adapt IT GROUP

delivering solutions
for your environment

INTEGRATED
ANNUAL REPORT
2011

vision, mission and values

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
Good corporate citizenship	King III, transformation, the environment and sustainability

contents

group profile

The Adapt IT Group has been ranked Number One Most Empowered ICT company listed on the JSE

Adapt IT Group is a flourishing, exciting listed company currently made up of three wholly-owned subsidiaries following the implementation of the group's strategy to grow through acquisition. In a highly competitive market such as Information Technology, it is imperative that a company has clear differentiators, and Adapt IT has these in abundance. The group is passionate about transformation, and has a steadily improving track record which resulted in being named Number One Most Empowered ICT company listed on the JSE (Financial Mail TEC, April 2011). The group specialises in software development using the latest global technologies and as such has a significant local skills base numbering over 250 consultants in Oracle, Microsoft and Open Source technologies.

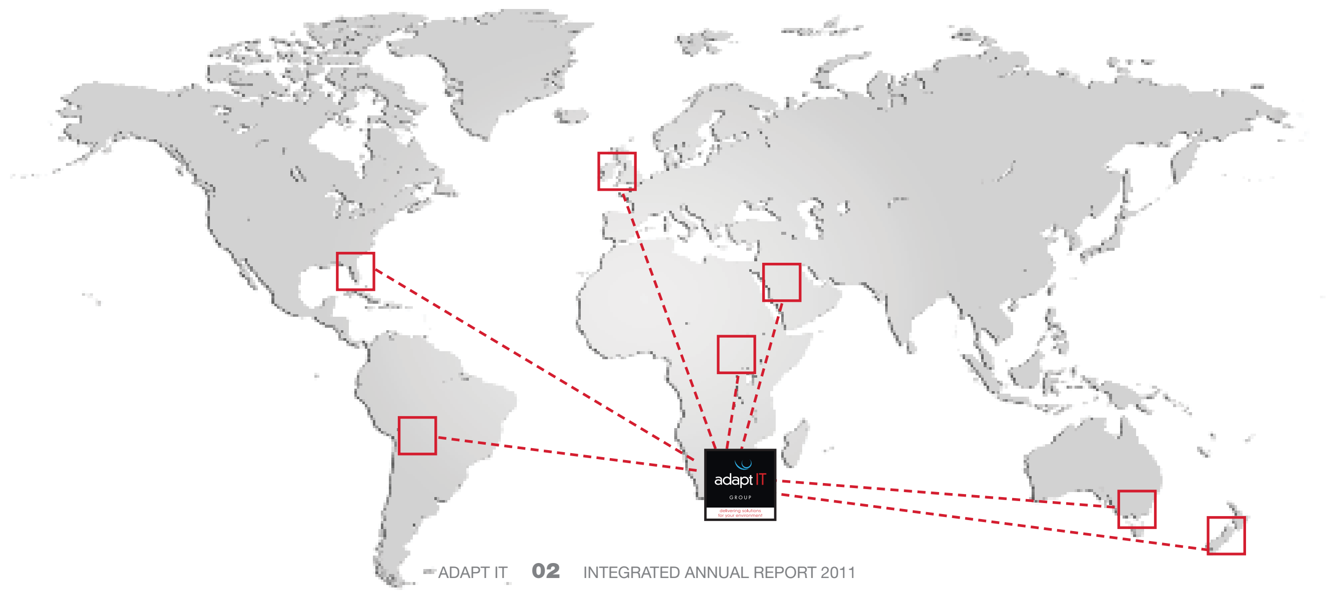
With customers being a key focus, the group has long-standing corporate relationships with customers that in some cases span more than 25 years. This bears testimony to the culture of customer retention and customer service within the organisation.

The group has developed and nurtured a specialised knowledge and expertise in a number of environments utilising the combined intellectual capital of the group brand stable, and striving to fully understand customers' environments. This ensures that our customers benefit exponentially from the group's wide range of innovative software solutions and services.

From a market perspective, the group targets a diverse range of business environments including manufacturing, sugar production, mining, energy, higher education and financial services. The higher education sector makes up approximately 50% of the group's solutions and services, with manufacturing comprising approximately 36%, mining 6% and other sectors, the balance.

The group enjoys a geographically dispersed market with customers in 18 countries around the world, primarily in South Africa, East and West Africa, the United States of America, United Kingdom and Australasia. Given this spread of clients, the group successfully mitigates risk in any one industry or country, and is able to leverage its expertise, domain

Countries using Adapt IT Group solutions and services



Adapt IT… delivering IT solutions for your environment

knowledge, and experience in foreign implementations and services to facilitate organic growth.

