share liquidity • Share price performance • Increasing dividends • Sustainability, social investment and corporate governance
Employees	Develop high-performance culture	• Monthly communication sessions • Quarterly newsletters • CEO roadshows • Interim and full-year performance reviews • Interim and full-year results presentations	• Provision of gainful employment • Fair labour practices • Career development • Competitive remuneration and benefits packages	• Equitable remuneration and recognition • Continuous personal development • Employment security, participation and empowerment • Workforce transformation
Customers	Sustain revenue generation and growth	• Account management meetings and visits • Service management reports • Solution and service updates and launches • Contract negotiations • Corporate website and brochures • Media press releases • Tradeshows, exhibitions, conferences	• High quality service and solutions • Competitive pricing	• Consistent quality of service and delivery • Integrated service offering

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

IN CONCLUSION

Adapt IT is dedicated to the building and maintaining of open and sustainable relationships with all stakeholders. The company will continue to implement systems to facilitate this dialogue and ensure that it is responsive to the views and interests of its stakeholders.

DIRECTORATE

CRAIG CHAMBERS

CFA, PDM, BCom

Independent non-executive Chairman

Appointed to the Board
3 May 2011

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

Chairman of the Nominations Committee

Member of the Remuneration Committee

BONGIWE NTULI

CA (SA)

Independent non-executive director

Appointed to the Board
27 May 2008

Bongiwe is a Chartered Accountant with international commercial and management experience and has attended various management programmes in the United Kingdom and Canada. Bongiwe has previously held various finance, treasury and risk management positions within Anglo American at their head office and in subsidiaries in South Africa, Europe, Canada and the United Kingdom. Bongiwe joined Grindrod on her return to South Africa in 2008 as the Chief Financial Officer of Grindrod Freight Services. In November 2012, Grindrod appointed Bongiwe to the group executive committee in the position of Executive: Corporate Services. Bongiwe was then promoted to CEO: Ports, terminals and rail business effective September 2014 and in August 2015 was appointed Executive Director of Grindrod Limited. Additionally, in May 2014, Bongiwe was appointed to the Board of Atlatsa Resources Corporation as a non-executive director.

Chairperson of the Audit and Risk Committee

Member of the Nominations Committee

Member of the Remuneration Committee

CATHERINE KOFFMAN

BA, LLB, LLM, Admitted Attorney

Independent non-executive director

Appointed to the Board
9 February 2015

Catherine is a qualified attorney, having obtained a primary law degree, and Masters in Law at the University of the Witwatersrand. Catherine has 21 years' experience in the legal, commercial and financial services sectors. She joined Arthur Andersen (later KPMG) in 1999 as a tax lawyer and in 2004 Catherine joined Nedbank Capital as Internal Legal Counsel supporting the Infrastructure Project Finance team in evaluating and structuring limited recourse transactions. In 2009, she joined Hadith General Partners, a sub-Saharan African private equity infrastructure developer and portfolio manager, as the Investment Director: Legal. In January 2015, Catherine was appointed as the Head of Infrastructure and Telecommunications Project Finance at Nedbank Limited.

Chairperson of the Remuneration Committee

Member of the Audit and Risk Committee

Member of the Nominations Committee

OLIVER FORTUIN

MBA

Independent non-executive director

Appointed to the Board
8 February 2013

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

Chairman of the Social and Ethics Committee

Member of the Audit and Risk Committee

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 22 years IT experience, Sbu joined the group where he gained project management expertise in the implementation of Oracle applications throughout the Illovo group, with operations in various African countries. He founded Adapt IT 13 years ago as a black-owned SME in the IT sector. As Managing Director, Sbu grew Adapt IT (Pty) Ltd into a successful ICT business. Through a merger with InfoWave Holdings in 2007, Sbu effected the listing of Adapt IT onto the Johannesburg Stock Exchange (JSE) and has been Chief Executive Officer and Director of Adapt IT Holdings Limited since January 2008.

TIFFANY DUNSDON

CA (SA)

Commercial Director

Appointed to the Board
18 April 2002

Tiffany is a Chartered Accountant who qualified with Deloitte. She joined British Airways in the United Kingdom where she was involved with several major business re-engineering and IT outsourcing projects. On her return to South Africa, Tiffany was contracted by Computer Sciences Corporation on the due diligence of outsourcing Old Mutual's IT infrastructure services. Tiffany joined InfoWave Holdings in 2000 in a consulting capacity and was appointed as Financial Director in April 2002 and Chief Executive Officer in December 2003. Tiffany became the Commercial Director of Adapt IT Holdings Limited after the merger of InfoWave Holdings and Adapt IT (Pty) Ltd and is primarily responsible for acquisitive growth. Tiffany was Financial Director of Adapt IT Holdings Limited from April 2013 until August 2016, when she reverted to being Commercial Director for the group and Managing Director of International operations.

Member of the Social and Ethics Committee

NOMBALI MBAMBO

CA (SA)

Chief Financial Officer

Appointed to the Board
18 August 2016

Nombali is a qualified Chartered Accountant who completed her articles with Ernst & Young. She joined Alexander Forbes in the role of accounting specialist and thereafter joined ABSA Capital, managing a Special Purpose Vehicle (SPV) created for raising corporate finance in the debt capital market. She later moved to loan capital markets responsible for originating, structuring and executing corporate loan facilities. Nombali joined Unilever in 2013 in the role of Africa Risk and Audit manager and subsequently moved to the Foods division as Finance Business Partner involving strategic decisions and tracking of overall financial performance where she remained until her appointment to Adapt IT. In March 2016, Nombali was appointed CFO elect at Adapt IT and following a six-month induction and handover period was appointed CFO. Her responsibilities include contributing to the strategic direction of Adapt IT, accountability for the group's finance function, involvement in mergers and acquisitions, funding and capital structuring and investor relations.

CHAIRMAN'S REPORT

"Adapt IT is on track to reach its 2020 target of leveraging its business platform to create a R3 billion software and services business that operates globally"

Craig Chambers
Chairman, Board

Adapt IT is a specialised software business built on a solid foundation, through the implementation of the company's sustainable growth strategy, that has evolved into a successful Information and Communications Technology provider operating in 40 countries and employing over 1 000 technology specialists.

SUSTAINABLE GROWTH STRATEGY

Adapt IT pursues a diversified growth strategy aimed at creating a global specialised software business that has annualised turnover of R3 billion by 2020, through a combination of Organic Revenue Growth and Strategic Acquisitions.

Adapt IT is a stable, high-performing business that attracts like-minded high-performing entrepreneurial software businesses which can leverage our B-BBEE credentials, listed platform and strong track record of unlocking synergistic growth.

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

The Board is committed to fulfilling Adapt IT's 2020 target, which will see the group develop into a major player within the ICT industry in South Africa and beyond.

PERFORMANCE OVERVIEW

The challenging economic environment persisted in South Africa in 2016, with negligible annual GDP growth of 0,3%, negatively impacting customer spend on information technology and services. These adverse conditions were experienced across almost all of the industries we serve.

That being said, Adapt IT turnover increased by 25% to R994 million. Our expansion into foreign markets represents 24% of this turnover, with a specific focus on the rest of Africa, where we now provide software and services to 29 other African countries. This expansion is a key factor in diversifying market risk and growing our hard currency revenue streams.

Normalised headline earnings grew 22%, in line with turnover growth. These headline earnings have been normalised to provide additional disclosure on the non-cash acquisition impact related to IFRS.

ACQUISITIONS

In line with the acquisitive growth strategy, EasyRoster was acquired during the financial year, further bolstering the Manufacturing division.

Adapt IT has successfully concluded the EasyRoster integration, evidenced by the achievement of its first profit warranty.

This was followed by the acquisition of Micros South Africa, a complementary business to Adapt IT, effective 1 July 2017. This has further diversified our sector exposure by introducing the Hospitality segment – an area we believe will hold-up well in the face of any future local currency weakness.

TRANSFORMATION

We view transformation as a key strategic advantage in fostering our contribution to the socio-economic development of South Africa.

In November 2016, the Department of Trade and Industry (DTI) introduced the amended broad-based black economic empowerment (B-BBEE) codes with more stringent requirements than the previously gazetted codes.

Adapt IT has been rated a Level 3 contributor, under the new codes, which would have translated to a Level 1 under the old codes.

Adapt IT is committed to continuing its investment in improving transformation and diversity through various programs, as reported in the Sustainability Report on page 30.

GOVERNANCE AND SUSTAINABILITY

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

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

This integrated annual report reflects the progress made this year towards integrated sustainability reporting.

DIRECTORATE

There were no further changes to the composition of the Board since the last report.

DIVIDENDS

The Board declared ordinary dividend number 15 of 13,70 cents per share payable in September 2017 and further detailed on page 55. This represents a four times dividend cover ratio. The company has a policy of declaring a dividend at the end of the financial year and not at the interim reporting date.

ANNUAL GENERAL MEETING

Our annual general meeting will be held on 24 November 2017. Notice of the meeting appears on page 105.

OUTLOOK

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

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

- Delivering diversified and profitable organic growth;
- Reinvesting retained earnings in value adding and strategic acquisitions;
- Implementing a B-BBEE improvement plan;
- Continue to diversify the business into the rest of Africa and global markets; and
- Providing the best value solutions to our customers.

We have the right people, skills and technologies to take advantage of opportunities in our identified markets and servicing customers in the best possible way.

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

APPRECIATION

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

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

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

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

Craig Chambers
Independent non-executive Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

"Adapt IT is successfully building towards its 2020 target of reaching R3 billion annualised turnover by increasing turnover by 25% in a challenging economic climate"

Sbu Shabalala
Chief Executive Officer

INTRODUCTION

Adapt IT delivered a steady financial performance in the 2017 financial year, in challenging market conditions, through the implementation of the sustainable growth and diversification strategy focusing on building towards the 2020 business target of reaching R3 billion annualised turnover.

Adapt IT has created a sustainable software and services business that delivers profitable growth, with margins that are higher than the average currently being attained in the South African ICT market through pursuing organic and acquisitive growth opportunities.

Strategic achievements during the period under review include:

- Enhanced presence in our specialist segments; and
- Improved geographic reach across Africa and globally.

COMPANY FINANCIAL PERFORMANCE

Turnover for the year increased by 25% to R994 million, in a challenging economic environment. The annuity turnover percentage increasing to a healthy 66% (2016: 55%) of annual turnover from new and existing customers.

Earnings rose 18% to R194 million (2016: R165 million) before interest, tax, depreciation and amortisation (EBITDA).

DIVISIONAL PERFORMANCE

The Adapt IT divisions operate a sector-focused approach, under a single Adapt IT brand. These divisions' operational and financial performance in the financial year were recorded in the following manner:

THE EDUCATION SEGMENT

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

The division had subdued performance and delivered a lower EBITDA of R30 million for the year (2016: R34 million).

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

THE MANUFACTURING SEGMENT

The Manufacturing division provides Tranquillity ERP; Safety Health Environment and Quality (SHE-Q) solutions; SAP® HCM Cloud Services and Telecommunications Business Intelligence solutions.

The division was bolstered by the acquisition of EasyRoster, the workforce management solutions specialist, whilst new business growth remained under pressure. EBITDA increased to R71 million for the year (2016: R50 million).

THE FINANCIAL SERVICES SEGMENT

The Financial Services division provides the auditing and accounting profession with internal and external auditing software offerings and business intelligence (BI) solutions.

The Financial Services segment increased EBITDA to R53 million (2016: R45 million).

THE ENERGY SEGMENT

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

The Energy sector conditions showed slight improvement in the global downstream market leading to a contribution of R44 million to EBITDA (2016: R39 million).

THE HOSPITALITY SEGMENT

Adapt IT announced its entry into the Hospitality Software Sector, effective 1 July 2017, through the acquisition of 100% of the Micros South Africa group ("Micros"), a leading provider of integrated software and hardware solutions to the hospitality and retail industries in Africa. The hospitality management software market is expected to grow at a compound annual growth rate of 6,14% between 2016 and 2020.

The sector's contribution will be reflected in the 2018 financial year. Being a sizeable business, it adds significantly to Adapt IT's diversification.

KEY ELEMENTS OF ADAPT IT'S STRATEGY

The Adapt IT strategy is to remain an industry focused niche software provider which grows revenue and profit at a much higher rate than the South African ICT market towards the R3 billion turnover 2020 target.

The Adapt IT Board has the appropriate organisational profile and skill set to deliver on the growth strategy, supported by each of the operating divisions: Education, Manufacturing, Financial Services, Energy and Hospitality, all of which have operational executives responsible for organic growth and technology strategies.

SECTOR FOCUS DRIVING ORGANIC GROWTH

Adapt IT's focus is on improving the ability of the existing businesses to increase revenue and to develop new capabilities in their key markets.

This approach has assisted in securing more customers, diversifying products and services and the move up the services value chain.

The organic growth of 6% (2016: 9%) was driven by software sales into these targeted sectors.

STRUCTURED TECHNOLOGY DIVERSIFICATION

To supplement our existing intellectual proprietary products, we leverage our partnerships with major multinational Information Technology (IT) vendors, namely: IBM, Microsoft, Oracle, CaseWare, ACL and SAP®.

These partnerships are being leveraged to drive our cloud technology adoption as we seek to lower the cost of ownership of technology solutions for our customers.

The business model changes are being implemented to ensure the attainment of the requisite profitability levels in the resultant businesses.

EARNINGS ENHANCING ACQUISITIONS

The Commercial Department manages an established acquisition process, across all of the company's operating divisions, working with operational and service management on due diligence and integration implementation plans, to integrate all acquisitions swiftly and successfully.

The acquisition strategy has proven successful in supplementing organic growth efforts and continues to be a key focus area, allowing Adapt IT to rapidly build new technology capabilities into existing established operations, removing barriers to entry to adjacent markets, and increasing customer reach.

Our approach is to seek high quality and profitable technology companies, in targeted sectors and geographies, to improve Adapt IT's geographic presence in South Africa, and to gain exposure in higher margin and growth markets internationally.

The acquisition criteria targets companies with sound management capabilities and successful underlying business models which can benefit from leveraging off the platform of a larger, well managed, entrepreneurial IT company.

STRATEGIC KEY PERFORMANCE INDICATORS (KPIS)

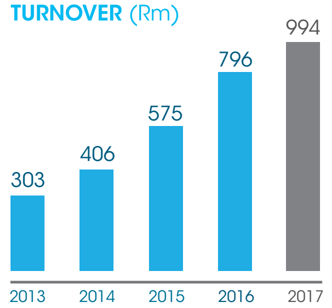
The Board monitors implementation of the strategy and reviews the following measures when examining the successes of the strategy:

Financial performance: The Board monitors financial performance metrics for the divisions including revenue growth, gross/operating margins, working capital metrics and cash generation;

Share price: The company's share price is an independent measure of the value of the business set by trading on the JSE. Although the share price is affected by market trends over which the company has no control, the Board considers the share price to be the key external metric reflecting the investors' view of the company's performance and compares

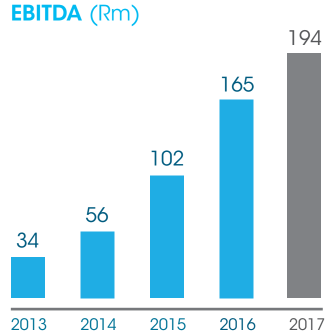
CHIEF EXECUTIVE OFFICER'S REPORT continued

TURNOVER (Rm)



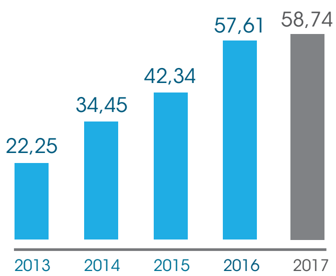
Growth in turnover
Compound annual growth of 35% per annum over five years.

EBITDA (Rm)



EBITDA
Compound annual growth of 50% per annum over five years.

EARNINGS PER SHARE (cents)



Earnings per share
Compound annual growth of 27% per annum over five years.

it against the Software and Services sector, as well as general market trends; and

Non-financial metrics: The Board and divisional executive teams monitor the environmental, employee and social aspects of company's operations, and have adopted the most appropriate aspect of the GRI framework and guidelines in describing the organisation's activities and operations. B-BBEE is the most significant social matter and business imperative facing the business and to this end Adapt IT has achieved a Level 3 contributor status on the recently gazetted codes of good practice.

INVESTMENT CASE

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

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

APPRECIATION

On behalf of Adapt IT, I take this opportunity to thank members of the Board for their leadership, the group and divisional executives for their dedication.

I extend my most grateful thanks to the Adapt IT staff, both long serving and new, whose hard work, team spirit, expertise, as well as appetite for growth and change, has built the foundation upon which the business is laid. My sincere thanks go to the families of all Adapt IT staff for their support.

Most importantly sincere thanks to our customers for entrusting us with key aspects of their businesses, where we strive to add long term sustainable business value. Thanks also to our partners and service providers for their continued support in achieving this goal.

Sbu Shabalala
Chief Executive Officer

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

CHIEF FINANCIAL OFFICER'S REPORT

"Adapt IT continues to grow from strength to strength in the face of the current challenging economic conditions. Our improved diversification provides resilience and synergistic opportunities"

Nombali Mbambo
Chief Financial Officer

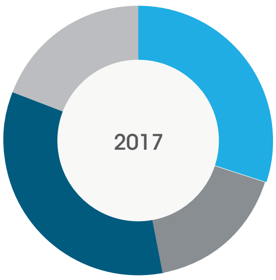
The 2017 financial year was characterised by a challenging economic growth environment, however steady progress was made towards reaching the 2020 target of R3 billion annualised turnover due to the consistent pursuit of Adapt IT's strategy.

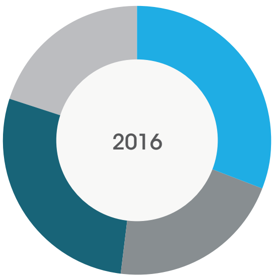
FINANCIAL PERFORMANCE

Turnover increased by 25% to R994 million from R796 million. Turnover growth comprised 6% organic growth, which was muted due to ongoing pressure in several industries, and 19% from acquisitions. The main contributors to acquisitive growth in the current financial year were the CQS group, which was consolidated for six months in the prior financial year, and EasyRoster, which was consolidated for 11 months during the current financial year.

Annuity turnover for Adapt IT increased to a healthy 66% over the period (2016: 55%) and the compound annual growth rate for turnover over five years is 35%.

Turnover from foreign customers comprises 24% of total turnover with 59% of this being from other African countries. Foreign currency loss in the period totalled R3 million (2016: R4 million gains). The foreign currency exposure at year-end totalled R17 million (2016: R26 million) and is set out on page 101.





Earnings before interest, tax, depreciation and amortisation (EBITDA) rose by 18% to R194 million (2016: R165 million). EBITDA margin is 20% due to ongoing cost saving initiatives.

Interest-bearing borrowings decreased to R102 million (2016: R165 million). Finance costs increased to R26 million (2016: R22 million), mainly from imputed interest on financial liabilities arising from the deferred portion of the purchase considerations for AspiviaUnison and EasyRoster, as set out on page 74.

The effective tax rate improved to 28% (2016: 35%), due to lower costs of a capital nature which relate to acquisitions and an adjustment for a prior year overprovision.

Amortisation of intangible assets increased to R35 million (2016: R22 million) arising from the allocation of the purchase consideration for acquisitions to intangible assets, such as customer relationships and internally developed software.

The company has disclosed normalised headline earnings to provide additional disclosure on the IFRS related, non-cash impact of acquisitions on earnings.

TURNOVER BY SEGMENT (%)

	2017	2016
Manufacturing	**30**	30
Education	**17**	22
Financial Services	**34**	28
Energy	**19**	20

Accordingly, headline earnings have been normalised for:

- The amortisation of intangible assets arising from acquisitions, net of tax; and
- Imputed interest on financial liabilities arising from the deferred purchase considerations, which is based on the vendor's achievement of profit warranties.

As acquisitions will be an ongoing hallmark in line with the growth strategy of Adapt IT, normalised headline earnings will be reported on an ongoing basis, as this will add value to the financial analysis.

Profit attributable to ordinary shareholders of R88 million was 11% up on the prior year (2016: R79 million). Normalised earnings of R118 million was 22% up on the prior year (2016: R97 million).

The weighted average number of shares in issue grew 10% year on year due to issues to vendors for acquisitions and an issue of shares for cash to fund acquisitions, as detailed under Financial Position below. The increase in earnings per share (EPS) is 2% (2016: 36%) and increase in normalised headline earnings per share is 10%.

ACQUISITIONS

The company acquired 100% of EasyRoster (Pty) Ltd and EasyRoster Software (Pty) Ltd, collectively EasyRoster from 1 August 2016 for a maximum consideration of R87 million. The consideration is funded through 1 075 531 Adapt IT shares, to be issued in December 2017, and cash over four years, subject to profit warranties. This serves to augment Adapt IT's software-as-a-service (SaaS) solutions portfolio. EasyRoster met 102% of the first profit warranty in the 11 months since acquisition, representing success for Adapt IT through the transaction and integration period.

The AspiviaUnison group met 129% of its profit warranty in the period from 1 July 2016 to 31 December 2016, being the final warranty period in the 28 months since acquisition.

CQS does not have performance warranties and performed in line with expectations for the 12-month period. The historic profit profile of three quarters of profit falling in the first half of a calendar year, due to annual software licence renewal dates being predominantly in the second half of the financial year, was maintained.

Adapt IT acquired Micros which specialises in hospitality management solutions, immediately post year-end, effective 1 July 2017, subsequent to Competition Commission approval.

TURNOVER BY GEOGRAPHY (%)	2017	2016
South Africa	**76**	73
Other African countries	**14**	13
The Americas	**4**	7
Australasia	**4**	5
Europe	**1**	2
Asia	**1**	–

SEGMENT ANALYSIS

The results of Adapt IT's operating divisions are monitored in segments, namely Manufacturing, Education, Financial Services and Energy.

The Manufacturing, Financial Services and Energy segments maintained healthy turnover growth year on year. The Education segment turnover growth remained flat year on year due to project delays experienced from disruptions in the South African higher education sector, however the increase in annuity turnover in this segment is encouraging.

The segmental analysis of turnover is provided on page 103, and shown graphically below, demonstrating a good balance and spread of risk.

