Annual Report 2010

delivering
solutions for
your environment

adapt IT GROUP

www.adaptit.co.za

UNDERSTANDING YOUR SPECIFIC ENVIRONMENT IS VITAL TO ADAPTING TO IT.

Corporate Vision

The Adapt IT Group strives to be the leading innovative IT services and specialised solutions provider to some of the world's most effective organisations.

Mission

Our mission is to strive passionately to provide innovative technology solutions, deliver positive results to stakeholders and ensure good Corporate Governance to achieve our vision.

Values

The values of the Adapt IT Group encourage and drive Corporate Culture, Corporate Governance and Corporate Communication, underpin the Vision and Mission and accelerate business success.

Integrity	- Professionalism and accountability;
Passion	- Drive and resilience;
Transparency	- Communication;
Mutual Respect	- Building long-term relationships;
Solution Focus	- Problem-solving, business focus and technical knowledge;
People Focus	- Developing people, feedback and learning; and
Good Corporate Citizenship	- King II, transformation, the environment and sustainability.

Table of Contents

Adapt IT Group Profile

The Adapt IT Group draws on the combined intellectual capital of its brand stable, accumulated through its numerous long-term relationships, so providing the knowledge, experience and expertise required to understand the environments of our customers intimately in order that they benefit exponentially from the Group's range of innovative software solutions and services.

The Group operates in a diverse range of sectors, inclusive of manufacturing, mining, education, financial services and the public sector, through an in-depth understanding of these specific business environments. The Adapt IT Group boasts deep vertical knowledge and expertise which enables the crafting of unique business solutions to meet the diverse and changing needs of our customers.

Industry best practice methodologies, competencies across the system development life-cycle, together with the requisite domain and technical expertise are used to deliver quality solutions. The Adapt IT Group presently services a wide range of customers throughout South Africa, East Africa, the United States of America, Australasia and Europe.

By drawing on expertise in multiple domains, technologies, tools and platforms, it is able to utilise both industry-standard and innovative proprietary methodologies and best practices to design, develop and deliver robust solutions.

Apart from its own Intellectual Property ("IP"), vested in an array of niche software products developed by the Group, it also specialises in Information Management, Enterprise Resource Planning, Business Intelligence, Business Process Management, Systems Integration, Enterprise Infrastructure, Technical Service competencies and long-term outsourced support to facilitate end-to-end service delivery and ensure business efficiency improvements for customers.
The Group has a number of strategic technology partnerships and certifications across its three operating subsidiaries, inclusive of being an Oracle™ Gold Partner, a Microsoft™ Gold Partner, an IBM™ VNSP Partner, HP™ partner, Infor Channel Partner (specialising in SCM), Knowledge Tree partner and CISCO™ certified, as well as having relationships with Open Source service providers.

The Group's manufacturing domain knowledge and solutions have grown from roots in the South African sugar industry, where we have significant Oracle™ competencies, through the development of an industry-specific financial ERP product, known as Tranquillity™, marketed within the sugar sector. The Group's niche software product, CaneLab™, is a best-in-class factory laboratory automation tool designed to simplify and optimise sugar production. Through these specialised products, the Group has gained significant market-share and a strong reputation across Africa in the sugar sector. In addition, a robust Weighbridge application, linked with high-end security features, is positioned for the broader manufacturing market.

Our Operations Suite™ which is built on Microsoft™ technology, has emerged as a leading operations performance optimisation and Safety, Health, Environment & Quality ("SHEQ") tool, comprising four distinct products, namely, FlexiLOG™, SmartSURE™, IntelliPERMIT™ and OptiRUN™, which have proven themselves across the world, from South Africa to Australia and across the Process Manufacturing, Mining and Energy sectors.

In the Education sector, Gartner Group's research (Magic Quadrant for Higher Education Administrative Suites) emphasises the Adapt IT Group's market leadership in Southern Africa with the ITS Integrator™ product suite which provides a rich set of functionality to enable back-office and front-office operations, as well as self-service functions for students and staff alike. In this sector, we are a specialist vendor and owner of the o!™ product suite of automated timetabling (or scheduling) software, and an accredited training provider of workplace skills programmes.

The Group's operating entities, Adapt IT Solutions, ITS and ApplyIT, boast a 14, 24 and 10-year track-record respectively, and having developed from humble beginnings as providers of specialist software products, the Group is evolving to become a global enterprise with more than 80 clients across four continents today.

The Adapt IT Group's success is built on three pillars of excellence:

- Understanding our customers' business environment, with a clear focus on domain expertise;
- Adding real value and personalised customer service; and
- Leading technical innovation and business 'know-how.'

Adapt IT understands the complex issues that enterprises face in the business environment today.

VALUE ADDING SUPPLIER 137,5%

Group Structure

adapt IT GROUP
delivering solutions for your environment

adapt IT solutions	iTS	apply IT
Services Information Management Application Integration	**Services** Training and Implementation of ERP solutions Higher Education Consulting Business Process Re-engineering IT Project Management	**Services** Operations Performance Safety, Health, Environment Quality Management Supply Chain Planning
Solutions Tranquillity ERP CaneLab Enterprise Content Management JD Edwards ERP	**Solutions** Integrator™ Abacus eVula	**Solutions** Supply Chain Planning Op Suite - SHE-Q Infor Supply Chain Management
Application/Technology Outsourcing Database Administration Server Management Application Support Infrastructure and Networks	**Application/Technology Outsourcing** Database Administration Server Management Application Support	**Application/Technology Outsourcing** Database Administration Server Management Application Support Desktop Management
Technology Oracle™ Microsoft™ Open Source	**Technology** Oracle™ Microsoft™	**Technology** Microsoft™ Infor™

Group Strategy

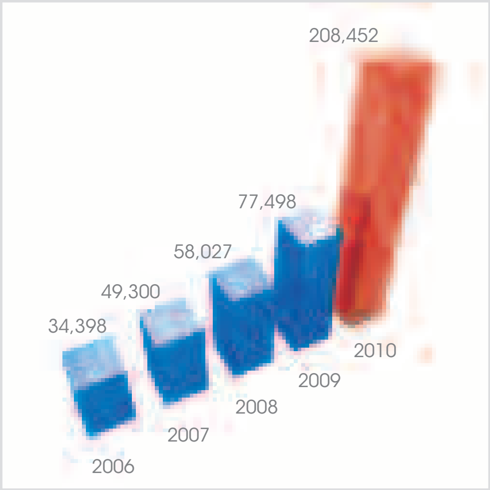
Adapt IT's business strategy is to grow the Group aggressively through the organic growth of its existing subsidiaries and acquisitive growth at the Holdings company level.

The business model focuses on improving core competencies, protecting and developing niche software intellectual property, enhancing and leveraging target market knowledge, pursuing large-scale applications outsourcing opportunities, maintaining strong customer service and customer retention and continuing Broad-Based Black Economic Empowerment transformation ("B-BBEE").

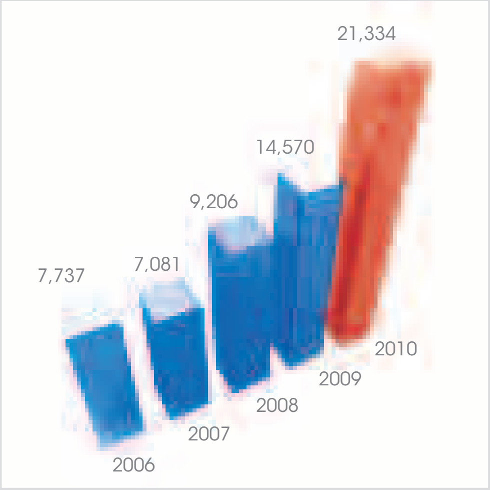
THE GROUP'S STRATEGIC OBJECTIVES, MANAGED THROUGH CORPORATE, BUSINESS AND FUNCTIONAL INTERVENTIONS, ARE:

- TO PURSUE ORGANIC AND ACQUISITIVE REVENUE GROWTH;
- TO IMPROVE PROFITABILITY;
- TO IMPROVE INTERNAL PROCESSES; AND
- TO IMPROVE STAKEHOLDER MANAGEMENT.

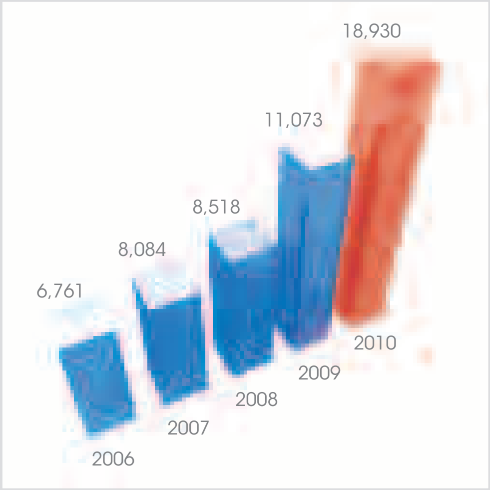
Revenue (R'000)



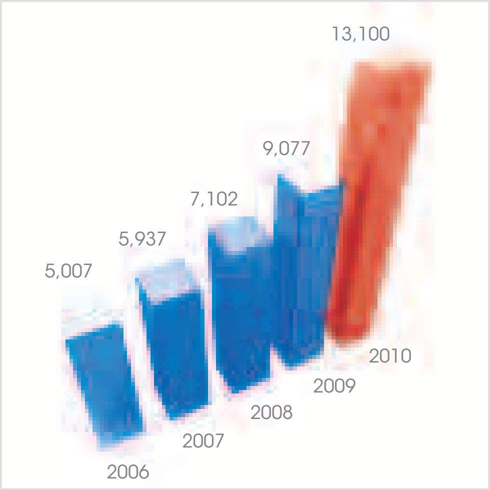
Cash Generated from Operations (R'000)



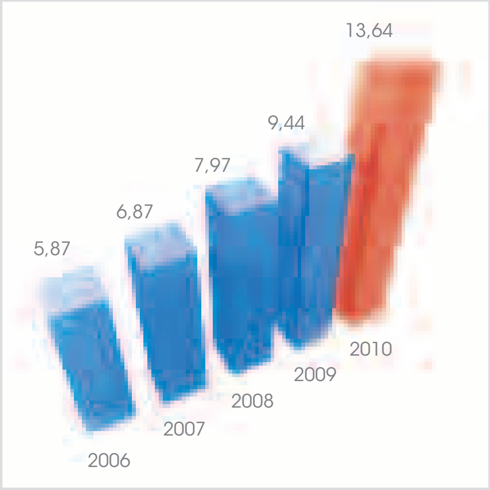
Operating Profit (R'000)



Attributable Earnings (R'000)



EPS (cents)



IMPROVE PROFITABILITY

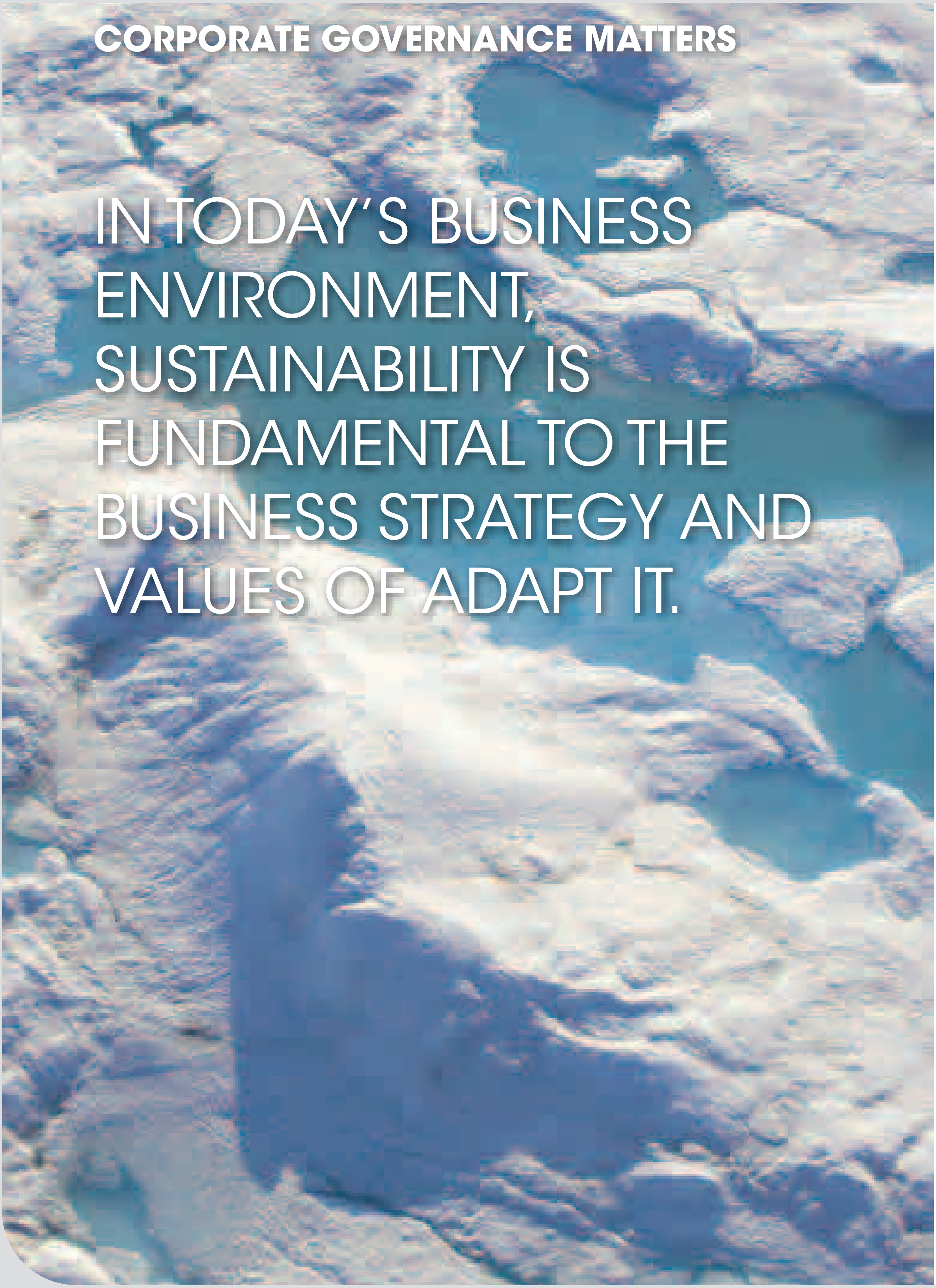
Five-Year Review and Business Highlights

Group five-year review and financial highlights

	30 Jun 2010 (16 months)	28 Feb 2009	29 Feb 2008	28 Feb 2007	28 Feb 2006
Operating results (Rands)					
Revenue	208 451 801	77 497 680	58 027 326	49 299 739	34 397 588
Operating profit	18 930 315	11 072 559	8 517 634	8 084 401	6 761 360
Profit attributable to equity holders	13 100 081	9 077 243	7 101 848	5 937 278	5 007 496
Headline profit	11 678 564	9 098 345	7 283 068	5 910 121	5 007 496
Cash generated from operations	21 334 105	14 570 357	9 206 283	7 081 029	7 737 020
Financial position (Rands)					
Total equity	50 503 983	32 759 025	28 043 758	16 383 046	13 379 291
Total assets	124 740 682	42 117 106	35 505 388	19 752 455	17 516 494
Total current assets	84 975 555	28 591 229	21 352 691	15 748 678	16 149 295
Total liabilities	74 236 699	9 358 081	7 461 630	3 369 409	3 934 161
Share performance					
Number of shares in issue at end of period	95 697 028	95 650 378	97 458 466	86 217 180	86 217 180
Earnings per share (cents)	13,64	9,44	7,97	6,87	5,87
Headline earnings per share (cents)	12,15	9,46	8,17	6,84	5,87
Net asset value per share (cents)	52,77	34,25	28,78	19,00	15,59
Net tangible asset value per share (cents)	35,21	22,17	16,65	16,55	14,96
Share price at end of period (cents)	49	47	55	66	65
Dividend per share (cents)	1,86	4,43	4,29	3,67	3,00
Financial ratios					
Operating profit margins (%)	9,08	14,29	12,62	11,74	14,56
Return on equity (%)	40,44	32,33	32,00	39,90	42,40
Return on assets (%)	20,21	25,33	25,70	31,90	31,90
Interest bearing liabilities to equity (%)	8,40	0,00	0,00	0,00	0,00
Average debtors days (days)	54,92	66,96	69,63	56,37	75,63
Solvency ratio (times)	1,68	4,50	4,76	5,86	4,23
Liquidity ratio (times)	1,23	3,06	2,86	4,67	4,10
Number of employees (number)	261	123	121	97	77

CORPORATE GOVERNANCE MATTERS

IN TODAY'S BUSINESS ENVIRONMENT, SUSTAINABILITY IS FUNDAMENTAL TO THE BUSINESS STRATEGY AND VALUES OF ADAPT IT.



Chairman's Review

Dr Bernard Ravnö
Independent Non-Executive Chairman

It gives me great pleasure to report on another successful year for the Adapt IT Group.

The Group continued to perform admirably by focusing on its strategic objectives and the increasing demand for the transformation of business in South Africa.

Business Sustainability

In today's business environment, sustainability is fundamental to the business strategy and values of Adapt IT.

We believe implicitly in the fundamental power business holds with regard to social and environmental progress. We strive to be a fair employer, committed to the development and well-being of our people. We look for innovative ways in which business can directly affect the sustainability of our communities and the environment. We acknowledge that vital, thriving communities are able to improve the long-term profitability of a business. We are making steady progress towards reducing our environmental impact and taking this learning into our ICT solutions in customer environments.

Governance

As the ultimate custodian of Corporate Governance, the Board remains committed to the principles of openness, integrity, accountability and social responsibility in all that we do. We are making good progress in implementing improvements to our governance, through a structured programme to ensure that we comply with the King III Code in full by March 2011, in line with JSE Listings Requirements.

The Board will ensure compliance with the new Companies Act and the broader legislative framework in all the environments where the Group operates.

Board Changes

I succeeded Ralph Collis as Chairperson upon his resignation in September 2009, after an 11-year tenure.

He was a founding director 14 years ago and I wish to take this opportunity to pay tribute to him for the value he has added and mentorship he has provided to the current leadership.

I have no doubt that the current executive management, from its well-established and sound platform, will continue to grow the business well into the future. I thank Ralph for his contribution and wish him every success in his future endeavours.

During the reporting period, Bruno Lionnet and Cindy von Pannier stepped down from the Board, pursuant to a governance restructure, in order to focus on subsidiary executive duties. I am confident that this step change will play a pivotal role in strengthening our operations.

Chairman's Review (continued)

The Board appointed Patrick September and Mandla Nhlapo as additional Independent Non-Executive Directors on 1 January 2010 and 11 March 2010 respectively. The Board looks forward to their contribution during the coming years. These appointments form an integral part of the company's ongoing commitment to improving Corporate Governance and enhancing the strategic leadership of the Group. They are both widely experienced individuals and their insight and contributions will undoubtedly improve the strength of the Board.

Dividends

The Board declared ordinary dividend number 8 of 3,41 cents per share. This represents just under a four times dividend cover.

The company has a policy of declaring dividends 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 22 October 2010. Notice of the meeting appears on page 99.

Prospects

In the coming year, we foresee continued challenges to the economy, yet remain confident of Adapt IT's ability to meet such challenges.

We achieved satisfactory growth during the past year and we will continue to be prudent in our approach to the next, while remaining committed to strong growth in the medium-term. There can be no doubt that opportunities await well-capitalised companies with a sound business model and these will be carefully explored.

Appreciation

My sincere thanks are due to my colleagues on the Board of Directors for their continuing support in taking Adapt IT forward.