A summary of product and service offerings by subsidiary can be found on page 4. The group's key brands include companies Adapt IT Solutions, ITS and ApplyIT, each of which offers niche software products complemented by a broad range of professional services, managed services, enterprise infrastructure, hosting, integration and support services.

In the higher 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, the group is also a specialist vendor and owner of the O! product suite of automated timetabling software, and an accredited training provider of workplace skills programmes.

The group's manufacturing domain knowledge and solutions have grown from roots in the South African sugar industry, where it has significant Oracle™ competencies, through the development of an industry-specific financial ERP product, known as Tranquillity Sugar ERP, marketed globally to this specialised environment. The group's niche software product, CaneLab LIMS, 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.

OpSuite which is built on Microsoft™ technology, has emerged as a leading operations performance optimisation, and Safety, Health, Environment and Quality ("SHE-Q") tool, comprising four distinct products, namely, FlexiLOG, SmartSURE, IntelliPERMIT and OptiRUN, which have proven themselves across the world, in the Process Manufacturing, Mining and Energy sectors.

Apart from the group's own Intellectual Property, vested in an array of own-developed, niche software products, it also specialises in Information Management, Enterprise Resource Planning, Business Intelligence, Systems Integration, Enterprise Infrastructure, Technical Service competencies and long-term Outsourced Support for the facilitation of end-to-end service delivery and ensure business efficiency improvements for its customers.

The group has a number of strategic technology partnerships and certifications across its three operating subsidiaries, including Oracle™ Gold Partner, Microsoft™ Silver Partner, IBM™ VNSP Partner, HP™ partner, Infor™ Channel Partner (specialising in Supply Chain Management), Softline SageX3 ERP Implementation Partner, Knowledge Tree™ Partner (document management), and Autonomy™ Partner (data protection and remote backup).

In essence, the Adapt IT Group understands the numerous challenges faced by enterprises in today's highly complex, broad business environment, and has the intellect, knowledge and experience to provide the required solutions to its customers split around the world.

group structure

adapt IT GROUP
delivering solutions for your environment

adapt IT SOLUTIONS

Services
Training and implementation of ERP solutions
Information Management
Business Process Re-engineering
IT Project Management
System Integration
Sugar Technology Consulting

Solutions
Tranquillity™ Sugar ERP
CaneLab™ Factory Performance
JD Edwards™ ERP
SAGE X3™
Sharepoint™ Document and Content Management
RFID Asset Tracking and Management

Outsourcing
Database Administration
Server Management
Business Continuity and Infrastructure Management
Remote backup and data protection
ITIL based application support
Infrastructure and networking
Desktop Management

Technology
Oracle™
Microsoft™
Open Source

iTS

Services
Training and implementation of ERP solutions
Higher Education
Consulting
Business Process Re-engineering
IT Project Management

Solutions
Integrator™
Abacus
eVula

Outsourcing
Database Administration
Server Management
ITIL based application support

Technology
Oracle™
Microsoft™

applyIT

Services
Operations Performance
Safety, Health, Environment
Quality Management
Supply Chain Planning

Solutions
Supply Chain Planning
OpSUITE™ – SHE-Q
Infor™ SCM and EAM

Outsourcing
Database Administration
Server Management
ITIL based application support

Technology
Microsoft™

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 holding 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).

adapt IT
GROUP
delivering solutions for your environment

The group's strategic objectives, managed through corporate, business and functional interventions, are:

To pursue organic and acquisitive revenue growth

To improve profitability

To evaluate and improve processes

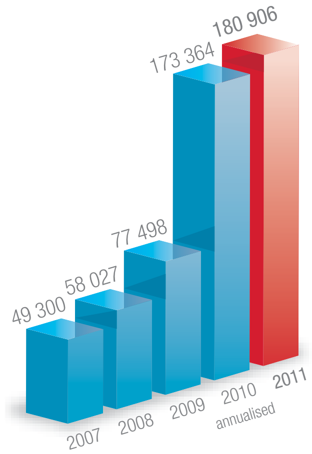
To improve stakeholder management

five-year review

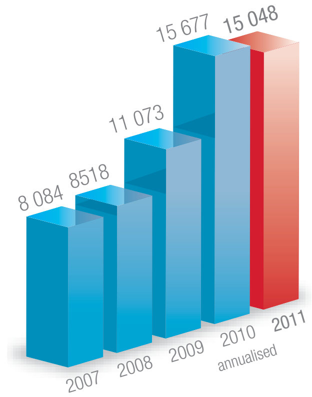
		30 June 2011	Annualised 30 June 2010	16 months 30 June 2010	28 February 2009	28 February 2008	28 February 2007
Operating results							
Revenue	(Rands)	**180 906 538**	173 364 388	208 451 801	77 497 143	58 027 326	49 299 739
Operating profit	(Rands)	**15 048 337**	15 677 491	18 930 315	11 072 559	8 517 634	8 084 401
Profit attributable to equity holders	(Rands)	**11 044 511**	10 500 572	13 100 081	9 077 243	7 101 848	5 937 278
Headline profit	(Rands)	**11 146 029**	9 079 055	11 678 564	9 098 345	7 283 068	5 910 121
Cash generated from operations	(Rands)	**17 667 701**	17 362 811	21 334 105	14 570 357	9 206 283	7 081 029
Financial position							
Total equity	(Rands)	**48 152 118**	50 503 983	50 503 983	32 759 025	28 043 758	16 383 046
Total assets	(Rands)	**105 614 430**	124 740 682	124 740 682	42 117 106	35 505 388	19 752 455
Total current assets	(Rands)	**61 745 521**	84 975 555	84 975 555	28 591 229	21 352 691	15 748 679
Total liabilities	(Rands)	**57 462 312**	74 236 699	74 236 699	9 358 081	7 461 630	3 369 409
Share performance							
Number of shares in issue at end of year	(shares)	**98 353 466**	95 670 028	95 697 028	95 650 378	97 458 466	86 217 180
Earnings per share	(cents)	**11,36**	10,93	13,64	9,44	7,97	6,87
Headline earnings per share	(cents)	**11,46**	9,45	12,15	9,46	8,17	6,84
Net asset value per share	(cents)	**49,52**	52,77	52,77	34,25	28,78	19,00
Net tangible asset value per share	(cents)	**28,04**	35,21	35,21	22,17	16,65	16,55
Share price at end of period	(cents)	**70**	49	49	47	55	66
Dividend per share	(cents)	**3,41**	1,86	1,86	4,43	4,29	3,67
Financial ratios							
Operating profit margins	(%)	**8,67**	9,04	9,08	14,29	12,62	11,74
Return on equity	(%)	**21,87**	32,05	40,44	32,33	32,00	39,90
Return on assets	(%)	**9,59**	17,05	20,21	25,33	25,70	31,90
Interest-bearing liabilities to equity	(%)	**5,83**	8,40	8,40	–	–	–
Average debtors days	(days)	**61,84**	54,92	54,92	69,96	96,63	56,37
Solvency ratio	(times)	**1,87**	1,68	1,68	4,50	4,76	5,86
Liquidity ratio	(times)	**1,19**	1,23	1,23	3,06	2,86	4,67
Number of employees	(number)	**250**	261	261	123	121	97

business highlights

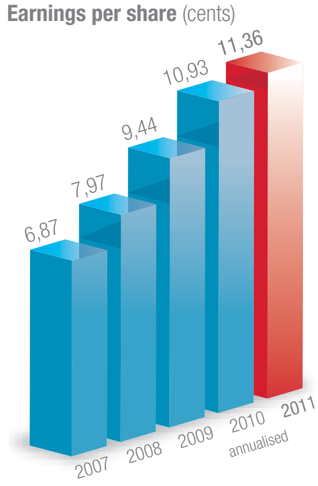
Revenue (R'000)



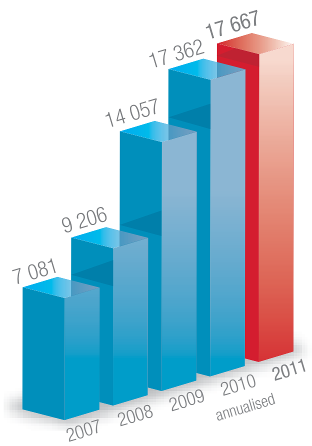
Operating profit (R'000)



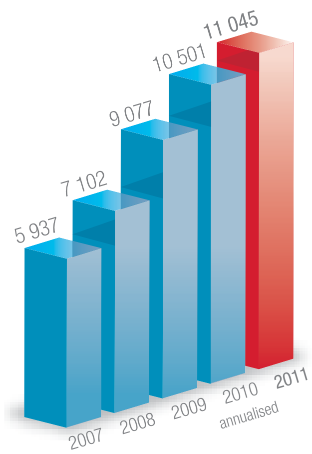
Earnings per share (cents)



Cash generated from operations (R'000)



Attributable earnings (R'000)



chairman's review

Dr Bernard Ravnö

It gives me pleasure to report on another successful year for the Adapt IT Group, both in terms of financial performance and business sustainability.