FINANCIAL POSITION

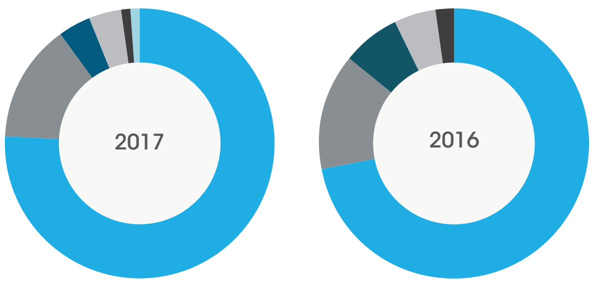
Equity attributable to shareholders of the company increased from R467 million to R662 million. This was primarily a result of the total comprehensive income of R88 million (2016: R79 million) and four fresh share issues detailed below.

Fresh share issues during the year were as follows:

- Aquilon share considerations: In respect of the third and final tranche, 5 113 636 shares were issued in September 2016;
- AspiviaUnison share consideration: In respect of the second tranche, 1 346 426 shares were issued in September 2016 and in respect of the third and final tranche, 1 186 576 shares were issued in April 2017;
- Executive share incentive plan: 95 357 shares issued based on share appreciation units exercised; and
- In December 2016, 5 793 102 shares were issued to new shareholders in respect of a capital raise in support of the acquisitive growth strategy and will be applied to the EasyRoster and Micros transactions.

The 14th dividend of 13,40 cents per share, covered four times by earnings, was paid to shareholders in September 2016. The 15th dividend of 13,70 cents per share, on a four times dividend cover ratio, will be paid to shareholders in September 2017.

Deferred income increased from R67 million to R71 million. Deferred income is mainly in the Education segment where revenue in respect of annual licence fees for product development and support is received annually in advance at the beginning of each calendar year. The related service obligation extends six months beyond financial year-end.



CHIEF FINANCIAL OFFICER'S REPORT continued

Furthermore, there are certain project revenues, including other licence and support revenues, received in advance across various divisions.

Provisions decreased from R43 million to R25 million. This was mainly from reduced bonuses awarded due to underperformance against key performance indicators for the year in most divisions.

The business is not capital intensive. The property and equipment policy is consistent with the prior year and there have been no material changes to the useful life of any property and equipment. Property and equipment of R7 million (2016: R8 million) was acquired during the year. Total capital commitments of R67 million, disclosed on page 97, relate mainly to future capital requirements for the campus in Johannesburg which will be financed through internal cash resources.

Intangible assets arising from the allocation of value to intangible assets at acquisition, increased by R41 million, relating mainly to the EasyRoster acquisition. Refer to page 95 for further details.

Goodwill increased from R473 million to R500 million due to the EasyRoster acquisition. The consideration paid for EasyRoster effectively included amounts in relation to the benefit of the expected synergies, revenue growth, new market penetration and future market development.

Trade and other receivables increased from R171 million to R228 million. The average debtors' days outstanding at the end of the year remained unchanged at 72 days. Management believes the provision for impairment is adequate. The ageing of the debtors is provided on page 100 and compared to the prior year.

BORROWINGS, CASH FLOW AND LIQUIDITY

The gearing ratio improved to 16% (2016: 35%). Adapt IT has borrowing capacity (limited to a gearing ratio of 50%) to fund further growth, however, in addition to borrowings, it is envisaged that additional equity will be raised, based on the acquisitive growth plans.

Cash generated from operations after working capital changes is R140 million (2016: R174 million) as a result of movements in provisions and the increase in trade receivables. Net cash and cash equivalents increased from R78 million to R98 million.

In December 2016, the company utilised the general authority granted by its shareholders at the latest annual general meeting to issue shares for cash, raising R84 million of fresh equity in support of the acquisitive growth strategy.

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

FINANCIAL CONTROLS AND RISK MANAGEMENT

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

The internal audit approach has been dealt with under the Audit and Risk Committee Report. The financial risk management is covered on page 99.

ACCOUNTING POLICIES

The accounting policies adopted and methods of computation used in the preparation of the annual financial statements are in keeping with International Financial Reporting Standards (IFRS) and consistent with those used in the previous financial year. The adoption of new or revised accounting standards, interpretations and circulars have been described on page 73.

GOING-CONCERN ASSERTION

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

AMALGAMATION

In accordance with the company's strategy to build an integrated business, Adapt IT undertook a third restructure in five years, which was effective on 1 July 2017. This will result in greater operational and governance efficiencies and strengthened internal controls. The restructure was undertaken by amalgamating five subsidiaries into the main operating company, as divisions of Adapt IT (Pty) Ltd. This improves the go-to-market position of the business, as well as internal communication and collaboration.

CONCLUSION

Adapt IT is strategically well positioned in all of its operations and continues to grow from strength to strength. The company's diversification and geographic reach provides resilience in challenging market conditions and synergistic opportunities between operating divisions.

Nombali Mbambo
Chief Financial Officer

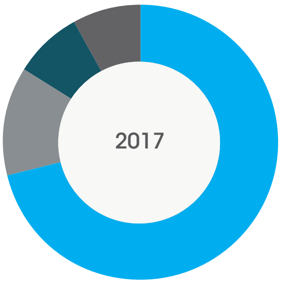
"Wealth of R540 million was created in the year ended 30 June 2017 from which employees benefited R385 million (71%)"

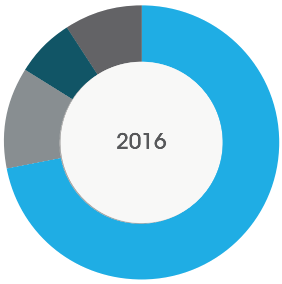
FIVE-YEAR REVIEW

		30 June 2017	30 June 2016	30 June 2015	30 June 2014	30 June 2013
Operating results						
Revenue	(R'000)	**996 425**	803 338	578 049	408 546	306 035
Turnover	(R'000)	**993 671**	796 178	575 324	406 301	303 402
Earnings before interest tax, depreciation and amortisation (EBITDA)	(R'000)	**194 326**	165 140	102 385	55 834	34 445
Operating profit	(R'000)	**150 983**	136 389	86 500	49 688	29 400
Profit for the year	(R'000)	**92 546**	80 957	52 679	38 123	24 091
Profit attributable to equity holders of the parent	(R'000)	**88 133**	78 357	52 679	38 123	24 091
Headline earnings	(R'000)	**88 150**	78 259	52 639	38 235	24 112
Normalised headline earnings	(R'000)	**118 461**	97 480	64 728	–	–
Cash generated from operations	(R'000)	**139 325**	173 602	105 387	60 642	36 662
Financial position						
Total equity	(R'000)	**668 537**	472 688	321 094	185 101	92 234
Total assets	(R'000)	**1 086 447**	964 877	561 852	296 726	178 723
Total current assets	(R'000)	**355 666**	259 556	153 805	111 485	92 038
Total liabilities	(R'000)	**417 910**	492 189	240 758	111 626	86 489
Total current liabilities	(R'000)	**224 733**	301 422	141 809	107 064	82 742
Financial ratios						
EBITDA margin	(%)	**19,56**	20,74	17,80	13,74	11,35
Operating profit margin	(%)	**15,19**	17,13	15,03	12,23	9,69
Return on equity	(%)	**15,45**	19,74	20,81	27,49	29,67
Return on assets	(%)	**8,59**	10,26	12,27	16,04	14,80
Gearing ratio	(%)	**15,47**	34,94	7,58	3,94	0,70
Average debtors days	(days)	**71,76**	71,92	60,07	78,86	78,54
Solvency ratio	(times)	**2,60**	1,96	2,33	2,66	2,07
Liquidity ratio	(times)	**1,58**	0,86	1,08	1,04	1,11
Number of permanent employees	(number)	**670**	664	450	357	313
Share performance						
Number of shares in issue at year-end	('000)	**153 597**	140 062	129 201	111 499	108 226
Basic earnings per share	(cents)	**58,74**	57,61	42,34	34,45	22,25
Diluted basic earnings per share	(cents)	**58,74**	55,28	41,33	33,48	22,25
Headline earnings per share	(cents)	**58,76**	57,54	42,31	34,55	22,27
Normalised headline earnings per share	(cents)	**78,96**	71,67	52,02	34,55	22,27
Diluted headline earnings per share	(cents)	**58,75**	55,21	41,30	33,58	22,27
Net asset value per share	(cents)	**435,25**	337,49	248,52	167,25	85,18
Tangible net asset value per share	(cents)	**68,51**	(34,18)	47,70	46,73	47,88
Closing share price at year-end	(cents)	**968**	1 242	842	774	235
Dividend per share (paid)	(cents)	**13,40**	10,90	8,23	5,56	4,84

VALUE-ADDED STATEMENT

	Group 2017 R'000	%	Group 2016 R'000	%
Turnover	993 671		796 178	
Less:				
Net cost of products and services	(453 762)		(264 506)	
Value added	539 909		531 672	
Wealth created	539 909		531 672	
Applied to:				
Employees				
Salaries, wages and other benefits	385 370	71,4	384 779	72,4
Providers of capital	45 239	8,3	36 779	6,9
Interest on borrowings	25 605	4,7	22 298	4,2
Dividends to shareholders	19 634	3,6	14 481	2,7
Government				
Taxation	40 801	7,6	46 238	8,7
Income taxation: normal and deferred	35 498	6,6	41 930	7,9
Skills development levies	5 303	1,0	4 308	0,8
Retained in the group	68 499	12,7	63 876	12,0
Wealth distributed	539 909	100,0	531 672	100,0





VALUE-ADDED

	2017 %	2016 %
Salaries, wages and other benefits	71	72
Retained in the group	13	12
Providers of capital	8	7
Taxation	8	9

CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors takes ultimate responsibility for Adapt IT's adherence to sound corporate governance standards and ensures that all business judgements are made with reasonable care, skill and diligence. The Board is also committed to and fully endorses the principles of the Code of Corporate Practices and Conduct as set out in the King Report on Corporate Governance for South Africa. Sound corporate governance structures and processes are applied and are considered by the Board to be pivotal to sustainable growth of the Adapt IT business.

The Board has made significant strides in ensuring compliance with King III, which it has adopted and endorsed as a strategic business imperative, in order to continue to conduct the business with openness, integrity and accountability. For the 2017 financial year, with the exception of those items outlined below, the Board confirms that Adapt IT has complied with King III. In addition, a King III reference table is included on pages 28 and 29 of the integrated annual report.

- Elements of a combined assurance model have been developed, but require further maturation in 2018;
- The reporting on and the provision of assurance over non-financial sustainability issues other than B-BBEE are the responsibility of the Audit and Risk Committee. Independent assurance in respect of sustainability reporting beyond the existing scope is not considered to be necessary at this stage; and
- The Board has not formalised a climate change strategy other than locating our head office and operations in a green building in La Lucia, Durban. The businesses by their nature are not natural resource intensive nor do they create any significant pollution.

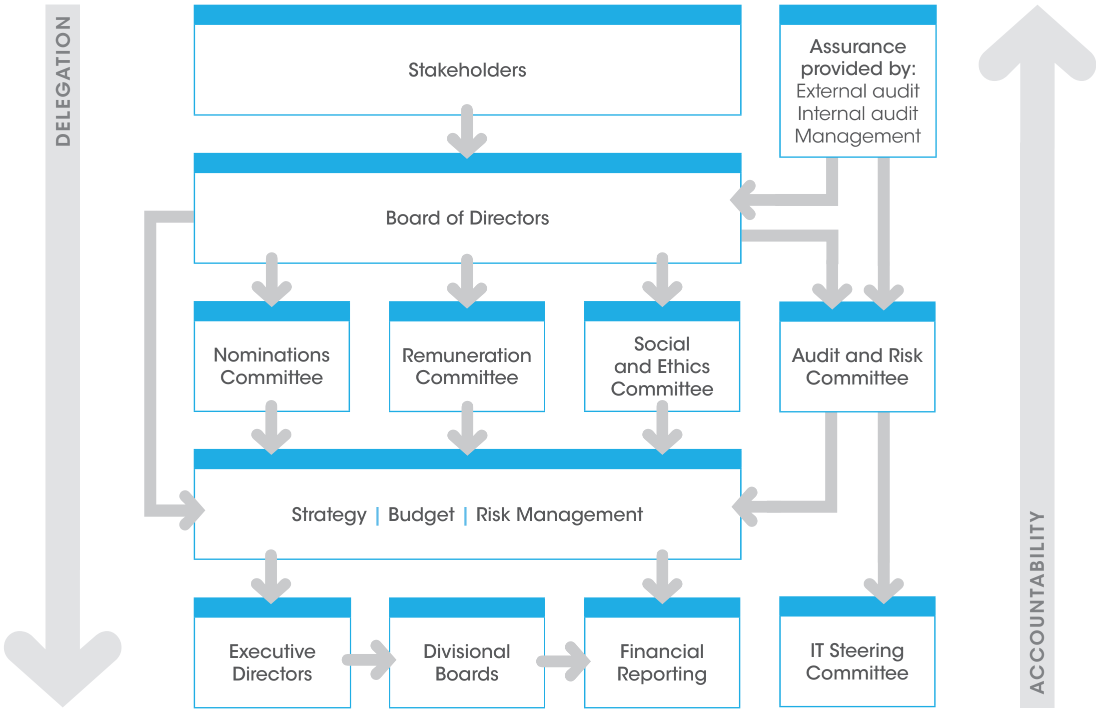
Adapt IT's corporate governance structure during the reporting period is represented in the diagram on page 23.

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

TRANSITION TO KING IV

The King IV Report on Corporate Governance for South Africa 2016 (King IV), issued in November 2016, involves the application of 16 core principles as opposed to the 75 principles in the King III Code. Its recommendations on corporate governance are more focused and practical with increased emphasis on the outputs and outcomes of governance structures. Adapt IT welcomes the enhancements in the Code and has commenced with the process of ensuring compliance with King IV and will disclose as such in the 2018 integrated annual report.

Adapt IT Corporate Governance Structure



BOARD OF DIRECTORS

COMPOSITION

The Board comprises four independent non-executive directors and three executive directors following the appointment of Nombali Mbambo as executive director and Chief Financial Officer during the period under review. The Chairman of the Board is an independent non-executive director. The roles of the Chairman and the Chief Executive Officer are separated 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 Directors are aware of their duties to ensure that Adapt IT maintains a very high standard of corporate governance.

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

GENDER DIVERSITY POLICY

The company's policy aims to promote gender diversity at Board level. Currently, out of seven Board members, four are female.

MANDATE

The Board is responsible for approving the strategic direction of Adapt IT's business and is governed by a Charter that sets out the framework of its accountability, responsibility and duty to the company. The Board conducts its business in the best interest of the company and ensures that Adapt IT performs in the interests of its broader stakeholder group, including present and future investors in Adapt IT, its customers and clients, business partners, employees and the societies in which it operates.

BOARD CHARTER AND RESPONSIBILITIES

The general powers of the Board and the directors are conferred in the company's Memorandum of Incorporation. The terms of reference for the Board are set out in the Board Charter which is reviewed on an annual basis. The Board Charter includes principles recommended by King III and sets out the powers and authority of the Board. It also provides a clear and concise overview of the roles and responsibilities of the Board members.

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

The powers and responsibilities of the Board include the following:

- Giving direction to the company through management and approving the strategic plan of the Adapt IT business;

CORPORATE GOVERNANCE continued

- 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;
- Assessing the key risk areas and key performance areas of Adapt IT;
- Reviewing the implementation of the strategic plan by management;
- Reserving specific powers to itself and delegating other matters to key senior management;
- Monitoring performance through various Board committees; and
- Monitoring compliance with all relevant laws, regulations and code of business practice and ensuring that Adapt IT communicates effectively with its stakeholders.

BOARD AND COMMITTEE MEETINGS

The Board meets formally four times per year and reviews strategy, operational performance, capital expenditure, risk management, internal controls, communications and other material aspects pertaining to Adapt IT's business. The Board convenes additional meetings for special purposes when necessary. The Audit and Risk Committee met four times, the Social and Ethics Committee met twice and the Remuneration Committee and the Nominations Committee held one meeting each during the year.

BOARD MEETING ATTENDANCE		
Director	Attended	Held
C Chambers	6	6
B Ntuli	4	6
C Koffman	5	6
O Fortuin	6	6
S Shabalala (CEO)	6	6
T Dunsdon (Commercial)	6	6
N Mbambo (CFO)	6	6

BOARD AND COMMITTEE EVALUATION

The Board and individual directors' performance was assessed in terms of the Board Charter and found to be satisfactory. The Board recognises the importance of Board evaluation and development, not only as it constitutes good governance but also as it is a valuable process in improving Board performance and accordingly performs the evaluation periodically.

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.

DELEGATION OF AUTHORITY

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

COMMITTEES

The Audit and Risk Committee was formally appointed in terms of the Companies Act at the annual general meeting held on 25 November 2016.

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

- Remuneration Committee
- Nominations Committee
- Social and Ethics Committee

These committees of the Board are chaired by an independent non-executive director. The executive directors attend 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.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee operates under an approved charter, assisting the Board to fulfil its oversight responsibility on corporate governance. Its specific responsibility is on accurate financial reporting and the existence of adequate financial systems and controls. It discharges its responsibility by evaluating the operations and findings of both internal and external audits and assessing the appropriateness and adequacy of the accounting procedures and the systems of internal financial and operational controls. 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.

During the year under review, the committee held four meetings. In accordance with the committee's charter, the committee consists of no less than three independent non-executive directors, one of whom is the Chairman of the committee. The Chairman of the committee is not the Chairman of the Board.

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

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

The report of the Audit and Risk Committee is set out on pages 47 to 49.

AUDIT AND RISK COMMITTEE ATTENDANCE		
Director	Attended	Held
B Ntuli (Chairperson)	3	4
C Koffman	3	4
O Fortuin	4	4

REMUNERATION COMMITTEE

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

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

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

REMUNERATION COMMITTEE ATTENDANCE		
Director	Attended	Held
C Koffman (Chairperson)	1	1
C Chambers	1	1
B Ntuli	0	1

NOMINATIONS COMMITTEE

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

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

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

NOMINATIONS COMMITTEE ATTENDANCE		
Director	Attended	Held
C Chambers (Chairman)	1	1
C Koffman	1	1
B Ntuli	0	1

SOCIAL AND ETHICS COMMITTEE

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

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

In addition, it 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.

CORPORATE GOVERNANCE continued

It further implements affirmative action measures to redress the disadvantages in employment experienced by designated groups, so ensuring their equitable representation at all levels in the workplace. It addresses training and development, a safe and healthy workplace and employee wellbeing.

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

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

SOCIAL AND ETHICS COMMITTEE ATTENDANCE		
Director	Attended	Held
O Fortuin (Chairman)	2	2
T Dunsdon	2	2
M Seleoane	2	2

EXECUTIVE COMMITTEE

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

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.

The Company Secretary function is outsourced to Statucor (Pty) Ltd (Statucor). 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 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 III. They use a structured approach to implementing and maintaining a sound system of corporate governance, which allows the Board to highlight the actions needed by the business to comply with the requirements of King III. 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. The Board has also evaluated and concluded that the Company Secretary retains an arm's length relationship with the Board. It is not a director of the company, nor related to, or in any other manner connected with, any of the Directors in any manner which could cause there to be a conflict of interest.

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.

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 on the JSE Stock Exchange News Service (SENS) within 48 hours of the trade. All trades must be pre-approved by a duly authorised director of the company.

INVESTOR RELATIONS

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

INTERNAL AUDIT

Adapt IT acknowledges the importance of an independent strategically aligned 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 an appropriately qualified external service provider, KPMG Services (Pty) Ltd.

Internal audit is mandated by and functions in terms of an approved charter which describes its purpose, authority and responsibilities.

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.

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

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

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

The Internal Control Framework at Adapt IT is based on the report of the Committee of Sponsoring Organisations (COSO) Integrated Framework, which has emerged as the leading framework that management and auditors use to evaluate controls. The King III Practice Note relevant to this area recommends the application of COSO.

The focus in the 2017 financial year was to improve collaboration with management, other internal assurance providers and Adapt IT's external auditor to ensure optimal coverage of the key risks and minimal duplication of effort. The purpose of this collaboration was the development of a meaningful combined assurance model and plan, on which good progress has been made.

INFORMATION TECHNOLOGY (IT) GOVERNANCE

The Board recognises that IT is an integral part of conducting business at Adapt IT, as IT is fundamental to the support, sustainability and growth of the organisation. IT serves all aspects, components and processes in the organisation and is therefore not only an operational enabler for Adapt IT, but a strategic business imperative which can be leveraged to create opportunities and to gain a 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 latter, together with its related costs and constraints, should be well governed and controlled to ensure that it supports Adapt IT's strategic objectives. It is for this reason that the Board has deemed it appropriate to delegate this function to the Audit and Risk Committee. However, the responsibility of IT governance ultimately resides with the Board.