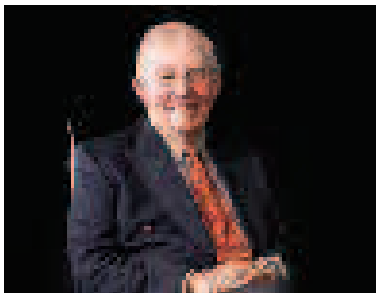
In particular, I must thank the Adapt IT Executive for leading the Group to achieve improved results in a difficult economic environment. The Board has every confidence in their ability to lead the company successfully into the future.

I extend my sincere thanks to our long-standing and new customers, suppliers, partners, shareholders, service providers and employees for their ongoing support of Adapt IT.

Dr Bernard Ravnö
Independent Non-Executive Chairman

Directorate

Independent Non-Executive Directors:



Dr Bernard Ravnö
(PhD, AMP Harvard) (71)
Independent Non-Executive Chairman. Appointed to the Board on 26 May 2003 and as Chairman on 1 October 2009.

Bernard has been involved in the sugar industry for more than 31 years. In 2002 he retired from the position of Technical Director of the Illovo Sugar Group.

One of his responsibilities there was to oversee the application and upgrading of the process control and automation systems at all 18 of the Group's factory sites. From 1979 to 1986 he was the Director of the Sugar Milling Research Institute, before joining CG Smith Sugar (now Illovo Sugar) as General Manager of the Sezela Mill and estates on the South Coast of KwaZulu-Natal. He was appointed to the Board of Illovo Sugar Limited in January 1992 until his retirement in 2002, whereafter he was appointed to the Board of Adapt IT Holdings Limited in May 2003.

Bongiwe Ntuli
CA (SA) (32)
Independent Non-Executive Director. Appointed to the Board on 27 May 2008.

Bongiwe is a Chartered Accountant and has attended various management programmes in the United Kingdom and Canada. She is currently the Finance Director for Grindrod Freight Services, a position she assumed on 1 October 2008. Bongiwe joined Grindrod in May 2008 on her return to KwaZulu-Natal, South Africa, after having worked for Anglo American plc in various international operations, located in Europe, the United Kingdom (London), Canada and South Africa (Johannesburg) in various finance disciplines, including treasury, risk management and internal audit.

Mandla Nhlapo
BSc (Hons) (49)
Independent Non-Executive Director. Appointed to the Board on 11 March 2010.

Mandla joined Accenture in 1988 as a Systems Developer. He was Senior Executive in the Products Operating Group and headed Transportation and Travel Services service line. He also served on the Board of Accenture in South Africa as Chairperson and as a Trustee on the Akha Black Economic Empowerment Trust. Mandla joins the Board of Adapt IT with more than 20 years experience in IT projects and consulting and extensive Executive Management experience.

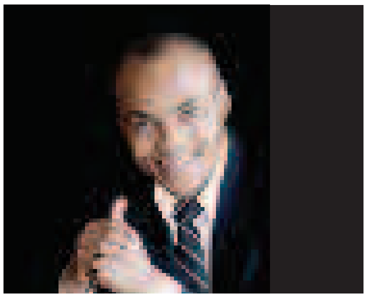
Directorate (continued)

Patrick September
BSc (Hons) (67)
Independent Non-Executive Director.
Appointed to the Board on 1 January 2010.

Patrick was educated both locally and in the United Kingdom. He holds BSc (Hons) and M.Sc degrees from the University of London. He qualified as a Biological Scientist and worked in various hospitals in London before returning to South Africa in 1976.

He joined Unilever SA in 1977, holding the positions of Development Scientist, Product Development Manager and Production Manager. He was General Manager of the Unilever business in Namibia from 1990 to 1994. He then rejoined the local company as an Executive Director at Head Office until the end of 1994. He joined Rainbow Farms at the beginning of 1995, initially as a Technical Director before accepting the position of Director of Human Resources and Corporate Affairs. He took early retirement from Rainbow Farms at the end of 2006 to pursue his own interests.

He has held various memberships, including membership of the Black Management Forum. He is a past President of the Durban Chamber of Commerce and Industry. His current roles include that of Chairman of Business Against Crime (KwaZulu-Natal), and he serves on the Boards of various companies in the Nkunzi Group. He is also a Non-Executive Director of Gold Reef Resorts and Business Against Crime (South Africa).



Wanda Shuenyane
(BA Political Economy) (37)
Independent Non-Executive Director.
Appointed to the Board on 5 July 2005.

Wanda obtained a BA degree in Political Economy (with distinction) in 1997 from Pomona College, Claremont, California, United States of America. Wanda worked in the position of Assistant Analyst with international investment bank, Merrill Lynch South Africa (Pty) Ltd from 1997 to 1999.

Wanda then worked as an Associate Consultant with Bain & Co. strategy consultants from 1999 to 2001, before taking up the position of General Manager at ABI, the largest and most operationally efficient Coke Bottler in Africa. Here he was responsible for sales, marketing and distribution for the Phoenix operation in Durban, before being promoted to General Manager of ABI's East Rand operation. In October 2004, Wanda founded his own investment business, Sceptre Holdings.

Executive Directors:

Sbu Shabalala
(BCom) (38)
Chief Executive Officer. Appointed to the Board on 31 January 2008.

Sbu has a Bachelors degree in Commerce and a post-graduate diploma in Financial Information Systems. With 15 years of IT experience behind him, he joined the Group where he gained project management experience in the implementation of Oracle financial systems throughout the Illovo Sugar Group, with operations in various African countries. Sbu founded Adapt IT (Pty) Ltd six years ago as a `SMME' and developed it into a thriving ICT business. As Managing Director of Adapt-IT (Pty) Ltd, Sbu was responsible for building solid relationships with clients, line-of-business staff and sales personnel. He is highly knowledgeable in delivering complex IT projects and solutions. Through a transaction with InfoWave Holdings in 2007, Sbu leveraged Adapt IT into the listed environment, enabling larger scale entrepreneurial growth. Sbu's business acumen is supplemented by a strong technical ICT knowledge base.

Tiffany Dunsdon
CA (SA) (39)
Commercial Director. Appointed to the Board on 18 April 2002.

Tiffany served her traineeship with Deloitte, thereafter joining British Airways in the United Kingdom, where she was involved with several major business re-engineering and IT outsourcing projects. She was contracted by Computer Sciences Corporation on the due diligence of outsourcing Old Mutual's IT infrastructure services.

Tiffany joined Adapt IT in a consulting capacity in 2000 and was appointed as Financial Director in April 2002 and Chief Executive Officer in December 2003. Pursuant to the merger of InfoWave Holdings and Adapt IT (Pty) Ltd, Tiffany became the Commercial Director of the Group in January 2008.

Siboniso Shabalala
CA (SA) (37)
Financial Director. Appointed to the Board on 1 April 2009.

Siboniso spent two years at ABSA Bank as a Trainee Financial Banker. He went on to become an Assistant Manager at KPMG, where he completed his articles and qualified as a Chartered Accountant in 2001. Thereafter he spent four years as the Financial Manager at Eskom Distribution Division, where he was involved in various aspects of financial accounting, budgeting and capital and revenue management, among others. Siboniso held the position of Finance Director of Ithala Limited before joining Adapt IT Holdings.

Chief Executive Officer's Report

Sbu Shabalala
Chief Executive Officer

Introduction

Adapt IT delivered a sound financial performance and significant sustainability advancements during the 16-month reporting period in spite of tough market conditions. The Group's solid performance was further marked by strong improvements in revenues, good cash flow and a healthy balance sheet, positioning it well going forward.

Strategic achievements in the review period included:

- Strong organic growth in the main operations, complemented by the successful introduction of new service offerings, such as enterprise infrastructure solutions;
- Improved service levels in core operations;
- Acquisition of 51% of ITS Holdings on 1 July 2009, resulting in material growth and diversification of Group revenues and profit, significant additional exposure to the Public Sector, a regional presence in Gauteng and internationally and the ability to add strategic value to an acquiree through our B-BBEE credentials;
- Significantly enhanced operational efficiency through the relocation of our core KwaZulu-Natal operations to a new 'green' office, with state-of-the-art, energy-efficient IT infrastructure, facilitating productivity improvements and effective brand positioning, while also allowing for future expansion capacity;
- A comprehensive governance review and restructure, resulting in the separation of holdings and main subsidiary company Boards and improved governance mechanisms across the Group; and
- The achievement of a level-3 B-BBEE rating.

Change of Financial Year-end

The ITS acquisition precipitated a decision to change Adapt IT's financial year-end from 28 February to 30 June, to align the reporting periods to a June year-end, being the more efficient annual reporting calendar.

Accordingly, the results reflected in our June 2010 Annual Report are in respect of a 16-month period.

Financial Performance

I am pleased to report that revenue increased by 169% to R208,5 million for the 16 months ended 30 June 2010, against R77,5 million in the year to February 2009. This represents a 59% organic growth (or 44% on an annualised basis) and R85 million additional revenue for 12 months as a result of the acquisition of ITS Holdings. Net profit attributable to ordinary

LEVEL-3 BROAD-BASED BLACK ECONOMIC EMPOWERMENT RATING shareholders increased by 44% to R13,1 million, compared against R9,1 million for the previous year. The annuity revenue is a healthy 45% of total revenues.

The Group continued to invest in building capacity throughout the organisation during the period. We incurred non-recurring transaction costs, relating to the acquisition, which were fully expensed in the period. Cost management was a key focus, particularly in units which were hardest hit by the recession.

Earnings per share ("EPS") increased by 45% to 13,64 cents, from 9,44 cents the previous year. The headline earnings per share increased by 29% to 12,15 cents, and is below EPS, primarily due to the adjustment for the non-recurring discount received on the acquisition of ITS.

The Group borrowed a total of R17 million in order to finance working capital following the ITS Holdings acquisition and new IT infrastructure at our new building. A significant proportion of these borrowings had been repaid by year end. At 30 June 2010, interest-bearing borrowings totalled R4,2 million.

Cash and working capital management were key focus areas during the reporting period and I am pleased to report that our cash generated from operations increased to R22,0 million.

Review of Operations

The Group conducts its business through three subsidiaries, which provide a variety of specialised IT solutions and services across a range of business environments, explained in more detail in the Group profile.

Adapt IT Solutions

Adapt IT Solutions outperformed expectations, mainly through an increased focus on accelerated service delivery to existing clients and strong cost control. In difficult market conditions, the subsidiary business grew by 71% for the review period, to R107 million. Profit before tax grew from R8 million to R12 million (for the 16 months). Adapt IT Solutions consolidated all business previously Infowave, Adapt-IT, Isizinda and other de-registered units.

ITS

ITS performed in line with expectations, delivering a profit before tax of R10,3 million for the 12 months it has been consolidated. ITS has successfully aligned with the Group, both strategically and from a governance perspective. A preliminary BEE rating, based on its prior financial year, has been undertaken to establish its contributor status. It will be re-rated in September 2010 as part of the Adapt IT Group rating process. We anticipate a substantial improvement in its B-BBEE contributor status.

Chief Executive Officer's Report (continued)

ApplyIT

ApplyIT operates predominantly within the manufacturing and mining sectors, which were hard-hit by the recent world-wide economic turmoil and recessions. Results for the period were well below expectations, a profit of R0,1 million being recorded. Executives have taken concrete steps towards securing additional business from other markets, as well reducing operating costs in order that the business may rapidly return to expected profitability.

The Group will continue to generate cash, prudently manage its balance sheet, and continuously act to reduce costs, improve operating efficiencies and streamline processes going forward.

Positioned for Success

Adapt IT enjoys a leading position within the markets in which it operates and customers see the value of our broader portfolio of products and services. We have a sustainable business model and the ability to create robust solutions tailored to our customers' environment. Gaining market-share is important and our aim is to attract greater interest from other industries and institutions. In particular, we are focused on the ICT industry's high growth sectors, such as the Public and Financial Services sectors. We will pursue organic growth through operational excellence, customer intimacy and advancements on the technological frontier.

We have a clear strategy and a sound management team capable of continuing with the delivery of sustainable organic growth.

Acquisitions will continue to be an important component of our growth strategy to complement organic growth. With ITS successfully incorporated into the Group, we are actively seeking further acquisitive opportunities. Importantly, we enjoy the benefits of a strong balance sheet, a recurring revenue model and low capital expenditure requirements, which position our company for long-term success. We constantly strive to build a culture of accountability and execution, and continue to look to strengthening our brand in the market and to increasing our loyal customer base; customers who, themselves, want to see Adapt IT succeed. We make every effort to actively live our commitment to our valued customers, shareholders, partners, employees and stakeholders.

Our long-term objective for our investors is clear: we aim to enhance shareholder value through growing profit sustainably.

Future Prospects

The ICT industry has, like many others, suffered as a result of the recent economic turmoil. However, market indicators and sentiment are beginning to show signs of improvement. Although IT spend has continued to lag behind the general

ADDITIONAL REVENUE
R85 MILLION

industry, it too, is improving. Our Group has made significant progress in line with its strategy and improved its service offering in readiness to take advantage of the expected economic recovery.

We believe that the Group is well placed to deliver yet another relatively resilient performance. We will continue expanding into new IT growth markets where we believe we have a competitive advantage and the requisite competence to succeed.

Sustainability

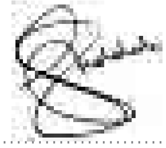
Adapt IT has a track-record of contributing to and encouraging employee participation in social and environmental projects geared to assisting the communities within which we operate. As an employer, we strive to be fair and encourage employee wellness. We have always been committed to meaningful transformation. We promote open, transparent and constructive engagement with all our stakeholders. These initiatives reflect our genuine commitment as a good corporate citizen and are elaborated on in more detail in the Sustainability Report.

Appreciation

In October 2009, the Board was pleased to appoint Dr Bernard Ravnö as the new Chairman of Adapt IT. He was appointed a Non-Executive Director in May 2003 and his tremendous experience and insights have long stood the company in good stead. We look forward now to the further positive impact that his guidance, advice and counsel will have on the company's future growth and prosperity.

On behalf of the Group, I take this opportunity to thank members of the Board of Directors for their leadership and those of the Groups' subsidiaries for their dedication. In addition, it would be remiss of me not to thank most sincerely all our customers, suppliers, service providers and partners for their continued support of our business.

Last, but not least, I extend my most grateful thanks to Adapt IT's staff without whose dedication, hard work, enthusiasm, team spirit and skills, as well as the appetite for growth and change, our company would not be the industry leader it is. My sincere thanks go to each and every one of you and to your families for their support of your efforts.



Sbu Shabalala
Chief Executive Officer

ADAPT IT IS LISTED ON THE JSE LIMITED (JSE), REQUIRING IT TO COMPLY WITH THE JSE LISTINGS REQUIREMENTS.

Corporate Governance

Introduction

The Adapt IT Group is committed to conducting its business with openness, integrity, accountability and social responsibility by applying appropriate Corporate Governance in each company in the Group.

Adapt IT is listed on the JSE Limited (JSE), requiring it to comply with the JSE Listings Requirements, the guidelines as set out in the King Report on Corporate Governance for South Africa 2002 (King II), together with all other legal and regulatory requirements applicable to publicly listed companies in South Africa.

Status: King III and the new Companies Act

There is an extensive project underway, under the guidance of independent advisors, to ensure full compliance with the King III Code and Report on Corporate Governance (King III) by 31 March 2011. Implications of the new Companies Act, No. 71 of 2008 (signed into law in April 2008, but with a yet-to-be-announced effective date) are being analysed to ensure the necessary steps are taken to achieve compliance.

Statement of Compliance

The Group has complied with the recommendations and requirements embodied in the King II Report on Corporate Governance (except where otherwise indicated) and the requirements of the JSE.

Board of Directors

Composition

The details of the directors at 30 June 2010 are set out on pages 11 to 13 of this report. Details of changes in the Directorship during the 16 months to 30 June 2010 are set on in the Directors' Report on page 39.

The company has a unitary Board comprising an Independent Non-Executive Chairman, four Independent Non-Executive Directors and three Executive Directors. The Board has a majority of Independent Non-Executive Directors (63%), a majority of Black

75%

A MAJORITY OF BLACK DIRECTORS

Corporate Governance (continued)

EXPE

The Board possesses a blend of skills, industry experience, technical, financial and commercial expertise.

directors (75%), as well as female representation (25%). These figures are above average for JSE-listed companies. The Board possesses a blend of skills, industry experience, technical, financial and commercial expertise. The independent directors are of a very high calibre and bring to bear independent judgement and experience to Board deliberations and decisions. The CEO is not also the Chairman of the Board. The Chairman of the Board is an Independent Non-Executive Director.

The Board is of the opinion that an appropriate policy is in place to ensure a clear balance of power and authority exists at Board-level so that no one director has unfettered powers of decision-making.

Appointments to the Board

Appointments to the Board are made in accordance with the Nominations Policy and process, as managed by the Nomination Committee on behalf of the Board.

Retirement and re-election of Directors

In terms of the Articles of Association, directors are required to resign after three years in office, or, if appointed by the Board between shareholder meetings, at the next shareholders' meeting and are eligible to offer themselves for re-election by shareholders.

Induction and Development

An induction programme, tailored to meet the specific needs of each new Board member is held. This involves the provision of both company-specific and industry orientation, through the provision of reference material, workshops and face-to-face interactions to facilitate a full understanding of the Group's operations. The Company Secretary manages the induction process and ensures the specific training needs of individual directors are addressed, as well as ensuring the ongoing professional development and training of all directors.

Conflicts of Interest

All directors must formally disclose any conflicts of interest or potential conflicts of interest between their obligations to the company and their

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personal interests. They are required to adhere to a policy on trading in the company's shares.

Company Secretary

The Company Secretary is accountable to the Board for ensuring that Board procedures are complied with and that sound Corporate Governance and ethical standards are adhered to.

The Company Secretary's principal responsibilities to the Board and to the individual directors are to:

- Guide them in the discharge of their duties and responsibilities;
- Provide information, advice and education on matters of ethics and good governance; and
- Ensure that their proceedings and affairs, and those of the company, are properly administered in compliance with all relevant legislation, including the JSE Listings Requirements.

Independent Advice

All directors of the company have access to the advice and services of the Company Secretary and, in appropriate circumstances may, at the company's expense, seek independent professional advice concerning its affairs.

Role of the Board

The Board has a Charter which sets out the Board's continued objective of providing responsible business leadership with regard to the interest of shareholders and other stakeholders, including present and future customers, suppliers and employees, as well as the community and the environment within which the Group operates.

The Board Charter further sets out the Board's responsibility in terms of approving strategy, monitoring operational performance and management and determining policy and processes to ensure the integrity of the company's risk management and internal controls.

The Charter details the Board's responsibilities in respect of effective communication with all stakeholders, director selection through a nomination policy, orientation for new directors, evaluation of directors and succession planning in respect of the Board and executive management.

The Board Charter:

- Formally details the mandate of the Board to lead the company;
- Gives direction to the company through management and approves the strategic plan of the Group;
- Determines policy and processes to ensure the integrity of aspects, such as director selection, orientation, evaluation and remuneration;
- Considers its composition, including its size, diversity and demographic make-up;
- Assesses the key risk areas and key performance areas of the Group;
- Reviews the implementation of the strategic plan by management;
- Reserves specific powers to itself and delegates other matters to management;
- Monitors performance through various Board Committees; and

Corporate Governance (continued)

- Monitors compliance with all relevant laws, regulations and codes of business practice and ensures that the Group communicates effectively with its stakeholders.

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. More information about the various committees, inclusive of the Executive, Audit, Remuneration, Risk, Social and Ethics, and Nomination committees, is detailed below. The key Committees of the Board which, by their very nature, require independence, comprise a majority of independent directors.