The group has continued to deliver a sound financial performance by focusing on its strategic objectives in the face of challenging economic conditions. Pleasingly the share price improved significantly by 42% year on year to 30 June 2011, as we begin to attract institutional shareholders. The board nonetheless believes that the share is trading below its fair value and is actively addressing this through improvements to the investor relations programme and preparing for accelerated growth.

A number of major internally focused projects addressing governance, efficiency improvement and strategic alignment are now complete and operating successfully, allowing significantly greater external focus.

Business sustainability

A highlight of the financial year was the group's rating as the most empowered listed ICT company, in the annual Financial Mail and Empowerdex BEE survey. The group has been consistently committed for over a decade in driving sustainable transformation and it will continue to do so. Likewise we continue to make progress on our environmental sustainability.

Another significant milestone was the appointment of a group HR Executive to enhance our capability and capacity to deliver on our intent to be an employer of choice, retaining and attracting the best talent and ensuring their wellbeing. This ensures long-term success for our customers and ourselves.

Corporate governance

The board has reviewed and evaluated the corporate governance within the group and continues to implement the principles as recommended by the King Report on Governance for 2009 (King III). The summary report of compliance with the King III code is on pages 20 to 21 and we continue to establish systems to apply the principles where the board deems it applicable.

The board monitors compliance with the South African legislative environment and ensures compliance to the South African Companies Act 2008; the Listings Requirements of JSE Limited; amongst other key legislation.

Directorate

It is with great sadness that on 22 May 2011 we received the news of the passing away of Mr Patrick September, who joined the board in the 2010 financial year. Prior to his death, Patrick served as an integral part of the board, both in the role chairman of the Risk Committee as well as providing entrepreneurial leadership and good governance in the areas of strategy, performance and people management. On behalf of the board, I pass our condolences to the September family and to the Adapt IT colleagues.

It had been planned that Patrick would succeed me as Chairman of the board in November this year as I have reached the recommended retirement age of 70, as per King III. However, due to his untimely death in May, the Nominations Committee has begun a process of finding a suitable successor.

Wanda Shuenyane resigned as a non-executive director after six years with Adapt IT to concentrate on growing his business. I thank him for his contribution as a valued member of the board.

Robust and resilient, requirements for success

The board appointed Thembisa Dingaan and Craig Chambers as additional independent non-executive directors on 3 May 2011. The board looks forward to their contribution during the coming years. These appointments form an integral part of the group's ongoing commitment to improving corporate governance and enhancing the strategic leadership of the group. They are both well experienced in their respective areas of expertise and their insight and contributions will undoubtedly improve the composite skills of the board.

Dividends

The board declared ordinary dividend number 9 of 2,84 cents per share. This represents a four times dividend cover.

The company has a policy of declaring a dividend at the end of the financial year and not at the interim reporting date.

Annual general meeting

Our Annual General Meeting will be held on 25 November 2011. Notice of the meeting appears on page 76.

Prospects

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

We achieved modest growth during the past year and we will remain prudent in our approach in the short-term, while remaining committed to strong growth in the medium term.

Appreciation

My sincere thanks are due to my colleagues on the board of directors for the strategic value they bring to advance Adapt IT.

In particular, I must thank the Adapt IT Executive for leading the group in achieving the current results in a challenging economic environment. The board continues to support them as they lead the company 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

Dr Bernard Ravnö

Dr Bernard Ravnö

PhD, AMP Harvard (72)

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

Bongiwe Ntuli

CA (SA) (33)

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 Chief Financial Officer 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 finance disciplines, including treasury, risk management and internal audit.

Mandla Nhlapo

Mandla Nhlapo

BSc (Hons) (50)

Independent non-executive director

Appointed to the board on 11 March 2010

Mandla joined Accenture in 1988 as a systems developer. He was a senior executive in the Products Operating Group and headed the Transportation and Travel Services service line. He also served on the board of Accenture in South Africa as chairman 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.

Thembisa Dingaan

Thembisa Dingaan

BProc LLB (38)

Independent non-executive director

Appointed to the board on 3 May 2011

Thembisa is a member of various board committees at the Development Bank of Southern Africa (DBSA), including the Finance Committee where she is chairperson. Thembisa holds directorships on the boards of Mustek Limited, JSE Limited, Imperial Holdings Limited and is chairperson of Ukhamba Holdings (Pty) Limited. Thembisa is a former member of the Minister of Trade and Industry Standing Advisory Committee on Company Law. Her professional qualifications include a BProc and LLB from the University of Natal, an LLM degree from Harvard University and a Higher Diploma in Taxation from Wits University.