IT is implemented, based on the following model:

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

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

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

CORPORATE GOVERNANCE continued

KING III REFERENCE TABLE		
Key	Compliant ✔ Partially compliant ^	
CHAPTER 1 – ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP		
1.	Effective leadership based on ethical foundation	✔
2.	Responsible corporate citizenship	✔
3.	Effective management of group's ethics	✔
CHAPTER 2 – BOARDS AND DIRECTORS		
1.	The Board comprises a balance of power, with a majority of non-executive directors	✔
2.	Majority of non-executive directors to be independent	✔
3.	Are the position of Chairman and CEO held by different persons	✔
4.	Is the Chairman of the Board an independent non-executive director	✔
5.	Was the CEO appointed by the Board	✔
6.	Are directors appointed through a formal process	✔
7.	Is a succession plan in place for both the CEO and executives	✔
8.	Formal induction and ongoing training of directors is conducted	✔
9.	Is the Board assisted by a competent, qualified and experienced Company Secretary	✔
10.	The Company Secretary is not a director and maintains an arm's length relationship with the Board of directors	✔
11.	Appointment of well-structured committees and oversight of key functions	✔
12.	The Board is the focal point of governance and the Board and committees have formal charters	✔
13.	Formal delegation of authority setting out powers and authority	✔
14.	Does the Board take responsibility for risk and IT governance	✔
15.	Compliance with relevant laws, rules, codes and standards	✔
16.	Is there an effective risk-based internal audit function	✔
17.	Is a formal evaluation of the Board and directors done annually	✔
18.	Remuneration policy for remuneration of directors and executives	✔
19.	Is the remuneration policy approved by the shareholders	✔
20.	Disclosure of individual director remuneration	✔
21.	Board responsible for effective stakeholder management	✔
22.	A governance framework is agreed between the group and its subsidiary boards	✔
CHAPTER 3 – AUDIT COMMITTEE		
1.	Audit Committee chair is an independent non-executive director	✔
2.	Audit Committee members are skilled, effective and independent	✔
3.	Committee consists of three independent non-executive directors	✔
4.	Chairman appointed by the Board, sets the agenda and present at the annual general meeting	✔
5.	Does the committee oversee the internal audit function	✔
6.	Committee an integral component of the risk management process	✔
7.	Satisfies itself of the expertise, resources and experience of the group's finance function	✔
8.	Committee recommends appointment of the external auditor and oversees the external audit process	✔
9.	Committee reports to the Board and shareholders on discharge of its duties	✔
10.	Committee oversight of integrated reporting	✔
11.	A combined assurance model is applied to improve efficiency in assurance activities	^

CHAPTER 4 – THE GOVERNANCE OF RISK		
1.	Does the Board take overall responsibility for the governance of risk	✔
2.	Does the Board determine the levels of risk tolerance	✔
3.	Board assisted by committees in carrying out its risk responsibilities	✔
4.	The Board delegates to management the responsibility for its risk management plan	✔
5.	Does the Board ensure that risk assessments are performed on a regular basis	✔
6.	Board ensures implementation of an appropriate framework and methodologies to increase the probability of anticipating unpredictable risks	✔
7.	Board ensures implementation of appropriate risk responses	✔
8.	Board receives assurance regarding effectiveness of risk management process	✔
9.	Board ensures risk disclosure to stakeholders	✔
10.	Board ensures continual risk monitoring by management	✔
CHAPTER 5 – THE GOVERNANCE OF INFORMATION TECHNOLOGY (IT)		
1.	Board ensures proper IT governance	✔
2.	IT is aligned with the performance and sustainability objectives of the group	✔
3.	Board delegates to management the responsibility for the implementation of an IT governance framework	✔
4.	Board monitors and evaluates significant IT investments and expenditure	✔
5.	IT forms an integral part of the group's risk management	✔
6.	Board ensures the effective management of the group's information assets	✔
7.	Does the Audit and Risk Committee assist the Board in carrying out its IT responsibilities	✔
CHAPTER 6 – COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS		
1.	Board ensures compliance with applicable laws and considers adherence to non-binding rules, codes and standards	✔
2.	Board and directors have working understanding of the effect of applicable laws, rules, codes and standards on the group and its business	✔
3.	Compliance risk forms an integral part of the group's risk management process	✔
4.	Board delegates to management the responsibility for the implementation of an effective compliance framework and processes	✔
CHAPTER 7 – INTERNAL AUDIT		
1.	Board ensures an effective risk-based internal audit	✔
2.	Internal audit to provide written assessment of the effectiveness of the group's system of internal controls and risk management	^
3.	Internal audit positioned to understand the strategy of the group, and that it can achieve its objectives	✔
CHAPTER 8 – GOVERNING STAKEHOLDER RELATIONSHIPS		
1.	Board appreciates that stakeholder perceptions affect the group's reputation	✔
2.	Board delegates to management the responsibility to proactively deal with stakeholder relationships	✔
3.	Board strives to achieve an appropriate balance between its various stakeholder groupings	✔
4.	Board ensures equitable treatment of stakeholders	✔
5.	Board ensures transparent and effective communication with stakeholders	✔
6.	Board ensures effective, efficient and expeditious resolution of disputes with stakeholders	✔
CHAPTER 9 – INTEGRATED REPORTING AND DISCLOSURE		
1.	Board ensures integrity of integrated reporting	✔
2.	Board sets the tone/culture with respect to sustainability	✔
3.	Board ensures the integration of strategy and sustainability	✔
4.	Board to have a formal mandate/stated objective to ensure sustainability	✔
5.	Group to have mechanisms in place to measure sustainability	^
6.	Sustainability reporting and disclosure integrated with the group's financial reporting	✔
7.	Are sustainability reporting and disclosure independently assured	^
8.	Does the Board have a formal climate change strategy	✔

SUSTAINABILITY REPORT OVERVIEW

"We aim to continue improving all aspects of our transformation in order to become an organisation that represents our society equitably"

Oliver Fortuin
Chairman Social and Ethics Committee

OUR APPROACH TO SUSTAINABILITY

Adapt IT takes an holistic view of sustainability based on the principles of: Prosperity, People and Planet (3Ps). Being a sustainable organisation means that the 3Ps are integrated into all business decisions.

The organisation's core values of: integrity; passion; transparency; respect; good corporate citizenship and a people centric culture, are the foundations on which this company has been built.

Adapt IT's solutions focused business approach places ethics at the centre of all decisions. Ethics underpin all relationships with stakeholders including: colleagues; customers; investors; suppliers; the community as a whole and the environment.

STRATEGIC SUSTAINABILITY ISSUES IN 2017

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

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

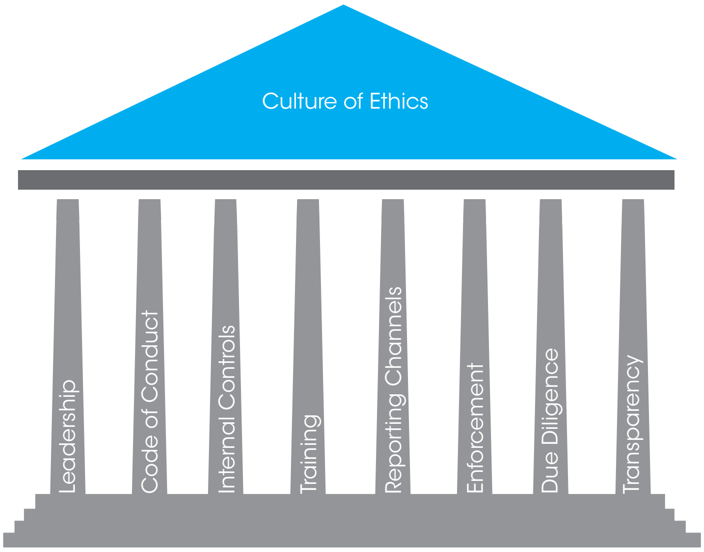
Planet
- Minimising waste
- Monitoring water usage
- Reducing our carbon footprint
- Conserving energy
- Biodiversity

Adapt IT promotes a methodology of integrating sustainability into everyday business processes. This is achieved by investing in training, promoting equality, adopting sustainable product development methodologies and incorporating the principles of social, plus environmental, responsibility into the core business model.

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

PROSPERITY

ECONOMIC SUSTAINABILITY



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

R994m
our turnover for the year ended 30 June 2017

R88m
the total headline earnings we generated for the year ended 30 June 2017

20%
EBITDA margin for the year ended 30 June 2017

ECONOMIC PERFORMANCE

The financial performance of Adapt IT which is covered extensively in this integrated annual report is positive despite challenging market conditions. The Board believes that the diversified base of the business and the strong leadership capability across Adapt IT business positions it well to continue to succeed in the years ahead.

VALUE-ADDED ANALYSIS AT A GLANCE

Adapt IT generated wealth of R540 million for the year ended 30 June 2017 from which employees benefited in the amount of R385 million (71%) and other stakeholders benefited in varying proportions as indicated in the value-added statement on page 21.

INVESTMENT

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

RESEARCH AND DEVELOPMENT

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

SUSTAINABILITY REPORT continued
PEOPLE

INVESTING IN PEOPLE

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

Adapt IT recognises that people are imperative to ensuring success in today's globally integrated and increasingly competitive business environment. People represent one of Adapt IT's most significant investments and Adapt IT continues to ensure that the culture of training and providing opportunities for employees to grow is part of its ethos. This is demonstrated by our various formal and informal programmes directed at building skills.

R10,7m
the total amount spent externally on B-BBEE skills development in 2017

40
interns and learners received formal training and monitoring, equipping them for employment

R385m
of the value created in 2017 was distributed to our employees in the form of salaries, wages and benefits

EMPLOYMENT EQUITY – TRANSFORMING OUR WORKFORCE

Ethos, derived from the Greek word for character, is defined as the spirit of a culture, or community as manifested in its attitudes and aspirations.

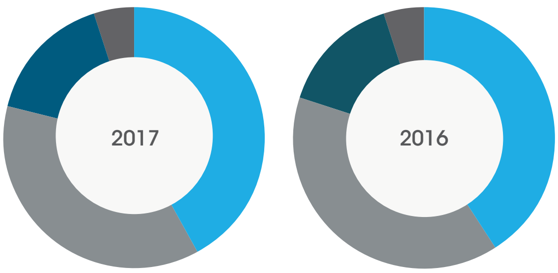
Adapt IT's ethos is firmly rooted in the belief that the promotion of equal opportunity and diversity in the workplace is not merely a social responsibility but is also a means of ensuring both sustainability and ongoing success.

As such, all divisions within the Adapt IT business are involved in and committed to promoting employment, through skills and leadership programmes aimed at providing development opportunities, for talented historically disadvantaged individuals. This is regarded as a business imperative that is monitored by the Employment Equity Committee, which reports to the Social and Ethics Committee.

Adapt IT will continue to attract, develop and retain talent from designated groups thus ensuring that it maintains a diverse multicultural workplace. The main transformation challenge facing Adapt IT is meeting employment equity targets, specifically in those occupational categories where the company is under-represented, namely black and disabled individuals. The key role of the Committee is to set targets towards the national demographic statistics for the economically active population and review progress on all related matters.

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

OUR EMPLOYMENT EQUITY PROFILE



EMPLOYEES	2017 %	2016 %
White	**42**	41
African	**37**	39
Indian	**16**	15
Coloured	**5**	5

OUR PEOPLE

As at 30 June 2017, Adapt IT had 790 people operating across business divisions in Johannesburg, Pretoria, Durban and Cape Town as well as several small international offices.

SUSTAINABILITY REPORT continued
PEOPLE

INVESTING IN PEOPLE

DRIVING BROAD-BASED BLACK ECONOMIC EMPOWERMENT TRANSFORMATION AND DIVERSITY

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

The B-BBEE verification is performed annually by an independent assurance provider. Adapt IT was assessed under the new ICT codes gazetted in November 2016 and Adapt IT achieved a Level 3 rating, effective 25 August 2017. Empowerment is viewed as a strategic imperative in the organisation and a vital component of the continued sustainability of operations in South Africa. Accordingly, the company aims to continually improve its B-BBEE score. Shareholders are advised that Adapt IT's annual compliance report in terms of Section 13G(2) of the Broad-Based Black Economic Empowerment Amendment Act No 46 of 2013, is available on Adapt IT's website, www.adaptit.co.za.

LEVEL 3 B-BBEE STATUS

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

RETENTION

Adapt IT continuously monitors employee attrition rates while implementing programmes to evaluate and mitigate the impact of the loss of key skills.

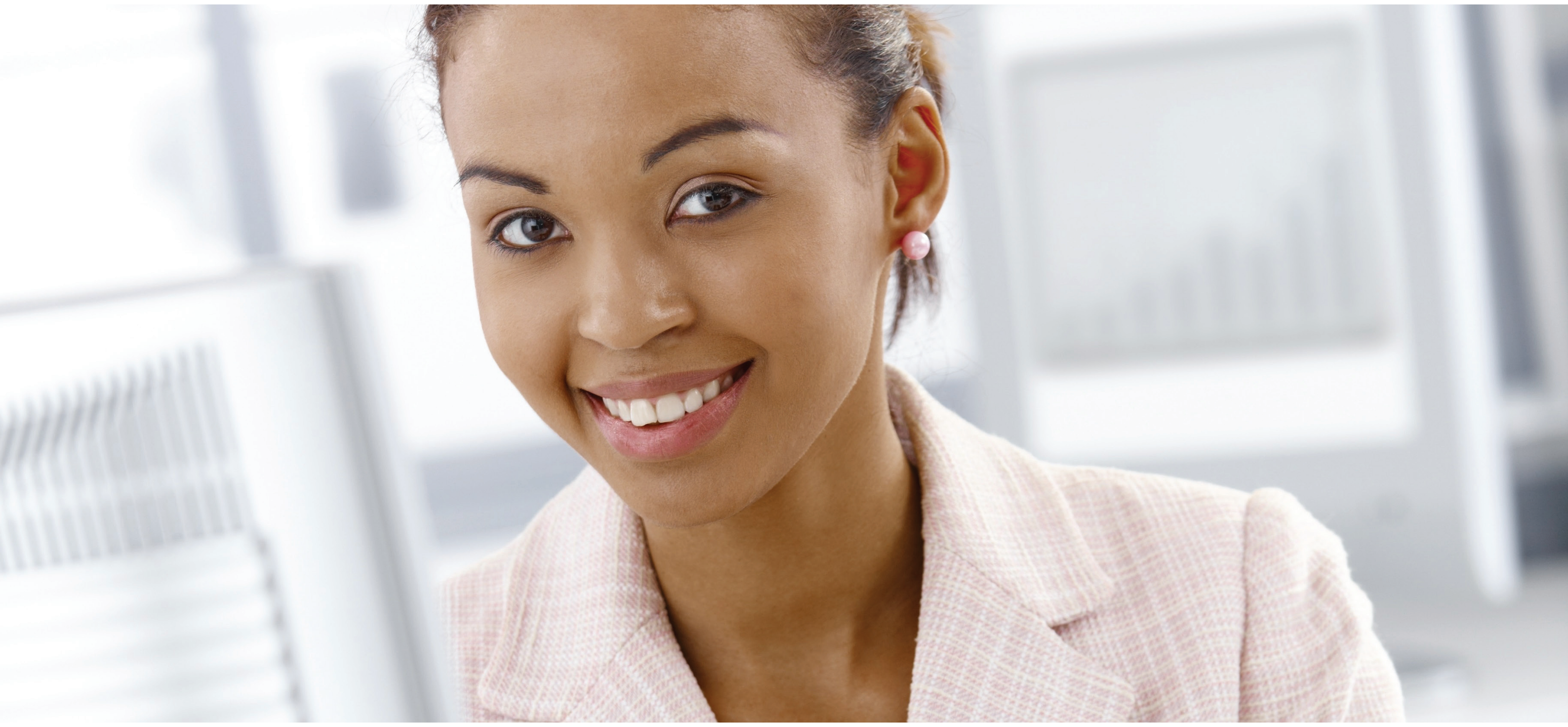
As a responsible employer, Adapt IT aims to offer staff a stimulating and progressive working environment in which employees can flourish and realise their true potential. Programmes to improve employee retention include: career development, market related remuneration and the provision of a productive and rewarding work environment.

Adapt IT has taken the following measures to promote sustainability and mitigate natural attrition:

- Job grading and remuneration benchmarking and alignment exercises, over a number of years to date, aimed at ensuring competitive remuneration and reward.
- Training programmes to support employee development.
- Managing performance through regular reviews, learning and development aligned to Adapt IT performance metrics.
- Succession planning and talent management to identify key employees in critical positions and ensure business continuity.
- Initiatives aimed at assuring the health and well-being of employees.

SUSTAINABILITY REPORT continued
PEOPLE

INVESTING IN PEOPLE



EMPLOYEE DEVELOPMENT

In order to leverage its significant investment in people, Adapt IT promotes employee growth through career path development and supports a policy of work-life balance.

This approach fosters a self-motivated and productive environment where both the company and its people add significant and mutual value.

The development of a high-performance culture is a key performance imperative for all Adapt IT employees. Measurement of employee performance is based on key performance indicators and strategic business objectives. The results of performance reviews from Individual Development Plans (IDPs) are utilised in devising the training budget and a training calendar, which will be driven through an internal Academy. All employees are responsible to ensure that their IDPs are completed. Progress is continuously monitored to certify that technical and management skills are nurtured and developed.

Managers are required to facilitate access and encourage employees to grow their careers through the opportunities available to them and which are discussed individually with line management during the IDP process.

TRAINING TO SUCCEED

It is Adapt IT's vision to promote every employee's capacity for growth. Equally, the aim is to leverage the talents of each individual to maximise potential, improve job satisfaction and help drive individual productivity and overall business performance.

The company believes it is imperative that employees attend training and development courses that are aligned with their functional job requirements and that enhance their skills. This includes participation in a wide range of programmes including on-the-job training, classroom and professional development at skills centres and through external service providers.

These courses are tailored to assist staff to fulfil their career development goals. In a number of instances, employees are given financial assistance to pursue studies in their chosen career paths, provided these are aligned to Adapt IT's business objectives.

The company works closely with the Media, Information and Communication Technologies Sector Education and Training Authority (MICT SETA) to achieve the objectives of improving the ICT skills in South Africa and adherence to the requirements of the Skills Development Act.

Skills development is a priority for Adapt IT at all levels in the Adapt IT business and initiatives are ongoing to strengthen same.

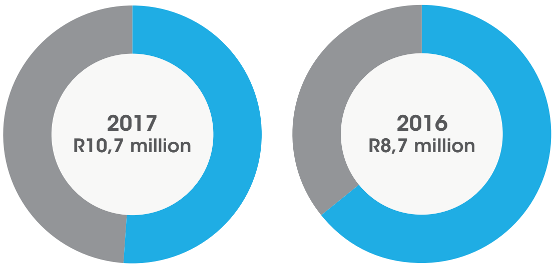
In the year under review significant progress has been made in this area with increased investment in training – as depicted in the adjacent image.

ADAPT IT ACADEMY

Adapt IT embarked on a structured skills development and learning programme nine years ago, which offered previously disadvantaged learners the opportunity to acquire practical work experience while at the same time studying towards a nationally recognised IT qualification. The Academy was founded with a view to provide them with the requisite practical experience to enable greater ease in entering the labour market and in turn to become a source of qualified IT talent for the company. The programme comprises both theoretical and practical training and incorporates concepts such as Adapt IT programming standards, industry-accepted standard naming conventions and external technical training in Unix, PL/SQL, Pro*C, C++,Oracle forms, Oracle ADF and more. Other areas covered in the programme through external training include information gathering techniques, time and project management.

The graduate training programme is ongoing and continues to provide benefits to learners, graduates, Adapt IT and the broader IT landscape, with 24 of the 40 unemployed learners for 2017 employed on a fixed-term contract.

BEE SKILLS DEVELOPMENT



SKILLS SPEND	2017 (R)	2016 (R)
Female BEE	**5 501 020**	3 895 771
Male BEE	**5 224 712**	4 798 801

SUSTAINABILITY REPORT continued
PEOPLE

INVESTING IN PEOPLE

MAINTAINING SOUND LABOUR RELATIONS

The company leadership supports a collaborative and consultative approach aimed at guiding staff towards the achievement of both corporate and personal goals.

We apply the principles of the Basic Conditions of Employment Act, supported and aligned to Human Capital policies, such as the grievance procedure that is available to all employees.

OCCUPATIONAL HEALTH AND SAFETY

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

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

ETHICS

Adapt IT subscribes to the highest standards of good governance and ethical business practices as set out in the company's Code of Ethics. The role of the Social and Ethics Committee is to ensure that there is an ethical and responsible relationship between the company and the society in which it operates.

The Ethics Hotline is an anonymous corruption and unethical business practice hotline including an email address which provides employees and external stakeholders with a means of reporting questionable business practices. All reports are investigated to the satisfaction of the Committee.

No credible incidents of corruption have been detected during the reporting period.

PUBLIC POLICY

Adapt IT is not involved in any initiatives regarding public policy positions, policy development or lobbying. The company maintains an independent stance with political parties, politicians and related institutions.

ANTI-COMPETITIVE BEHAVIOUR

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

FAMILY RESPONSIBILITY

Adapt IT supports employee work-life balance through relevant policies and practices. The need for staff to take regular leave and live up to family responsibilities is recognised and endorsed by the company.

SUSTAINABILITY REPORT continued

PEOPLE

INVESTING IN COMMUNITIES

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

ADAPT IT KNOWLEDGE CENTRES

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

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

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

An amount of R1,2 million (2016: R1,2 million) was contributed to the Adopt-a-School foundation to be applied at the school for the establishment of a knowledge centre. This included a computer laboratory upgrade, educator and librarian training, and the provision of books.

ENTERPRISE AND SUPPLIER DEVELOPMENT

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

In 2015 Adapt IT invested in Uyandiswa Project Management Services (Pty) Ltd, a black woman-owned business, through financial and non-financial support. The business is led by Amanda Dambuza, a very capable ICT professional and entrepreneur who has leveraged Adapt IT's assistance enterprise development support to accelerate the success of the business which will become independent from September 2017.

PREFERENTIAL PROCUREMENT

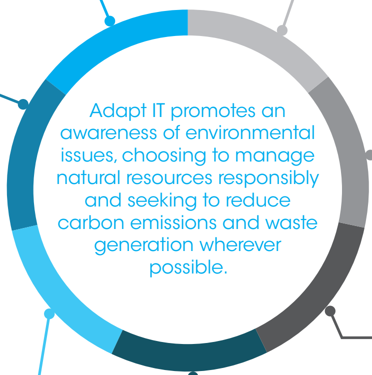
Adapt IT has assisted emerging entrepreneurs for over a decade through preferential procurement and training opportunities. The organisation has engaged these small businesses in various projects. In agreement with our clients, these entrepreneurs receive project management skills, preferential payment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

SUSTAINABILITY REPORT continued
PLANET

INVESTING IN THE ENVIRONMENT

As an IT services organisation the environmental impact of Adapt IT's daily operations are limited. However, the company continues to evaluate formal measurement and reporting of the relevant indicators in line with the requirements of the GRI.

All regional offices actively promote eco-friendly office behaviour with the aim of being cognisant of any possible environmental impact. Decisions relating to changes or upgrades of regional offices are guided by this approach.



MATERIALS

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

TRANSPORT

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

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

EMISSIONS, EFFLUENT, WASTE

Due to the relatively clean nature of Adapt IT operations, the company does not currently measure carbon emissions, choosing to focus on the social impact of creating sustainable employment as a key priority.

ENERGY

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

BIODIVERSITY

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

PRODUCTS AND SERVICES

Adapt IT's continuous sustainable software are mainly driven by the customer and industry need, and the safety of the products and services are ensured by a quality management system.

WATER

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

"All Adapt IT's regional offices actively promote eco-friendly office behaviour with the aim of being cognisant of any possible environmental impact"

REMUNERATION REPORT

Catherine Koffman
Chairperson, Remuneration Committee

COMPOSITION OF THE REMUNERATION COMMITTEE

The Remuneration Committee ("committee") comprises exclusively of non-executive directors and is chaired by an independent non-executive director. The committee meets at least once a year.

The composition of the committee is:

C Koffman	Chairperson
B Ntuli	Member
C Chambers	Member

S Shabalala (Chief Executive Officer), T Dunsdon (Commercial Director), N Mbambo (Chief Financial Officer) and P Modisaesi (Human Capital Executive) attend part of the meeting by invitation.