Board and Sub-committee Meeting Attendance

The Board met seven times in the period. Attendance at meetings of the Board and its key committees during the 16 months ended 30 June 2010 is as follows:

Director	Board		Audit Committee		Remuneration Committee		Risk Management Committee		Nomination Committee	
	A	B	A	B	A	B	A	B	A	B
AB Ravnö	7	7	3	3	1	1	2	2	1	1
RP Collis*	2	2	1	1C						
B Ntuli	7	6	3	3	1	1	2	2	1	1
W Shuenyane	7	3					2	0		
PCM September	3	3	1	1	1	1	2	2		
M Nhlapo	2	2			1	1				
Sbu Shabalala	7	7	3	3C	1	1C	2	2C	1	1C
Siboniso Shabalala	7	7	3	3C	1	1C	2	2C		
T Dunsdon	7	7	3	3C	1	1C	2	2C	1	1C
MCB Lionnet**	2	2								
CL von Pannier**	2	2								

A Indicates the number of meetings which the director could have attended
B Indicates the number of meetings which the director actually attended
C Invitee
* Resigned on 30 September 2009
** Stepped-down on 3 June 2009

Sub-committees of the Board

Executive Committee
The Executive Committee comprises all the Executive Directors. The executive team meets regularly and monitors the performance of the operating subsidiaries. There are comprehensive management reporting disciplines which include the preparation and approval of annual budgets by all business units. Monthly results and the financial status of business units are reported against approved budgets and compared against the prior year. Profit projections are updated monthly, while working capital and cash levels are monitored on an ongoing basis.

The Executive Committee comprises Sbu Shabalala, Siboniso Shabalala and Tiffany Dunsdon.

Audit Committee
The Audit Committee meets at least twice a year, and is chaired by an Independent Non-Executive Director. The Audit Committee has formal Terms of Reference, set by the Board. The external auditors have unrestricted access to this committee. The Audit Committee reviews the effectiveness of internal controls within the Group, with reference to the findings of the external auditors and reviews important accounting issues, including specific disclosures in the Financial Statements and any recommendations by the auditors.

The Audit Committee meets prior to the interim and Annual Financial Statements being presented to the Board of Directors for final approval. The Group is in the process of establishing an internal audit function. The only material asset at risk of misappropriation is cash, over which strict controls exist. Increased levels of management review ensure that strict payment authorisation procedures are in place. The provision of non-audit services by the auditors is reviewed by the Audit Committee and is only condoned where this does not present the auditor with a conflict of interest.

No significant non-audit services were provided during the year. Fees paid to the auditors for non-audit services are separately disclosed in Note 2 to the Annual Financial Statements.

The Audit Committee has satisfied its responsibilities for the year, in compliance with its Terms of Reference. The Audit Committee is satisfied with the appropriateness of the expertise and experience of the Financial Director, Mr Siboniso Shabalala. The Audit Committee is satisfied with the independence of the auditors.

The Audit Committee comprises Ms Bongiwe Ntuli (Independent Non-Executive Chairperson), Mr Patrick September (Independent Non-Executive member) and Mr Mandla Nhlapo (Independent Non-Executive member).

Risk Committee
The Risk Committee normally meets twice a year, and is chaired by an Independent Non-Executive Director. The Risk 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 Group.

The Chairperson of the Risk Committee is also a member of the Audit Committee. The Chairperson of the Risk Committee has a casting vote. The Risk Committee comprises Mr Patrick September (Independent Non-Executive Chairperson), Dr Bernard Ravnö (Independent Non-Executive member), Ms Bongiwe Ntuli (Independent Non-Executive member) and Mr Wanda Shuenyane (Independent Non-Executive member).

Risk Management
The Board is responsible for the total process of Risk Management and has established an ongoing process for identifying, evaluating and managing the significant risks

Corporate Governance (continued)

faced by the Group. The Board, the Audit Committee and Risk Committee monitor risk management activities as a standard item on their agendas and actively participate in discussions around risk topics raised.

Each of the subsidiaries of Adapt IT regularly review their strategic risks and follow a consistent approach by identifying and prioritising 'high-risk' areas, according to standard risk rating guidelines based on 'impact' and 'likelihood'. 'Impact' ratings are broadly defined in terms of the following assessment criteria: financial thresholds, operational impacts, regulatory compliance, customer and community impacts, employee impacts and reputational impacts. Similarly, 'likelihood' ratings are defined in terms of the overall likelihood of a risk materialising. These criteria formed the basis for allocating ratings that prioritised risks as either 'low', 'medium' or 'high'.

High-risk areas are further analysed to identify potential root causes. This allows Adapt IT to better understand the contexts within which risks occur and identify probable areas for risk mitigation and organisational control. Risks across all aspects of the Group's operations are considered, inclusive of financial, market, political and operational risks, as well as social, ethical and environmental risks. Mitigating actions and associated monitoring/assurance activities have been identified for each high-risk area. In addition, responsible executive level staff members are assigned to monitor and manage specific risk areas on behalf of the company on an ongoing basis.

Internal Controls

The company's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial information and to safeguard, verify and maintain accountability of its assets. Such controls are implemented by skilled personnel with appropriate duties. These are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring that the Group's business practices are conducted in a manner which is above reproach. Nothing has come to the attention of the directors or the auditors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

Social and Ethics Committee

The Social and Ethics Committee normally meets at least once a year, and is chaired by an Independent Non-Executive Director. It is accountable for ensuring the existence of an ethical and responsible relationship between the Group 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. It further implements affirmative action measures to redress the disadvantages in employment experience by designated groups, so ensuring their equitable representation at all levels in the workplace. It also addresses training and development, a safe and healthy workplace and support to those affected by HIV/AIDS.

The committee oversees the Broad-Based Black Economic Empowerment ("B-BBEE") of the Group and its corporate social investment and enterprise development activities, as well as its environmental progress and broader stakeholder relations.

The Social and Ethics Committee comprises Mr Mandla Nhlapo (Independent Non-Executive Chairman), Mr Siboniso Shabalala and Mr Derick Jordaan.

Nomination Committee

The Nomination Committee normally meets at least once a year and is chaired by an Independent Non-

Executive Director, who is also the Chairman of the Board. The Nomination 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 Nomination 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 further 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, appointees receive formal letters of appointment and additional communications detailing duties and time commitments, together with proposed induction plans.

The Nomination 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 office and appointments to the Committees of the Board. The Nomination Committee comprises Dr Bernard Ravnö (Independent Non-Executive Chairman) and Ms Bongiwe Ntuli (Independent Non-Executive member).

Remuneration Committee

The Remuneration Committee normally meets once a year, and is chaired by an Independent Non-Executive Director. 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 individual directors. External market surveys and other relevant information sources are considered in determining levels of remuneration that appropriately reward directors and staff for their contributions to the Group's performance. Non-Executive Directors' remuneration is determined by the Executive Directors, with reference to external, independent benchmarks.

The Remuneration Committee comprises Dr Bernard Ravnö (Independent Non-Executive Chairman) and Ms Bongiwe Ntuli (Independent Non-Executive member).

Board Performance

The performance assessment of all individual directors, each sub-committee and the Board as a whole will be implemented in line with the recommendations of the King Code.

Sustainability Report

Introduction

The economic sustainability of a business rests primarily on its financial performance, without which it could not survive. The long-term success of a business also hinges on social and environmental factors, as there are many more interested stakeholders in the business beyond the shareholders.

Adapt IT contributes to sustainable development in South Africa through the provision of good employment, with fair remuneration and skills development opportunities. The company pays all taxes which are due to government, advances transformation, assists SMME businesses to develop, contributes to socio-economic development in our communities and seeks to minimise its impact on the environment. Adapt IT provides valuable products and services to its customers and honours its commitments to partners and service providers. In all its activities, the Group upholds the highest standards of ethical behaviour.

Code of Ethics

The Code of Ethics includes measures to support an ethical culture across the organisation and this is reviewed annually to ensure its continued relevance. It includes:

- Being non-sectarian and non-political in business dealings;
- Protecting the Group's reputation with regard to integrity and credibility;
- Consistently honouring obligations;
- Actively promoting the development of employees;
- Showing respect for every individual with whom we deal; and
- Maintaining the quality of products and services and ensuring customer satisfaction.

Adapt IT requires the highest ethical standards of its people and ensures that Senior Executives are briefed on legislation covering anti-competitive behaviour. The directors believe that the Code of Ethics has been maintained throughout the period under review.

Sustainable development highlights in the reporting period include:

- Moving headquarters to a 'Green' building;
- Procuring 'Green Certified Products';
- Consolidating and virtualising servers and growing 'just-in-time' capacity, reducing the energy requirements of the operating infrastructure;
- Reducing power consumption and printing;
- Being ranked fifth overall in the Financial Mail's 2010 Empowerment Survey (ICT Sector);
- Maintaining a Level-3 Broad-Based Black Economic Empowerment ("B-BBEE") status;
- Winning the uMyezane BEE Business of the Year Award;
- Being ranked in the top 40 listed companies (JSE and Alt-X) for achieving 30% Female Directors and 33,3% Female Executive Management (Source: SA Women in Leadership Census 2010); and
- Increasing training and development spend on employees at all levels.

Our People

During the review period, the company provided employment to more than 260 people. Through job creation, Adapt IT has a beneficial impact on the society in which it operates.

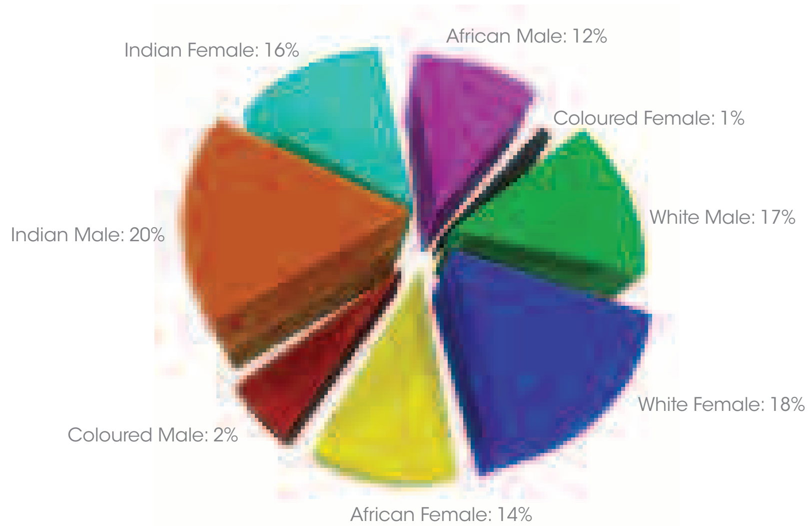
Diversity and Employment Equity

Adapt IT's approach to addressing its employment equity and management control imperatives is to focus its efforts on skills and leadership development, with a particular focus on fast-tracking talented employees from the historically disadvantaged individuals group who demonstrate leadership potential, commitment, aptitude and ambition.

The Group aims to attract, develop and retain the best people within a diverse, multi-cultural workplace.

The Human Resource Department ensures that this aim is fulfilled and that remuneration remains in line with market practices and company performance.

Workplace Diversity



Training and Development

A total of eight learners commenced the Oracle Internship Programme, in partnership with ISETT SETA, in November 2009.

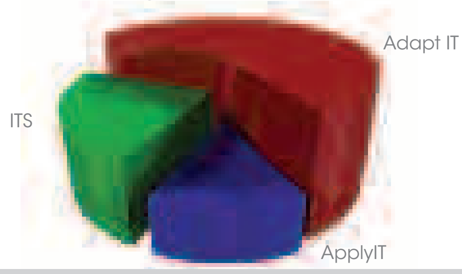
The duration of the programme is 12 months and comprises both classroom and on-the-job training. The purpose of the programme is to afford graduates an opportunity to gain practical experience within the work environment.

Furthermore, the ICT sector is experiencing a skills shortage and Adapt IT is committed to developing local skills within South Africa. It is our intention to consider the learners for permanent placement within the company at the end of the internship period. The cost of the internship is funded jointly by Adapt IT and ISETT SETA.

A number of training programmes were rolled-out throughout our operations. During the review period, 110 employees received training at a cost of more than R620 000.

The objective of training and development is to create a highly-skilled and aligned workforce, which is able to contribute meaningfully to the long-term performance of the business. The Group believes this will leave a lasting legacy and provide its people with opportunities to grow.

Training and Development Spend



Sustainability Report (continued)

Adapt IT is committed to transformation as both a moral and a business imperative.

Health and Safety

The health and safety of our people is a clear priority for us. Medical aid cover is a compulsory benefit for all permanent employees. Occupational and primary health-care programmes are provided at our offices on an annual basis. Health-care programmes include risk assessments, hygiene surveys, risk control measures and wellness days. We have an Employee Wellness Programme which covers all aspects of physical and mental wellness, including confidential counselling services. Members of management in each of our operations are obliged to ensure that all safety and other legal requirements are complied with and that leading practices are identified and implemented.

HIV/AIDS

Adapt IT acknowledges the enormity of the HIV and AIDS pandemic. The Group encourages training, education and Voluntary Counselling and Testing ("VCT"), and ensures fair and non-discriminatory treatment for those affected by the disease. Our Employee Wellness Programme includes healthy lifestyle education and personal health assessments, inclusive of VCT. Additional strategies are being implemented to encourage a further increase in the number of employees presenting for VCT, such as linking VCT to occupational medical surveillance programmes, general wellness programmes and HIV/AIDS awareness events, such as World AIDS Day.

Transformation

Broad-Based Black Economic Empowerment ("B-BBEE")

Adapt IT is committed to transformation as both a moral and a business imperative. At our last rating the Group scored 75,08 points and was rated as a Level-3 Contributor. In its annual survey, the Financial Mail ranked our company 5th in the ICT sector and in the top 40 most empowered companies on the JSE. We strive to remain ahead of our competitors in terms of B-BBEE, in the knowledge that this will create a competitive advantage for the business.

Enterprise Development

Adapt IT is testimony to the power of entrepreneurship. We believe entrepreneurship is vital to sustainable economic growth in South Africa. The Group has partnered with SmartXchange, a not-for-profit ICT cluster, providing funding towards the advancement of the SmartXchange Incubator Programme, utilised for bursaries for new Small, Medium and Micro Enterprise ("SMME") entrants in the field of software engineering, who have not received funding previously through the Department of Trade and Industry. It covers an award for the `Best Software

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Engineering SMME'. Adapt IT supports SMMEs through its preferential procurement policies.

Socio-Economic Development

At Adapt IT community involvement is core to our values. Our staff volunteer to actively participate in projects and contribute financially towards them, with the company matching their personal contributions. We are involved in a broad range of projects, from supporting the arts and access thereto, to rural schools development, children's homes and feeding schemes, adult literacy programmes, crisis support centres, blanket collections and vegetable gardens.

Environment

Adapt IT actively seeks to manage natural resources responsibly and to reduce carbon emissions and waste generation. During the review period the company moved its Durban offices to a new 'Green' building, resulting in a reduction in electricity usage. Adapt IT collaborated with the architect and developer to ensure optimum finalisation of the building design, both externally and internally, to maintain the integrity of the 'Green' design features. These include sunlight control through building orientation, reducing cooling requirements, storm water attenuation, storage and irrigation, no heating facility in air conditioning plant due to mild Durban winters, building stairwell and ablutions not cooled as people only use these for short time periods, materials sourced from sustainable supplies, such as hardwood, indigenous landscaping and retention of a large area of natural bush, a naturally lit basement, efficient air cooling due to open-plan office design, efficient people-to-space ratios due to open-plan offices using less cooling and lights per head than in insular offices. The Server Room design was optimised to provide the most efficient cooling.

Vendor and product selection throughout the project included environmental considerations for, in particular, all IT equipment, which constituted a significant investment, as well as furniture.

The new IT equipment includes a virtualised server environment, which is significantly more energy-efficient than the previous technology. The refreshed laptops, desktop computers and peripheral devices are environmentally better. Print reduction initiatives have been undertaken. The use of laptops in meetings, instead of paper, for example electronic meeting minutes and documents, are referenced. All meeting rooms have power in desks and a wireless network is available throughout the building. The physical move project necessitated significant disposal of paper and electronic waste, which was appropriately disposed of through recycling services and safe electronic waste disposal services. Ongoing paper and waste recycling facilities are in place. Facilities now make it possible to seek electronic meeting alternatives to air or road travel, where possible.

The Durban operations of our subsidiary, ApplyIT, will shortly co-locate to the new 'Green' office, generating further energy savings within the Group, due to economies of scale. The next phase of the Environmental Programme will include the formulation of environmental policies, power consumption measurement and benchmarking and improvement targeting. The Group will participate in educational forums and engagements with its clients in order to contribute to the adoption of environmentally sustainable ICT equipment, environments and practices.

Sustainability Report (continued)

Stakeholder Engagement

The Board enjoys constructive dialogue with investors, consistently observing statutory, regulatory and other directives regarding the dissemination of information.

The Board acknowledges its responsibility to communicate a balanced and understandable assessment of the Group's position to its stakeholders, covering both financial and non-financial information and addressing material matters of significant interest and concern.

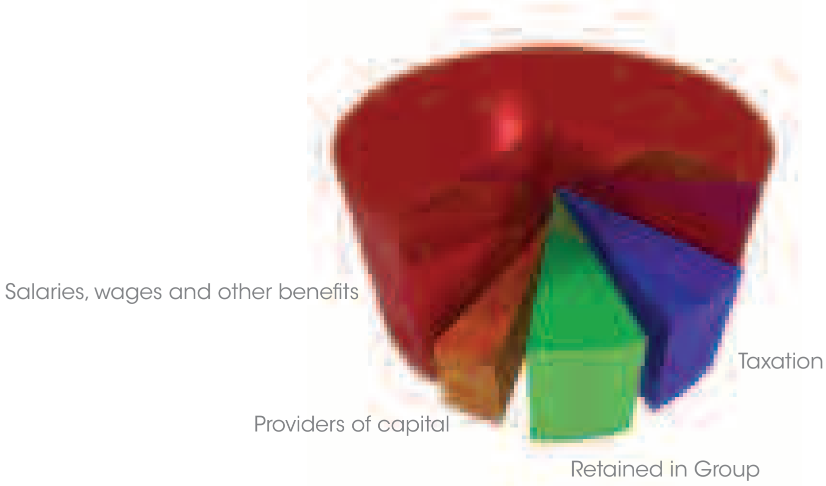
Adapt IT has identified the following key stakeholders:

Conclusion

We strive to create value for shareholders, be a great employer, serve our customers faithfully, procure responsibly, honour our commitments to our partners and service providers, be well governed, pay our taxes, advance transformation, help our communities and protect the environment.

Value Added Statement

	Group 2010 R	%	Group 2009 R	%
Turnover	**198 986 496**		74 865 150	
Less: Net cost of products and services	**(54 981 135)**		(25 859 826)	
Value Added	**144 005 361**		49 005 324	
Add: Income from investments and associate	**-**		137 278	
Wealth Created	**144 005 361**		49 142 602	
Applied to:				
Employees				
Salaries, wages and other benefits	**122 496 690**	85,1	37 102 692	75,5
Providers of capital	**2 724 027**	1,9	4 331 854	8,8
Interest on borrowings	**944 841**	0,7	14 444	0,0
Dividend to shareholders	**1 779 186**	1,2	4 317 410	8,8
Government				
Taxation	**7 463 750**	5,1	4 317 097	8,8
Income taxation - normal and deferred	**6 523 024**	4,5	3 585 891	7,3
Income taxation - secondary taxation on companies	**185 918**	0,1	413 421	0,8
Regional service council and skills levies	**754 808**	0,5	317 785	0,7
Retained in the Group	**11 320 894**	7,9	3 390 959	6,9
	144 005 361	100,0	49 142 602	100,0



Remuneration Report

Once the Board has approved the company's remuneration policy, the Remuneration Committee is entrusted with its implementation.

Remuneration levels are set with reference to independent salary surveys on a regular basis, taking cognisance of specific skill requirements.

The Remuneration Committee reviews the remuneration paid to the Group Executive Management as well as selected positions within the Executive of the subsidiaries. The salaries are compared to published ICT industry statistics and other similar sized companies listed on the JSE.