The late Patrick September

Patrick obtained a BSc (Hons) and MSc degrees from the University of London. He joined Unilever SA in 1977 and held various positions until appointed Executive Director. He joined Rainbow in 1994 as Technical Director before being appointed Director of Human Resources and Corporate Affairs. He served on various boards including Nkunzi Group, Gold Reef Resorts. He was the past President of the Durban Chamber of Commerce and the Chairman of Business Against Crime (KwaZulu-Natal). He passed away on 22 May 2011.

Craig Chambers

Craig Chambers

BCom (39)

Independent non-executive director

Appointed to the board on 3 May 2011

Craig is the Managing Director and Chief Investment Officer of Dibanisa Fund Managers.

Craig is certified as a Chartered Financial Analyst, having obtained a BCom degree majoring in accounting from the University of Johannesburg and a postgraduate Business Administration Certificate from Wits Business School. Craig is a certified director via the Institute of Directors (IoDSA).

Craig has been an asset manager for 15 years, with five years at SCMB Asset Management as a Unit Trust Manager.

Sbu Shabalala

Sbu Shabalala

BCom (39)

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-based financial systems throughout the Illovo Sugar Group, with operations in various African countries. Sbu founded Adapt-IT (Pty) Limited, six years ago as an SMME and developed it into a thriving ICT business. As managing director of Adapt-IT (Pty) Limited, 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

Tiffany Dunsdon

CA (SA) (40)

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) Limited, Tiffany became the commercial director of the group in January 2008.

Siboniso Shabalala

Siboniso Shabalala

CA (SA) (38)

Financial director

Appointed to the board on 1 April 2009

Siboniso spent four 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

Introduction

Adapt IT showed a resilient financial performance in the financial year, as it continued to implement its sustainable growth and diversification strategy of organic and acquisitive growth, albeit in challenging market conditions, whilst maximising earnings attributable to its ordinary shareholders going forward through acquiring all non-controlling interests in subsidiaries during the period.

Strategic achievements in the review period included:

- Successfully introduced new products in the main operations;
- Built capacity in strategic areas of the organisation;
- Improved Sales and Marketing approach to increase visibility;
- Consolidated KwaZulu-Natal operations to La Lucia Ridge;
- Expanded into Geographies, outside of the African continent (USA and Australia);
- Increased the Group's interest in ITS Holdings to 100% by acquiring the 49% non-controlling interest on 31 December 2010 and fully integrating the ITS business;
- Increased the group's interest in ApplyIT to 100% by acquiring the 23% non-controlling interest on 1 December 2010 and fully integrating the ApplyIT business;
- Reviewed the group's governance in line with the recommendations of King III;
- Improved the level 3 B-BBEE rating, to become the most empowered ICT company listed on the JSE.

Change in financial year-end

Pursuant to the change in financial year-end, the June 2010 annual report reflected results in respect of a 16-month period. Accordingly, to make meaningful comparisons, the results of the comparative period are presented on an annualised basis in the commentary below. (The annualised figures are set out in the five-year review on page 6).

Financial performance

Revenue for the year increased 4% to R180,9 million with annuity revenue representing a healthy 45% of total revenues.

Operating profit declined by 4%, earnings per share grew by 4% while headline earnings per share grew by 21% on the annual equivalent of the prior year.

Operating profit was affected by the lower than usual demand for projects in the Sugar industry, coupled with high foreign currency exchange losses (due to the weak US Dollar) on new sales secured offshore. Added to this was the non-recurring acquisition transaction costs of R1,7 million fully expensed in the period. Cost management was a key focus, particularly in units that were hardest hit by the recession, to mitigate the negative factors affecting earnings.

The growth in annualised headline earnings is due to a once-off credit to income in the prior year, relating to a discount on the initial 51% acquisition in ITS (refer to note 5.1, page 52).

The group borrowed R20 million to acquire the non-controlling interests in ITS and was able to settle the borrowings during the course of the financial year utilising group cash resources. Since the non-controlling interests are consolidated for six months in the 2011 financial year, and all costs are fully expensed, these transactions will be more accretive in the 2012 financial year.

Cash and working capital management are still key focus areas for the business and the cash generated from operations was R17,7 million, an increase of 1% on the annual equivalent of the previous period.

The group will continue to generate cash, prudently manage its financial position, and continuously acts to reduce costs, improve operating efficiencies and streamline operational processes going forward.

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 (see page 2).

Adapt IT Solutions

Adapt IT Solutions performed below expectations, reporting a profit before tax of R6,4 million for the year from an annual equivalent of R9,1 million, mainly due to the lower sales in the traditional sugar market, hard hit by weather conditions and exchange rates and tough sales environments in the new markets, coupled with exchange losses on foreign contracts due to the weak US Dollar.