ROLE OF THE REMUNERATION COMMITTEE

The committee is tasked on behalf of the Board to ensure the alignment of remuneration with the interests of shareholders. The committee operates under terms of reference that are reviewed annually, approved by the Board and encompass the provisions of the Companies Act of South Africa and the requirements of King III. The terms of reference are mainly in line with the King IV requirements, and full alignment will be achieved in the forthcoming year.

The committee's key objectives include:

- Establishing and agreeing on the total remuneration package for executive and non-executive directors;
- Reviewing and approving the remuneration of the Company Secretary;
- Determining the performance measurement and assessment criteria for both the executive and non-executive directors in carrying out their responsibilities;
- Drafting of the remuneration policy for executive directors which is approved by the shareholders at the annual general meeting; and
- Adhering to applicable legislation.

The Remuneration Committee Chairperson attends the annual general meeting and is available to address any queries, if necessary, from shareholders.

REMUNERATION PHILOSOPHY

Adapt IT's remuneration philosophy supports its business strategy, which is to create sustainable value for its stakeholders both annually (short-term) and in the long-term. In order to achieve this, a high performance culture and organisation is required. To attract, retain and motivate high performing talent, market related pay, of which a high component is performance-based is necessary. Remuneration is the largest component of Adapt IT's costs and optimising the remuneration expense remains a core focus area.

Internal factors that influence remuneration are:

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

External factors that influence remuneration are:

- Market benchmarks through the use of independent remuneration consultants;
- Remuneration levels, which are set with reference to independent salary surveys and custom reports for Adapt IT from independent consultants, predominantly PE Corporate Services on a regular basis, taking cognisance of specific skills requirements, ICT industry statistics and benchmarks for similar roles (turnover, profit and number of staff reporting etc.) and of other similar sized companies listed on the JSE. The committee is satisfied that the consultants were independent and objective; and
- Competition for scarce skills.

VOTE ON REMUNERATION POLICY

At the annual general meeting held on 25 November 2016, 87% of shareholders voted in favour of the remuneration policy of Adapt IT, as included in the last integrated annual report. Any dissenting shareholder is invited to engage with the committee or executive management to provide their input on the subject.

BRIEF OVERVIEW OF REMUNERATION POLICY

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

Executive Pay comprises of three elements namely Guaranteed Pay, variable Short Term Incentives (STI) and variable Long Term Incentives (LTI).

Total cost of employment per market benchmark is allocated using the internal target pay mix (Guaranteed Pay/STI/LTI) as follows:

- CEO: 40%/30%/30%
- Senior executives: 50%/25%/25%
- Other executives: 60%/20%/20%

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

STRUCTURE OF REMUNERATION PACKAGES

Guaranteed Pay is on a total cost to company basis.

Variable Pay comprises a short-term element for all employees and a long-term element for executives.

STI – Annual performance Bonus or Sales Commission.

- Short-term annual bonus incentives are based on the overall financial performance of Adapt IT, financial achievement of the operational division to which an employee is accountable and on individual performance, measured against the achievement of key performance indicators. Short-term bonus incentives payable to executive management, for targeted levels of performance, range between 10% and 30% of total on target remuneration.
- The sales commission scheme is another key aspect of variable pay for sales executives and managers who are on risk-based packages. The purpose of this is to drive organic growth and cross-selling.

LTI – Share appreciation rights over a rolling three year period.

- The long-term executive share incentive plan was implemented in the 2015 financial year. It is designed to ensure that key executives are motivated and retained over a medium to long-term period and to align their interests with those of shareholders.
- The units vest and share appreciation gains can be realised, subject to performance conditions being met, in tranches over two years and up to the end of the third year, after which they lapse.
- The executive share incentive plan will continue in the forthcoming year.

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

FAIRNESS

The overall remuneration policy ensures 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 which is performance-based. The level of pay below that of executive management is correlated to executive pay as all jobs are graded using the Patterson scale and associated market pay benchmarks are used to determine pay at all levels.

PERFORMANCE FRAMEWORK AND MEASURES

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

Actual turnover, EBITDA and components of BEE ratings achieved are used to measure performance against KPIs. For other goals, an objective measure is used where possible and for subjective goals a manager, peer and/or 360 degree review is used in the performance appraisal process, which is held at least annually.

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

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

KEY FOCUS AREAS AND DECISIONS IN THE PERIOD

There were no new key focus areas or key changes to the Remuneration Policy in the period under review as the committee seeks to continue implementation and refine its existing policy.

The future areas of focus of the committee will be to ensure full compliance with King IV in the forthcoming year.

PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

The overall turnover and profit KPIs for the year ended 30 June 2017 were not achieved. No short-term incentives were paid to any of the three executive directors and all share incentive units related to the period will be forfeited in August 2017.

The key remuneration decision in the period was, as overall KPIs had not been met, no short-term incentives would be paid to the executive directors and the tranches of share appreciation rights applicable to the reporting period will be forfeited. There were a few exceptions to this decision for particular operational divisions that outperformed

REMUNERATION REPORT continued

their targets, where executives did receive bonuses and their share appreciate rights were permitted to vest.

The committee has monitored and reviewed the Remuneration Policy and the committee is of the view that the stated objectives of the Remuneration Policy have been achieved for the period under review.

IMPLEMENTATION REPORT

EMPLOYMENT CONTRACTS

Sbu Shabalala, Chief Executive Officer of Adapt IT Holdings Limited, was appointed with effect from 5 December 2007 and has a written letter of appointment which endures indefinitely and is subject to termination on three months' notice.

Tiffany Dunsdon was Financial Director of Adapt IT Holdings Limited from 1 April 2013 to 17 August 2016. Nombali Mbambo was appointed as the Chief Financial Officer effective 18 August 2016. She is employed on a permanent employment contract subject to termination on three months' notice.

Tiffany Dunsdon reverted to the position she previously held, Commercial Director as well as being Managing Director of the international operations. She originally joined Adapt IT on 18 April 2002 and is on an annual fixed-term contract subject to termination on three months' notice.

The contractual relationship between the company and its executive directors is governed through the Remuneration Committee.

These contracts are formulated in a manner which is consistent with the provisions of the Basic Conditions of Employment Act and other similar foreign legislation.

EXECUTIVE DIRECTORS' REMUNERATION

The tables below show a breakdown of the annual remuneration of the executive directors for the respective years ended.

None of these employees are considered to be a prescribed officer of Adapt IT Holdings Limited as defined in the Companies Act of South Africa.

	Salary R	Retirement R	Total guaranteed pay R	Bonus R	Total R
June 2017					
S Shabalala	2 342 789	–	2 342 789	–	2 342 789
T Dunsdon	2 142 300	–	2 142 300	–	2 142 300
N Mbambo^	1 417 333	–	1 417 333	–	1 417 333
Total	5 902 422	–	5 902 422	–	5 902 422
June 2016					
S Shabalala	2 086 616	23 005	2 109 621	1 812 827	3 922 448
T Dunsdon	1 961 213	–	1 961 213	1 157 966	3 119 179
Total	4 047 829	23 005	4 070 834	2 970 793	7 041 627

^ Appointed 18 August 2016

As required by King III, the remuneration paid to the next three highest paid employees of Adapt IT for the respective years ended is as follows:

	Total guaranteed pay R	Bonus R	Other R	Total R
June 2017				
Employee 1	1 786 557	641 187	116 774	2 544 518
Employee 2	2 176 438	275 563	5 792	2 457 793
Employee 3	1 986 295	–	–	1 986 295
Total	5 949 290	916 750	122 566	6 988 606
June 2016				
Employee 1	1 688 400	866 350	–	2 554 750
Employee 2	2 054 095	–	–	2 054 095
Employee 3	1 548 969	440 000	–	1 988 969
Total	5 291 464	1 306 350	–	6 597 814

NON-EXECUTIVE DIRECTORS' FEES

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

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

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

	2017 R	2016 R
C Chambers	351 120	292 600
B Ntuli	219 120	182 600
O Fortuin	219 120	182 600
C Koffman	219 120	182 600
Total	1 008 480	840 400

LONG-TERM INCENTIVES

Refer to the notes to the annual financial statements, note 17 on page 90, for full details of share appreciation rights issued, vested, forfeited and lapsed.

Refer to the Directors' Statutory Report on page 55 for directors' interests in the company and interests of directors in contracts.

On behalf of the Remuneration Committee

Catherine Koffman
Chairperson

25 August 2017

AUDIT AND RISK COMMITTEE REPORT

Bongiwe Ntuli
Chairperson, Audit and Risk Committee

INTRODUCTION

The Audit and Risk Committee ("committee") is constituted as a statutory committee in terms of the Companies Act of South Africa and as a committee of the Board in respect of all additional duties assigned to it by the Board. The committee operates under approved terms of reference.

FUNCTIONS OF THE AUDIT AND RISK COMMITTEE

In line with its terms of reference, approved by the Board and required by the Companies Act of South Africa and principles of the King III Code, the functions of the committee include:

- Review of risk management reports and making recommendations to the Board;
- Oversight of integrated reporting and the interim report;
- Oversight of internal audit;
- Being responsible for recommending the appointment of the external auditor and overseeing the external audit process;
- Determining the fees to be paid to the auditor and the auditor's terms of engagement;
- Determining the nature and extent of non-audit services provided to Adapt IT; and
- Reporting to the Board and shareholders on how it has discharged its duties.

COMPOSITION OF THE AUDIT AND RISK COMMITTEE

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

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

The committee is chaired by Ms B Ntuli and she will be available for re-appointment at the next annual general meeting.

FREQUENCY OF MEETINGS

In the past year, four meetings were held; attendance of the meetings is reflected on page 25.

The meetings are also attended by appropriate members of executive management, and external and internal auditors. The committee reports on its findings to the Board after each formal meeting.

KEY DUTIES DISCHARGED DURING THE YEAR

EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

Deloitte & Touche (Deloitte) was appointed as external auditor on 8 November 2013.

The committee satisfied itself that the external auditor was independent of Adapt IT, as set out in Section 94(8) of the Companies Act of South Africa and ensured that the appointment of the auditors complied with all legislation relating to the appointment of auditors.

The committee, in consultation with executive management, agreed to the engagement letter terms, audit plan and budgeted audit fees in respect of the 2017 financial year.

AUDIT AND RISK COMMITTEE REPORT continued

The committee has nominated Deloitte, for re-election at the annual general meeting, as the external audit firm and Mr Stephen Munro as the designated auditor responsible for performing the functions of auditor, for the 2018 financial year. The audit firm and designated auditor are accredited on the JSE list of auditors and advisors.

FINANCIAL STATEMENTS AND ACCOUNTING PROCESSES

The committee has reviewed the accounting policies and financial statements of Adapt IT and is satisfied that they are appropriate and comply with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

INTERNAL FINANCIAL CONTROLS

The committee is responsible for overseeing the process of assessment of effectiveness of internal controls.

Based on the results of the system of internal financial controls conducted by the internal audit function during the 2017 financial year and considering information and explanations given by management together with a discussion held with the external auditors on the results of their audit, the committee is of the opinion that Adapt IT's system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements. Certain matters were identified during the year under review through the internal audit function, which matters were substantially resolved before the commencement of the external audit.

GOING CONCERN

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

INTERNAL AUDIT

The committee is responsible for ensuring that the internal audit function is independent and has the necessary resources and authority within Adapt IT to enable it to discharge its duties. The committee is also responsible for overseeing the co-operation between the internal and external auditors and is the link between the Board and these functions.

The internal audit charter and framework were approved by the committee. The chief internal auditor has direct access to the committee through the chairperson. The committee is responsible for the assessment of the performance of the internal audit function.

EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION

The committee has satisfied itself that the Chief Financial Officer has the appropriate expertise and experience.

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

GOVERNANCE OF RISK

Adapt IT adopts a risk management approach to the implementation of strategy.

Adapt IT faces many risks in the implementation of its business growth strategy and has integrated risk management as a central part of its business management.

A risk management approach to strategy implementation was adopted and focused on identifying what could go wrong, evaluated which risks were to be dealt with and implemented strategies to deal with those risks.

The risk management process helped Adapt IT identify and address the risks facing the business and in doing so has increased the likelihood of successfully achieving the business objectives. We believe that having identified the risks involved we are better prepared in our approach and have a cost-effective way of dealing with the risks identified.

The risk management process adopted involved:

- Methodically identifying the risks surrounding our business activities;
- Assessing the likelihood of the events occurring;
- Understanding how to respond to the identified events;
- Putting systems in place to deal with the consequences; and
- Monitoring the effectiveness of the risk management approaches and controls.

As a result of the process of risk management, we have improved decision-making, planning and prioritisation, allocated capital and resources more efficiently, anticipated what may go wrong, minimised the number of unforeseen circumstances we may have to contend with, and significantly improved the probability of delivering on Adapt IT's business growth strategy.

The top six (6) strategic, operational, human capital, compliance and environmental risks were identified, prioritised and mitigating interventions developed.

THE STRATEGIC RISKS WERE IDENTIFIED AS FOLLOWS:

THE ORGANIC GROWTH RISKS IS:

1. ORGANIC REVENUE GROWTH ABILITY

Organic growth remains a priority due to challenging economic conditions in every market Adapt IT serves. We continue to employ strategies to develop all our divisions to become more skilled at growing organically, through leveraging the existing business models.

THE OPERATIONAL RISK WAS IDENTIFIED AS:

2. CHANGE MANAGEMENT

Pursuant to the implementation of the company's sustainable growth strategy, the high pace of organic and acquisitive growth means constant change for the business. We are cognisant that effective change management is necessary as we integrate the businesses and evolve the business model. We continue to refine these processes to maintain good staff morale, a high-performance culture and business success, using our formal Integration Methodology.

THE HUMAN CAPITAL RISKS ARE:

3. ICT SKILLS SHORTAGE

The shortage of deep ICT skills remains a market challenge. We continue to address this through Learnership, Internship and Apprenticeship programmes to bring new capacity and skills into the business. This is combined with management development and skills development programmes both formal and on-the-job mentorship, assist in developing the necessary skills. We utilise talent management tools for internal progression. Our CSI programmes aim to attract students into the ICT field.

4. NEED FOR A HIGH-PERFORMANCE CULTURE

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

THE COMPLIANCE RISK IS:

5. GOVERNANCE AND COMPLIANCE

Governance and compliance with the regulatory environment and legislation underpin our strategy. The Board reviewed and evaluated the corporate governance within Adapt IT and continues to implement the principles as recommended by the King III and is preparing for King IV. We developed and implemented a legislative compliance framework to ensure compliance with the legislative environment. We use the services of our JSE Sponsor and legal advisors on all JSE regulations and contractual matters, respectively. We continue to establish systems to apply best practice governance principles where the Board deems it applicable.

THE ENVIRONMENTAL RISK IS:

6. INDUSTRY BUSINESS CYCLES

Our clients in the sugar and oil industries and the South African higher education sector are experiencing particularly pressured business conditions. This creates some margin pressure and project deferrals. Our position is to ensure our solutions focus on delivering greater automation and business efficiencies for our clients so that we add further value in these business cycles.

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.

INTEGRATED REPORTING AND COMBINED ASSURANCE

The committee fulfils an oversight role regarding the group integrated annual report and the reporting process.

The combined assurance model which is being enhanced year on year, aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers on the risk areas affecting Adapt IT.

The committee is responsible for monitoring the appropriateness of the company's combined assurance model and ensuring that significant risks facing the company are adequately addressed.

The combined assurance provided by internal and external assurance providers as well as management should be 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 risks.

The committee is satisfied that the assurance given by management and other existing internal and external assurance providers is appropriate to address significant risks facing the business.

The committee has recommended the integrated annual report for approval by the Board.

Bongiwe Ntuli
Chairperson, Audit and Risk Committee
25 August 2017

DIRECTORS' RESPONSIBILITIES AND APPROVAL

AS AT 30 JUNE 2017

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

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

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

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

The annual financial statements of the group and company, set out on pages 55 to 103, were approved by the Board on 25 August 2017 and were signed on its behalf by:

Craig Chambers
Independent non-executive Chairman

Sbu Shabalala
Chief Executive Officer

Durban
25 August 2017

PREPARER OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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

Nombali Mbambo CA (SA)
Chief Financial Officer

Durban
25 August 2017

CERTIFICATE OF THE COMPANY SECRETARY

FOR THE YEAR ENDED 30 JUNE 2017

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

Statucor (Pty) Ltd
Company Secretary

Durban
25 August 2017

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ADAPT IT HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

We have audited the consolidated and separate financial statements of Adapt IT Holdings Limited and its subsidiaries ("the Group") set out on pages 58 to 103, which comprise the consolidated and separate statements of financial position as at 30 June 2017, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 30 June 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How the matter was addressed in the audit
JUDGEMENT IN DETERMINING THE IDENTIFICATION AND VALUATION OF THE INTANGIBLE ASSETS INCLUDED IN THE PURCHASE PRICE ALLOCATION ON ACQUISITION	
On 1 August 2016, the group acquired the EasyRoster Group for R71.4 million, as disclosed in note 22. The acquisition accounting requires the directors to identify and value acquired assets and liabilities at the acquisition date. The most significant judgements relate to the identification and valuation of intangible assets acquired. The identified intangible assets are the customer relationships and the internally generated software. The judgements applied in determining the value of the customer relationships include the determination of the future cash flows and the discount rate. The valuation of internally generated software was determined using the cost approach which included the identification and allocation of specific costs incurred in developing the software. This includes complex valuation considerations and required the use of specialists and as a result the judgement in determining the identification and valuation of the intangible assets included in the purchase price allocation on acquisition is considered to be a key audit matter.	We used a specialist who assessed and challenged the completeness of the intangible assets identified. The identified intangible assets are the customer relationships and internally generated software. The fair value of the customer relationships acquired are based on valuation techniques built, in part, on the assumptions around the future cash flows linked to the customer relationships and assumptions made in determining the discount rate. In assessing the purchase price allocation to customer relationships we performed various procedures including the following: • involving our own specialists to conclude on the appropriateness of the assumptions underpinning the valuations including the appropriateness of the future cash flows and the discount rate. The fair value of the internally generated intangible assets was determined using the cost approach whereby costs specific to developing the asset were allocated to the cost of the asset. In assessing the purchase price allocation to internally generated software we performed various procedures including the following: • involving our own specialists to conclude on the appropriateness of the assumptions underpinning the allocations of costs incurred in developing the software to the asset. In addition to the above we evaluated the adequacy of the disclosures. Based on the procedures performed above we found the identified intangible assets to be complete and the valuation of the intangible assets acquired to be appropriate. We consider the related disclosure in note 22 to be appropriate.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS</td></tr>
<tr><td>Intangible assets which consist of goodwill and other intangible assets of customer relationships/contracts and intellectual property, comprise 63% of the total assets of the Group. These assets have been recognised in the consolidated statement of financial position largely as a consequence of business combinations.

The allocation of surpluses paid over the net asset value of the acquiring company is based on the outcomes of a purchase price allocation.

As required by IAS 36: Impairment of assets, the directors conduct annual impairment tests to assess the recoverability of the carrying value of goodwill and other intangible assets and these are assessed for impairment when the indicators as defined in the accounting standards exist. These impairment assessments are performed using discounted cash flow models. As disclosed in note 9, 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.

As a result of the above factors, impairment of goodwill and other intangible assets is considered to be a key audit matter.</td><td>In evaluating the impairment of goodwill and other intangible assets, we reviewed the value in use calculations prepared by the directors, with a particular focus on the input assumptions relating to the future cash flows, growth rates and discount rate. We performed various procedures, including the following:

• An assessment of the cash-generating units (CGU's) to determine whether this was at the lowest level as monitored by the directors as required by IAS 36: Impairment of assets;
• Testing of the design and implementation of the entity's controls relating to the budgeting process used in preparation of the cash flow forecasts;
• Testing of inputs into the cash flow forecast against historical performance and in comparison to the directors' strategic plans in respect of each CGU;
• Performed an independent assessment of the inputs into the weighted average cost of capital, used as the discount rate;
• Recomputation of the value in use of each CGU;
• Comparison of the value in use against the carrying amount of each CGU to confirm no impairments were required; and
• Evaluated the adequacy of the disclosure.

We found that the assumptions used by the directors were reasonable when compared to historical performance and the expected future performance. The weighted average cost of capital used as the discount rates was found to be appropriate in the circumstances. We considered the goodwill impairment disclosures as set out in note 9 to be appropriate.</td></tr>
</table>

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

INDEPENDENT AUDITOR'S REPORT continued

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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per: Stephen Munro
Partner

25 August 2017

DIRECTORS' STATUTORY REPORT

NATURE OF THE BUSINESS

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

FINANCIAL RESULTS

The net profit attributable to shareholders of the company for the year ended 30 June 2017 amounted to R88 133 237 (2016: R78 357 135). This translates into headline earnings per share of 58,76 cents (2016: 57,54 cents) based on the weighted average number of shares in issue during the year.

REVIEW OF OPERATIONS

Commentary is provided under the CEO report on page 12 and segment report on page 102.

ACQUISITIONS

On 1 August 2016 the group acquired 100% of the issued capital of EasyRoster (Pty) Ltd and EasyRoster Software (Pty) Ltd (collectively "EasyRoster") for a maximum purchase consideration of R87 349 967. EasyRoster is the leading provider of rostering optimisation software services to staffing solutions businesses in South Africa and the rest of Africa. EasyRoster is a software-as-a-service (SaaS) solutions business, and bolsters the manufacturing services segment of Adapt IT. Refer to note 22.1 on page 95 for further details.

EVENTS AFTER THE REPORTING DATE

AMALGAMATION

On 1 July 2017, CQS Investment Holdings (Pty) Ltd, CQS Technology Holdings (Pty) Ltd, EasyRoster (Pty) Ltd , EasyRoster Software (Pty) Ltd and Multimatics (Pty) Ltd were amalgamated into Adapt IT (Pty) Ltd in accordance with Sections 113, 115 and 116 of the Companies Act.

The reasons for the amalgamation were, *inter alia:*

- To rationalise the Adapt IT group;
- To reduce the number of Adapt IT group entities;
- To achieve efficiencies and savings in administrative and operational expenditure; and
- To simplify the Adapt IT group structure.

APPROVAL OF ACQUISITION

On 1 July 2017, following approval of the Competition Authorities, the Micros South Africa (Pty) Ltd acquisition became effective.

ENTERPRISE DEVELOPMENT DISPOSALS

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

DIVIDENDS: ORDINARY DIVIDEND NUMBER 14

The company declared a dividend of 13,40 cents per share, which was paid to shareholders on 19 September 2016.