The Group endeavours to remunerate its employees who are regarded as established performers from the market median to the upper quartile, depending on their individual contributions to the Group. Employees who are clear out-performers may be remunerated from the upper quartile to above, while employees who are regarded as under-performers are paid below the median and are actively managed.

This approach recognises both the market forces in play and the heightened requirement to attract and retain talented employees.

Annual or short-term incentives are based on the overall financial performance of the Group, financial achievement of the subsidiary and business unit to which an employee is accountable and on individual performance, measured against the achievement of key performance indicators.

Executive management recommends annual incentives to the Remuneration Committee for approval. The Remuneration Committee retains the absolute discretion to authorise

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incentives. Annual incentives payable to Executive Management, for targeted levels of performance, range between 8% and 15% of the cost to company, as deemed appropriate by the Remuneration Committee and determined with reference to market norms. The actual incentive payment for the period under review for Executive Management was 0,3% of the total cost to company of this Group of employees, excluding the cost of the incentives.

Remuneration for Executive Directors is detailed on page 65.

Long-term share incentive schemes are under review. The schemes will be designed to ensure that appropriate employees are retained over a medium to long-term period, rewarded adequately for their efforts and that their interests are aligned with those of shareholders.

Non-Executive Directors are remunerated in line with market-related rates for the time required to discharge their ordinary responsibilities on the Board and its Sub-committees.

Non-Executive Directors are not appointed under service contracts, their remuneration is not linked to the company's financial performance and they do not qualify for participation in share incentive schemes.

Remuneration for Non-Executive Directors is detailed on page 65.

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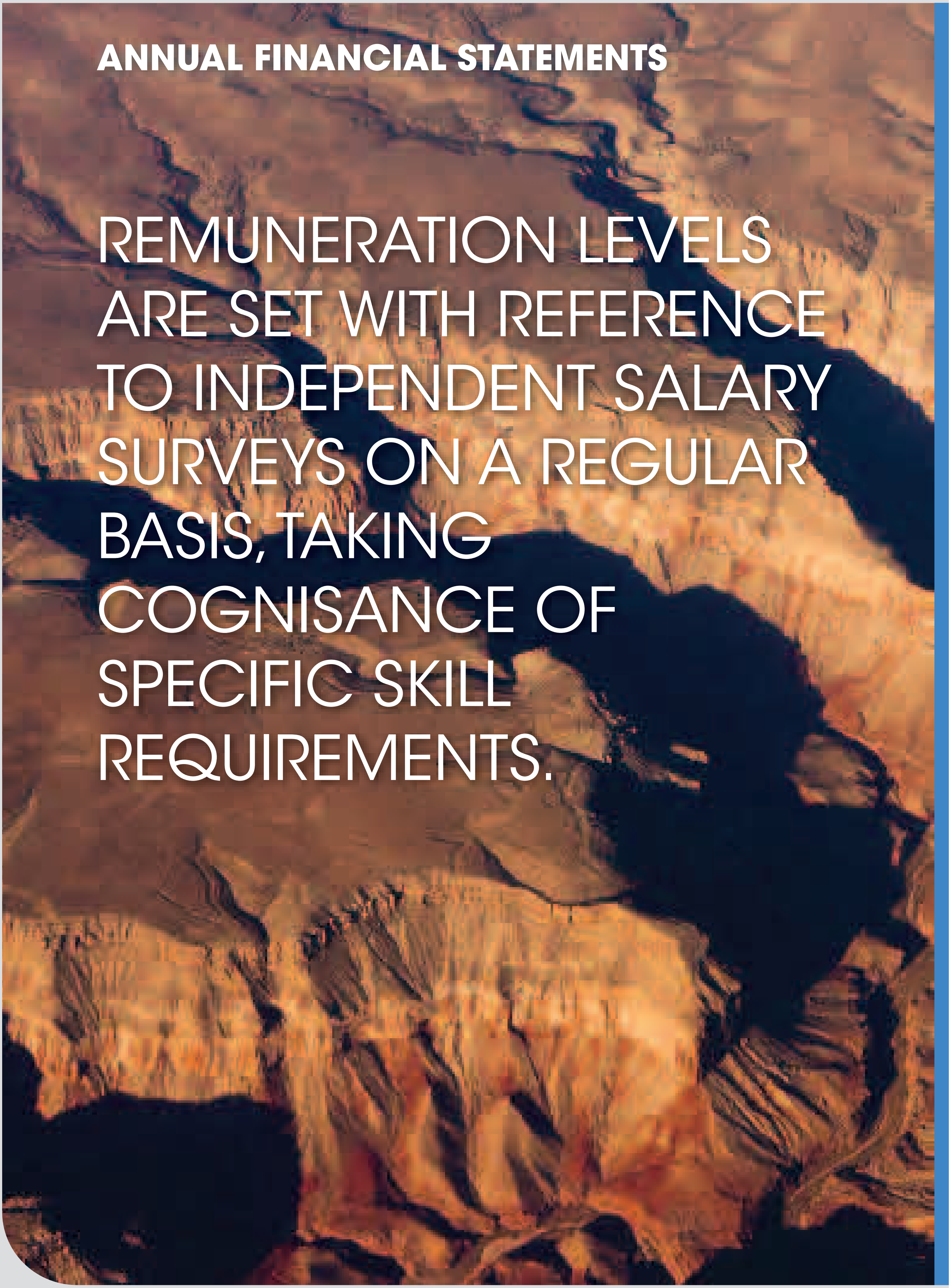
Dr Bernard Ravnö
Chairman: Remuneration Committee
10 September 2010

ANNUAL FINANCIAL STATEMENTS



REMUNERATION LEVELS ARE SET WITH REFERENCE TO INDEPENDENT SALARY SURVEYS ON A REGULAR BASIS, TAKING COGNISANCE OF SPECIFIC SKILL REQUIREMENTS.

Table of Contents

Audit Committee Report

Introduction

The Audit Committee has pleasure in submitting this report, as required by the new section 270A of the Companies Act (introduced by the Corporate Laws Amendments Act 2006).

Functions of the Audit Committee

In line with its Terms of Reference, approved by the Board of Directors and as required by the Companies Act, the Audit Committee performed the following functions during the period under review:

- Reviewed the external audit reports, after the period-end financial audit;
- Reviewed risk management reports and made recommendations to the Board; and
- Reviewed the interim and period-end Financial Statements.

Reviews included the following:

- Taking the appropriate steps to ensure the Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS");
- Making recommendations on the effectiveness of internal control;
- Authorising the audit fees;
- Evaluating the effectiveness of risk management controls and governance processes;
- Reviewing the Terms of Reference of the committee, as part of an annual exercise; and
- Acting as the Audit Committee of all its subsidiaries.

Members of the Audit Committee

The Audit Committee comprises Ms Bongiwe Ntuli (Independent Non-Executive Chairperson), Mr Patrick September (Independent Non-Executive member) and Mr Mandla Nhlapo (Independent Non-Executive member).

Frequency of meetings

The members of the Audit Committee met three times during the 16-month period. Provision is made for additional meetings to be held, when and if necessary.

Persons 'in attendance' and 'by invitation'

The external auditors, in their capacity as auditors to the company, attended and reported at the meetings of the Audit Committee. The risk management function was also represented. The Chairman of the Board and Executive Directors attend the meetings of the Audit Committee on a 'by invitation' basis.

Independence of Auditors

During the period under review, the Audit Committee reviewed a report by the external auditor and, after conducting its own review, confirmed that it was satisfied that the auditor was independent of the company.

Expertise and Experience of the Financial Director

As required by Section 3.84(h) of the JSE Listings Requirements, the Audit Committee has satisfied itself that the Financial Director has the appropriate expertise and experience.

Bongiwe Ntuli
Chairperson: Audit Committee
10 September 2010

Independent Auditor's Report to the Members of Adapt IT Holdings Limited

Report on the Financial Statements

We have audited the Annual Financial Statements and Group Annual Financial Statements of Adapt IT Holdings Limited, which comprise the directors' report, the statements of financial position as at 30 June 2010, the statements of comprehensive income, the statements of changes in equity, statements of cash flows for the 16 months then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 39 to 97.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these Financial Statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Financial Statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Financial Statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Financial Statements fairly present, in all material respects, the financial position of the company and the Group at 30 June 2010 and of their financial performance and their cash flows for the 16 months then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act in South Africa.

Ernst & Young Inc.

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Ernst & Young Inc.
Durban
10 September 2010

Directors' Approval of Annual Financial Statements and Certificate of Company Secretary

Responsibility for Annual Financial Statements

The directors are responsible for the preparation, integrity and objectivity of Annual Financial Statements and other information contained in this annual report. The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa and have been reported on by the company's auditors.

In discharging this responsibility, the Group maintains suitable internal control systems and adequate accounting records to provide reasonable assurance that assets are safeguarded and that transactions are executed and recorded in accordance with Group policies. Appropriate accounting policies, supported by reasonable and prudent judgements, have been applied consistently with those of the prior year.

To the best of their knowledge and belief, and based on the above, the directors are satisfied that no material breakdown in the operation of the systems of internal control has occurred during the 16 months under review and the directors believe that the business will be a going concern for the year ahead.

An effective risk management system has been maintained and the Code of Corporate Practices and Conduct has been adhered to.

Approval of the Annual Financial Statements

The Annual Financial Statements, which appear on pages 39 to 97, were approved by the Board of Directors on 10 September 2010 and are signed on its behalf by:

Dr Bernard Ravnö
Independent Non-Executive Chairman

Sbu Shabalala
Chief Executive Officer

Certificate of Company Secretary

I, Lester Moodley, being the Company Secretary of Adapt IT Holdings Limited and its subsidiaries, certify that in terms of Section 268(g) of the Companies Act, 1973, (Act 61 of 1973), as amended, to the best of my knowledge and belief, all returns required of a public listed company have, in respect of the 16 months under review, been lodged with the Registrar of Companies and that all such returns are true, correct and up to date.

Lester Moodley
Company Secretary
Durban
10 September 2010

Directors' Report

Nature of the Business
Adapt IT Holdings is an Information Technology business which concentrates on software solutions and services.

Financial Results
The financial results of the company and the Group are disclosed in these Financial Statements.

Events after the Reporting Period
There are no material events between the period end and the date of this report.

Dividends
Ordinary dividend number 7
The company declared a dividend of 1,86 cents per share, which was paid to shareholders on 6 July 2009.

Ordinary dividend number 8
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 cash dividend of 3,41 cents per share ('the dividend') has been declared, payable to shareholders recorded in the books of the company at close of business on 22 October 2010.

Shareholders are advised that the last day to trade 'cum' dividend will be Friday, 15 October 2010. Shares will trade 'ex' dividend as from Monday, 18 October 2010, and the record date will be Friday, 22 October 2010. Payment will be made on Monday, 25 October 2010. Share certificates may not be dematerialised or rematerialised during the period 18 October 2010 to 25 October 2010, both days inclusive. This dividend, having been declared after 30 June 2010, has not been provided for in the Financial Statements.

Share Capital
1 761 438 treasury shares were held by the Group at 30 June 2010, resulting in a reduction of issued share capital in the current reporting period.

Investment in Subsidiaries and Associates
Details of the subsidiaries and associates appear in Notes 8 and 9 to the Financial Statements respectively. Aggregate profit before tax from subsidiaries is R22 599 042 (2009: R11 650 910).

Share Incentive Trust
The Group has a Share Incentive Trust. An analysis of this scheme follows on page 95. Certain amendments to the Share Incentive Trust Deed are required to ensure it complies with Schedule 14 of the JSE Listings Requirements by January 2011. The proposed resolution to give effect to these changes will be included in a general meeting, to be confirmed.

Directorate
The names of the directors are set out on pages 11 to 13.

The following changes to the Board of Directors took place during the period under review:

- Directors retiring by rotation – Mr Sbu Shabalala, Mr Siboniso Shabalala and Mr Wanda Shuenyane were re-appointed to the Board, effective 19 June 2009;
- Mrs Cindy von Pannier and Mr Bruno Lionnet resigned pursuant to a governance restructure on 1 June 2009:

Directors' Report (continued)

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- Mr Ralph Collis resigned as a Non-Executive Director on 30 September 2009 and Dr Bernard Ravnö was appointed as Chairman in his stead;
- Mr Patrick September was appointed as an additional Independent Non-Executive Director on 1 January 2010; and
- Mr Mandla Nhlapo was appointed as an additional Independent Non-Executive Director on 11 March 2010.

Company Secretary

Mr Wayne Mann was Company Secretary for the period 6 October 2009 to 19 February 2010. Mr Lester Moodley was re-appointed as Company Secretary on 20 February 2010.

Directors' and Officers' Share Dealings

Directors and officers are not permitted to deal, directly or indirectly, in the shares of the company between the period-end and the announcement of the interim or final results and during other sensitive periods. They are required to obtain the prior approval of the Chairman to deal in the company's shares. Immediately after any transaction they are to notify the Company Secretary, in writing, providing full details thereof. These notifications are released on the Securities Exchange News Service (SENS), and tabled at the next Board meeting.

Special Resolutions Passed by the Company

The following special resolution was passed by the company:

- 19 June 2009, the members granted the directors authority to repurchase a maximum of 20% of the company's shares, valid until the next Annual General Meeting.

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THE COMPANY DECLARED A DIVIDEND OF 3,41 CENTS PER SHARE, WHICH WILL BE PAID TO SHAREHOLDERS ON 25 OCTOBER 2010.

Statements of Comprehensive Income

for the 16 months ended 30 June 2010 and 12 months ended 28 February 2009

	Notes	Group 2010 R	Group 2009 R	Company 2010 R	Company 2009 R
Services rendered		**183 220 943**	68 870 760	**1 765 727**	2 363 236
Sale of goods		**15 765 553**	5 994 390	**-**	-
Interest income		**5 622 971**	2 632 530	**368 620**	400 637
Dividend income		**34 908**	-	**1 320 328**	4 200 000
Other income		**3 807 426**	-	**2 453 293**	-
Revenue		**208 451 801**	77 497 680	**5 907 968**	6 963 873
Turnover		**198 986 496**	74 865 150	**1 765 727**	2 363 236
Cost of sales		**(107 078 167)**	(36 199 769)	**-**	(181 829)
Gross profit		**91 908 329**	38 665 381	**1 765 727**	2 181 407
Administrative, selling and other costs		**(76 820 348)**	(27 592 822)	**(2 423 828)**	(542 310)
Other income		**3 807 426**	-	**2 453 293**	-
Dividend income		**34 908**	-	**1 320 328**	4 200 000
Profit from operations (before interest)	2	**18 930 315**	11 072 559	**3 115 520**	5 839 097
Interest income		**5 622 971**	2 632 530	**368 620**	400 637
Finance costs		**(944 841)**	(14 444)	**(15 512)**	-
(Loss)/Profit from associate		**(63 625)**	137 278	**-**	-
Profit before taxation		**23 544 820**	13 827 923	**3 468 628**	6 239 734
Taxation	4	**(6 708 942)**	(3 999 312)	**(344 175)**	(1 069 334)
Profit for the period		**16 835 878**	9 828 611	**3 124 453**	5 170 400
Other comprehensive income for the period, net of tax		**(169 155)**	-	**-**	-
Exchange differences on translation of foreign operations		**(169 155)**	-	**-**	-
Total comprehensive income for the period, net of tax		**16 666 723**	9 828 611	**3 124 453**	5 170 400
Profit for the period:					
Attributable to equity shareholders of the parent		**13 100 081**	9 077 243	**3 124 453**	5 170 400
Attributable to non-controlling interests		**3 735 797**	751 368	**-**	-
		16 835 878	9 828 611	**3 124 453**	5 170 400
Total comprehensive income for the period					
Attributable to equity shareholders of the parent		**13 013 812**	9 077 243	**3 124 453**	5 170 400
Attributable to non-controlling interests		**3 652 911**	751 368	**-**	-
		16 666 723	9 828 611	**3 124 453**	5 170 400
Earnings per share (cents)	5.1	**13, 64**	9,44		
Fully diluted earnings per share (cents)	5.1	**13, 64**	9,43		

Statements of Financial Position

as at 30 June 2010 and 28 February 2009

	Notes	Group 2010 R	Group 2009 R	Company 2010 R	Company 2009 R
Assets					
Non-current assets		**39 765 127**	13 525 877	**28 400 565**	16 031 593
Loan to subsidiary	8	**-**	-	**10 737 000**	-
Property and equipment	6	**22 719 927**	1 974 368	**-**	-
Intangible assets	7	**109 241**	347 470	**-**	-
Interest in subsidiaries and share trust	8	**-**	-	**17 663 565**	16 031 593
Investment in associate company	9	**-**	137 308	**-**	-
Goodwill	10	**10 407 854**	10 407 854	**-**	-
Deferred taxation asset	11	**6 528 105**	658 877	**-**	-
Current assets		**84 975 555**	28 591 229	**96 699**	8 383 266
Accounts receivable	12	**45 848 856**	14 035 153	**27 957**	604 524
Cash and cash equivalents		**39 126 699**	14 556 076	**68 742**	7 778 742
Total assets		**124 740 682**	42 117 106	**28 497 264**	24 414 859
Equity and liabilities					
Share capital	13	**9 570**	9 565	**9 745**	9 745
Share premium	14	**7 196 322**	7 186 247	**8 112 296**	8 112 296
Share-based payment reserve	15	**893 020**	802 679	**-**	-
Foreign currency translation reserve	13	**(86 269)**	-	**-**	-
Retained earnings		**34 666 074**	23 345 179	**3 569 509**	2 224 153
Equity attributable to ordinary shareholders		**42 678 717**	31 343 670	**11 691 550**	10 346 194
Non-controlling interest		**7 825 266**	1 415 355	**-**	-
Total equity		**50 503 983**	32 759 025	**11 691 550**	10 346 194
Non-current liabilities		**4 917 182**	-	**-**	-
Interest-bearing borrowings	16	**2 447 576**	-	**-**	-
Deferred taxation liability	11	**2 469 606**	-	**-**	-
Current liabilities		**69 319 517**	9 358 081	**16 805 714**	14 068 665
Interest-bearing borrowings	16	**1 793 103**	-	**-**	-
Non-interest-bearing borrowings	17	**10 315 036**	-	**-**	-
Accounts payable	18	**19 864 212**	6 825 210	**111 283**	485 053
Provisions	19	**7 243 852**	1 596 754	**-**	-
Deferred income		**25 844 741**	-	**-**	-
Loans from subsidiaries	8	**-**	-	**16 552 292**	12 959 243
Taxation payable		**4 258 573**	936 117	**142 139**	624 369
Total equity and liabilities		**124 740 682**	42 117 106	**28 497 264**	24 414 859

Statements of Changes in Equity

for the 16 months ended 30 June 2010 and 12 months ended 28 February 2009

Group	Share Capital R	Share Premium R	Retained Earnings R	Share-Based Payment Reserve R
Balance at 29 February 2008	9 745	8 112 296	18 585 346	672 384
Profit for the period	-	-	9 077 243	-
Total comprehensive income for the period	-	-	9 077 243	-
Treasury shares re-purchased and cancelled during the period	(180)	(926 049)	-	-
Recognition of share-based payment	-	-	-	130 295
Dividend paid	-	-	(4 317 410)	-
Balance at 28 February 2009	**9 565**	**7 186 247**	**23 345 179**	**802 679**
Acquisition of subsidiary	-	-	-	-
Profit for the period	-	-	13 100 081	-
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	13 100 081	-
Shares issued during the period	5	10 075	-	-
Recognition of share-based payment	-	-	-	90 341
Dividend paid	-	-	(1 779 186)	-
Balance at 30 June 2010	**9 570**	**7 196 322**	**34 666 074**	**893 020**