Continued investment in diversification initiatives to introduce new products was supported by building organisational capacity and this is expected to yield results going forward.

ITS

ITS outperformed expectations, delivering an increased profit before tax of R14,7 million for the year from R10,3 million. ITS has successfully aligned with the group both strategically and from a governance perspective.

Entry into the further education and training sector has been the catalyst for the increased performance, and is envisaged to continue.

ApplyIT

ApplyIT recorded a profit before tax of R0,8 million from R0,1 million, a significant improvement on the previous year.

The mining sector has improved since the recent recession and new business including an offshore contract was won. Cost management also improved.

Positioned for success

Adapt IT enjoys a leading position within the differentiated market verticals we service. We have progressed in gaining market share and continue to attract new customers. The management team's focus is on delivering sustainable organic growth and introducing new products, which will continue to drive future growth and enhance the value-proposition into new markets.

The group seeks further earnings enhancing acquisitions, of a sizeable nature, that will complement existing businesses and improve customer and product diversity.

Importantly, we enjoy the benefits of a strong financial position, 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 strengthen our brand in the market and to increase our loyal customer base; customers who, themselves, want to see Adapt IT win. 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 recovery in the ICT industry has begun as we have seen a marked improvement in the sectors within which we operate. Our group made significant progress in line with its strategy to consolidate and grow our business in the sectors where we currently operate and to improve the service offering and readiness to take advantage of the expected economic recovery.

We believe that the group is well placed to show a marked improvement on its performance in the 2012 financial year. We will continue expanding into new IT growth markets where we believe we have a competitive advantage and the requisite competence to succeed.

Appreciation

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. I take a moment to remember the late Mr September's contribution to Adapt IT, may his soul rest in peace.

I extend my most grateful thanks to Adapt IT's staff without whose dedication, hard work, enthusiasm, team spirit, skills, as well as an 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, and to our customers, suppliers, service providers and partners, for their continued support of our business.

Sbu Shabalala
Chief Executive Officer

Our business is recognised for delivering rapid value as we provide established applications and services to higher and further educational institutions

corporate governance

Ethics, to do what is right even though no-one is looking

Introduction

The Adapt IT Group is committed to conduct its business with openness, integrity, accountability and social responsibility by applying appropriate corporate governance principles in each company within 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 2009 (King III), together with all other legal and regulatory requirements applicable to publicly listed companies in South Africa.

Statement of compliance

The group has a programme to apply all appropriate recommendations and requirements embodied in the King III Report on Corporate Governance. The implementation of governance improvements in terms of King III is well advanced, with remaining improvement being systematically introduced in a phased approach taking into account operational requirements. The group complies with the requirements of the JSE. Refer to page 20 to 21 regarding the status of implementation of King III.

Board of directors

The board comprises five independent non-executive directors and three executive directors. The board has a majority of independent non-executive directors (62%), a majority of black directors (62%), as well as female representation (37%). 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 judgment and experience to board deliberations and decisions.

The roles of the independent non-executive chairman and Chief Executive Officer are separate with a clear division of responsibility.

The details of the directors at 30 June 2011 are set out on pages 10 to 11 of this report. Details of changes in the directorship during the year to 30 June 2011 are set out in the Directors' Report on page 33 and 34.

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

In accordance with the memorandum of incorporation, 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 if eligible may offer themselves for re-election by shareholders.

There are no term contracts of service between any of the non-executive directors and the company.

On appointment, new directors have the benefit of induction activities aimed at broadening the understanding of the company and markets within which it operates. An induction programme, tailored to meet the specific needs of each new board member, is held. This involves the provision, both company specific and industry orientation, through the provision of reference material or workshops and face-to-face interactions to facilitate a full understanding of the group's operations. The Human Resource Executive manages the induction process and ensures that the specific training needs of individual directors are addressed, as well as ensuring the ongoing professional development and training of all directors.

The executive provides the directors with appropriate information on business performance and strategic direction. The directors are provided with sufficient background of the company is operating dynamics through reports of prior board and committee meetings and discussions with heads of operations at strategy sessions.

The formal self-evaluation process was introduced in line with the guidelines of King III to review and improve the board performance continually. The evaluation process will be conducted annually and will cover the board and its committees, the assessment of the Chairman's performance by the board and assessment of the performance of individual directors by the Chairman.

The outcome of the board evaluation process will also assist in the identification of any supplementary skills, knowledge, expertise and value add that may be required going forward.

The board charter formally details the mandate of the board to lead the company. In accordance with this mandate, the board:

- 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
- 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, Risk Management, Remuneration, Social and Ethics, and Nominations 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 committee meeting attendance

The board meets five times per annum. Attendance at meetings of the board and its key committees during the year ended 30 June 2011 is detailed below:

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 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.