DIVIDENDS: ORDINARY DIVIDEND NUMBER 15

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

The group will have sufficient working capital to meet its requirements after the dividend payment. Notice is hereby given that a gross cash dividend of 13,70 cents per share (the dividend) has been declared for the year ended 30 June 2017, payable to shareholders recorded in the books of the company at close of business on 22 September 2017.

DIRECTORS' STATUTORY REPORT continued

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

- This is a dividend as defined in the Income Tax Act, 1962, and is payable from income reserves;
- The South African dividend tax (DT) rate is 20%;
- The DT to be withheld by the company amounts to 2,74 cents per share;
- Therefore, the net dividend payable to shareholders who are not exempt from DT is 10,96 cents per share, while the gross dividend of 13,70 cents per share is payable to those shareholders who are exempt from DT;
- The issued share capital of Adapt IT at the declaration date comprises 160 078 096 ordinary shares;
- Adapt IT's registration number is 1998/017276/06; and
- Adapt IT's income tax reference number is 9410/002/71/2.

Shareholders are advised that the last day to trade cum-dividend will be Tuesday, 19 September 2017. Shares will trade ex-dividend as from Wednesday, 20 September 2017, and the record date will be Friday, 22 September 2017. Payment will be made on Tuesday, 26 September 2017. Share certificates may not be dematerialised or rematerialised during the period Wednesday, 20 September 2017 to Friday, 22 September 2017, both days inclusive. This dividend, having been declared after 30 June 2017, has not been provided for in the financial statements for the year ended 30 June 2017.

SHARE CAPITAL

During the current year, the issued ordinary share capital of the company increased by 13 535 097 shares to 153 596 911 (2016: 140 061 814) shares as a result of the company issuing shares to fund acquisitions as follows:

In respect of the final tranche of the Aquilon earn out share consideration 5 113 636 shares were issued in September 2016. A further 1 346 426 shares were issued in respect of the second tranche of the AspiviaUnison earn out in September 2016 and 1 186 576 shares were issued in April 2017 in respect of the final tranche.

In September 2016 and March 2017, 40 326 and 55 031 shares were issued to employees in terms of the Adapt IT Holdings Limited Executive Share Incentive Plan.

In December 2016, 5 793 102 shares were issued in respect of a capital raise to fund acquisitions.

TREASURY SHARES

At 30 June 2017 (2016: nil) there were no treasury shares held.

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

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

INVESTMENTS IN SUBSIDIARIES

Details of the subsidiaries appear in note 10 to the annual financial statements. Aggregate profit before taxation from subsidiaries for the year ended 30 June 2017 amounted to R127 717 001 (2016: R120 830 666).

DIRECTORATE

Full details of the current Board of Directors appear on pages 8 and 9. In terms of the company's Memorandum of Incorporation, one third of the directors retire annually by rotation at the AGM. Provided that if a director is appointed as an employee of the company, he or she shall not, while continuing to be employed by the company, be subject to retirement by rotation and shall not be taken into account in determining the rotation or retirement of directors. A retiring director shall be eligible for re-election.

Accordingly, Mr C Chambers and Ms B Ntuli retire at the AGM to be held on 24 November 2017 and offer themselves for re-election.

At 30 June 2017, the directors held interests in the company as follows:

Executive directors	2017 Direct beneficial	%	2016 Direct beneficial	%	2017 Indirect beneficial	%	2016 Indirect beneficial	%
S Shabalala	14 316 646	9	14 316 646	9	–	–	–	–
T Dunsdon	1 200 000	1	1 200 000	1	2 600 000	2	2 600 000	2
Total	15 516 646	10	15 516 646	10	2 600 000	2	2 600 000	2

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

INTEREST OF DIRECTORS IN CONTRACTS

The directors have certified that they were not materially interested in any transaction of material significance, which significantly affected the business of the group, with the company or any of its subsidiaries. Accordingly, no conflict of interest, with regard to directors' interest in contracts exist. There have been no material changes to the above since 30 June 2017 and up to the date of this integrated annual report.

FINANCIAL ASSISTANCE TO RELATED COMPANIES

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

SPECIAL RESOLUTIONS PASSED BY THE COMPANY

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

- Increase in the directors' fees, as tabled;
- Repurchase a maximum of 10% of the company's shares, valid until the next AGM; and
- 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.

Nombali Mbambo
Chief Financial Director

Durban
25 August 2017

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

		Notes	Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
Revenue		2	996 425 164	803 337 834	23 134 544	37 001 209
Turnover		2	993 671 344	796 178 409	–	–
Cost of sales			(420 420 024)	(343 573 374)	–	–
Gross profit			573 251 320	452 605 035	–	–
Administrative, selling and other costs			(422 268 011)	(316 216 126)	(3 106 526)	(2 945 285)
Sundry revenue		2	–	–	3 500 000	5 000 000
Profit from operations			150 983 309	136 388 909	393 474	2 054 715
Dividend received		2	–	–	19 633 931	32 000 000
Finance income		2	2 753 820	7 159 425	613	1 209
Finance costs		3	(25 605 200)	(22 297 839)	–	–
Share of (loss)/profits of equity accounted investment after tax			(88 103)	1 636 095	–	–
Profit before taxation		3	128 043 826	122 886 590	20 028 018	34 055 924
Income tax expense		5	(35 497 923)	(41 929 718)	(67 262)	(489 289)
Profit for the year			92 545 903	80 956 872	19 960 756	33 566 635
Attributable to:						
Equity holders of the parent			88 133 237	78 357 135	19 960 756	33 566 635
Non-controlling interests			4 412 666	2 599 737	–	–
Other comprehensive income						
Items that may be reclassified subsequently to profit and loss			(437 553)	789 408	–	–
Exchange differences arising from translation of foreign operations			(437 553)	789 408	–	–
Total comprehensive income			92 108 350	81 746 280	19 960 756	33 566 635
Attributable to:						
Equity holders of the parent			87 695 684	79 146 543	19 960 756	33 566 635
Non-controlling interests			4 412 666	2 599 737	–	–
Basic earnings per share	(cents)	6.1	58,74	57,61		
Basic diluted earnings per share	(cents)	6.1	58,74	55,28		

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Notes	Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
ASSETS					
Non-current assets		730 781 287	705 320 773	49 543 493	48 147 559
Property and equipment	7	35 285 087	37 366 544	–	–
Intangible assets	8	180 875 370	170 031 438	–	–
Goodwill	9	500 346 685	472 515 143	–	–
Interest in subsidiaries and share trust	10	–	–	49 511 335	48 115 401
Loans to subsidiaries	10	–	–	32 158	32 158
Equity accounted investment	11	–	1 804 295	–	–
Deferred taxation asset	12	14 274 145	23 603 353	–	–
Current assets		355 666 131	259 556 272	300 609 100	184 137 891
Trade and other receivables	13	228 362 544	170 600 288	2 277 675	217 335
Amounts owing by subsidiaries	10	–	–	297 962 752	183 719 243
Current tax receivable		12 288 985	11 231 616	86 770	71 870
Cash and cash equivalents	14	98 048 710	77 724 368	281 903	129 443
Assets classified as held for sale	23	16 965 892	–	–	–
Total assets		1 086 447 418	964 877 045	350 152 593	232 285 450
EQUITY AND LIABILITIES					
Equity					
Share capital	15	15 360	14 006	15 360	14 006
Share premium	16	336 225 816	200 831 266	331 510 804	196 116 254
Other capital reserves		17 154 720	34 574 504	17 154 720	34 574 504
Equity compensation reserve	17	14 585 430	5 724 817	–	–
Foreign currency translation reserve		2 770 967	3 208 520	–	–
Revaluation reserve		3 544 400	3 544 400	–	–
Retained earnings		287 281 824	218 782 518	912 405	585 580
Equity attributable to shareholders of the company		661 578 517	466 680 031	349 593 289	231 290 344
Non-controlling interests		6 958 535	6 007 925	–	–
Total equity		668 537 052	472 687 956	349 593 289	231 290 344
Non-current liabilities		193 177 743	190 766 634	32 030	16 878
Interest-bearing borrowings	18	101 486 667	145 790 502	–	–
Financial liabilities	22.1	43 814 766	–	–	–
Deferred taxation liability	12	47 876 310	44 976 132	32 030	16 878
Current liabilities		224 732 623	301 422 455	527 274	978 228
Trade and other payables	19	110 667 792	105 551 855	527 274	978 228
Provisions	20	24 921 276	42 937 636	–	–
Deferred income		71 222 047	67 271 122	–	–
Current tax payable		1 762 369	6 811 480	–	–
Financial liabilities	22.1	14 197 783	59 476 533	–	–
Current portion of interest-bearing borrowings	18	580 894	19 373 829	–	–
Non-interest-bearing borrowings		1 380 462	–	–	–
Total equity and liabilities		1 086 447 418	964 877 045	350 152 593	232 285 450

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
OPERATING ACTIVITIES					
Cash generated from/(utilised in) operations	21.1	139 325 456	173 602 262	(2 117 820)	1 093 032
Finance income		1 600 672	5 091 400	613	1 209
Finance costs		(16 248 874)	(15 376 527)	–	–
Dividends received		–	–	19 633 931	32 000 000
Dividends paid		(23 359 331)	(18 630 671)	(19 633 931)	(14 481 191)
Taxation paid	21.2	(42 102 157)	(55 029 679)	(67 010)	(78 719)
Net cash flow from/(utilised in) operating activities		59 215 766	89 656 785	(2 184 217)	18 534 331
INVESTING ACTIVITIES					
Property and equipment acquired	7	(6 681 043)	(7 934 021)	–	–
Intangible assets acquired and developed	8	(4 913 201)	(2 544 560)	–	–
Proceeds on disposal of property and equipment		129 098	177 949	–	–
Proceeds on disposal of asset held for sale		–	9 733 141	–	–
Cash outflow on warranty achievements		(48 000 003)	–	–	–
Net cash outflow on acquisition of subsidiaries	22	(21 696)	(137 790 705)	–	–
Net cash utilised in investment activities		(59 486 845)	(138 358 196)	–	–
FINANCING ACTIVITIES					
Proceeds from borrowings		313 500 041	267 431 000	–	–
Repayment of borrowings		(376 596 812)	(173 011 364)	–	–
Issue of shares for cash		83 999 979	2 216 450	–	–
Issue of Company's shares		–	–	133 999 970	72 012 689
Increase in amounts owing by subsidiaries		–	–	(131 663 293)	(90 505 653)
Net cash flows from/(utilised in) financing activities		20 903 208	96 636 086	2 336 677	(18 492 964)
Net increase in cash resources		20 632 129	47 934 675	152 460	41 367
Exchange differences on translation		(307 787)	817 407	–	–
Cash and cash equivalents at beginning of year		77 724 368	28 972 286	129 443	88 076
Cash and cash equivalents at end of year	14	98 048 710	77 724 368	281 903	129 443

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

GROUP	Share capital R	Share premium R	Other capital reserves R	Equity compensation reserve R	Asset revaluation reserve R	Foreign currency translation reserve R	Retained earnings R	Attributable to equity holders of the parent R	Non-controlling interests R	Total R
	Attributable to equity holders of the parent									
Balance at 30 June 2015	12 920	128 819 663	26 594 829	530 517	3 544 400	2 419 112	159 172 199	321 093 640	–	321 093 640
Total comprehensive income for the year	–	–	–	–	–	789 408	78 357 135	79 146 543	2 599 737	81 746 280
Profit for the year	–	–	–	–	–	–	78 357 135	78 357 135	2 599 737	80 956 872
Other comprehensive income for the year	–	–	–	–	–	789 408	–	789 408	–	789 408
Non-controlling interest arising on the acquisition of subsidiaries	–	–	–	–	–	–	–	–	7 557 668	7 557 668
Share-based payments	–	–	–	5 194 300	–	–	–	5 194 300	–	5 194 300
Purchase consideration adjustment	–	–	4 265 625	–	–	–	(4 265 625)	–	–	–
Issue of shares for business combination	1 067	69 795 171	(12 860 454)	–	–	–	–	56 935 784	–	56 935 784
Shares issued during the year	19	2 216 432	–	–	–	–	–	2 216 451	–	2 216 451
Shares to be issued	–	–	16 574 504	–	–	–	–	16 574 504	–	16 574 504
Dividend paid	–	–	–	–	–	–	(14 481 191)	(14 481 191)	(4 149 480)	(18 630 671)
Balance at 30 June 2016	14 006	200 831 266	34 574 504	5 724 817	3 544 400	3 208 520	218 782 518	466 680 031	6 007 925	472 687 956
Total comprehensive income for the year	–	–	–	–	–	(437 553)	88 133 237	87 695 684	4 412 666	92 108 350
Profit for the year	–	–	–	–	–	–	88 133 237	88 133 237	4 412 666	92 545 903
Other comprehensive income for the year	–	–	–	–	–	(437 553)	–	(437 553)	–	(437 553)
Share-based payments (note 17)	–	–	–	10 256 547	–	–	–	10 256 547	–	10 256 547
Issue of shares for business combination	765	49 999 226	(34 574 504)	–	–	–	–	15 425 487	–	15 425 487
Shares issued during the year	589	85 395 324	–	(1 395 934)	–	–	–	83 999 979	263 344	84 263 323
Shares to be issued (note 22.1)	–	–	17 154 720	–	–	–	–	17 154 720	–	17 154 720
Dividends paid	–	–	–	–	–	–	(19 633 931)	(19 633 931)	(3 725 400)	(23 359 331)
Balance at 30 June 2017	15 360	336 225 816	17 154 720	14 585 430	3 544 400	2 770 967	287 281 824	661 578 517	6 958 535	668 537 052

COMPANY	Share capital R	Share premium R	Other capital reserves R	Retained earnings R	Total equity R
Balance at 30 June 2015	12 920	124 104 651	12 860 454	(18 499 864)	118 478 161
Total comprehensive income for the year	–	–	–	33 566 635	33 566 635
Issue of shares	1 086	72 011 603	(12 860 454)	–	59 152 235
Shares to be issued	–	–	34 574 504	–	34 574 504
Dividend paid	–	–	–	(14 481 191)	(14 481 191)
Balance at 30 June 2016	14 006	196 116 254	34 574 504	585 580	231 290 344
Total comprehensive profit for the year	–	–	–	19 960 756	19 960 756
Issue of shares	1 354	135 394 550	(34 574 504)	–	100 821 400
Shares to be issued	–	–	17 154 720	–	17 154 720
Dividend paid	–	–	–	(19 633 931)	(19 633 931)
Balance at 30 June 2017	15 360	331 510 804	17 154 720	912 405	349 593 289

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. ACCOUNTING POLICIES

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

The separate financial statements and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the listing requirements of the JSE Limited and the requirements of the Companies Act. The financial statements have been prepared under the historical cost method, except for certain financial instruments at fair value and property measured at fair value. These accounting policies have been consistently applied to all the years presented, except for the Standards and Interpretations which became effective during the current financial year which are disclosed in note 1.26 to the financial statements.

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

1.1. BASIS OF CONSOLIDATION

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

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

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

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

The company accounts for its investments in subsidiaries at cost.

1.2 BUSINESS COMBINATIONS AND GOODWILL

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

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

If the business combination is achieved in stages, the acquisition date fair value of the group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the group will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with International Accounting Standards (IAS) IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

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

1. ACCOUNTING POLICIES CONTINUED

1.2 BUSINESS COMBINATIONS AND GOODWILL CONTINUED

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

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

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

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

1.3 INTEREST IN EQUITY ACCOUNTED INVESTMENT

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

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

1.4 FOREIGN CURRENCY TRANSACTIONS

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

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

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

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. ACCOUNTING POLICIES CONTINUED

1.5 REVENUE

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

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

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

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

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

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

1.6 COST OF SALES

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

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

1.7 BORROWING COSTS

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

1.8 TAXATION

Current income taxation

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

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

1. ACCOUNTING POLICIES CONTINUED

1.8 TAXATION CONTINUED

Deferred taxation

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

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

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

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

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

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

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

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

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

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

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

Value added taxation (VAT)

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

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

Dividend tax

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. ACCOUNTING POLICIES CONTINUED

1.9 EMPLOYEE BENEFITS

Short-term benefits

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

Post-retirement benefits

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

1.10 EARNINGS PER SHARE (EPS)

Basic EPS

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

Diluted EPS

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

Headline EPS

The presentation of headline EPS is mandatory under the JSE Listings Requirements and is not necessarily a measure of sustainable earnings. It is calculated in accordance with Circular 2/2015 "Headline Earnings", as issued by the South African Institute of Chartered Accountants.

1.11 PROPERTY AND EQUIPMENT

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

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

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

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

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

1. ACCOUNTING POLICIES CONTINUED

1.11 PROPERTY AND EQUIPMENT CONTINUED

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

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

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

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

1.12 INTANGIBLE ASSETS

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

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

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

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

Trademarks

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

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

Category	Useful life
Trademarks	20 years

Inhouse developed software

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

Development costs that relate to an identifiable product or process that is demonstrated to be technically and commercially feasible which the group has sufficient resources and the intention to complete and bring to market and which is expected to result in future economic benefits, are recognised as assets. The expenditure capitalised, provided the costs are measurable, includes the cost of material, direct labour and an appropriate portion of overheads. Capitalised development expenditure is shown as cost less accumulated amortisation and impairment losses. The amount of capitalised development cost recognised as an asset is amortised over the estimated useful life of the asset (but for no greater a period than five years).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. ACCOUNTING POLICIES CONTINUED

1.12 INTANGIBLE ASSETS CONTINUED

Other software

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

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

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

Customer relationships

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

Category	Useful life
Customer relationships	7 to 10 years

Research expenditure

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

1.13 IMPAIRMENT OF NON-FINANCIAL ASSETS

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or group of assets. Where the carrying amount of the assets exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount with the impairment recognised in profit and loss. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

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

1. ACCOUNTING POLICIES CONTINUED

1.14 LEASES

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases

Finance leases which transfer to the group substantially all the risk and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statements of profit or loss and other comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases

Operating lease payments are recognised as an operating expense in the statements of profit or loss and other comprehensive income on a straight-line basis over the lease term.

1.15 FINANCIAL INSTRUMENTS

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

Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivables

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

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

Cash and cash equivalents

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

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

Accounts receivables

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. ACCOUNTING POLICIES CONTINUED

1.16 IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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

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

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

1.17 FINANCIAL LIABILITIES

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

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

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

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

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

Loans and borrowings

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

1. ACCOUNTING POLICIES CONTINUED

1.17 FINANCIAL LIABILITIES CONTINUED

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

1.18 DERECOGNITION OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

1.19 OFFSETTING OF FINANCIAL INSTRUMENTS

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

1.20 SHARE ISSUE COSTS

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

1.21 SHARE-BASED PAYMENTS

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. ACCOUNTING POLICIES CONTINUED

1.22 TREASURY SHARES

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

1.23 DIVIDENDS

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

1.24 PROVISIONS

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

1.25 KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Accrued revenue

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

Deferred taxation

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

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

Owner-occupied property

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

Useful lives and residual values

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

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

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

1. ACCOUNTING POLICIES CONTINUED

1.25 KEY SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

Impairment of goodwill

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

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

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

1.26 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the following amended IFRS effective as of 1 January 2016:

- IFRS 10 Consolidated Financial Statements (amendment) effective 1 January 2016;
- IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (amendment) effective 1 January 2016;
- IFRS 12 Disclosure of Interests in Other Entities (amendment) effective 1 January 2016;
- IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (amendments) effective 1 January 2016;
- to IAS 28 Application of the investment entities exceptions (amendments) effective 1 January 2016; and
- IAS 28 Sale or Contribution of Assets between an investor and its associate or joint venture effective 1 January 2016.

1.27 NEW OR REVISED IFRS STANDARDS

Standards issued but not yet effective up to the date of issuance of the group and company financial statements are listed below. These standards issued are those that the group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. Adapt IT is in the process of evaluating the effects of these new and revised standards.