Company	Share Capital R	Share Premium R	Retained Earnings R	Total R
Balance at 29 February 2008	9 745	8 112 296	1 371 163	9 493 204
Profit for the period	-	-	5 170 400	5 170 400
Total comprehensive income for the period	-	-	6 541 563	14 663 604
Dividend paid	-	-	(4 317 410)	(4 317 410)
Balance at 28 February 2009	**9 745**	**8 112 296**	**2 224 153**	**10 346 194**
Total comprehensive income for the period	-	-	3 124 453	3 124 453
Dividend paid	-	-	(1 779 097)	(1 779 097)
Balance at 30 June 2010	**9 745**	**8 112 296**	**3 569 509**	**11 691 550**

Foreign Currency Translation Reserve R	Attributable to Equity Holders of the Parent R	Non-Controlling Interest R	Total R
-	27 379 771	663 987	28 043 758
-	9 077 243	751 368	9 828 611
-	9 077 243	751 368	9 828 611
-	(926 229)	-	(926 229)
-	130 295	-	130 295
-	(4 317 410)	-	(4 317 410)
-	**31 343 670**	**1 415 355**	**32 759 025**
-	-	2 757 000	2 757 000
-	13 100 081	3 735 797	16 835 878
(86 269)	(86 269)	(82 886)	(169 155)
(86 269)	13 013 812	6 409 911	19 423 723
-	10 080	-	10 080
-	90 341	-	90 341
-	(1 779 186)	-	(1 779 186)
(86 269)	**42 678 717**	**7 825 266**	**50 503 983**

Statements of Cash Flows

for the 16 months ended 30 June 2010 and 12 months ended 28 February 2009

	Group 2010 R	Group 2009 R	Company 2010 R	Company 2009 R
Cash flows from operating activities				
Profit from operations (before interest and dividends)	**18 895 407**	11 072 559	**1 795 192**	1 639 097
Adjustment for:				
Provision for leave pay and bonus	**1 463 368**	274 007	**-**	-
Impairment loss	**73 683**	20 086	**61 489**	20 086
Non-cash flow items	**(1 169 145)**	9 154	**-**	-
Share-based payment expense	**90 341**	130 295	**-**	-
(Profit)/Loss on sale of equipment	**(318 802)**	1 016	**-**	-
Depreciation and amortisation	**3 013 510**	1 799 481	**-**	-
Cash generated from operations, before working capital changes	**22 048 362**	13 306 598	**1 856 681**	1 659 183
Working capital changes				
(Increase)/Decrease in receivables	**(12 311 884)**	(602 317)	**576 567**	(581 974)
Increase/(Decrease) in payables	**11 597 627**	1 866 076	**(373 770)**	303 524
Cash generated from operations	**21 334 105**	14 570 357	**2 059 478**	1 380 733
Taxation paid	**(5 536 564)**	(3 948 135)	**(826 405)**	(641 240)
Interest income	**5 622 971**	2 632 530	**368 620**	400 637
Finance costs	**(944 841)**	(14 444)	**(15 512)**	-
Dividend income from associate/subsidiary	**34 908**	-	**1 320 328**	4 200 000
Dividend paid to shareholders	**(1 779 186)**	(4 317 410)	**(1 779 097)**	(4 317 410)
Net cash inflow from operating activities	**18 731 393**	8 922 898	**1 127 412**	1 022 720

	Group 2010 R	Group 2009 R	Company 2010 R	Company 2009 R
Cash flows from investing activities				
Acquisition of assets on expansion	**(9 606 777)**	(1 243 952)	**-**	-
Proceeds on disposal of equipment	**437 802**	40 898	**-**	-
Decrease/(Increase) in investment in associate	**63 625**	(137 308)	**-**	-
Acquisition of subsidiary/increase in investment in subsidiary	**(16 000 000)**	(20 086)	**(16 000 000)**	3 637 721
Repayment of shareholder loan	**-**	-	**3 570 389**	-
Net cash outflow from investing activities	**(25 105 350)**	(1 360 448)	**(12 429 611)**	3 637 721
Cash flows from financing activities				
Proceeds from borrowings	**17 114 820**	-	**3 592 199**	-
Repayment of borrowings	**(11 304 603)**	-	**-**	-
Issue/(Re-purchase) of company's shares	**10 080**	(926 229)	**-**	-
Elimination of pre-acquisition loan from ITS	**(1 430 000)**	-	**-**	-
Net cash inflow/(outflow) from financing activities	**4 390 297**	(926 229)	**3 592 199**	-
Net (decrease)/increase in cash resources	**(1 983 660)**	6 636 221	**(7 710 000)**	4 660 441
Exchange differences on translation	**(169 155)**	-	**-**	-
Cash resources at beginning of period	**14 556 076**	7 919 855	**7 778 742**	3 118 301
Cash resources on acquisition of subsidiaries	**26 723 438**	-	**-**	-
Cash resources at end of period	**39 126 699**	14 556 076	**68 742**	7 778 742

Accounting Policies

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

The consolidated Annual Financial Statements are prepared in accordance with the Group's accounting policies which are consistent with the prior period-end except for the accounting standards and interpretations which became effective during the current financial period, which are disclosed separately in Note 24. These accounting policies comply in all material aspects with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act of South Africa.

Unless otherwise indicated, any references to the Group include the company. The consolidated Annual Financial Statements have been prepared on a historical cost basis, except where otherwise stated.

1. Basis of consolidation
The consolidated Annual Financial Statements incorporate the Annual Financial Statements of the company, its subsidiaries and the InfoWave Holdings Limited Share Incentive Trust.

The operating results of the subsidiaries are included from the effective date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intra-group transactions and balances are eliminated. The Financial Statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies, except for the ITS Group, which was acquired on 1 July 2009, the results of which are for the 12 month period, ending 30 June 2010. Differences between the cost of investments in the subsidiaries and the fair value of their attributable net assets at date of acquisition are treated as goodwill, which is tested annually for impairment. The company accounts for its investments in subsidiaries at cost.

2. Property and equipment
Property and equipment are originally recorded at cost.

Subsequent to initial recognition, depreciation is provided on the straight-line basis at rates considered appropriate to reduce book values over their expected useful lives to estimated residual values. The useful lives, residual values and methods of depreciation are reassessed annually. Owner-occupied property is classified

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as property and equipment and is carried using the revaluation model. Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of revaluation. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Where the recoverable amount of owner-occupied property is higher than cost, no depreciation is charged.

Each part of an item of property and equipment with a cost significant in relation to the total cost of the item shall be depreciated separately. The depreciation charge for each period is recognised in the statements of comprehensive income.

Any revaluation surplus is 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 comprehensive income, in which case the increase is recognised in the statements of comprehensive income. A revaluation deficit is recognised in the statements of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Accumulated depreciation as 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.

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 the statements of comprehensive income in the year the asset is recognised.

Accounting Policies (continued)

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

3. Intangible assets

Trademarks

Trademarks are recognised at cost less accumulated amortisation and accumulated impairment losses, if any. The amortisation period and method for intangible assets with finite useful lives are reviewed annually.

Amortisation commences when the trademarks are available for use. The Group ensures that all its proprietary software is protected by national trademarks which are valid for 10 years from registration, the cost of which is amortised over a 20-year period.

Category	Period of amortisation
Trademarks	20 years

In-house developed software

Research costs pertaining to in-house developed software are generally 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 to bring to market and which is expected to result in future economic benefits, are recognised as assets. The expenditure capitalised includes the cost of material, direct labour and an appropriate portion of overheads. Capitalised development expenditure is shown at cost less accumulated amortisation and impairment losses. The amount of capitalised development cost recognised as an asset is amortised over the estimated useful life of the asset (but for no greater a period than five years).

Other software

All other software acquired separately is measured on initial recognition at cost. The cost of software acquired in a business combination is its fair value at the date of the acquisition. Following initial recognition, software is carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of software are assessed as finite, as indicated in the following table and are reassessed, with the amortisation method, at least at each financial period-end. The amortisation of software is recognised in the statements of comprehensive income in the period to which it relates. 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 the statements of comprehensive income when the asset is derecognised.

Category	Period of amortisation
In-house developed software	3-5 years
Intellectual property	3-5 years
Computer software	2-4 years

4. Investment in associate
The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

5. Taxation
Deferred taxation
Deferred income tax 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 and associates, 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 difference 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 and associates, 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

Accounting Policies (continued)

extent that it is no longer probable that sufficient 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 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 directly in other comprehensive income and equity is recognised in other comprehensive income and equity and not in profit or loss.

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 other comprehensive income and equity is recognised in other comprehensive income and equity and not in profit or loss.

Value-added taxation
Revenues, expenses and assets are recognised net of the amount of value-added tax except receivables and payables that are stated with the amount of value-added tax included.

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

Secondary tax on companies (STC)
To the extent that it is probable that dividends will be declared against which unused STC credits can be utilised, a deferred tax asset is recognised for STC credits. The STC effect of dividends paid on equity instruments is recognised in the period in which the company declares the dividend. For financial instruments that are classified as liabilities, the STC relating to any contractual payments is accrued in the same period as the interest accrual.

6. Revenue
Revenue comprises the invoiced value of information services provided and technology and product sales, including completed services 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 attributable thereto is not recognised and deferred income is shown as a liability in the statements of financial position.

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

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

7. Pension and employee benefit contributions
All contributions to the defined contribution pension and provident funds and employee benefits are charged against income in the year in which they relate.

8. 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. Rentals payable under operating leases are charged to income on a straight-line basis.

9. Research expenditure
Research costs incurred with the prospect of gaining new scientific or technical knowledge and understanding are charged as an expense in the statements of comprehensive income in the period in which they are incurred.

10. Foreign currency transactions
The entity's presentation and functional currency is the South African Rand.

Foreign currency transactions by companies comprising the Group are recorded in their functional currencies at the exchange rate ruling on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Gains and losses arising on retranslation are included in the statements of comprehensive income for the period and are classified as either operating or financing depending on the nature of the monetary items giving rise to them.

The assets and liabilities of foreign operations are translated into Rands at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at exchange rates prevailing at the date of the transactions. The exchange difference arising on the translation are recognised in other comprehensive income and included in equity in the foreign currency translation reserve.

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

11. Financial instruments
Financial assets or financial liabilities are recognised in the statements of financial position when it becomes party to the contractual provisions of the instrument.

Financial assets
Financial assets within the scope of IAS 39 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 directly attributable transaction costs.

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

Accounting Policies (continued)

measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or cost that are an integral part of the EIR. The EIR amortisation is included in finance income in the statements of 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.

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.

Impairment of financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a 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 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 assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment losses 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 the statements of comprehensive income.

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 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 period, 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 reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statements of comprehensive income.

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

determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus 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 the statements of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

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

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

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 asset have expired;
- the Group has transferred its rights to receive cash flows from the asset 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, and has neither transferred nor retained substantially all 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

Accounting Policies (continued)

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 the statements of comprehensive income.

Fair value of financial instruments
For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation methods.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated 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.

12. Share-based payments
The Group enters into share-based payment transactions in terms of the employee share incentive scheme, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for the period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

13. 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.

14. 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.

15. Dividend payments
Dividend payments 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 company's ordinary equity holders at its annual general meeting.

16. 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 mandated under the JSE Listing

Requirements and is not necessarily a measure of sustainable earnings. It is calculated in accordance with Circular 3/2009 "Headline Earnings", as issued by the South African Institute of Chartered Accountants.

17. Business combinations and goodwill

Business combinations

Business combinations are accounted for using the purchase method.

Transaction costs directly attributable to the acquisition form part of the acquisition costs.

The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

The Group accounts for the combination of entities or businesses under common control using the pooling of interest method, in which the assets and liabilities of the acquired entity/business are recorded within the acquiree's records, based on the fair value as at the date the entity became part of the Group, adjusted for subsequent transactions. Any goodwill that was recorded within the parent's consolidated financial statements is also recorded and any difference between the equity of the acquired entity and the carrying values recorded are adjusted against equity.

Goodwill

Goodwill is initially measured at cost, being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the statements of comprehensive income.

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 synergies of 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 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.

18. Impairment

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

Accounting Policies (continued)

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 groups of assets.

Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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.

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.

19. Provisions

A provision is recognised when the company 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.

20. Borrowing costs

Borrowing costs are expensed as incurred, except where these relate to qualifying assets, in which case they are capitalised.

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

21. 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.

22. 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 greatest significant effect on the amounts recognised in the Financial Statements.

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 year's budgeted taxable profit due to the uncertainty of estimating profits more than two year's 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 the useful life taking into account residual values, where appropriate. Intangible assets are amortised over the useful life considered appropriate by management. Assessments of useful lives and residual values are performed annually after considering factors such as technological innovation, maintenance programmes, relevant market information and management consideration.

Impairment of non-financial assets

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, including a sensitivity analysis, are further explained in Note 9.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend

Accounting Policies (continued)

yield and making assumptions about them.

23. New or revised IFRS standards

The following new standards and interpretations were in issue but not effective for 2010. The Group is in the process of evaluating the effects of these new standards and interpretations but they are not expected to have a significant impact on the Group's results and disclosures. The Group expects to adopt these changes when they become effective.

IAS 39 Financial Instruments: Recognition and Measurement (Amendments) Eligible Hedged Items	1 July 2009
IFRS 3 Business Combinations (Revised)	1 July 2009
IAS 27 Consolidated and Separate Financial Statements (Revised)	1 July 2009
IFRIC 17 Distributions of Non-cash Assets to Owners	1 July 2009
IFRS 2 Share-based Payments (Amendments)	1 January 2010
IAS 32 Finanical Instruments: Presentation (Amendments) Classification of Rights Issues	1 February 2010
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendments)	1 January 2011
IAS 24 Related Party Disclosures	1 January 2011
IFRS 9 Financial Instruments	1 January 2013
AC 504 IAS 19 The Limit on a Defined Benefit Plan, Minimum Funding Requirements and their Interactions in a South African Pension Fund Environment	1 April 2009
Improvements to IFRS (April 2009)	Mostly 1 January 2010
Improvements to IFRS (May 2010)	Mostly 1 January 2011

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24. Improvements to IFRS for the current year

Changes to accounting policies - standards, interpretations and amendments that became effective during the year which have impacted the Group, mostly through increased disclosure requirements, are as follows:

IFRS 7 Financial Instruments: Disclosures
IAS 1 Presentation of Financial Statements
IAS 23 Borrowing Costs (Revised)
IFRS 2 Share-based Payments (Amendments)
IFRS 8 Operating Segments

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level-3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

IAS 1 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statements of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statements of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements.

The company has elected to present one statement of comprehensive income.

Accounting Policies (continued)

IAS 23 Borrowing Costs
The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The company's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended IAS 23, the company has adopted the standard on a prospective basis. Therefore, borrowing costs are capitalised on qualifying assets with a commencement date on or after 1 January 2009.

There were no such qualifying assets on which to capitalise interest in the reporting period.

IFRS 2 Share-based Payments (Amendments)
The IASB issued an amendment to IFRS 2 in January 2008 that defines vesting conditions and prescribes the treatment for an award that is cancelled. This amendment is effective for financial years beginning on or after 1 January 2009.

IFRS 8 Operating Segments
This standard requires disclosure of information about the Group's operating segments. Adoption of this standard does not have any effect on the financial position or performance of the Group. Disclosure on the newly identified operating segments are shown in the relevant note, including comparative information.

Changes to accounting policies - standards, interpretations and amendments that became effective during the year which had no material impact on the Group, are as follows:

IFRIC 15 Agreements for the Construction of Real Estate
IFRIC 16 Hedges of a Net Investment in a foreign operation
IFRIC 18 Transfers of Assets from Customers
IAS 32 & IAS 1 Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements
- Puttable Financial Instruments and Obligations Arising on Liquidation
IFRS 1 & IAS 27 Amendments to IFRS 1 First-time Adoption of IFRS and IAS 27 Consolidated and Separate Financial Statements
- Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IAS 39 and IFRS 7 Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures
– Reclassification of Financial Assets
IFRIC 9 and IAS 39 Embedded Derivatives Amendments to IFRIC 9 Reassessment of embedded derivatives and IAS 39 Financial Instruments: Recognition and Measurement.

Notes to the Annual Financial Statements

for the 16 months ended 30 June 2010 and 12 months ended 28 February 2009

	Group 2010 R	Group 2009 R	Company 2010 R	Company 2009 R
2. Profit before tax				
Profit before tax is arrived at after taking into account:				
Expenses				
Auditor's remuneration				
- audit fees - current	**886 136**	513 118	**630 452**	49 550
- other services	**620 338**	16 900	**-**	-
- circular	**550 300**	-	**-**	-
- restructuring	**42 038**	-	**-**	-
- other	**28 000**	-	**-**	-
Depreciation				
- computer hardware	**1 301 722**	637 147	**-**	-
- telephone equipment	**412 152**	54 597	**-**	-
- office equipment	**120 161**	70 197	**-**	-
- furniture and fittings	**333 619**	438 667	**-**	-
- servers	**157 602**	-	**-**	-
- motor vehicles	**39 936**	-	**-**	-
- owner-occupied property	**175 606**	-	**-**	-
- leasehold improvements	**107 299**	28 745	**-**	-
Finance costs				
- borrowings	**944 841**	14 444	**15 512**	-
Loss on foreign transactions	**663 081**	-	**-**	-
Amortisation of intangible assets				
- in-house developed software	**145 557**	418 841	**-**	-
- trademarks	**1 841**	1 381	**-**	-
- computer software	**218 015**	149 906	**-**	-

Notes to the Annual Financial Statements

for the 16 months ended 30 June 2010 and 12 months ended 28 February 2009 (continued)

	Group 2010 R	Group 2009 R	Company 2010 R	Company 2009 R
2. Profit before tax (continued)				
Employee costs	**122 496 690**	37 102 692	**-**	-
- salaries and wages	**115 860 458**	34 493 586	**-**	-
- pension costs	**6 545 891**	2 418 486	**-**	-
- share-based payment expense	**90 341**	146 107	**-**	-
- other	**-**	44 513	**-**	-
Operating lease charges				
- property	**5 523 102**	2 072 764	**-**	-
Loss on sale of property and equipment	**-**	1 016	**-**	-
Impairment of investment	**73 683**	20 086	**61 589**	20 086
Income				
Profit on sale of property and equipment	**318 802**	-	**-**	-
Bad debts recovered	**11 972**	-	**-**	-
Foreign exchange gain	**-**	1 345 253	**-**	-
Skills development levy refund	**543 610**	168 191	**-**	-
Excess of fair value of net assets over purchase price on business combination	**1 176 398**	-	**-**	-
Other income	**2 631 029**	-	**2 453 293**	-

3. Directors' emoluments

The directors' remuneration for the period ended 30 June 2010 was as follows:

Executive Directors

	Salary	Contributions Retirement	Contributions Medical Aid	Bonus	Other	Total Emoluments 2010	Total Emoluments 2009
Sbu Shabalala	898 047	76 132	23 026	70 000	-	**1 067 205**	789 002
Siboniso Shabalala*	913 989	78 431	21 595	60 000	200 000	**1 274 015**	-
T Dunsdon	873 960	76 179	23 026	65 000	-	**1 038 165**	788 990
MCB Lionnet**	802 985	67 989	27 026	95 000	-	**993 000**	690 447
CL von Pannier**	805 477	67 220	27 026	35 000	-	**934 723**	686 157
BR Carrilho***	-	-	-	-	-	**-**	434 597
	4 294 458	365 951	121 699	325 000	200 000	**5 307 108**	3 389 193

* Siboniso Shabalala was appointed on 1 April 2009
** MCB Lionnet and C von Pannier resigned from the Holdings Board on 3 June 2009, and were appointed to the subsidiary Board on 4 June 2009
*** BR Carrilho resigned on 1 March 2009

Non-Executive Directors:

	Directors Fees 2010	Directors Fees 2009	Fees for other services 2010	Fees for other services 2009	Total Emoluments 2010	Total Emoluments 2009
AB Ravnö*	89 726	38 373	-	-	**89 726**	38 373
RP Collis**	50 283	76 963	-	-	**50 283**	76 963
P Aposporis***	-	9 596	-	-	**-**	9 596
W Shuenyane	38 384	25 869	-	-	**38 384**	25 869
B Ntuli	57 319	28 787	-	-	**57 319**	28 787
PCM September****	19 187	-	-	-	**19 187**	-
M Nhlapo*****	12 791	-	-	-	**12 791**	-
	267 690	179 588	-	-	**267 690**	179 588

* AB Ravnö appointed Chairman on 1 October 2009
** RP Collis resigned as Chairman on 30 September 2009
*** P Aposporis resigned on 28 May 2008
**** PCM September was appointed on 1 January 2010
***** M Nhlapo was appointed on 11 March 2010

Notes to the Annual Financial Statements

for the 16 months ended 30 June 2010 and 12 months ended 28 February 2009 (continued)

	Group 2010 R	Group 2009 R	Company 2010 R	Company 2009 R
4. Taxation				
Consolidated statements of comprehensive income				
South African normal taxation				
Current income tax				
- Current year	**9 599 466**	3 133 442	**201 229**	604 449
- Prior year	**(151 075)**	285 764	**(38 327)**	54 890
Deferred taxation current year	**(2 925 367)**	166 685	**-**	-
Secondary tax on companies	**185 918**	413 421	**181 273**	409 995
Total	**6 708 942**	3 999 312	**344 175**	1 069 334

Tax Rate Reconciliation	Group 2010 %	Group 2009 %	Company 2010 %	Company 2009 %
Statutory rate	28,0	28,0	28,0	28,0
Adjustment from prior years	(0,6)	1,2	-	0,9
Permanent differences	0,5	0,8	(23,3)	(18,4)
Deferred tax not raised on tax losses	0,7	(4,0)	-	-
Assessed loss utilised	(1,0)	(0,3)	-	-
Change in tax rate	-	0,2	-	-
Secondary tax on companies	0,8	3,0	5,2	6,6
Foreign tax rate differential	0,1	-	-	-
Effective rate	28,5	28,9	9,9	17,1

Notes to the Annual Financial Statements

for the 16 months ended 30 June 2010 and 12 months ended 28 February 2009 (continued)

	Group 2010 R	Group 2009 R

5. Earnings and dividends per share

5.1 Earnings per share

The calculation of earnings per share is based on the profit attributable to equity holders of R13 100 081 (2009 : R9 077 243) and the weighted average number of ordinary shares in issue during the year of 96 084 561 (2009 : 96 212 769).