Committee	Board		Audit		Remuneration		Risk management		Nomination		Ethics and Social	
Director	**A**	B	**A**	B	**A**	B	**A**	B	**A**	B	**A**	B
Dr A B Ravnö	**5**	5	**2**	2	**1**	1	**2**	2	**1**	1	**1C**	1C
B Ntuli	**5**	5	**2**	2	**1**	1	**2**	2	**1**	1	**–**	–
W Shuenyane*	**4**	3	**–**	–	**–**	–	**2**	0	**–**	–	**–**	–
PCM September**	**4**	2	**2**	1	**1**	1	**2**	2	**–**	–	**–**	–
M Nhlapo	**5**	5	**–**	–	**1**	1	**–**	–	**–**	–	**2**	2
T Dingaan	**1**	1	**–**	–	**1**	1	**–**	–	**–**	–	**–**	–
C Chambers	**1**	1	**–**	–	**1**	1	**–**	–	**–**	–	**–**	–
Sbu Shabalala	**5**	5	**2**	2C	**1**	1C	**2**	2C	**1**	1C	**–**	–
Siboniso Shabalala	**5**	5	**2**	2C	**1**	1C	**2**	2C	**1**	1C	**2**	2
T Dunsdon	**5**	5	**2**	2C	**1**	1C	**2**	2C	**1**	1C	**2C**	2C
JF Jordaan***	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**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 April 2011*

** *Deceased on 22 May 2011*

*** *Subsidiary executive director (nominee)*

BOARD COMMITTEE STRUCTURES AND RESPONSIBILITY

Audit Committee

The Audit Committee is constituted as a statutory committee in terms of the Companies Act of 2008 and as a committee of the board. The responsibilities and activities of the group Audit Committee are covered in the Audit Committee Report on page 30.

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 Ms Thembisa Dingaan (independent non-executive chairperson), Dr Bernard Ravnö (independent non-executive member) and Ms Bongiwe Ntuli (independent non-executive member).

The board has decided to combine the Audit and Risk Committee in order to streamline the governance processes and improve efficiency of the discussions.

Risk management process

The risk management is ultimately the responsibility of the board and it is an integral part of the company's business management.

In today's business environment, change and uncertainty are constants. Change and uncertainty create both risks and opportunities, which can either erode or enhance value for an organisation. The Adapt IT group needs to manage these risks, within its risk tolerance, consistently, comprehensively and economically through effective enterprise risk management. This assists the board and management in achieving the business strategies and objectives.

The following internal and external factors drive the need for an effective approach to managing risks across the Adapt IT Group:

- Increased board and management accountability;
- The proliferation of new standards and regulations;
- Increased stakeholder demands on transparency, accountability and corporate integrity;
- Direct linkage between credibility, ethics and social responsibilities with business performance and success;
- Stakeholder expectations to adapt quickly to emerging risks, change and uncertainty while striving for operational efficiency;
- Globalisation and technological advances; and
- Educated and discerning citizens.

Such an environment requires a stronger focus on risk management practices within the Adapt IT Group in order to effectively deal with uncertainty, to capitalise on opportunities, to meet objectives and stakeholder expectations, and enhance strategic and tactical decision-making.

Risk can be defined as the possibility that an event will occur that will adversely affect the achievement of the Adapt IT Group's objectives. Risk is measured in terms of impact/consequences and likelihood. The risk can also be a missed opportunity that could have positively impacted on the achievement of strategic and business objectives.

The Adapt IT Group defines enterprise risk management (ERM) as a process, effected by the board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the organisation, and manage risks to be within its risk appetite, to provide reasonable assurance regarding the achievement of the Adapt IT Group's objectives.

By embedding risk management techniques in day-to-day operations, the Adapt IT Group is better equipped to identify events affecting its objectives and to manage risks in ways that are consistent with its corporate strategy.

Executive Committee

The Executive Committee comprises all the executive directors. The executive team meets regularly and monitors the performance of the subsidiaries.

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

Accountability and internal control

The company's directors are responsible for overseeing the preparation and maintenance of the financial statements and records which fairly present the state of affairs of the company's business operations for that year. The independent external auditors are responsible for an independent examination of the financial statements and reporting their findings.

The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act.

The group has comprehensive management reporting disciplines which include preparation of annual budgets by all operating entities. The operating boards approve individual operational budgets, while the group budget is reviewed and approved by the board. The monthly results and the financial status of the operations are reported against budgets and forecasts and compared to the results of the prior year. Profit and cash flow projections are regularly updated whilst working capital and borrowing levels are monitored on an ongoing basis.