New International Financial Reporting Standards

- IFRS 9 Financial Instruments (effective for periods beginning on or after 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (effective for periods beginning on or after 1 January 2018)
- IFRS16 Leases (effective for periods beginning on or after 1 January 2019)

Amended International Accounting Standards

Annual improvements of the 2012 – 2014 cycle to IFRS 5, IFRS 7, IAS 9 and IAS 34 – effective annual periods beginning on or after 1 January 2016

Amendments to IFRS 2 Share-based Payments – effective annual periods beginning on or after 1 January 2018

Amendments to IAS 7 Statement of Cash Flows – effective annual periods beginning on or after 1 January 2017

Amendments to IAS 12 Taxation – effective annual periods beginning on or after 1 January 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

	Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
2. REVENUE				
Services rendered	680 096 978	637 198 370	–	–
Sale of goods	313 574 366	158 980 039	–	–
Turnover	993 671 344	796 178 409	–	–
Finance income	2 753 820	7 159 425	613	1 209
Sundry revenue	–	–	3 500 000	5 000 000
Dividends received	–	–	19 633 931	32 000 000
	996 425 164	803 337 834	23 134 544	37 001 209
3. PROFIT BEFORE TAXATION				
Profit before taxation is stated after:				
Income				
Foreign exchange profit	4 730 742	5 295 601	–	17 087
Doubtful debts recovered	2 423 365	395 517	–	–
Profit on sale of property and equipment	–	98 589	–	–
Dividend received from subsidiary	–	–	19 633 931	32 000 000
Finance income	2 753 820	7 159 425	613	1 209
Imputed interest	1 153 148	2 068 025	–	–
Other interest received	236 344	310 971	613	1 209
Interest on cash and cash equivalents	1 364 328	1 436 261	–	–
Interest received from CQS Investment Holdings (Pty) Ltd	–	3 344 168	–	–
Expenditure				
Auditors' remuneration	2 874 826	2 939 658	111 260	104 000
– Fees	2 744 826	2 924 658	111 260	104 000
– Other services	130 000	15 000	–	–
Depreciation	8 444 182	6 696 901	–	–
Finance costs	25 605 200	22 297 839	–	–
– Borrowings	16 248 874	15 376 527	–	–
– Financial liabilities (imputed)	9 356 326	6 921 312	–	–
Foreign exchange loss	7 846 861	1 138 668	–	–
Amortisation of intangible assets	34 898 517	22 053 795	–	–
Staff costs	385 370 102	384 778 665	–	–
– Salaries and wages	367 030 777	348 966 011	–	–
– Retirement costs	–	623 937	–	–
– Commission	6 787 465	4 674 216	–	–
– Bonus and performance-related payments	11 551 860	30 514 501	–	–
Share-based payment expense	10 256 547	5 194 300	–	–
Operating lease charges				
– Property	20 631 601	16 653 684	–	–
Loss on sale of property and equipment	16 276	–	–	–
Provision for impairment of trade and other receivables	1 170 325	3 993 217	–	–

	Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
4. DIRECTORS' EMOLUMENTS				
Directors and past executive directors				
In connection with the affairs of the group	7 168 384	8 882 293	7 168 384	8 882 293
Salary and medical aid				
– Sbu Shabalala	2 342 789	2 086 616	2 342 789	2 086 616
– T Dunsdon	2 142 300	1 961 213	2 142 300	1 961 213
– N Mbambo	1 417 333	–	1 417 333	–
Retirement				
– Sbu Shabalala	–	23 005	–	23 005
– T Dunsdon	–	–	–	–
– N Mbambo	–	–	–	–
Share-based payment expense				
– Sbu Shabalala	546 396	1 201 948	546 396	1 201 948
– T Dunsdon	290 357	638 720	290 357	638 720
– N Mbambo	429 209	–	429 209	–
Bonus and performance-related payments				
– Sbu Shabalala	–	1 812 827	–	1 812 827
– T Dunsdon	–	1 157 966	–	1 157 966
– N Mbambo	–	–	–	–
Directors and past non-executive directors				
For attending meetings	1 008 480	840 400	1 008 480	840 400
C Chambers	351 120	292 600	351 120	292 600
B Ntuli	219 120	182 600	219 120	182 600
O Fortuin	219 120	182 600	219 120	182 600
C Koffman	219 120	182 600	219 120	182 600
	8 176 864	9 722 693	8 176 864	9 722 693

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

	Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
5. INCOME TAX EXPENSE				
South African normal tax				
Current tax				
– Current year	42 024 772	45 193 887	108 738	52 861
– Prior year (over)/under provision	(12 328 660)	717 319	(56 628)	(85 291)
Deferred tax				
– Current year	(1 414 007)	(9 103 768)	15 152	521 719
– Prior year under provision	2 540 769	1 960 054	–	–
	30 822 874	38 767 492	67 262	489 289
Foreign tax				
– Current year	4 352 238	3 507 640	–	–
– Prior year under/(over) provision	322 811	(345 414)	–	–
	4 675 049	3 162 226	–	–
Tax for the year	35 497 923	41 929 718	67 262	489 289

	%	%	%	%
Effective rate of taxation*				
South African normal tax rate	28,0	28,0	28,0	28,0
Adjusted for:				
– Non-deductible expenditure	6,5	4,6	–	–
– Non-taxable amounts	(0,4)	(0,2)	–	–
– Dividends received from subsidiary	–	–	(27,4)	(26,3)
– Prior year (over)/under provision in current and foreign tax	(9,4)	0,3	(0,3)	(0,3)
– Prior year under provision in deferred tax	2,0	1,6	–	–
– Withholding tax paid	3,3	3,1	–	–
– Withholding tax credits	(1,7)	(2,3)	–	–
– Different tax rates	(0,6)	(0,5)	–	–
Effective rate of taxation	27,7	34,6	0,3	1,4
Effective rate of taxation on profit including equity accounted investment	27,7	34,5		

* *Effective rate of taxation is based on profit before taxation and share of equity accounted investment.*

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 R88 133 237 (2016: R78 357 135) and the weighted average number of ordinary shares in issue during the year of 150 028 042 (2016: 136 016 313). The calculation of diluted earnings per share is based on the profit of R88 133 237 (2016: R78 357 135) and the weighted average number of diluted ordinary shares in issue during the year of 150 045 972 (2016: 141 751 697).

		Group 2017	Group 2016
Reconciliation between earnings and headline earnings			
Earnings attributable to equity holders of the parent		88 133 237	78 357 135
Adjusted for:			
– Loss/(profit) on sale of property and equipment (note 3)		16 276	(98 589)
Headline earnings		88 149 513	78 258 546
Adjusted for:			
Amortisation of intangible assets acquired		29 105 008	17 083 626
Deferred taxation on amortisation of intangible assets acquired		(8 149 402)	(4 783 415)
Fair value adjustment to financial liability (imputed interest)		9 356 326	6 921 312
Normalised headline earnings		118 461 445	97 480 069
Basic earnings per share	(cents)	58,74	57,61
Headline earnings per share	(cents)	58,76	57,54
Diluted basic earnings per share	(cents)	58,74	55,28
Diluted headline earnings per share	(cents)	58,75	55,21
Normalised headline earnings	(cents)	78,96	71,67

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

6.2 DIVIDENDS PER SHARE

		Group 2017	Group 2016
Dividends per share	(cents)	13,40	10,90

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FOR THE YEAR ENDED 30 JUNE 2017

7. PROPERTY AND EQUIPMENT

	Owner-occupied property – land and buildings R	Computer hardware R	Furniture and fittings R	Telephone equipment R
GROUP 2017				
Carrying amount at beginning of year				
– Cost or valuation	21 554 106	14 771 751	9 228 769	2 855 140
– Accumulated depreciation	(1 782 102)	(8 217 584)	(2 786 921)	(2 397 540)
Carrying amount at beginning of year	19 772 004	6 554 167	6 441 848	457 600
Current year movements				
– Additions	–	5 989 086	248 070	154 760
– Acquisition of subsidiary	–	22 954	–	–
– Disposals	–	(145 373)	–	–
– Cost	–	(663 606)	–	–
– Accumulated depreciation	–	518 233	–	–
– Transfers	–	–	–	–
– Cost	–	(565 260)	(29 456)	–
– Accumulated depreciation	–	565 260	29 456	–
– Depreciation	(329 508)	(4 747 043)	(1 821 730)	(135 710)
– Foreign exchange adjustments	–	(19 061)	(61 309)	–
– Cost	–	(42 869)	(70 722)	–
– Accumulated depreciation	–	23 808	9 413	–
Carrying amount at end of year	19 442 496	7 654 730	4 806 879	476 650
Made up as follows:				
– Cost or valuation	21 554 106	19 512 056	9 376 661	3 009 900
– Accumulated depreciation	(2 111 610)	(11 857 326)	(4 569 782)	(2 533 250)
Carrying amount at end of year	19 442 496	7 654 730	4 806 879	476 650

7. PROPERTY AND EQUIPMENT CONTINUED

GROUP 2017

	Leasehold improvements R	Office equipment R	Motor vehicles R	Total R
Carrying amount at beginning of year				
– Cost or valuation	5 022 249	1 694 838	678 501	55 805 354
– Accumulated depreciation	(2 685 590)	(661 760)	92 687	(18 438 810)
Carrying amount at beginning of year	2 336 659	1 033 078	771 188	37 366 544
Current year movements				
– Additions	74 319	214 808	–	6 681 043
– Acquisition of subsidiary	–	–	–	22 954
– Disposals	–	–	–	(145 373)
– Cost	–	–	(68 148)	(731 754)
– Accumulated depreciation	–	–	68 148	586 381
– Transfers	–	–	–	–
– Cost	–	–	–	(594 716)
– Accumulated depreciation	–	–	–	594 716
– Depreciation	(983 923)	(390 364)	(35 904)	(8 444 182)
– Foreign exchange adjustments	(31 137)	(1 376)	(83 016)	(195 899)
– Cost	(40 108)	(1 628)	(84 887)	(240 214)
– Accumulated depreciation	8 971	252	1 871	44 315
Carrying amount at end of year	1 395 918	856 146	652 268	35 285 087
Made up as follows:				
– Cost or valuation	5 056 460	1 908 018	525 466	60 942 667
– Accumulated depreciation	(3 660 542)	(1 051 872)	126 802	(25 657 580)
Carrying amount at end of year	1 395 918	856 146	652 268	35 285 087

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FOR THE YEAR ENDED 30 JUNE 2017

	Owner-occupied property – land and buildings R	Computer hardware R	Furniture and fittings R	Telephone equipment R
7. PROPERTY AND EQUIPMENT CONTINUED				
GROUP 2016				
Carrying amount at beginning of year				
– Cost or valuation	21 554 106	9 846 809	6 488 597	2 574 524
– Accumulated depreciation	(1 454 106)	(5 241 235)	(2 601 284)	(2 357 683)
Carrying amount at beginning of year	20 100 000	4 605 574	3 887 313	216 841
Current year movements				
– Additions	–	3 828 632	1 836 485	304 945
– Acquisition of subsidiary	–	1 877 003	2 075 630	–
– Disposals	–	(59 351)	(17 477)	–
– Cost	–	(619 816)	(1 086 020)	(24 329)
– Accumulated depreciation	–	560 465	1 068 543	24 329
– Transfers	–	(9 502)	–	–
– Cost	–	(216 584)	(104 614)	–
– Accumulated depreciation	–	207 082	104 614	–
– Depreciation	(327 996)	(3 712 228)	(1 356 888)	(64 186)
– Foreign exchange adjustments	–	24 039	16 785	–
– Cost	–	55 707	18 691	–
– Accumulated depreciation	–	(31 668)	(1 906)	–
Carrying amount at end of year	19 772 004	6 554 167	6 441 848	457 600
Made up as follows:				
– Cost or valuation	21 554 106	14 771 751	9 228 769	2 855 140
– Accumulated depreciation	(1 782 102)	(8 217 584)	(2 786 921)	(2 397 540)
Carrying amount at end of year	19 772 004	6 554 167	6 441 848	457 600

7. PROPERTY AND EQUIPMENT CONTINUED

GROUP 2016

	Leasehold improve-ments R	Office equipment R	Motor vehicles R	Total R
Carrying amount at beginning of year				
– Cost or valuation	4 280 179	696 492	143 455	45 584 162
– Accumulated depreciation	(1 747 167)	(390 759)	(86 000)	(13 878 234)
Carrying amount at beginning of year	2 533 012	305 733	57 455	31 705 928
Current year movements				
– Additions	726 169	516 814	720 976	7 934 021
– Acquisition of subsidiary	–	480 380	–	4 433 013
– Disposals	–	(2 533)	–	(79 361)
– Cost	–	(19 000)	(201 500)	(1 950 665)
– Accumulated depreciation	–	16 467	201 500	1 871 304
– Transfers	–	9 502	–	–
– Cost	–	20 152	–	(301 046)
– Accumulated depreciation	–	(10 650)	–	301 046
– Depreciation	(937 365)	(276 870)	(21 368)	(6 696 901)
– Foreign exchange adjustments	14 843	52	14 125	69 844
– Cost	15 901	–	15 570	105 869
– Accumulated depreciation	(1 058)	52	(1 445)	(36 025)
Carrying amount at end of year	2 336 659	1 033 078	771 188	37 366 544
Made up as follows:				
– Cost or valuation	5 022 249	1 694 838	678 501	55 805 354
– Accumulated depreciation	(2 685 590)	(661 760)	92 687	(18 438 810)
Carrying amount at end of year	2 336 659	1 033 078	771 188	37 366 544

The owner-occupied property is owned by Adapt IT (Pty) Ltd and is accounted for under the revaluation model. Management determines the value of the property, with reference to the expertise of an independent valuer, (I Joubert, of IJ Valuations (Pty) Ltd), who valued the property on 30 June 2015. IJ Valuations (Pty) Ltd is not connected to the company or group and has valuation experience in the location and category of the property being valued. The valuation was based on open market value for existing use.

The assumptions used were based on current market conditions.

	June 2017 %	June 2016 %
Yield	10,0	10,0

The land is described as:

Erf 1488 Monument Park, Registration Division JR, Province of Gauteng: measuring 5 090 square metres. The property was purchased at a cost of R4 348 450. Additions and improvements since the date of acquisition amount to R6 559 799 (2016: R6 559 799).

Erf 1488 represents the consolidation of the previous Erf 479, Remaining extent of Erf 15, Portion 1 of Plot 15 and Erf 13 Monument Park, Registration Division JR, Province of Gauteng.

Had land and buildings been measured using the cost model instead of at fair value, the carrying amount would be R16 073 010 (2016: R16 329 880).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

8. INTANGIBLE ASSETS CONTINUED

GROUP 2016

	Customer relationships R	Inhouse developed software R	Acquired computer software R	Trademarks R	Licence acquired R	Total R
Carrying amount at beginning of year						
– Cost or valuation	74 979 000	14 366 878	6 439 591	36 058	7 467 967	103 289 494
– Accumulated amortisation	(6 248 250)	(1 360 698)	(5 380 965)	(17 661)	(4 050 163)	(17 057 737)
Carrying amount at beginning of year	68 730 750	13 006 180	1 058 626	18 397	3 417 804	86 231 757
Current year movements						
– Additions	–	8 378	2 536 182	–	–	2 544 560
– Acquisition of subsidiary	69 173 990	34 134 286	46 605	–	–	103 354 881
– Disposals	–	–	–	–	–	–
– Cost	–	193 730	(193 730)	–	–	–
– Accumulated amortisation	–	(193 730)	193 730	–	–	–
– Amortisation	(12 497 751)	(6 408 883)	(1 619 347)	(8 805)	(1 519 009)	(22 053 795)
– Foreign exchange adjustments	–	(44 757)	–	(1 208)	–	(45 965)
– Cost	–	190 105	–	–	–	190 105
– Accumulated amortisation	–	(234 862)	–	(1 208)	–	(236 070)
Carrying amount at end of year	125 406 989	40 695 204	2 022 066	8 384	1 898 795	170 031 438
Made up as follows:						
– Cost or valuation	144 152 990	48 893 377	8 828 648	36 058	7 467 967	209 379 040
– Accumulated amortisation	(18 746 001)	(8 198 173)	(6 806 582)	(27 674)	(5 569 172)	(39 347 602)
Carrying amount at end of year	125 406 989	40 695 204	2 022 066	8 384	1 898 795	170 031 438

Customer relationships relate to the amount allocated to customer relationships at date of acquisition of subsidiary companies and have estimated remaining useful lives of between five and nine years (2016: five and nine years).

Inhouse developed software relates mainly to inhouse accounting packages, energy software products and a student management system with estimated remaining useful lives of between one and seven years (2016: one and seven years).

The licences acquired are SAP licenses being amortised over the five-year licence term (2016: five years).

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FOR THE YEAR ENDED 30 JUNE 2017

	Group 2017 R	Group 2016 R
9. GOODWILL		
Carrying amount at beginning of the year	472 515 143	276 525 230
Acquisition of CQS	–	195 989 913
Acquisition of EasyRoster (note 22.1)	43 081 242	–
Transferred to assets classified as held for sale (note 23)	(15 249 700)	–
Carrying amount at end of year	500 346 685	472 515 143
Comprising:		
Cost	500 346 685	472 515 143
Goodwill is allocated as follows:		
– Manufacturing	10 407 854	10 407 854
– BI	–	15 249 700
– HCM	12 352 476	12 352 476
– Energy	95 476 795	95 476 795
– Telecoms	143 038 405	143 038 405
– CQS	195 989 913	195 989 913
– EasyRoster	43 081 242	–
Total	500 346 685	472 515 143

For more detail on investments, refer to note 10.

The group tests goodwill annually for impairment. As at 30 June 2017, the carrying amount of goodwill was considered not to require impairment.

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

The key assumptions used in the testing of goodwill are:

- Discount rate of 15% (2016: 12%) (weighted average cost of capital); and
- Projected cash flows for the five years based on a 5% (2016: 5%) growth rate.

	Company Effective holding 2017 %	Company Effective holding 2016 %	Company Effective holding 2017 R	Company Effective holding 2016 R
10. INTEREST IN SUBSIDIARIES AND SHARE TRUST				
Incorporated in South Africa				
Adapt IT (Pty) Ltd	100	100	49 511 335	48 115 401
Adapt IT Holdings Limited Share Incentive Trust	*	*	–	–
Incorporated in Mauritius				
Adapt IT International Limited	100	100	–	–
			49 511 335	48 115 401

* *100% consolidation.*

	Company 2017 R	Company 2016 R
Adapt IT (Pty) Ltd		
Shares at cost	48 115 401	48 115 401
Share-based payments allocated to subsidiary	1 395 934	–
Total shares	49 511 335	48 115 401
Amounts due from subsidiary	297 962 752	183 719 243
	347 474 087	231 834 644
This intercompany amount is between Adapt IT (Pty) Ltd and Adapt IT Holdings Limited.		
No interest is charged and there are no fixed terms of repayment.		
Adapt IT Holdings Limited Share Incentive Trust		
Loan to Trust	32 158	32 158
	32 158	32 158
The indebtedness of the Trust comes about as a result of interest earned on financial assistance in respect of share options.		
The loan is unsecured and no interest is charged. The loan has no set terms of repayment.		
Total shares	49 511 335	48 115 401
Net amount owing from subsidiaries	280 840 190	183 751 401
– Loans to subsidiaries/Trust	297 994 910	183 751 401
Total interest	347 506 245	231 866 802

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

Refer to note 28 for details of transactions between related parties.

Loans receivable not past due, nor impaired amount to R297 994 910 (2016: R183 751 401).

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	Group Effective holding 2017 %	Group Effective holding 2016 %
11. EQUITY ACCOUNTED INVESTMENT		
Incorporated in South Africa		
Uyandiswa Project Management Services (Pty) Ltd	49	49

Uyandiswa Project Management Services (Pty) Ltd is unlisted and has the same year-end as the company.

Uyandiswa Project Management Services (Pty) Ltd provides project management consultancy services.

The summarised financial information in respect of the group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial records, before intergroup eliminations, and after fair value adjustments made at the time of acquisition. The joint venture accounting policies are the same as the group.

	2017 R	2016 R
Statement of profit or loss and other comprehensive income at 49%		
Revenue	18 884 482	18 000 638
(Loss)/profit from operations before interest and tax	(184 712)	2 214 487
Net interest received	72 027	60 916
Income tax credit/(expense)	24 582	(639 308)
(Loss)/profit for the year representing total comprehensive income	(88 103)	1 636 095
Balance at beginning of year	1 804 295	168 200
	1 716 192	1 804 295
Transferred to assets classified as held for sale (note 23)	(1 716 192)	–
Equity accounted investment	–	1 804 295
Statement of financial position at 100%		
Non-current assets	526 714	518 524
Current assets	10 406 238	8 473 755
Current liabilities	(7 176 653)	(5 056 178)
Net assets	3 756 299	3 936 101

Current liabilities include a loan from Adapt IT (Pty) Ltd of R3 742 781 (2016: R2 447 070). Refer to note 13.

	Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
12. DEFERRED TAXATION				
The major components of the deferred taxation balance are as follows:				
Deferred taxation asset				
Temporary differences to be offset against future income:				
Leave pay, bonus and other provisions	11 631 834	18 656 521	31 153	29 120
Deferred revenue	9 113 843	9 927 236	–	–
Estimated tax losses	867 845	545 307	–	–
Imputed interest	12 106	24 341	–	–
Other	452 027	591 227	–	–
	22 077 655	29 744 632	31 153	29 120
Deferred taxation liability				
Prepaid expenditure	(1 110 628)	(1 546 001)	(63 184)	(45 998)
Revenue received in advance	(4 612 735)	(2 777 288)	–	–
Improvements to owner-occupied property	(440 607)	(361 910)	–	–
Property and equipment	(1 671 570)	(1 796 827)	–	–
Business combination on intangible asset	(47 844 280)	(44 635 385)	–	–
	(55 679 820)	(51 117 411)	(63 184)	(45 998)
Comprising:				
Deferred taxation asset	14 274 145	23 603 353	–	–
Deferred taxation liability	(47 876 310)	(44 976 132)	(32 030)	(16 878)
	(33 602 165)	(21 372 779)	(32 030)	(16 878)
Reconciliation of deferred taxation:				
Balance at beginning of year	(21 372 779)	(7 787 751)	(16 878)	504 841
Movements during the period attributable to:				
– Business combination on intangible asset	(11 358 297)	(28 318 358)	–	–
– Charge to profit and loss	1 414 007	9 103 768	(15 152)	(521 719)
– Prior year under provision	(2 540 769)	(1 960 054)	–	–
– Revaluation of property	–	–	–	–
– Foreign currency differences	–	(51 878)	–	–
– Acquisition of subsidiary	255 673	7 641 494	–	–
Balance at end of year	(33 602 165)	(21 372 779)	(32 030)	(16 878)

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	Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
13. TRADE AND OTHER RECEIVABLES				
Trade receivables	195 362 188	156 456 914	2 052 000	–
Other receivables	22 371 425	6 147 420	–	–
Prepaid expenses	7 500 564	10 268 450	225 675	217 335
VAT	291 839	420 683	–	–
Loan to Alkon (Pty) Ltd	1 954 547	–	–	–
Loan to Uyandiswa Project Management Services (Pty) Ltd	3 742 781	2 447 070	–	–
	231 223 344	175 740 537	2 277 675	217 335
Provision for impairment	(2 860 800)	(5 140 249)	–	–
	228 362 544	170 600 288	2 277 675	217 335
The movement in provision for impairment:				
Balance at beginning of year	5 140 249	1 627 212	–	–
Charge for the year	1 170 325	3 993 217	–	–
Recovered for the year	(2 423 365)	(395 517)	–	–
Amounts written-off	(1 025 639)	(1 064 965)	–	–
Foreign exchange movement	(771)	–	–	–
Acquisition of subsidiary	–	980 302	–	–
Balance at end of year	2 860 800	5 140 249	–	–

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

The trade receivables have been pledged as security for the Investec Limited debt (refer note 18).

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

Other receivables relate mainly to contracts in progress.

Trade and other receivables are classified as loans and receivables and their carrying value approximates fair value.

	Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
14. CASH AND CASH EQUIVALENTS				
Bank balances	72 490 759	12 825 725	281 903	129 443
Cash on deposit	15 058 734	27 189 956	–	–
Foreign currency	10 487 096	37 680 496	–	–
Petty cash	12 121	28 191	–	–
Net cash and cash equivalents at year-end	98 048 710	77 724 368	281 903	129 443

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.

	Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
15. SHARE CAPITAL				
Authorised				
200 000 000 ordinary shares at 0,01 cent each	20 000	20 000	20 000	20 000
Issued				
153 596 911 (2016: 140 061 814) ordinary shares of 0,01 cent each	15 360	14 006	15 360	14 006

	Number of shares 2017	Number of shares 2016
Reconciliation of the number of ordinary shares in issue		
Ordinary shares in issue:		
Balance at beginning of year	140 061 814	129 201 421
Issue of shares for business combinations	7 646 638	10 673 980
Issue of shares for cash	5 793 102	186 413
Issue of shares for share appreciation rights	95 357	–
Balance at end of the year	153 596 911	140 061 814

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

	Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
16. SHARE PREMIUM				
Balance at beginning of year	200 831 266	128 819 663	196 116 254	124 104 651
On shares allotted during the year for business combination	49 999 226	69 795 171	49 999 226	69 795 171
On shares allotted during the year	85 395 324	2 216 432	85 395 324	2 216 432
Balance at end of year	336 225 816	200 831 266	331 510 804	196 116 254

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17. EQUITY COMPENSATION RESERVE

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

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

The unit price is equal to the share price at the 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.

	Group 2017 R	Group 2016 R
Equity compensation reserve		
Balance at beginning of year	**5 724 817**	530 517
Total expense recognised arising from share-based payment	**10 256 547**	5 194 300
Exercised during the year equity-settled	**(1 395 934)**	–
Balance at end of year	**14 585 430**	5 724 817

	Number of shares (number of share units)	Weighted average strike price of share units (cents)
Reconciliation of incentive units		
Granted during the 30 June 2015 year:		
Outstanding at beginning of year	2 482 049	901
Lapsed during the year	–	–
Exercised during the year*	(178 507)	1 487
Forfeited**/cancelled during the year	(1 435 108)	–
Outstanding at end of year	868 434	901
Exercisable at end of year	868 434	901

* *The weighted average share price at date of exercise ranged between 1 285 cents and 1 595 cents.*

** *The performance conditions of the group had not been met at 30 June 2017 resulting in the forfeiture of the second 50% tranche of units.*

Basis of valuation

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

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

17. EQUITY COMPENSATION RESERVE CONTINUED

	Number of shares (number of share units)	Weighted average strike price of share units (cents)
Reconciliation of incentive units		
Granted during the 30 June 2016 year:		
Outstanding at beginning of year	1 333 194	1 125
Issued during the year	147 236	–
Lapsed during the year	–	–
Exercised during the year*	(175 128)	1 408
Forfeited**/cancelled during the year	(862 322)	–
Outstanding at end of year	442 980	1 125
Exercisable at end of year	442 980	1 125

* *The weighted average share price at date of exercise ranged between 1 285 cents and 1 595 cents.*

** *The performance conditions of the group had not been met at 30 June 2017 resulting in the forfeiture of the second 50% tranche of units.*

Basis of valuation

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

Unit price	(cents)	1 125
Strike price	(cents)	1 125
Expected volatility	(%)	34,5
Expected dividend yield	(%)	0,8
Weighted fair value of options issued	(cents)	272
Expiry date from issue	(years)	3

	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:		
Issued during the year	**3 863 056**	**1 294**
Lapsed during the year	**–**	**–**
Exercised during the year	**–**	**–**
Forfeited*/cancelled during the year	**(1 957 446)**	**–**
Outstanding at end of year	**1 905 610**	**1 294**
Exercisable at end of year**	**400 000**	**1 294**

* *The performance conditions of the group had not been met at 30 June 2017 resulting in the forfeiture of the first 50% tranche of units.*

** *An exception was approved by the Remunerations Committee for five employees to exercise the first 50% tranche of units following the outperformance of that division.*

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**

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17. EQUITY COMPENSATION RESERVE CONTINUED

Share appreciation units granted to executive directors:

Expiring three years from	Issue price (cents)	Number of conditional awards 30 June 2016	Granted	Exercised	Lapsed	Forfeited	Number of conditional awards 30 June 2017	Time constrained
S Shabalala								
Granted during the 30 June 2015 year	901	694 053	–	–	–	(347 027)	**347 026**	347 026
Granted during the 30 June 2016 year	1 125	263 261	–	–	–	(131 631)	**131 630**	131 630
		957 314	–	–	–	(478 658)	**478 656**	478 656

In August 2016 the first 50% of the incentive units granted to S Shabalala vested as performance conditions were met. They were not exercised but were rolled over for exercise at a future date up to the third anniversary of the grant date.

At 30 June 2017 performance conditions of the group had not been met resulting in the forfeiture of the second 50% tranche of units.

Expiring three years from	Issue price (cents)	Number of conditional awards 30 June 2016	Granted	Exercised	Lapsed	Forfeited	Number of conditional awards 30 June 2017	Time constrained
T Dunsdon								
Granted during the 30 June 2015 year	901	368 822	–	–	–	(184 411)	**184 411**	184 411
Granted during the 30 June 2016 year	1 125	139 898	–	–	–	(69 949)	**69 949**	69 949
		508 720	–	–	–	(254 360)	**254 360**	254 360

In August 2016 the first 50% of the incentive units granted to T Dunsdon vested as performance conditions were met. They were not exercised but were rolled over for exercise at a future date up to the third anniversary of the grant date.

At 30 June 2017 performance conditions of the group had not been met resulting in the forfeiture of the second 50% tranche of units.

Expiring three years from	Issue price (cents)	Number of conditional awards 30 June 2016	Granted	Exercised	Lapsed	Forfeited	Number of conditional awards 30 June 2017	Performance condition and time constrained
N Mbambo								
Granted during the 30 June 2017 year	1 294	–	212 218	–	–	(106 109)	**106 109**	106 109

At 30 June 2017 performance conditions of the group had not been met resulting in the forfeiture of the first 50% tranche of units.

There are a further 18 executives who participate in the same share incentive scheme.

	Group 2017 R	Group 2016 R
18. INTEREST-BEARING BORROWINGS		
Non-current borrowings	**101 486 667**	145 790 502
Investec Bank Limited	**101 486 667**	124 989 158
Sanlam Capital Markets Limited	**–**	20 801 344
Current borrowings	**580 894**	19 373 829
Investec Bank Limited	**580 894**	1 182 349
Sanlam Capital Markets Limited	**–**	18 191 480
Total	**102 067 561**	165 164 331

Name of entity	Maturity	Interest rate 2017 %	Interest rate 2016 %
Investec Bank Limited	30 June 2020	**9,75 to 10,71**	9,75
Sanlam Capital Markets Limited	28 February 2018	**9,22**	9.22

Investec Bank Limited

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

In January 2017 a further facility from Investec Bank Limited was obtained to fund working capital. The facility is a 12 months revolving facility at an interest rate of Investec Bank Limited's prime rate. The facility is unutilised at the reporting date.

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

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

CQS Investment Holdings (Pty) Ltd had a loan with Sanlam Capital Markets Limited. The interest was charged at a fixed rate of 9,22% over a five-year loan period. The loan was settled at 30 June 2017.

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

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	Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
19. TRADE AND OTHER PAYABLES				
Trade payables	56 396 559	59 518 861	324 374	243 605
Accruals	34 352 262	28 722 427	–	36 563
VAT	7 821 285	5 713 624	202 900	698 060
Other payables	12 097 686	11 596 943	–	–
	110 667 792	105 551 855	527 274	978 228

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

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

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

	Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
20. PROVISIONS				
Leave pay				
Carrying value at beginning of year	14 492 586	7 992 802	–	–
Provision raised during the year	4 040 225	18 155 473	–	–
Provision utilised/paid during the year	(4 278 395)	(14 614 579)	–	–
Acquisition of subsidiary	84 407	2 798 853	–	–
Foreign exchange movement	(116 463)	160 037	–	–
Carrying value at end of year	14 222 360	14 492 586	–	–
The leave pay provision is calculated using the total cost of employment multiplied by the leave days outstanding at year-end. The expected release date of leave pay benefits is within the subsequent year.				
Bonus				
Carrying value at beginning of year	28 445 050	18 473 244	–	1 859 116
Prior year under provision	855 830	137 657	–	–
Provision raised during the year	10 696 030	30 376 844	–	–
Provision utilised/paid during the year in respect of the prior year	(29 301 046)	(24 216 830)	–	(1 859 116)
Acquisition of subsidiary	54 200	3 674 572	–	–
Foreign exchange movement	(51 148)	(437)	–	–
Carrying value at end of year	10 698 916	28 445 050	–	–
The bonus provision is based on the results of the group and the related performance evaluation of the employees.				
Total	24 921 276	42 937 636	–	–

	Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
21. NOTES TO THE STATEMENTS OF CASH FLOW				
21.1 CASH GENERATED FROM/(UTILISED IN) OPERATIONS				
Profit before taxation	128 043 826	122 886 590	20 028 018	34 055 924
Adjustments for:				
Depreciation and amortisation	43 342 699	28 750 696	–	–
Net loss/(profit) on disposal of property and equipment	16 276	(98 589)	–	–
Finance income (note 3)	(1 600 672)	(5 091 400)	(613)	(1 209)
Finance costs (note 3)	25 605 200	22 297 839	–	–
Dividend received	–	–	(19 633 931)	(32 000 000)
Share of loss/(profits) of equity accounted investments	88 103	(1 636 095)	–	–
Share-based payment expense	10 256 547	5 194 300	–	–
(Decrease)/increase in provisions	(18 070 560)	9 998 165	–	(1 859 116)
Working capital changes:				
(Increase)/decrease in trade and other receivables	(56 473 713)	(21 785 562)	(2 060 340)	673 430
Increase/(decrease) in trade and other payables	5 025 744	17 669 279	(450 955)	224 003
Increase/(decrease) in deferred income	3 092 006	(4 582 961)	–	–
	139 325 456	173 602 262	(2 117 821)	1 093 032
21.2 TAXATION PAID				
Charge to the statement of profit or loss and other comprehensive income	35 497 923	41 929 718	67 262	489 289
Adjustment for deferred taxation	(1 126 762)	7 143 714	(15 152)	(521 719)
Acquisition of subsidiary	1 624 516	13 637 935	–	–
Movement in taxation balance	6 106 480	(7 681 688)	14 900	111 149
	42 102 157	55 029 679	67 010	78 719

22. BUSINESS COMBINATIONS

22.1 ACQUISITION OF SUBSIDIARY

On 1 August 2016, the group acquired the entire issued share capital of EasyRoster (Pty) Ltd and EasyRoster Software (Pty) Ltd (Collectively "EasyRoster"). EasyRoster is South African-registered.

EasyRoster is a leading Information Technology company with more than 20 years' experience and excellence in the development of software tools for operational management.

EasyRoster has an extensive national and international customer footprint in over 25 countries.

The purchase consideration consists of R1 615 247 in cash paid on 12 January 2017, R17 154 720 in shares to be issued in December 2017 at 1 595 cents per share, with a further contingent consideration of a maximum amount of R68 580 000, which is contingent upon the achievement by EasyRoster of EBITDA performance warranties over 48 months.

The 2017 performance warranty was achieved and a cash payment of R14 197 783 will be made in August 2017.

The latest financial projections for EasyRoster indicate that the 2018 performance warranties will be achieved.

The fair value of the net assets acquired amounted to R28 359 480, resulting in goodwill of R43 081 242 at acquisition. The purchase consideration paid for the combination effectively included amounts in relation to the benefit of the expected synergies, revenue growth, new market penetration and future market development.

The acquisition, which is in line with Adapt IT's strategy of targeted acquisitive growth, will augment the group's Manufacturing segment.

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22. BUSINESS COMBINATIONS CONTINUED

22.1 ACQUISITION OF SUBSIDIARY CONTINUED

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

	Fair value recognised on acquisition R'000
Assets	
Property and equipment	22 954
Intangible assets	40 565 346
Trade and other receivables	1 288 543
Cash and cash equivalents	1 593 551
Total assets	43 470 394
Liabilities	
Non-interest-bearing borrowings	1 380 462
Deferred tax liability	11 102 624
Trade and other payables	1 003 312
Current tax payable	1 624 516
Total liabilities	15 110 914
Total identifiable net assets	28 359 480
Goodwill arising on acquisition	43 081 242
Fair value of consideration payable	71 440 722
Fair value of consideration payable:	
Cash paid	1 615 247
Shares to be issued in December 2017	17 154 720
Fair value of contingent purchase consideration owing in respect of acquisition and settled through cash when relevant warranties have been fulfilled	52 670 755
Fair value of consideration payable	71 440 722
Cash outflow on acquisition:	
Net cash acquired with the subsidiary	1 593 551
Cash paid	(1 615 247)
Net cash outflow on acquisition	(21 696)

The fair value of the assets acquired approximates their carrying value at the acquisition date.

From the date of acquisition, the contribution from EasyRoster, after recognising the amortisation charge on intangible assets, the fair value of imputed interest and acquisition costs, was R131 654 to the profit after tax of the equity holders of the group.

Acquired receivables represent the gross contractual amounts which approximate fair value and which are estimated to be fully recoverable.

Acquisition-related costs of R481 371 have been expensed and are included in administrative, selling and other costs on the statement of profit or loss and other comprehensive income.

	Group 2017 R	Group 2016 R
23. ASSETS CLASSIFIED AS HELD FOR SALE		
Goodwill – BI resourcing business (note 9)	15 249 700	–
Equity accounted investment – Uyandiswa Project Management Services (Pty) Ltd (note 11)	1 716 192	–
Total	16 965 892	–

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

24. COMMITMENTS

24.1 PROPERTY OPERATING LEASE COMMITMENTS

	Group 2017 R	Group 2016 R
No later than one year	29 978 272	15 098 835
Later than one year and no later than ten years	383 807 129	25 019 064
	413 785 401	40 117 899

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

The increase is mainly a result of the new Johannesburg Campus, co-locating the Johannesburg and Pretoria offices into one location. The lease is a ten-year lease.

24.2 CAPITAL COMMITMENTS

	Group 2017 R	Group 2016 R
Authorised and contracted	6 536 666	750 000
Authorised but not contracted	60 796 802	12 334 182
	67 333 468	13 084 182

Capital commitments will be funded from cash resources.

Authorised but not contracted relates mainly to the new Johannesburg Campus.

25. CONTINGENT LIABILITIES

	Group 2017 R	Group 2016 R
Bank guarantees	647 408	318 693

The bank guarantee is in favour of the Cape Town landlord and relates to the last month's office rental. The bank guarantee will only be released upon the expiry of the office lease agreement in 2019.

26. 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.

27. PENSION FUND AND RISK BENEFIT INFORMATION

Adapt IT (Pty) Ltd established the Adapt IT Pension Fund on 1 July 1996 and moved to the Alexander Forbes Umbrella Fund in September 2011. The Fund is a defined contribution pension fund under the Alexander Forbes Umbrella Fund which is governed by the Pension Funds Act, 1956. On 1 June 2015 Adapt IT (Pty) Ltd gave three months notice for termination of the fund in order to allow flexibility in retirement funding options to the employees. The notice period ended on 31 August 2015.

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

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28. RELATED PARTY TRANSACTIONS

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

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

	Company Effective holding 2017 %	Company Effective holding 2016 %
Related party relationship:		
Incorporated in South Africa		
Adapt IT (Pty) Ltd	100	100
Adapt IT Holdings Limited Share Incentive Trust	*	*
Incorporated in Mauritius		
Adapt IT International Limited	100	100

** 100% consolidation.*

	2017 R	2016 R
Loan		
Loans from the company to (refer note 10):		
Adapt IT Holdings Share Incentive Trust	32 158	32 158
Adapt IT (Pty) Ltd	297 962 752	183 719 243
The loans are unsecured and no interest is charged. The loans have no set terms of repayment.		
The following transactions were entered into between related parties within the Group:		
Management fees received by the company from		
Adapt IT (Pty) Ltd	1 700 000	3 333 333
CQS Technology Holdings (Pty) Ltd	1 800 000	1 666 667

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.

	Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
29. FINANCIAL RISK MANAGEMENT				
Categories of financial instruments				
Financial assets				
Loans and receivables	326 119 415	247 903 973	300 554 488	184 098 179
Financial liabilities				
Other financial liabilities measured at amortised cost	264 307 079	324 479 095	324 373	280 168
Reconciliation to statements of financial position				
Amounts owing from subsidiaries	–	–	297 994 910	183 751 401
Trade and other receivables net of provision for impairment	228 070 705	170 179 605	2 277 675	217 335
Cash and cash equivalents	98 048 710	77 724 368	281 903	129 443
Loans and receivables	326 119 415	247 903 973	300 554 488	184 098 179
Trade and other payables	102 846 507	99 838 231	324 373	280 168
Financial liabilities	58 012 549	59 476 533	–	–
Interest-bearing borrowings	102 067 561	165 164 331	–	–
Non-interest-bearing borrowings	1 380 462	–	–	–
Other financial liabilities measured at amortised cost	264 307 079	324 479 095	324 373	280 168

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

At 30 June 2017 the carrying values of the financial assets and financial liabilities are considered by management to approximate their fair value, due to their short-term nature.

All financial assets 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.

29.1 CREDIT RISK

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

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

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

The gross carrying amounts of financial assets best represent the maximum exposure to credit risk.

The group does not hold collateral as security.

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29. FINANCIAL RISK MANAGEMENT CONTINUED

29.1 CREDIT RISK CONTINUED

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

	Group 2017 R	Group 2016 R
Not past due or impaired	89 152 310	56 349 482
Past due by 31 to 60 days but not impaired	31 270 892	66 537 699
Past due by 61 to 90 days but not impaired	21 057 764	8 814 942
Past due over 90 days but not impaired	73 391 846	25 761 962
Total trade and other not impaired	214 872 812	157 464 085

The carrying amount of the trade receivables impaired is R2 860 800 (2016: R5 140 249).

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

29.2 LIQUIDITY RISK

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

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

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

	On demand R	Within one year R	Two to five years R	Greater than five years R	Total R
GROUP					
2017					
Interest-bearing borrowings	580 894	11 118 424	126 677 801	–	138 377 119
Non-interest-bearing borrowings	–	1 380 462	–	–	1 380 462
Financial liabilities	14 197 783	15 984 000	38 398 217	–	68 580 000
Accounts payable	–	102 846 507	–	–	102 846 507
Total	14 778 677	131 329 393	165 076 018	–	311 184 088
2016					
Interest-bearing borrowings	9 720 618	9 653 211	145 790 502	–	165 164 331
Financial liabilities	24 861 764	23 138 239	–	–	48 000 003
Accounts payable	–	99 838 231	–	–	99 838 231
Total discounted	34 582 382	132 629 681	145 790 502	–	313 002 565
Interest-bearing borrowings	2 361 065	33 359 897	191 467 737	–	227 188 699
Financial liabilities	24 861 764	23 138 239	–	–	48 000 003
Accounts payable	–	99 838 231	–	–	99 838 231
Total undiscounted	27 222 829	156 336 367	191 467 737	–	375 026 933
COMPANY					
2017					
Accounts payable	–	324 374	–	–	324 374
Total	–	324 374	–	–	324 374
2016					
Accounts payable	–	280 168	–	–	280 168
Total	–	280 168	–	–	280 168

29. FINANCIAL RISK MANAGEMENT CONTINUED

29.3 MARKET RISK MANAGEMENT

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

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

Foreign currency risk management

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

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

Most transactions are Rand-based with a limited exposure to other currencies, mainly US Dollars, Australian Dollars and British Pounds resulting in a foreign exchange loss for the year of R3 116 119 (2016: profit of R4 156 933).

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

	2017 Foreign amount	2017 R	2016 Foreign amount	2016 R
US Dollar	765 079	10 016 461	1 562 831	23 191 212
New Zealand Dollar	312	2 861	312	3 146
Australian Dollar	250 221	2 508 560	439 193	4 828 019
Euro	292 647	4 394 594	(108 361)	(1 782 751)
British Pounds	–	–	–	–
Singaporean Dollar	389	3 536	389	4 092
Canadian Dollar	220	2 122	220	2 408
Botswanan Pula	493	598	493	631
Rwandan Franc	103 103	1 526	114 903	2 157
Indian Rupee	16 180	3 128	16 180	3 394
UAE Dirham	680	2 318	740	2 867
Ghanaian Cedi	1 941	5 521	802	2 898
Ugandan Shilling	–	–	48 000	206
Syrian Pound	–	–	300	20
Zambian Kwachas	–	–	51	73
Total		16 941 226		26 258 372

Foreign currency sensitivity

The group's exchange rate exposure relates mainly to the US Dollar, Euro and Australian Dollar. The following details the group's sensitivity to a 14,0% (2016: 14,0%) increase or decrease in the Rand against the relevant foreign currencies. 14,0% is the sensitivity rate used based on the average movement in foreign exchange rates between reporting dates and represents management's best assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and adjusts their translation at the year-end for a 14,0% change in foreign currency rates. The amount below indicates the amount by which profit or loss and equity would increase or decrease if the Rand strengthens or weakens by 14,0% (2016: 14,0%). This is reflective of the currency risk exposure throughout the year.

	2017 R	2016 R
Sensitivity analysis		
If the foreign currency rates had been 14,0% (2016: 14,0%) higher/lower and all other variables held constant, the group's profit for the year (before tax) would increase/decrease by	2 371 772	3 676 172

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

29. FINANCIAL RISK MANAGEMENT CONTINUED

29.3 MARKET RISK MANAGEMENT CONTINUED

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.

	2017 R	2016 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	620 314	1 506 910

30. CAPITAL MANAGEMENT

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

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

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

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

		2017	2016
Gearing ratio	(%)	15,5	34,9

31. EVENTS AFTER THE REPORTING DATE

On 1 July 2017, CQS Investment Holdings (Pty) Ltd, CQS Technology Holdings (Pty) Ltd, EasyRoster (Pty) Ltd, EasyRoster Software (Pty) Ltd and Multimatics (Pty) Ltd were amalgamated into Adapt IT (Pty) Ltd in accordance with the provisions of Section 113, 115 and 116 of the Companies Act.

The reasons for the amalgamation are, *inter alia:*

- To rationalise the Adapt IT group;
- To reduce the number of Adapt IT group entities;
- To achieve efficiencies and savings in administrative and operational expenditure; and
- To simplify the Adapt IT group structure.

On 1 July 2017, following approval of the Competition Authorities, the Micros South Africa (Pty) Ltd acquisition became effective. At the time of signing the report, the initial accounting for the acquisition had not been finalised.

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

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

32. SEGMENT ANALYSIS

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

Management does not monitor assets and liabilities by segment.