The calculation of fully diluted earnings per share is based on the profit of R13 100 081 (2009 : R9 077 243) and the weighted average number of 96 084 561 (2009 : 96 212 769) shares. There is no dilution in the current year.

	Group 2010 R	Group 2009 R
Reconciliation between earnings and headline earnings:		
Earnings attributable to equity shareholders	**13 100 081**	9 077 243
Less excess of fair value of net assets over purchase price on business combination	**(1 176 398)**	-
Less (profit)/loss on sale of property and equipment	**(318 802)**	1 016
Add impairment on investment	**73 683**	20 086
Headline earnings	**11 678 564**	9 098 345
Headline earnings per share (cents)	**12,15**	9,46
Fully diluted headline earnings per share (cents)	**12,15**	9.46

5.2 Dividends per share

	Group 2010 R	Group 2009 R
Dividends per share (cents)	**1,86**	4,43
Dividend paid (Rands)	**1 779 186**	4 317 410

6. Property and equipment	2010 Cost R	2010 Accumulated depreciation R	2010 Net book value R	2009 Cost R	2009 Accumulated depreciation R	2009 Net book value R
Group						
Owner-occupied property -						
land and buildings	**12 824 595**	**175 606**	**12 648 989**	-	-	-
Motor vehicles	**109 957**	**109 957**	**-**	-	-	-
Servers	**1 891 222**	**157 602**	**1 733 620**	-	-	-
Computer hardware	**5 165 310**	**3 641 433**	**1 523 877**	1 525 405	393 149	1 132 256
Telephone equipment	**2 223 598**	**185 301**	**2 038 297**	307 474	80 623	226 851
Office equipment	**333 270**	**57 264**	**276 006**	433 634	143 288	290 346
Furniture and fittings	**3 906 711**	**1 248 165**	**2 658 546**	827 234	520 602	306 632
Leasehold improvements	**1 938 278**	**97 686**	**1 840 592**	31 703	13 420	18 283
Total	**28 392 941**	**5 673 014**	**22 719 927**	3 125 450	1 151 082	1 974 368

Notes to the Annual Financial Statements

for the 16 months ended 30 June 2010 and 12 months ended 28 February 2009 (continued)

	Net book value at beginning of year R	Acquisition of subsidiary R	Additions R	Disposals R	Depreciation R	Net book value at end of year R
6. Property and equipment (continued)						
2010						
Owner-occupied property						
- land and buildings	-	12 728 450	96 145	-	(175 606)	12 648 989
Motor vehicles	-	39 936	-	-	(39 936)	-
Servers	-	-	1 891 222	-	(157 602)	1 733 620
Computer hardware	1 132 256	792 253	901 989	(899)	(1 301 722)	1 523 877
Telephone equipment	226 851	-	2 223 598	-	(412 152)	2 038 297
Office equipment	290 346	-	221 449	(115 628)	(120 161)	276 006
Furniture and fittings	306 632	472 424	2 215 582	(2 473)	(333 619)	2 658 546
Leasehold improvements	18 283	-	1 929 608	-	(107 299)	1 840 592
Total	1 974 368	14 033 063	9 479 593	(119 000)	(2 648 097)	22 719 927

	Net book value at beginning of year R	Acquisition of subsidiary R	Additions R	Disposals R	Depreciation R	Net book value at end of year R
2009						
Computer hardware	945 400	-	840 309	(16 306)	(637 147)	1 132 256
Telephone equipment	234 230	-	47 218	-	(54 597)	226 851
Office equipment	226 450	-	134 093	-	(70 197)	290 346
Furniture and fittings	724 477	-	46 430	(25 608)	(438 667)	306 632
Leasehold improvements	33 878	-	13 150	-	(28 745)	18 283
Total	2 164 435	-	1 081 200	(41 914)	(1 229 353)	1 974 368

The owner-occupied property is owned by the ITS Group and is accounted for under the revaluation model.

The date of the property revaluation was 17 July 2009. The prior year valuations were performed by an independent valuer, I Joubert, of IJ Valuations (Pty) Ltd. IJ Valuations (Pty) Ltd is not connected to the company and has recent 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 are based on current market conditions. The land is described as:

- Erf 479 Monument Park, Registration Division JR, Province of Gauteng; measuring 1 160 square metres. Originally purchased by the Group at a cost of R9 000 000. Additions and improvements since the date of acquisition amount to R96 145.

- Remaining extent of Erf 15 Monument Park, Registration Division JR, Province of Gauteng; measuring 1 022 square metres. Originally purchased by the Group at a cost of R1 500 000. No additions or improvements have been made since acquisition.

- Portion 1 of Plot 15 Monument Park, (title deed number T103392/99); measuring 1 136 square metres. Originally purchased by the Group at a cost of R128 450. No additions or improvements have been made since acquisition.

- Erf 13 Monument Park, Registration Division JR, Province of Gauteng; measuring 1 772 square metres. Originally purchased by the Group at a cost of R2 100 000. No additions or improvements have been made since acquisition.

Had land and buildings been measured using the cost model instead of the revaluation model, the carrying amount would be R12 648 989.

Assets to the value of R3 771 918 are held as security against the loan from IBM Global Finance. Refer to Note 16.

	2010 Cost R	2010 Accumulated amortisation R	2010 Net book value R	2009 Cost R	2009 Accumulated amortisation R	2009 Net book value R
7. Intangible assets						
Group						
In-house developed software	**1 434 069**	**1 434 069**	**0**	1 434 069	1 288 512	145 557
Trademarks	**27 610**	**8 634**	**18 976**	27 610	6 793	20 817
Computer software	**289 336**	**199 071**	**90 265**	716 009	534 913	181 096
Total	**1 751 015**	**1 641 774**	**109 241**	2 177 688	1 830 218	347 470

2010	Net book value at beginning of year R	Acquisition of subsidiary R	Additions R	Disposals R	Depreciation R	Net book value at end of year R
In-house developed software	145 557	-	-	-	(145 557)	-
Trademarks	20 817	-	-	-	(1 841)	18 976
Computer software	181 096	-	127 184	-	(218 015)	90 265
Total	347 470	-	127 184	-	(365 413)	109 241

Notes to the Annual Financial Statements

for the 16 months ended 30 June 2010 and 12 months ended 28 February 2009 (continued)

	Net book value at beginning of year R	Acquisition of subsidiary R	Additions R	Disposals R	Depreciation R	Net book value at end of year R
2009						
In-house developed software	564 398	-	-	-	(418 841)	145 557
Trademarks	22 198	-	-	-	(1 381)	20 817
Computer software	168 250	-	162 752	-	(149 906)	181 096
Total	754 846	-	162 752	-	(570 128)	347 470

Refer to Note 10 for details of the goodwill.

8. Interest in subsidiaries and share trust

Details of the company's subsidiaries and Share Trust at 30 June 2010 are as follows:

Name of subsidiary	Country of incorporation/ registration	Ownership interest %	Voting power %	Principal activity
Adapt IT (Pty) Ltd (previously InfoWave (Pty) Ltd)	RSA	100	100	Application solutions
ApplyIT (Pty) Ltd	RSA	77*	77*	Application solutions
Adapt IT Holdings Limited Share Incentive Trust	RSA	**	**	Employee share participation
ITS Holdings (Pty) Ltd	RSA	51	51	Application solutions

* (2009 : 77%, 77%)

** 100% consolidation

	Company 2010 R	Company 2009 R
Adapt IT (Pty) Ltd (previously InfoWave (Pty) Ltd)		
Shares at cost	**15 967 052**	3 916 100
Indebtedness to subsidiary	**(17 235 322)**	(13 347 954)
	(1 268 270)	(9 431 854)

This inter-company loan is between Adapt IT (Pty) Ltd and Adapt IT Holdings Limited.
No interest is charged and there are no fixed terms of repayment.

	Company 2010 R	Company 2009 R
InfoWave Internet Solutions (Pty) Ltd*		
Shares at cost	**100**	100
Indebtedness to subsidiary	**(100)**	(295 269)
	-	(295 169)
Adapt-IT (Pty) Ltd*		
Shares at cost	-	7 625
	-	7 625
Microzone Investment Holdings (Pty) Ltd*		
Shares at cost	-	12 043 327
	-	12 043 327
ApplyIT (Pty) Ltd		
Shares at cost	**2 952**	2 952
Indebtedness to subsidiary	**637 739**	637 739
	640 691	640 691

This inter-company loan is between ApplyIT (Pty) Ltd and Adapt IT Holdings Limited.
No interest is charged and there are no fixed terms of repayment.

Notes to the Annual Financial Statements

for the 16 months ended 30 June 2010 and 12 months ended 28 February 2009 (continued)

	Company 2010 R	Company 2009 R
InfraSoft Technologies (Pty) Ltd*		
Shares at cost	**61 489**	804 409
Amounts written-off	**(61 489)**	(742 920)
	-	61 489
ITS Holdings (Pty) Ltd		
Shares at cost	**1 693 461**	-
Indebtedness to subsidiary**	**10 736 150**	-
	12 429 611	-

This inter-company loan is between ITS Holdings (Pty) Ltd and Adapt IT Holdings Limited, and relates to the ITS shareholder loan taken over by Adapt IT Holdings Limited as part of the business combination. This loan is unsecured and interest is charged at 10% per annum. The loan has no set terms of repayment.

	Company 2010 R	Company 2009 R
Adapt IT Holdings Limited Share Incentive Trust		
Indebtedness to Trust	**46 241**	46 241
	46 241	46 241

The indebtedness of the Trust comes about as a result of interest earned on issue of share options. This loan is unsecured and no interest is charged. The loan has no set terms of repayment.

	Company 2010 R	Company 2009 R
Total investment	**17 663 565**	16 031 593
Total loans owing to subsidiaries	**(5 815 292)**	(12 959 243)
Total interest	**11 848 273**	3 072 350

*De-registered during the current year
**Disclosed under current assets
The directors' valuation of the above investments exceed the carrying amounts reflected above, and hence no impairment is considered necessary. Refer to Note 24 for details of transactions between related parties

Business combinations
Acquisition of ITS Group
On 1 July 2009, the Group acquired 51% of the shares in ITS Group (ITS), an unlisted Pretoria-based Group of companies. The consolidated Financial Statements include the results of ITS for the twelve month period from acquisition date.

	1 July 2009 (Audited) R	Fair value recognised on acquisition R	Previous carrying value R
The fair value of the identifiable net assets and liabilities of ITS as at the date of acquisition were:			
Property and equipment	14 033 063	14 033 063	14 033 063
Deferred taxation	494 383	494 383	494 383
Loans to Group companies	5 000 000	5 000 000	5 000 000
Trade receivables	19 501 820	17 121 940	17 121 940
Cash	26 723 438	26 940 274	26 940 274
Total assets	65 752 704	63 589 660	63 589 660
Taxation	603 666	603 666	603 666
Shareholders' loans	28 052 036	28 052 036	28 052 036
Trade payables	31 469 828	29 306 784	29 306 784
Total liabilities	60 125 530	57 962 486	57 962 486
Net assets	5 627 174	5 627 174	
Purchase consideration		16 000 000	
Portion of consideration applicable to shareholders' loan acquired		14 306 539	
Portion of consideration applicable to net asset value		1 693 461	
51% of net assets above		2 869 859	
Excess of fair value of net assets over purchase price on business combination		**(1 176 398)**	
Cash inflow on acquisition:			
Net cash acquired with the subsidiary	26 723 438	26 940 274	
Cash paid	(16 000 000)	(16 000 000)	
Net cash inflow	10 723 438	**10 940 274**	

From the date of acquisition, ITS has contributed R3,8 million to the profit and R80 million to the revenue of the Group. The excess of fair value of net assets over the purchase price on business combination is included in other income in the statements of comprehensive income.

Notes to the Annual Financial Statements

for the 16 months ended 30 June 2010 and 12 months ended 28 February 2009 (continued)

	Group 2010 R	Group 2009 R	Company 2010 R	Company 2009 R
9. Investment in associate company				
Unlisted, at original cost	**30**	30	**-**	-
Share of accumulated profit since acquisition	**73 653**	137 278	**-**	-
Impairment	**(73 683)**	-	**-**	-
Total investment	**-**	137 308	**-**	-

The 33% share of Solar Spectrum Trading 286 (Pty) Ltd was liquidated on 30 June 2009.

	Group 2010 R	Group 2009 R	Company 2010 R	Company 2009 R
10. Goodwill				
Carrying value at beginning of year	**10 407 854**	10 407 854	**-**	-
Additions	**-**	-	**-**	-
Carrying value at end of year	**10 407 854**	10 407 854	**-**	-

Goodwill is attributable to the acquisition of ApplyIT (Pty) Limited in the 2007 financial year and Microzone Investment Holdings (Pty) Ltd in the 2008 financial year.
Goodwill is allocated to cash generating units as follows:

ApplyIT (Pty) Ltd - R58 709
Adapt IT (Pty) Ltd - R10 349 145

The Group tests goodwill annually for impairment. As at 30 June 2010, the carrying value of goodwill was considered not to require impairment.

The key assumptions used in the testing of goodwill are:
- Discount rate of 10% - 15% (weighted average cost of capital); and
- Projected cash flows for five years based on a 5% - 10% growth rate.

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. The pre-tax discount rate applied to cash flow projections is between 10% and 15% (2009 : 10% to 11%) and a growth rate of 5% to 10% (2009 : 5% to 10%).

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Notes to the Annual Financial Statements

for the 16 months ended 30 June 2010 and 12 months ended 28 February 2009 (continued)

	Group 2010 R	Group 2009 R	Company 2010 R	Company 2009 R
11. Deferred taxation				
The major components of the deferred taxation balance are as follows:				
Deferred taxation asset				
Temporary difference to be offset against future income:				
Leave pay and other provisions	**2 163 722**	445 147	**-**	-
Deferred revenue	**3 815 505**	-	**-**	-
Imputed interest	**109 170**	-	**-**	-
Other	**112 921**	213 730	**-**	-
Estimated tax losses	**326 787**	-	**-**	-
	6 528 105	658 877	**-**	-
Deferred taxation liability				
Pre-paid expenditure	**(353 070)**	-	**-**	-
Revenue in advance	**(303 203)**	-	**-**	-
Improvements to owner-occupied property	**(14 114)**	-	**-**	-
Revaluation of land and buildings	**(1 789 736)**	-	**-**	-
Other	**(9 483)**	-	**-**	-
	(2 469 606)	-	**-**	-
The movement in the deferred taxation balance for the period:				
Balance at beginning of the period	**658 877**	825 562	**-**	-
Change in tax rate	**-**	(28 468)	**-**	-
Acquisition of subsidiary	**494 383**	-	**-**	-
Other	**(20 128)**	-	**-**	-
Charge to the statements of comprehensive income	**2 925 367**	(138 217)	**-**	-
Balance at end of the period	**4 058 499**	658 877	**-**	-

Deferred taxation has not been raised on estimated tax losses of R2 736 753 (2009 : R5 720 417)

	Group 2010 R	Group 2009 R	Company 2010 R	Company 2009 R
12. Accounts receivable				
Trade receivables	**44 773 467**	14 993 153	**-**	604 524
Allowance for impairment of accounts receivable	**(724 357)**	(472 809)	**-**	-
	44 049 110	14 520 344	**-**	604 524
Other receivables	**468 070**	(1 036 806)	**-**	-
Prepaid expenses	**1 331 676**	551 615	**27 957**	-
	45 848 856	14 035 153	**27 957**	604 524

Trade receivables are non-interest-bearing and are generally on 30 - 90 day terms. Movements in the allowance for impairment of trade receivables can be seen in Note 25.1.

13. Share capital and reserves				
Authorised 200 000 000 ordinary shares of 0,01 cent each	**20 000**	20 000	**20 000**	20 000
Issued 97 458 466 (2009 : 97 458 466) ordinary shares of 0,01 cent each less 1 761 438 (2009 : 1 808 088) treasury shares	**9 570**	9 565	**9 745**	9 745

The remaining unissued shares are under the control of the directors subject to the provisions of sections 221 and 222 of the Companies Act and the Rules and Regulations of the JSE Securities Exchange South Africa.

Nature and purpose of reserves				
Foreign currency translation reserve	**(86 269)**	-	**-**	-

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries

Notes to the Annual Financial Statements

for the 16 months ended 30 June 2010 and 12 months ended 28 February 2009 (continued)

	Group 2010 R	Group 2009 R	Company 2010 R	Company 2009 R
14. Share premium				
At beginning of year	**7 186 247**	8 112 296	**8 112 296**	8 112 296
On shares alloted during the year	**10 075**	-	**-**	-
On shares re-purchased	**-**	(926 049)	**-**	-
Balance at end of year	**7 196 322**	7 186 247	**8 112 296**	8 112 296

15. Share-based payments

Equity-settled share option scheme

The Group has a share option scheme for all Adapt IT (Pty) Ltd employees. Options are exercisable at a 30% discount to the quoted market price of the company's shares on the date of acceptance. Share options are generally exercisable in tranches of one third per annum on the anniversary of the acceptance date. If the options remain unexercised after a period of 4 years from the date of acceptance, the options expire. Options are forfeited if the employee leaves the Group before the options vest. In May 2006 the Group issued options which are exercisable in a single tranche on the anniversary of the acceptance date. These options will expire if they remain unexercised for a period of 2 years from the date of acceptance. On 8 May 2007, option-holders were granted a once-off offer to cash-in their current options or part thereof. Options cashed were accordingly forfeited.

Details of the share options outstanding during the year are as follows:

	2010 Number of share options	2010 Weighted average exercise price cents	2009 Number of share options	2009 Weighted average exercise price cents
Outstanding at the beginning of the period	**749 519**		1 210 315	
Granted during the period	**-**		-	
Forfeited during the period	**(179 893)**		(125 723)	
Expired during the period	**-**		-	
Exchanged for cash during the period	**-**		-	
Exercised during the period	**(46 650)**	**38,0**	(335 073)	44,0
Outstanding at the end of the period	**522 976**		749 519	

15. Share-based payments (continued)

The weighted average share price at the date of exercise for share options exercised during the year was 47 cents (2009 : 58 cents). The options outstanding at the end of the year have a weighted average remaining contractual life of 11 months (2009 : 2 years). There were no new share options granted during the current year. The share-based payment reserve is measured at fair value (excluding the impact of any non-market vesting conditions) at the date of the grant, which is expensed over the vesting period. The fair value of each option granted is estimated at the date of the grant using the Black-scholes pricing model. The inputs into the model were as follows:

		2010	2009
Weighted average share price at date of grant	(cents)	**74**	72
Weighted average exercise price	(cents)	**52**	51
Expected volatility	(%)	**67**	70
Expected life	(years)	**3**	3
Risk-free rate	(%)	**8,8**	8,6
Expected dividend yield at date of grant	(%)	**19,3**	18,6

These assumptions will vary from year to year based on the number of forfeitures in any given year.

Expected volatility was determined by calculating the historical volatility of the company's share price over the previous 3 years. The Group recognised total expenses of R90 341 (2009 : R130 295) related to equity-settled share-based payment transactions during the period.

Notes to the Annual Financial Statements

for the 16 months ended 30 June 2010 and 12 months ended 28 February 2009 (continued)

	Group 2010 R	Group 2009 R	Company 2010 R	Company 2009 R
16. Interest-bearing borrowings				
Non-current borrowings				
IBM Global Finance	**2 447 576**	-	-	-
Current portion of borrowings	**1 793 103**	-	-	-
IBM Global Finance	**1 227 277**	-	-	-
Investec Private Bank Limited	**565 826**	-	-	-
Total borrowings	**4 240 679**	-	-	-

Name of entity	Interest Rate	Maturity
Investec Private Bank Limited	11%	1/1/2013
IBM Global Finance	14%	1/1/2014

Investec Private Bank Limited

The loan from Investec Private Bank Limited was taken out to fund the business's working capital.

The loan is secured by limited sureties of shareholders (directors), 66% of ITS Holdings (Pty) Ltd shares held by Adapt IT Holdings Limited, cession of book debts held by Adapt IT Holdings Limited and its subsidiaries and Adapt IT Holdings Limited's trading share portfolio.

IBM Global Finance

The loan from IBM Global Finance was taken out to fund certain capital expenditure. The loan is secured by the financed equipment with a net book value of R3 771 918. The agreement provides for 48 equal repayments of R111 580 payable in advance on the first of each month.

Ownership of the assets passes to Adapt IT (Pty) Ltd at the end of the term.

	Group 2010 R	Group 2009 R	Company 2010 R	Company 2009 R
17. Non-interest-bearing borrowings				
Minorities shareholders' loan				
EDITS Holdings (Proprietary) Limited				
Arising on acquisition	**13 745 498**	-	**-**	-
Repayments	**(3 430 462)**	-	**-**	-
	10 315 036	-	**-**	-

This loan is with the outside shareholders of ITS Holdings (Pty) Ltd. The loan is unsecured and bears interest at rates agreed upon from time to time. No agreement for repayment has been negotiated.

	Group 2010 R	Group 2009 R	Company 2010 R	Company 2009 R
18. Accounts payable				
Trade payables	**13 330 167**	2 280 814	**126 993**	348 477
Other payables	**6 534 045**	4 544 396	**(15 710)**	136 576
	19 864 212	6 825 210	**111 283**	485 053

Trade payables are non-interest-bearing and are normally settled on 30 day terms. Other payables are non-interest-bearing and are normally settled on 60 days.

Notes to the Annual Financial Statements

for the 16 months ended 30 June 2010 and 12 months ended 28 February 2009 (continued)

	Group 2010 R	Group 2009 R	Company 2010 R	Company 2009 R
19. Provisions				
Leave pay				
Opening balance	**1 596 754**	1 322 747	-	-
Provision raised during the period	**1 754 912**	274 007	-	-
Amount utilised during the period	-	-	-	-
Amount reversed during the period	**(760 887)**	-	-	-
Acquisition of subsidiary	**1 605 603**	-	-	-
Closing balance	**4 196 382**	1 596 754	-	-

The leave pay provision is calculated using the total cost of employment multiplied by the leave days outstanding at year end

	Group 2010 R	Group 2009 R	Company 2010 R	Company 2009 R
Bonus				
Opening balance	-	-	-	-
Provision raised during the period	-	-	-	-
Amount utilised during the period	-	-	-	-
Amount reversed during the period	-	-	-	-
Acquisition of subsidiary	**3 047 470**	-	-	-
Closing balance	**3 047 470**	-	-	-

The bonus provision is based on the results of the Group, and the related performance evaluation of the employees.

	Group 2010 R	Group 2009 R	Company 2010 R	Company 2009 R
20. Commitments				
Property operating lease commitments				
Due not later than one year	**4 524 491**	1 839 357	**-**	-
Due later than one year but not later than five years	**18 383 141**	142 065	**-**	-
	22 907 632	1 981 422	**-**	-
Capital commitments				
Authorised but not contracted for	**1 778 033**	4 614 198	**-**	-
Capital commitments will be funded from cash resources				

21. Contingent liabilities

There are no contingent liabilities.

Adapt IT Holdings Limited has provided a guarantee of R541 699 (2009 : R320 000) to one of its suppliers. This guarantee expires on 1 February 2015.

22. 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 articles of association of the company or its subsidiaries.

23. Pension fund and risk benefit information

Adapt IT (Pty) Ltd (previously InfoWave (Pty) Ltd) established the InfoWave Pension Fund on 1 July 1996. The Fund is a defined contribution plan in terms of the Pension Funds Act, 1956, and all of the permanent salaried employees are members. The average age of the members as at 30 June 2010 was 35 (2009 : 36).

The assets of the scheme are held separately from those of the Group in funds under the control of the Trustees. The latest audited Financial Statements of the Fund reflect a satisfactory state of affairs.

ApplyIT (Pty) Ltd contributes towards a Provident Fund which is subject to the Pension Funds Act. These funds are defined contribution plans and employees have the option of becoming members of these funds.

Notes to the Annual Financial Statements

for the 16 months ended 30 June 2010 and 12 months ended 28 February 2009 (continued)

	Group 2010 R	Group 2009 R	Company 2010 R	Company 2009 R
24. Related party transactions				
During the year the Group, in the ordinary course of business, entered into various related party sales, purchases and investment transactions.				
Intra-group transactions are eliminated on consolidation.				
The following transactions were entered into between related parties within the Group:				
Loan from ITS Tertiary Software (Pty) Ltd to Adapt IT (Pty) Ltd	1 430 000	-	-	-
Interest paid by Adapt IT (Pty) Ltd to ITS Holdings (Pty) Ltd	374 120	-	-	-
The loan is repayable within 5 years (no fixed payment amount) and bears interest at the prime rate as determined from time to time by Standard Bank. Interest is payable monthly and the loan is secured by cession of shares in ITS Holdings (Pty) Ltd to the Group.				
Adapt IT (Pty) Ltd is a related party of ITS Holdings (Pty) Ltd as they are both subsidiaries of Adapt IT Holdings Limited.				
Loan from Adapt IT (Pty) Ltd to:				
Adapt-IT (Pty) Ltd	2 143 321			
Isizinda Consulting (Pty) Ltd	957 994			
MicroZone Investment Holdings (Pty) Ltd	65 829			
During the year the net assets of the above entities were sold to Adapt IT (Pty) Ltd. These transactions were accounted for using the pooling of interests method.				
Loan from ApplyIT (Pty) Ltd	894 129			
The loan has no set terms of repayment and bears interest at the prime rate as determined from time to time.				

	Group 2010 R	Group 2009 R	Company 2010 R	Company 2009 R
Administration fees and other income				
Between the company and its subsidiaries	-	-	**25 412**	706 053
Transacted between subsidiaries within the Group	**644 802**	789 591	-	-
Interest received				
Transacted between subsidiaries within the Group	**374 120**	-	-	-
Dividends received				
Between the company and its subsidiaries	-	-	**1 320 328**	4 200 000

Refer to Note 8 for outstanding balances of intra-group loans.

Key management - refer to Note 3 on directors' emoluments

	Group 2010 R	Group 2009 R	Company 2010 R	Company 2009 R
25. Financial risk management				

Financial instruments consist of cash deposits with banks borrowings and accounts receivable and payable.

Categories of financial instruments

	Group 2010 R	Group 2009 R	Company 2010 R	Company 2009 R
Financial assets				
Accounts receivable	**45 848 856**	14 035 153	**27 957**	604 524
Cash and cash equivalents	**39 126 699**	14 556 076	**68 742**	7 778 742
Loans and receivables at amortised cost	**84 975 555**	28 591 229	**96 699**	8 383 266
Financial liabilities				
At amortised cost	**34 419 927**	6 825 210	**16 663 575**	13 444 295
	34 419 927	6 825 210	**16 663 575**	13 444 295

Notes to the Annual Financial Statements

for the 16 months ended 30 June 2010 and 12 months ended 28 February 2009 (continued)

In the normal course of its operations, the Group is exposed to credit, liquidity and market risk, which consists of interest rate risk and foreign currency risk. The carrying values of the financial assets and financial liabilities are considered by management to approximate their fair values. All financial assets are carried at amortised cost and hence no fair value disclosures are necessary, in terms of the fair value hierarchy requirements of IFRS 7 Financial Instruments: Disclosures.

25.1 Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract leading to a financial loss. 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 debtors comprise mainly a blue chip customer-base and are spread among a number of different customers and geographic areas.

The Group does not hold collateral as security.

	Group 2010 R	Group 2009 R	Company 2010 R	Company 2009 R
Past due trade receivables not impaired				
Less than 1 month	**-**	-	**-**	-
Between 1 and 2 months	**6 338 385**	1 036 960	**-**	67 032
Between 2 and 3 months	**4 249 844**	866 304	**-**	-
Greater than 3 months	**7 753 480**	2 394 557	**-**	-
Total past due	**18 341 709**	4 297 821	**-**	67 032
Allowance for impairment of accounts receivable Set out below is a summary of the movement in the allowance for impairment of receivables for the period:				
Balance at beginning of period	**472 809**	11 409	**-**	-
Amounts written-off during the period	**(178 960)**	-	**-**	-
Amounts provided for during the period	**-**	461 400	**-**	-
Acquisition of subsidiary	**430 508**	-	**-**	-
Balance at end of period	**724 357**	472 809	**-**	-

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset as presented in the statements of financial position. The company deposits cash surpluses with major banks of high-quality credit standing.

25.2 Liquidity risk

Liquidity risk is defined as the risk that the company would 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. The following table summarises the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments:

	Within 1 Year	1-5 Years	No Repayment Terms	Total
	R	R	R	R
Group				
2010				
Interest-bearing borrowings	**1 793 103**	**2 447 576**	**-**	**4 240 679**
Accounts payable	**19 864 212**	**-**	**-**	**19 864 212**
Minorities shareholders loans	**-**	**-**	**10 315 036**	**10 315 036**
Total	**21 657 315**	**2 447 576**	**10 315 036**	**34 419 927**
2009				
Accounts payable	6 825 210	-	-	6 825 210
Total	6 825 210	-	-	6 825 210

Notes to the Annual Financial Statements

for the 16 months ended 30 June 2010 and 12 months ended 28 February 2009 (continued)

	Within 1 Year R	1-5 Years R	No Repayment Terms R	Total R
25.2 Liquidity risk (continued)				
Company				
2010				
Accounts payable	**111 283**	**-**	**-**	**111 283**
Loans from subsidiaries	**-**	**-**	**16 552 292**	**16 552 292**
Total	**111 283**	**-**	**16 552 292**	**16 663 575**
2009				
Accounts payable	485 053	-	-	485 053
Loans from subsidiaries	-	-	12 959 243	12 959 243
Total	485 053	-	12 959 243	13 444 296

25.3 Market risk

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.

Foreign currency risk
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).

Almost all transactions are Rand-based with a minimal exposure to US Dollars and Australian Dollars resulting in a foreign exchange (loss)/gain of (R663 081) (2009 : R1 345 253) for the period ended 30 June 2010.

	Foreign Amount	Group 2010 R	Group 2009 R	Company 2010 R	Company 2009 R
25.3 Market risk (contined)					
Adapt IT Group has the following uncovered receivables:					
Australian Dollars	6 571	**42 432**	-	**-**	-
US Dollars	66 635	**508 969**	260 874	**-**	-
NZ Dollars	660	**3 363**	-	**-**	-
BW Pula	3 050	**3 106**	-	**-**	-
Euro	2 290	**20 479**	-	**-**	-
British Pounds	1 094	**12 074**	-	**-**	-
Singapore Dollars	391	**2 046**	-	**-**	-
Norwegian Kroner	2 450	**2 765**	-	**-**	-
Canadian Dollars	220	**1 537**	-	**-**	-
Other	-	**23 129**	-	**-**	-
Total		**619 900**	260 874	**-**	-

The impact of a 10% strengthening or weakening of the Rand on the uncovered foreign receivables and payables will have a R61 990 (2009 : R26 087) impact on net profit.

Interest rate risk

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. The Group receives interest from the cash balances that are invested with its bankers. The impact of a 100 basis point increase or decrease in the prime interest rate on the cash and cash equivalents will have a R349 141 (2009 : R111 674) impact on profit.

26. 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 includes within net debt, interest-bearing loans and borrowings, trade and other payables, less cash and cash equivalents.

Notes to the Annual Financial Statements

for the 16 months ended 30 June 2010 and 12 months ended 28 February 2009 (continued)

27. Events after the reporting date

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

28. Segment analysis

For management purposes, the Group is organised into the following segments:

- Adapt IT - implementation and maintenance of ERP and niche software, systems integration and information management solutions;
- ApplyIT - design, development and implementation of safety, health, environment, quality and plant operations management software solutions;
- ITS - design, development and implementation of higher education and further education and generic software solutions; and
- Other - includes Group head office activities.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Monthly management meetings are held to evaluate segment performance against budget and forecast. The following tables present revenue and profit information regarding the Group's operating segments for the periods ended 30 June 2010 and 28 February 2009 respectively:

Sixteen months ended 30 June 2010	Adapt IT R	ITS R	ApplyIT R	Other R	Adjustments and eliminations R	Total R
Revenue*						
Third party	106 337 670	84 685 603	14 028 162	3 400 366	-	208 451 801
Intersegment	644 801	374 120	293 060	2 507 602	(3 819 583)	-
Total revenue	**106 982 471**	**85 059 723**	**14 321 222**	**5 907 968**	**(3 819 583)**	**208 451 801**
Segment profit/(loss) before tax	**12 159 818**	**10 337 144**	**102 079**	**2 148 300**	**(1 202 521)**	**23 544 820**
Twelve months ended 28 February 2009						
Revenue*						
Third party	61 758 263	-	13 357 537	2 381 880	-	77 497 680
Intersegment	789 591	-	-	706 053	(1 495 644)	-
Total revenue	62 547 854	-	13 357 537	3 087 933	(1 495 644)	77 497 680
Segment profit before tax	7 979 261	-	3 808 928	2 039 734	-	13 827 923

***Revenue includes sales and services rendered to customers, interest income and dividends received.**
The following table presents segment assets of the Group's operating segments as at 30 June 2010 and 28 February 2009:

Segment assets						
- 30 June 2010	**50 635 585**	**108 669 621**	**4 493 498**	**29 180 345**	**(68 238 367)**	**124 740 682**
- 28 February 2009	33 610 463	-	6 903 751	25 098 838	(23 495 946)	42 117 106

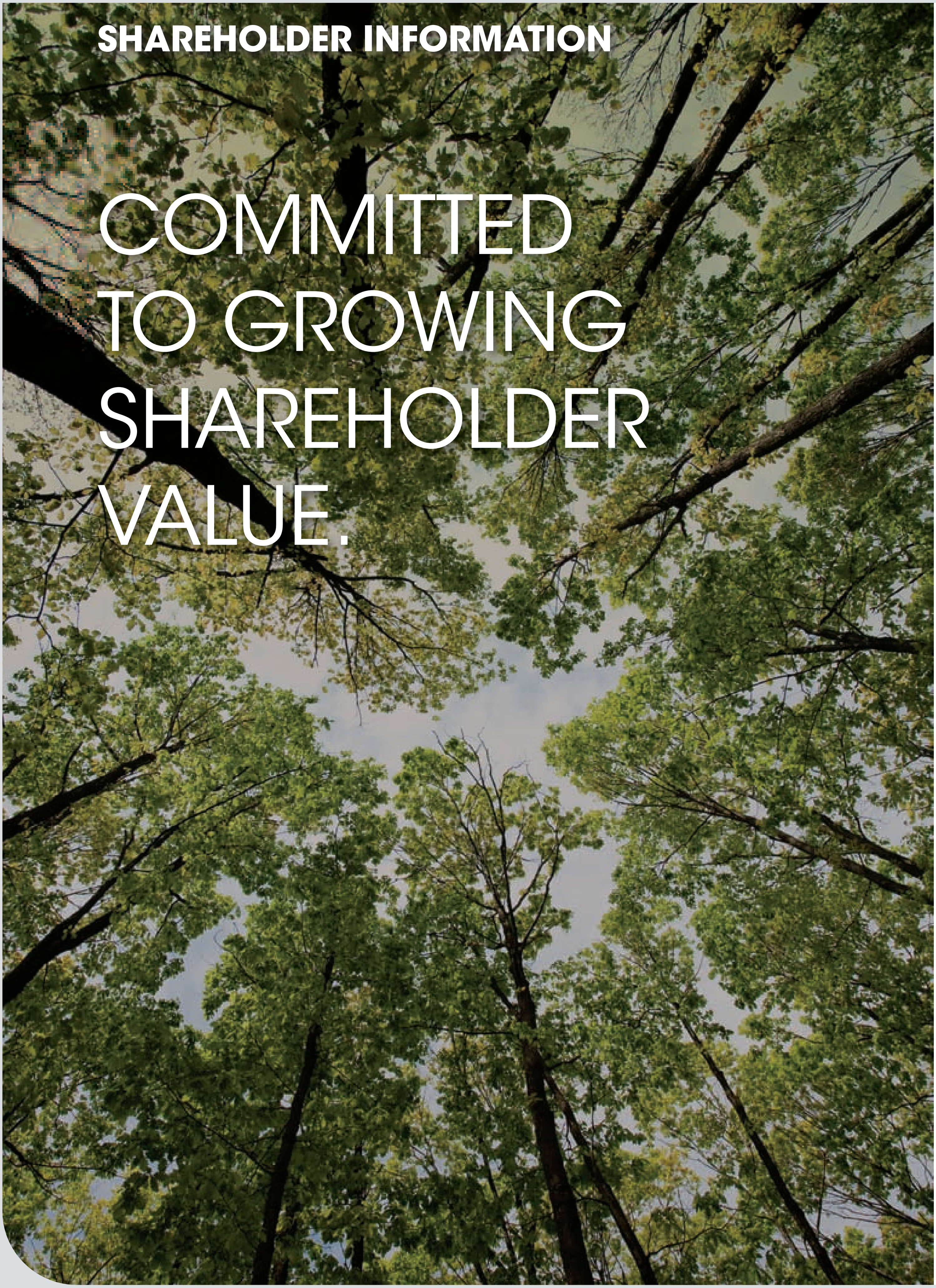
Geographic information **Revenues from external customers**	Adapt IT R	ITS R	ApplyIT R	Other R	Adjustments and eliminations R	Total R
South Africa	69 639 906	62 444 460	12 635 794	5 907 968	(3 819 583)	146 808 545
Other African countries	37 342 565	11 039 056	-	-	-	48 381 621
Europe	-	4 688 886	-	-	-	4 688 886
Australasia	-	6 887 321	1 685 428	-	-	8 572 749
Total revenue per consolidated statements of comprehensive income	106 982 471	85 059 723	14 321 222	5 907 968	(3 819 583)	208 451 801

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

Non-current assets	Adapt IT R	ITS R	ApplyIT R	Other R	Adjustments and eliminations R	Total R
South Africa	9 616 767	44 833 196	580 712	29 037 354	(44 399 286)	39 668 743
Other African countries	-	-	-		-	-
Europe	-	33 459	-		-	33 459
Australasia	-	62 925	-		-	62 925
Total	9 616 767	44 929 580	580 712	29 037 354	(44 399 286)	39 765 127

Non-current assets for this purpose consist of property and equipment and intangible assets.