32. SEGMENT ANALYSIS CONTINUED

The following tables present turnover and EBITDA information (after Shared Services cost allocation) regarding the group's operating segments for the year ended 30 June 2017 and 30 June 2016 respectively:

	Education R	Manufacturing R	Financial Services R	Energy R	Other R	Total R
2017						
Turnover	170 741 995	284 977 932	350 040 062	187 911 355	–	993 671 344
Segment EBITDA	29 707 360	70 573 209	53 401 161	44 113 327	(3 469 049)	194 326 008
EBITDA margin (%)	17	25	15	23		20
2016						
Turnover	170 806 274	242 200 530	223 349 140	159 922 465	–	796 278 409
Segment EBITDA	33 673 871	50 180 365	45 504 576	38 942 656	(3 161 863)	165 139 605
EBITDA margin (%)	20	21	20	24		21

The following table presents turnover by geographic area of the group's operating segments as at 30 June 2017 and 30 June 2016:

	Education R	Manufacturing R	Financial Services R	Energy R	Other R	Total R
2017						
Turnover from external customers by geographic area*	170 741 995	284 977 932	350 040 062	187 911 355	–	993 671 344
South Africa	115 308 856	231 715 589	277 355 595	135 502 240	–	759 882 280
African Countries**	23 995 859	37 720 685	56 954 964	19 724 109	–	138 395 617
United Kingdom	–	–	–	671 677	–	671 677
Europe	6 679 111	231 750	363 129	4 033 605	–	11 307 595
Asia	–	–	–	5 020 413	–	5 020 413
North America	–	1 217 114	15 366 374	15 569 779	–	32 153 267
South America	–	–	–	7 364 899	–	7 364 899
Australasia	24 758 169	14 092 794	–	24 633	–	38 875 596
2016						
Turnover from external customers by geographic area*	170 806 274	242 200 530	223 249 140	159 922 465	–	796 178 409
South Africa	114 182 877	191 991 807	188 157 940	83 416 883	–	577 749 507
African Countries**	25 216 549	34 995 812	32 807 301	12 983 498	–	106 003 160
United Kingdom	–	–	–	649 115	–	649 115
Europe	9 695 431	–	5 240	5 393 355	–	15 094 026
Asia	–	–	–	3 756 326	–	3 756 326
North America	–	391 196	2 278 659	47 900 209	–	50 570 064
South America	–	–	–	4 415 985	–	4 415 985
Australasia	21 711 417	14 821 715	–	1 407 094	–	37 940 226

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

** *African countries are: Ghana, Zambia, Tanzania, Mozambique, Namibia, Malawi, Swaziland, Lesotho, Botswana, Nigeria, Sierra Leone, Zimbabwe, Kenya, Burundi, Congo, Rwanda, Uganda, Cameroon, Gambia, Senegal, Ethiopia, Benin, Gambia, Egypt, Gabon and South Sudan.*

Refer to the Chief Executive Officer's Report for further details on segments.

SHARES AND SHAREHOLDERS

		2017	2016
PERFORMANCE ON THE JSE LIMITED			
Total number of shares traded	('000)	44 575	51 279
Total number of shares traded as a percentage of total issue shares (liquidity)	(%)	29	37
Total value of shares traded	(R'000)	579 141	606 889
Prices:			
Closing	(cents)	968	1242
High	(cents)	1699	1450
Low	(cents)	885	800
SPREAD (NUMBER OF SHAREHOLDERS)			
Up to 10 000 shares		7 004	4 830
10 001 to 100 000 shares		1 001	688
100 001 to 200 000 shares		38	40
Over 200 000 shares		86	86
		8 129	5 644

	Number	%	Shares	%
SHAREHOLDER DISTRIBUTION				
Public	8 059	99	112 152 758	73
Non-public	69	1	19 295 563	13
Directors	3	0	21 796 590	14
Associates of directors	1	0	352 000	0
	8 132	100	153 596 911	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 2017.

	%	Shares
Sibusiso Shabalala	9	14 316 646

SHAREHOLDERS' DIARY

Financial year-end	30 June
Annual general meeting	November
Reports and profit statements	
Interim report	February
Audited group results	August
Annual report and financial statements issued	September
Dividend	
Declaration	August
Payment	September

Shareholders are reminded to notify the transfer secretaries of any change in address.

NOTICE OF ANNUAL GENERAL MEETING

ADAPT IT HOLDINGS LIMITED

Incorporated in the Republic of South Africa
Registration number 1998/017276/06
Share code: ADI
ISIN: ZAE000113163
("Adapt IT" or "the company" or "the group")

NOTICE OF THE 18TH 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 18th annual general meeting of shareholders of Adapt IT will be held on Friday, 24 November 2017 at 09:00 at the company's office at 5 Rydall Vale Office Park, Rydall Vale Crescent, La Lucia Ridge, KwaZulu-Natal, for the purpose of considering, and, if deemed fit, passing, with or without modification, the resolutions set out hereafter.

The Board of Directors of the company ("the Board") has determined that, in terms of section 62(3)(a), as read with section 59 of the Companies Act, No 71 of 2008, as amended ("the Companies Act"), the record date for the purposes of determining which shareholders of the company are entitled to participate in and vote at the annual general meeting is Friday, 17 November 2017. 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, 14 November 2017.

1. SPECIAL RESOLUTIONS

To consider and, if deemed fit, to pass, with or without modification, the following special resolutions. The percentage of voting rights that will be required for the adoption of each special resolution is the support of at least 75% of the voting rights exercised on the resolution.

1.1 SPECIAL RESOLUTION NUMBER 1 – NON-EXECUTIVE DIRECTORS' FEES

Resolved as a special resolution that, unless otherwise determined by the company in general meeting, the following annual fees payable by the company to its non-executive directors for their service as directors, with effect from 1 July 2017, are approved:

	Fee for the year ended 30 June 2017 R	Proposed fee for the year ending 30 June 2018 R
Chairman	351 120	386 232
Director	219 120	262 944

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 with similar sized companies listed on the JSE.

1.2 SPECIAL RESOLUTION NUMBER 2 – GENERAL APPROVAL TO ACQUIRE OWN SHARES

Resolved, as a general approval by special resolution, that the company and/or any of its subsidiaries from time to time be and they are hereby authorised to acquire ordinary shares in the company in terms of, and subject to, the Companies Act, the Memorandum of Incorporation of the company and its subsidiaries and the Listings Requirements of the JSE Limited ("JSE Listings Requirements"), as amended from time to time. Any acquisition of ordinary shares is also subject to the sanction of any other authority whose approval is required by law, regulation or the JSE Listings Requirements.

Note: The JSE Listings Requirements currently provide, *inter alia*, that:

NOTICE OF ANNUAL GENERAL MEETING continued

- the acquisition of the ordinary shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- this general authority shall only be valid until the earlier of the company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which the company's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date on which the transaction is effected;
- at any point in time, the company may only appoint one agent to effect any acquisition/s on its behalf;
- the acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty percent) of the company's issued ordinary share capital;
- the company may only effect the repurchase once a resolution has been passed by the Board confirming that the Board has authorised the repurchase, that the company has passed the solvency and liquidity test ("test") and that since the test was done there have been no material changes to the financial position of the group;
- the company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements; and
- an announcement will be published once the company has cumulatively repurchased 3% (three percent) of the number of the ordinary shares in issue at the time this general authority is granted ("initial number"), and for each 3% (three percent) in aggregate of the initial number acquired thereafter.

Explanation
Special resolution number 2 is to grant the company a general authority for the company and the company's subsidiaries to acquire the company's issued ordinary shares. There is no requirement in the Companies Act for shareholder approval unless the acquisition by the company of any particular class of securities exceeds 5% (five percent) of the issued shares of that class, either alone or together with other transactions in an integrated series of transactions, per sections 48(8), 115 and 116 of the Companies Act.

It is the intention of the directors of the company to use such authority should prevailing circumstances (including tax dispensations and market conditions) in their opinion warrant it but subject at all times to the requirements of the Companies Act, the JSE Listings Requirements and the Memorandum of Incorporation of the company.

1.2.1 OTHER DISCLOSURE IN TERMS OF SECTION 11.26 OF THE JSE LISTINGS REQUIREMENTS
The JSE Listings Requirements require the following disclosures, which are contained in the integrated annual report of which this notice forms part:

Share capital of the company	page 89 and
Major shareholders of the company	page 104

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 8 and 9 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:
  - (i) the specific recipient or general category of potential recipients of such financial assistance;
  - (ii) the form, nature and extent of such financial assistance;
  - (iii) the terms and conditions under which such financial assistance is provided; and
- the Board may not authorise the company to provide any financial assistance pursuant to this special resolution number 3 unless the Board meets all those requirements of section 45 of the Companies Act which it is required to meet in order to authorise the company to provide such financial assistance.

Explanation

The reason for and effect of special resolution number 3 is to grant the Board the authority to authorise the company to provide financial assistance as contemplated in section 45 of the Companies Act, to the persons specified in section 45(2), i.e. a related or inter- related company or corporation, or to a member of a related or inter-related corporation.

This resolution is intended mainly to enable the company to provide inter-company loans and guarantees within the group.

1.4 SPECIAL RESOLUTION NUMBER 4 – LOANS OR OTHER FINANCIAL ASSISTANCE TO DIRECTORS

Resolved that, as a special resolution, in terms of section 45 of the Companies Act, the shareholders hereby approve of the company providing, at any time and from time to time during the period of two years commencing on the date of this special resolution number 4, any direct financial assistance as contemplated in section 45 of the Companies Act to a director or prescribed officer of the company provided that:

- the Board from time to time, determines:
  - (i) the specific recipient or general category of potential recipients of such financial assistance;
  - (ii) the form, nature and extent of such financial assistance;
  - (iii) 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 4 unless the Board meets all those requirements of section 45 of the Companies Act which it is required to meet in order to authorise the company to provide such financial assistance.

Explanation

The reason for and effect of special resolution number 4 is to grant the Board the authority to authorise the company to provide financial assistance as contemplated in section 45 of the Companies Act, to the persons specified in section 45(2), i.e. a director or prescribed officer of the company.

This resolution is intended mainly to enable the Board to authorise financial assistance to directors and prescribed officers, and to related parties for Empowerment related transactions and share incentive tax on the long-term incentive plan.

NOTICE OF ANNUAL GENERAL MEETING continued

2. ORDINARY RESOLUTIONS

To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolutions. The percentage of voting rights that will be required for the adoption of each ordinary resolution is the support of more than 50% (fifty percent) of the voting rights exercised on the resolution. In the case of ordinary resolution number 9 the JSE Listings Requirements prescribe a 75% (seventy five percent) majority vote.

2.1 ORDINARY RESOLUTION NUMBER 1 – FINANCIAL STATEMENTS

To receive, consider and adopt the consolidated audited annual financial statements of the company for the year ended 30 June 2017, 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 47 to 103 of the integrated annual report of which this notice forms part.

2.2 ORDINARY RESOLUTION NUMBER 2 – RE-ELECTION OF MR C CHAMBERS AS A DIRECTOR

To re-elect, Mr C Chambers 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 C Chambers is provided on page 8 of the integrated annual report.

2.3 ORDINARY RESOLUTION NUMBER 3 – RE-ELECTION OF MS B NTULI AS A DIRECTOR

To re-elect, Ms B Ntuli 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 B Ntuli is provided on page 8 of the integrated annual report.

2.4 ORDINARY RESOLUTION NUMBER 4 – RE-APPOINTMENT OF MS B NTULI TO THE AUDIT AND RISK COMMITTEE

Pursuant to the requirements of section 94(2) of the Companies Act, to re-appoint Ms B Ntuli, a non-executive, independent director of the company, as a member and Chairperson of the Audit and Risk Committee until the next annual general meeting.

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.

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.

2.7 ORDINARY RESOLUTION NUMBER 7 – RE-APPOINTMENT OF THE INDEPENDENT REGISTERED AUDITOR

Pursuant to the requirements of section 90(1) read with section 61(8) of the Companies Act, and as nominated by the company's Audit and Risk Committee, to confirm the re-appointment of Deloitte & Touche as independent auditors of the company for the financial year ending 30 June 2018, with S Munro being the individual registered auditor who has undertaken the audit of the company for the ensuing financial year and to authorise the Audit and Risk Committee to determine the auditor's remuneration.

2.8 ORDINARY RESOLUTION NUMBER 8 – ENDORSEMENT OF THE REMUNERATION POLICY

Resolved that the shareholders endorse, on a non-binding advisory basis, the company's remuneration policy ("Remuneration Policy"), which appears on pages 44 to 46 of the integrated annual report.

Note: King III recommends that the company's Remuneration Policy be tabled to shareholders for a non-binding advisory vote at each annual general meeting. Failure to pass this resolution will not have legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into consideration when assessing the company's remuneration policy.

2.9 ORDINARY RESOLUTION NUMBER 9 – 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:

2.9.1 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

2.9.2 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: The JSE Listings Requirements currently provide, *inter alia*, that:

- the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue may only be made to "public shareholders" as defined in the JSE Listings Requirements and not to related parties;
- the number of ordinary shares issued for cash shall not in any one financial year in the aggregate exceed 15% (fifteen percent) of the number of issued ordinary shares. The securities which are the subject of a general issue for cash may not exceed 15% (fifteen percent) of the number of listed securities, excluding treasury shares, as at the date of this notice, being 24 011 714 securities. Any securities issued under this authorisation during the period of 15 (fifteen) months from the date that this authorisation will be deducted from the aforementioned 24 011 714 listed securities. In the event of a sub-division or a consolidation during the period contemplated above the authority will be adjusted to represent the same allocation ratio;
- this general authority will be valid until the earlier of the company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given;
- an announcement giving full details, including the number of securities issued, the average discount to the weighted average traded price of the securities over 30 (thirty) business days prior to the date that the issue is agreed in writing between the issuer and the parties subscribing for the securities, and in respect of options and convertible securities, the effects of the issue on the statement of financial position, net asset value per share, net tangible asset value per share, the statement of profit or loss and other comprehensive income, earnings per share and headline earnings per share and, if applicable, diluted earnings and headline earnings per share, or in respect of an issue of shares, an explanation, including supporting documents (if any), of the intended use of the funds will be published when the company has issued securities representing, on a cumulative basis within the earlier of the company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given, 5% (five percent) or more of the number of securities in issue prior to the issue;
- in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE Limited of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities; and
- whenever the company wishes to use ordinary shares, held as treasury shares by a subsidiary of the company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares.

2.10 ORDINARY RESOLUTION NUMBER 10 – 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.

NOTICE OF ANNUAL GENERAL MEETING continued

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, 17 November 2017. 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, 14 November 2017.

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	1 September 2017
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	14 November 2017
Record date for purposes of determining which shareholders are entitled to participate in and vote at the annual general meeting	17 November 2017
Last day to lodge forms of proxy	22 November 2017 at 09:00
Date of the annual general meeting	24 November 2017 at 09:00

PROXIES/REPRESENTATION AT THE MEETING

Shareholders holding certificated shares and shareholders that have dematerialised their shares and have elected own name registration in the sub-register maintained by a Central Securities Depository Participant (CSDP), may attend, speak and vote at the annual general meeting or may appoint one or more proxies (who need not be shareholders of the company) to attend, speak and vote at the annual general meeting on behalf of the shareholder who appointed such proxy or proxies.

A proxy form is enclosed with this notice. Duly completed proxy forms must be returned to the transfer secretaries, Computershare Investor Services Proprietary Limited (PO Box 61051, Marshalltown, 2107 or Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196) by no later than 09:00 on Wednesday, 22 November 2017.

Shareholders who have dematerialised their shares through a CSDP or a broker and who have not elected own name registration in the sub-register maintained by the CSDP and who wish to attend the annual general meeting, should instruct their CSDP/broker to issue them with the necessary authority to attend. Shareholders who are unable or do not intend to attend the meeting, but wish to be represented at the meeting, may provide their CSDP/broker with their voting instructions in terms of the custody agreement entered into between such shareholders and their CSDP/broker.

IDENTIFICATION

Shareholders and proxies are requested to ensure registration of attendance on arrival. Kindly note pursuant to the requirements of section 62(3) of the Companies Act, notice is hereby given that in terms of section 63(1), shareholders and proxies who attend the annual general meeting will be required to provide satisfactory identification. Forms of identification include valid identity documents, passports and driver's licences.

ACTION TO TAKE

If you are in any doubt as to what action you should take in respect of the following resolution, please consult your CSDP, broker, banker, attorney, accountant or other professional adviser immediately.

By order of the Board

Statucor (Pty) Ltd
Company Secretary

Durban
25 August 2017

FORM OF PROXY

ADAPT IT HOLDINGS LIMITED

Incorporated in the Republic of South Africa
Registration number 1998/017276/06
Share code: ADI
ISIN: ZAE000113163
("Adapt IT" or "the company" or "the group")

For use only by ordinary shareholders who:

- hold ordinary shares in certificated form ("certificated ordinary shareholders"); or
- have dematerialised their ordinary shares ("dematerialised ordinary shareholders") and are registered with own-name registration,

at the 18th annual general meeting of shareholders of the company to be held at 09:00 on Friday, 24 November 2017 at 5 Rydall Vale Office Park, Rydall Vale Crescent, La Lucia Ridge, KwaZulu-Natal, and any adjournment thereof.

Dematerialised ordinary shareholders holding ordinary shares other than with own-name registration who wish to attend the annual general meeting must inform their Central Securities Depository Participant (CSDP) or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the relevant Letter of Representation to attend the annual general meeting in person or by proxy and vote. If they do not wish to attend the annual general meeting in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. These ordinary shareholders must not use this form of proxy.

Name of beneficial shareholder

Name of registered shareholder

Address

Telephone work Telephone home Cell:

being the holder/custodian of ordinary shares in the company, hereby appoint (see note):

1. or failing him/her,

2. or failing him/her,

3. the Chairperson of the meeting,

as my/our proxy to attend and act for me/us on my/our behalf at the annual general meeting of the company convened for purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat ("resolutions") and at each postponement or adjournment thereof and to vote for and/or against such resolutions, and/or abstain from voting, in respect of the ordinary shares in the issued share capital of the company registered in my/our name/s in accordance with the following instructions:

		Number of ordinary shares		
Special resolutions	**Agenda item**	**For**	**Against**	**Abstain**
Special resolution 1	Approval of non-executive directors' fees			
Special resolution 2	General approval to acquire own shares			
Special resolution 3	Loans or other financial assistance to related companies			
Special resolution 4	Loans or other financial assistance to directors			
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 2017			
Ordinary resolution 2	Re-election of director – Mr C Chambers			
Ordinary resolution 3	Re-election of director – Ms B Ntuli			
Ordinary resolution 4	Re-appointment of Ms B Ntuli to the Audit and Risk Committee			
Ordinary resolution 5	Re-appointment of Mr O Fortuin to the Audit and Risk Committee			
Ordinary resolution 6	Re-appointment of Ms C Koffman to the Audit and Risk Committee			
Ordinary resolution 7	Re-appointment of the Independent Registered Auditor			
Ordinary resolution 8	Endorsement of the remuneration policy			
Ordinary resolution 9	Approval to issue ordinary shares, and to sell treasury shares, for cash			
Ordinary resolution 10	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 2017

Signature

Assisted by (if applicable)

NOTES TO THE FORM OF PROXY

1. Summary of Rights Contained in section 58 of the Companies Act In terms of section 58 of the Companies Act:
   - a shareholder may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder;
   - a proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy;
   - irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder;
   - any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
   - if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the company; and
   - a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise (see note 7).
2. The form of proxy must only be used by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
3. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the general meeting must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
4. A shareholder entitled to attend and vote at the general meeting may insert the name of a proxy or the names of two alternate proxies of the shareholder's choice in the space provided, with or without deleting "the Chairperson of the general meeting". The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of such proxy(ies) whose names follow.
5. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
6. A vote given in terms of an instrument of proxy shall be valid in relation to the general meeting, notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries not less than 48 (forty-eight) hours before the commencement of the general meeting.
7. If a shareholder does not indicate on this form of proxy that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the general meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.
8. The Chairperson of the general meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
9. A shareholder's authorisation to the proxy including the Chairperson of the general meeting, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the general meeting.
10. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
11. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company's transfer secretaries or is waived by the Chairperson of the general meeting.
12. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the company.
13. Where there are joint holders of shares:
    - any one holder may sign the form of proxy;
    - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
14. Forms of proxy should be lodged with or mailed to Computershare Investor Services Proprietary Limited ("Computershare"):

    Hand deliveries to:

    Computershare Investor Services Proprietary Limited
    15 Biermann Avenue, Rosebank, Johannesburg, 2196

    Postal deliveries to:

    Computershare Investor Services Proprietary Limited

    PO Box 61051, Marshalltown, 2107

    to be received by no later than 09:00 on Wednesday, 22 November 2017 (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 Computeshare within the stipulated time frame, may be handed to the Chairperson of the annual general meetng immediately before the appointed proxy excuses any of the shareholder's notes at the annual general meeting.
16. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.

GENERAL

Herewith more information regarding quorum requirements and voting rights of shareholders.

1. QUORUM REQUIREMENTS

   In terms of the company's Memorandum of Incorporation:

   "The quorum for a shareholders' meeting to begin or for a matter to be considered, shall be at least 3 (three) shareholders entitled to attend and vote and present in person. In addition:
   - a shareholders' meeting may not begin until sufficient persons are present at the meeting to exercise, in aggregate, at least 25% (twenty-five percent) of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the meeting; and
   - a matter to be decided at a shareholders' meeting may not begin to be considered unless sufficient persons are present at the meeting to exercise, in aggregate, at least 25% (twenty-five percent) of all of the voting rights that are entitled to be exercised in respect of that matter at the time the matter is called on the agenda."
2. VOTES OF SHAREHOLDERS

   In terms of the Memorandum of Incorporation, every shareholder present at the meeting who is entitled to vote shall be entitled to 1 (one) vote on a show of hands, irrespective of the number of voting rights that person would otherwise be entitled to exercise. Should the vote be conducted by poll, each shareholder present at the meeting in person or by proxy shall be entitled to vote in accordance with the voting rights associated with the securities held by that shareholder.

CORPORATE INFORMATION

ADAPT IT HOLDINGS LIMITED
Incorporated in the Republic of South Africa
Registration number 1998/017276/06
Share code: ADI
ISIN: ZAE000113163

COMPANY SECRETARY
Statucor (Pty) Ltd
22 Wellington Road
Parktown
2193

REGISTERED OFFICE
5 Rydall Vale Crescent
La Lucia Ridge
Durban
4051
KwaZulu-Natal
South Africa

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

TRANSFER SECRETARY
Computershare Investor Services (Pty) Ltd
PO Box 61051, Marshalltown, 2107
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SPONSOR
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Hyde Park Corner Office Towers
Corner 6th Road and Jan Smuts Avenue
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Johannesburg
2196

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

LEGAL REPRESENTATIVES
Shepstone & Wylie Attorneys
Read Hope Phillips Thomas Cadman Incorporated
Bousfield Incorporated
Michalsons
Eversheds Sutherland

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