COMMITTED TO GROWING SHAREHOLDER VALUE.



Share Option Scheme

1. Share register

The aggregate number of shares available through the scheme in accordance with rules of the Scheme are 17 675 988 shares.

	Shares
Number of shares available to the Trust for reservation	17 675 988
Number of options granted but unexercised at 30 June 2010	(522 976)
Number of options exercised at 30 June 2010	(7 989 152)
Balance of shares available to the Trust for reservation in the future at date of approval of the Annual Financial Statements	9 163 860

2. Movement in share options for the year

Option price cents	Expiring 4 years from grant date	Net Number of options at 28 February 2009	Options granted during the year	Options exercised during the year	Options forfeited 2010	Net Number of Options at 30 June 2010
25,2	May 2005	0	0	0	**0**	**0**
39,2	October 2005	0	0	0	**0**	**0**
45,1	May 2006	40 649	0	0	**40 649**	**0**
46,2	May 2006	0	0	0	**0**	**0**
38,4	October 2006	46 650	0	46 650	**0**	**0**
51,8	May 2007	662 220	0	0	**139 244**	**522 976**
		749 519	0	46 650	**179 893**	**522 976**

3. Interest of directors of the company in share options

At 30 June 2010 there were no share options outstanding to directors.

Shares and Shareholders

		2010	2009
Performance on the JSE Limited			
Total number of shares traded	('000)	**7 931**	11 139
Total number of shares traded as a percentage of total issue shares (liquidity)	(%)	**8,1**	11,0
Total value of shares traded	(R'000)	**3 552**	5 670
Prices			
Closing	(cents)	**49**	47
High	(cents)	**58**	71
Low	(cents)	**31**	10
Spread (number of shareholders)			
With less than 10 000 shares		**191**	219
10 001 to 100 000 shares		**225**	208
100 001 to 200 000 shares		**25**	17
Over 200 000 shares		**53**	50
		494	494

	Number	Shares	%
Shareholder distribution			
Public	451	51 114 119	51
Non-public	38	22 581 213	23
Subsidiaries	1	1 761 438	2
Directors	3	21 599 696	22
Associates of directors	1	402 000	1

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 2010.

	%	Shares
Sbu Shabalala	17	16 531 057
Jan Hendrik Hofmeyr	8	8 173 433
The Collis Clan Trust	6	5 735 628

Directors' direct and indirect beneficial interest in the company

As at 30 June 2010, the directors of the company held in aggregate direct and indirect beneficial interest of 21 599 696 (2009 : 33 390 350) of the ordinary shares of the company as set out below:

	2010				2009			
	Direct	Indirect	Total	%	Direct	Indirect	Total	%
Executive Directors								
Sbu Shabalala	**16 531 057**	**-**	**16 531 057**	**17**	17 031 057	-	17 031 057	17
T Dunsdon	**4 358 974**	**-**	**4 358 974**	**4**	4 358 974	-	4 358 974	4
BR Carrilho*	**-**	**-**	**-**	**0**	419 329	-	419 329	-
MCB Lionnet**	**-**	**-**	**-**	**0**	689 756	-	689 756	1
CL von Pannier**	**-**	**-**	**-**	**0**	823 296	3 979 010	4 802 306	5
Siboniso Shabalala	**709 665**	**-**	**709 665**	**1**	-	-	-	-
Non-Executive Directors								
RP Collis***	**-**	**-**	**-**	**0**	-	5 735 628	5 735 628	6
P Aposporis****	**-**	**-**	**-**	**0**	353 300	-	353 300	-
Total	**21 599 696**	**-**	**21 599 696**	**22**	23 675 712	9 714 638	33 390 350	33

* Resigned as a director on 1 March 2009
** Resigned as a director on 3 June 2009
*** Resigned as a director on 30 September 2009
**** Resigned as a director on 28 May 2008

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

Shareholders' Diary

Annual General Meeting	Friday, 22 October 2010

Ordinary dividend number 8

Last date to trade "cum" dividend	Friday, 15 October 2010
Shares commence trading "ex" dividend	Monday, 18 October 2010
Record date	Friday, 22 October 2010
Payment date	Monday, 25 October 2010

Report

Interim report to 31 December 2010 to be published	Friday, 18 February 2011
Financial period end	30 June 2011
2011 annual report to be published	Wednesday, 21 September 2011

Note

The above are anticipated dates published as a guide for the benefit of shareholders. The company cannot accept any responsibility should it become necessary to alter the dates mentioned above.

Notice of Annual General Meeting

ADAPT IT HOLDINGS LIMITED
Registration number: 1998/017276/06
Share code: ADI
ISIN: ZAE000113163
('Adapt IT' or 'the company')

If you are in any doubt as to what action you should take in respect of the following resolutions, please contact your Central Securities Depository Participant ("CSDP"), broker, banker, attorney, accountant or other professional advisor immediately.

Notice is hereby given that the 11th Annual General Meeting of shareholders of the company will be held at Adapt IT, 4/5 Rydall Vale Office Park, Rydall Vale Crescent, La Lucia, on Friday, 22 October 2010 at 09h00 to consider and, if deemed fit, to pass, with or without modification, the following resolutions:

1. **Ordinary resolution number 1**
   "Resolved to receive, consider and adopt the Annual Financial Statements of the company for the 16 months ended 30 June 2010 including, the Directors' Report and the Report of the Auditors."

2. **Ordinary resolution number 2**
   "Resolved to re-elect Dr AB Ravnö as a director of the company." Dr Ravnö retires as a director of the company by rotation in accordance with the company's articles of association and is eligible and has offered himself for re-election.

3. **Ordinary resolution number 3**
   "Resolved to re-elect Ms B Ntuli as a director of the company." Ms Ntuli retires as a director of the company by rotation in accordance with the company's articles of association and is eligible and has offered herself for re-election.

4. **Ordinary resolution number 4**
   "Resolved to re-elect Mr PCM September as a Non-Executive Director of the company." Mr September retires as a director of the company at the next general meeting of shareholders after his appointment by the Board in accordance with the company's articles of association and is eligible and has offered himself for re-election by shareholders.

5. **Ordinary resolution number 5**
   "Resolved to re-elect Mr M Nhlapo as a director of the company." Mr Nhlapo retires as a director of the company at the next general meeting of shareholders after his appointment by the Board in accordance with the company's articles of association and is eligible and has offered himself for re-election by shareholders.

   An abbreviated Curriculum Vitae in respect of each director offering himself/herself for re-election appears on page 11 to page 13 of the Annual Report to which this notice is attached.

6. **Ordinary resolution number 6**
   "Resolved to ratify the appointment of Ms B Ntuli as a member of the Audit Committee." In terms of the King III Report on Corporate Governance, Ms Ntuli's appointment to the Audit Committee is required to be ratified by the shareholders.

7. **Ordinary resolution number 7**
   "Resolved to ratify the appointment of Mr PCM September as a member of the Audit Committee." In terms of the King III Report on Corporate Governance, Mr September's appointment to the Audit Committee is required to be ratified by the shareholders.

8. **Ordinary resolution number 8**
   "Resolved to ratify the appointment of Mr M Nhlapo as a member of the Audit Committee." In terms of the King III Report on Corporate Governance, Mr Nhlapo's appointment to the Audit Committee is required to be ratified by the shareholders.

9. **Ordinary resolution number 9**
   In terms of the Board Charter, the retirement age for an Executive Director is 63 and a Non-Executive Director is 70, unless otherwise agreed by shareholders in general meeting. Dr Bernard Ravnö was appointed to the Board in 2003 and as Chairman in October 2009. It is proposed that he remain in office as Chairman for a maximum period of one year from the date of this Annual General Meeting to facilitate continuity on the Board and the formal succession planning for the role of Chairman. "Resolved to approve that Dr Ravnö may remain in office after he reaches 70 years of age until the next Annual General Meeting."

10. **Ordinary resolution number 10**
    "Resolved to authorise the directors to determine the remuneration of auditors."

Notice of Annual General Meeting (continued)

11. Ordinary resolution number 11
"Resolved to re-appoint Ernst & Young Inc. as independent auditors of the company, with Mr Ian Catt being the individual registered auditor, for the next financial period."

12. Ordinary resolution number 12
"Resolved to approve the Non-Executive Directors' remuneration for the past year."

13. Ordinary resolution number 13
"Resolved by way of a general authority that the authorised but unissued ordinary shares in the capital of Adapt IT Holdings Limited ("the company") be and are hereby placed under the control and authority of the directors of the company ("directors") and that the directors be and are hereby authorised and empowered to allot and issue all or any of such ordinary shares, or to issue any options in respect of all or any of such ordinary shares, to such person/s on such terms and conditions and at such times as the directors may from time to time and in their discretion deem fit, subject to the provisions of sections 221 and 222 of the Companies Act, 1973 (Act 61 of 1973), as amended, the articles of association of the company and the Listings Requirements of JSE Limited from time to time."

14. Ordinary resolution number 14
"Resolved that the directors of Adapt IT Holdings Limited ("the company") and/or any of its subsidiaries from time to time be and are hereby authorised, by way of a general authority, to -

- allot and issue, or to issue any options in respect of, all or any of the authorised but unissued ordinary shares in the capital of the company; and/or
- sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the company purchased by subsidiaries of the company,

for cash, to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the Companies Act, 1973 (Act 61 of 1973), as amended, the articles of association of the company and its subsidiaries and the Listings Requirements of the JSE Limited ("the JSE Listings Requirements") from time to time.

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 number of ordinary shares which may be issued shall be based, *inter alia*, on the number of ordinary shares in issue, added to those that may be issued in future (arising from the conversion of options/convertibles) at the date of such application, less any ordinary shares issued, or to be issued in future arising from options/convertible ordinary shares issued during the current financial year; plus any ordinary shares to be issued pursuant to a rights issue which has been announced, is irrevocable and is fully underwritten, or an acquisition which has had final terms announced;
- 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 impact on net asset value per share, net tangible asset value per share, earnings per share and headline earnings per share and, if applicable, diluted earnings and headline earnings per share, will be published when the company has issued ordinary shares representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of ordinary shares 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;
- whenever the company wishes to use ordinary shares, held as treasury stock 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; and
- a 75% (seventy five percent) majority is required of votes cast by the shareholders present or represented by proxy at the Annual General Meeting to approve the resolution."

15. Ordinary resolution number 15
Signature of documents

"Resolved that each director of Adapt IT Holdings Limited 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 Registration Office, in the case of special resolutions."

16. Special resolution number 1

"Resolved, by way of a general approval that Adapt IT Holdings Limited ("the company") and/or any of its subsidiaries from time to time be and are hereby authorised to acquire ordinary shares in the company in terms of sections 85 to 89 of the Companies Act, 1973 (Act 61 of 1973), as amended, the articles of association of the company and its subsidiaries and the Listings Requirements of JSE Limited ("the JSE") from time to time.

The JSE Listings Requirements currently provide, *inter alia*, that:
- the acquisition of the ordinary shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter party;
- 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;
- 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 or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- 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; and
- at any point in time, the company may only appoint one agent to effect any acquisition/s on its behalf."

16.1 Reason for and effect of special resolution number 1

The reason for and effect of this special resolution number 1 is to obtain an authority for, and to authorise, the company and the company's subsidiaries, by way of a general authority, to acquire the company's issued ordinary shares.

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.

16.2 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 annual report of which this notice forms part:
- directors and management - page 11 to 13;
- major shareholders of Adapt IT Holdings Limited – page 96;
- directors' interests in securities – page 97; and
- share capital of the company – page 79.

Notice of Annual General Meeting (continued)

16.3 Material change
There have been no material changes in the affairs or financial position of Adapt IT Holdings and its subsidiaries since Adapt IT's financial year end and the date of this notice.

16.4 Directors' responsibility statement
The directors, whose names are given on pages 11 to 13 of the 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 1 and certify that to the best of their knowledge and belief there are no facts in relation to special resolution number 1 that have been omitted which would make any statement in relation to special resolution number 1 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 1 together with this notice contains all information required by law and the JSE Listings Requirements in relation to special resolution number 1.

16.5 Adequacy of working capital
At the time that the contemplated repurchase is to take place, the directors will ensure that, after considering the effect of the maximum repurchase and for a period of twelve 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.

The company may not enter the market to proceed with the repurchase until its Designated Adviser, Merchantec (Proprietary) Limited, has discharged of all of its responsibilities in terms of the JSE Listings Requirements insofar as they apply to working capital statements for the purposes of undertaking an acquisition of its issued ordinary shares.

Voting and Proxies
All shareholders are entitled to attend and vote at the Annual General Meeting. Shareholders who hold their shares in certificated form or who are own-name registered dematerialised shareholders who are unable to attend the general meeting, but who wish to be represented thereat, are required to complete and return the attached Form of Proxy so as to be received by the Transfer Secretary, Computershare Investor Services (Proprietary) Ltd at least 48 hours, excluding Saturdays, Sundays and Public Holidays, before the meeting. Shareholders who have dematerialised their shares through a Central Securities Depository Participant (CSDP) or broker, other than by own-name registration, who wish to attend the general meeting should instruct their CSDP or broker to issue them with the necessary authority to attend the meeting, in terms of the custody agreement entered into between such shareholders and their CSDP or broker. Shareholders who have dematerialised their shares through a CSDP or broker, other than by own-name registration, who wish to vote by way of proxy, should provide their CSDP or broker with their voting instructions, in terms of the custody agreement entered into between such shareholders and their CSDP or broker. These instructions must be provided to their CSDP or broker by the cut-off time or date advised by their CSDP or broker for instructions of this nature.

By order of the Board

Lester Moodley
Company Secretary
10 September 2010

Registered office
4/5 Rydall Vale Office Park
Rydall Vale Crescent
La Lucia Ridge, KwaZulu-Natal
South Africa

Postal address
PO Box 5207
Rydall Vale Park
La Lucia Ridge Office Estate
4019

Transfer secretaries
Computershare Investor Services (Pty) Ltd
PO Box 61051
Marshalltown
2107

Form of Proxy

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 11th Annual General Meeting of ordinary shareholders of the company to be held at Adapt IT, 4/5 Rydall Vale Office Park, Rydall Vale Crescent, La Lucia Ridge, KwaZulu-Natal, at 09h00 on Friday, 22 October 2010 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.**

I/We (BLOCK LETTERS please) ____________________

of (address) ____________________

Telephone work (   ) ____________________ Telephone home (   ) ____________________

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 the 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		
		For	Against	Abstain
1	To receive, consider and adopt the Annual Financial Statements of the company and Group for the financial period ended 30 June 2010			
2	To approve the re-election as director of Dr AB Ravnö who retires by rotation			
3	To approve the re-election as director of Ms B Ntuli who retires by rotation			
4	To approve the re-election as director of Mr PCM September who retires by rotation			
5	To approve the re-election as director of Mr M Nhlapo who retires by rotation			
6	To ratify the appointment of Ms B Ntuli to the Audit Committee			
7	To ratify the appointment of Mr PCM September to the Audit Committee			
8	To ratify the appointment of Mr M Nhlapo to the Audit Committee			
9	Resolved to approve that Dr AB Ravnö may remain in office after he reaches 70 years of age until the next AGM			
10	To authorise directors to determine the auditors' remuneration			
11	To re-appoint Ernst & Young Inc. as external auditors for the company, together with Mr Ian Catt for the next financial year			
12	To approve the Non-Executive Directors remuneration for the financial period ended 30 June 2010			
13	Control of authorised but unissued ordinary shares			
14	Approval to issue ordinary shares, and to sell treasury shares, for cash			
15	Signature of documents			
16	Special resolution number 1 General approval to acquire shares			

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/her stead. A proxy so appointed need not be a member of the company.

Signed at ____________________ on ____________________ 2010

Signature ____________________

Assisted by (if applicable) ____________________

adapt IT GROUP

www.adaptit.co.za

Notes to the Form of Proxy

1. The Form of Proxy must only be completed by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".

2. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the Annual General Meeting must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

3. A shareholder entitled to attend and vote at the Annual General Meeting may insert the name of a proxy or the names of two alternate proxies of the shareholder's choice in the space provided, with or without deleting "the Chairperson of the meeting". The person whose name stands first on this Form of Proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those proxy(ies) whose names follow.

4. 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 Annual General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholders 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.

5. A vote given in terms of an instrument of proxy shall be valid in relation to the Annual General Meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary 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 forty eight hours before the commencement of the Annual General Meeting.

6. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the Annual General Meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.

7. The Chairperson of the Annual General Meeting may reject or accept any Form of Proxy which is completed and/or received other than in compliance with these notes.

8. A shareholder's authorisation to the proxy including the Chairperson of the Annual General Meeting, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the Annual General Meeting.

9. The completion and lodging of this Form of Proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

10. 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 waived by the Chairperson of the Annual General Meeting.

11. 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.

12. Where there are joint holders of ordinary shares:
    - any one holder may sign the Form of Proxy;
    - the vote(s) of the senior ordinary shareholders (for that purpose seniority will be determined by the order in which the names of ordinary 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).

13. **Forms of Proxy should be lodged with or mailed to Computershare Investor Services (Proprietary) Limited:**

Hand deliveries to:
Computershare Investor Services
(Proprietary) Limited
Ground Floor, 70 Marshall Street
Johannesburg, 2001

Postal deliveries to:
Computershare Investor Services
(Proprietary) Limited
PO Box 61051
Marshalltown, 2107

to be received by no later than 09h00 on Wednesday, 20 October 2010 (or 48 hours before any adjournment of the Annual General Meeting which date, if necessary, will be notified on SENS).

14. 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.

Corporate Information and Contact Details

Adapt IT Holdings Limited (Incorporated in the Republic of South Africa)
Registration No. 1998/017276/06
Share code: ADI
ISIN: ZAE000113163

Company Secretary
RL Moodley

Postal Address
PO Box 5207
Rydall Vale Park
La Lucia Ridge Office Estate
Durban
4019

Business Address and Registered Office
4/5 Rydall Vale Office Park
Rydall Vale Crescent
La Lucia Ridge, KwaZulu-Natal
South Africa
Telephone: +27 (0) 31 514 7300
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Transfer Secretary
Computershare Investor Services (Pty) Ltd
PO Box 61051, Marshalltown, 2107
Telephone: +27 (0) 11 370 5000
Facsimile: +27 (0) 11 688 5200

Auditors
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Corporate Sponsor
Merchantec Capital
2nd Floor, North Block
Hyde Park Office Tower
Johannesburg
2024

Corporate Bankers
Standard Bank of South Africa Limited
ABSA Bank

Legal Representations
Shepstone and Wylie
Woodhead Bigby
Read Hope Phillips Thomas, Cadman Incorporated.

Adapt IT Website:
www.adaptit.co.za

4/5 Rydall Vale Office Park, Rydall Vale Crescent, La Lucia Ridge, KwaZulu-Natal, South Africa
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