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. The effectiveness of the internal controls and systems is monitored throughout the group in a number of ways and all employees are required to maintain the highest ethical standards in ensuring that the group's business practices are conducted in a manner above reproach.

The independent external auditors, through the audit work they perform, have tested certain financial controls.

The board has discussed the establishment of an internal audit function to assist in appraising and evaluating the effectiveness of internal controls. During the year the Audit Committee discussed the need for the Internal Audit function and decided to implement the function in 2012 on a risk-based approach. However, management continuously gives the board assurance on effectiveness of the internal controls. The board will continuously re-assess the controls environment and the cost benefit analysis of introducing the internal audit function.

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 year 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, though 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 work place and the support to those affected by HIV/AIDS.

The committee also oversees the broad-based black economic empowerment (B-BBEE) of the group, 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.

Nominations Committee

The Nominations Committee normally meets at least once a year and is chaired by an independent non-executive director. The nominations committee is accountable for the thorough and objective nomination and appointment of members to the board and committees of the board.

In so doing, the nominations 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 also 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 Nominations Committee also 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 Nominations 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 and they will be referred to shareholders for approval as per page 77.

The Remuneration Committee comprises Mr Craig Chambers (independent non-executive chairman), and Ms Bongiwe Ntuli (independent non-executive member).

Insider trading

The company has a policy for dealing in securities issued by the company. No director, officer or employee may deal either directly or indirectly in the company's shares on the basis of unpublished price-sensitive information regarding its business or affairs. In addition, no director, officer or employee may trade in the company's shares during the closed period.

corporate governance continued

Governance element	Principle	Status	Note
ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP	• Effective leadership based on ethical foundation	🟩	
	• Responsible corporate citizen	🟩	
	• Effective management of group's ethics	🟩	
BOARDS AND DIRECTORS	• The board is the focal point for and custodian of corporate governance	🟩	
	• Strategy, risk, performance and sustainability are inseparable	🟩	
	• Directors act in the best interest of the group	🟩	
	• The chairman of the board is an independent non-executive director	🟩	
	• Framework for the delegation of authority has been established	🟩	
	• The board comprises a balance of power, with a majority of non-executive directors who are independent	🟩	
	• Directors are appointed through a formal process	🟩	
	• Formal induction and ongoing training of directors is conducted	🟩	
	• The board is assisted by a competent, suitably qualified and experienced company secretary	🟩	
	• Regular performance evaluations of the board, its committees and the individual directors	🟨	1
	• Appointment of well-structured committees and oversight of key functions	🟩	
	• An agreed governance framework between the group and its subsidiary board is in place	🟩	
	• Directors and executives are fairly and responsibly remunerated	🟩	
	• Remuneration of directors and senior executives is disclosed	🟩	
	• The group's remuneration policy is approved by its shareholders	🟩	
AUDIT COMMITTEE	• Effective and independent	🟩	
	• Suitably skilled and experienced independent non-executive directors	🟩	
	• Chaired by an independent non-executive director	🟩	
	• Oversees integrated reporting	🟩	
	• A combined assurance model is applied to improve efficiency in assurance activities	🟨	2
	• Satisfies itself of the expertise, resources and experience of the group's finance function	🟩	
	• Oversees internal audit – refer to Internal Audit Section on opposite page	🟥	3
	• Integral to the risk management process	🟩	
	• Oversees the external audit process	🟩	
	• Reports to the board and shareholders on how it has discharged its duties	🟩	
GOVERNANCE OF RISK	• The board is responsible for the governance of risk and setting levels of risk tolerance	🟩	
	• The risk committee assists the board in carrying out its risk responsibilities	🟩	
	• The board delegates the risk management plan to management	🟩	
	• The board ensures that risk assessment and monitoring are performed on a continual basis	🟩	
	• Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	🟩	
	• Management implements appropriate risk responses	🟩	
	• The board receives assurance of the effectiveness of the risk management process	🟩	
	• Sufficient risk disclosure to stakeholders	🟩	

Status key

🟩 On or better than target

🟨 A little less than target, but not of major concern

🟥 Below target and of some concern or under review

Governance element	Principle	Status	Note
GOVERNANCE OF INFORMATION TECHNOLOGY	• The board is responsible for information technology (IT) governance		
	• IT is aligned with the performance and sustainability objectives of the group		
	• Management is responsible for the implementation of an IT governance framework		
	• The board monitors and evaluates significant IT investments and expenditure		4
	• IT is an integral part of the group's risk management		
	• IT assets are managed effectively		
	• The audit and risk committee assists the board in carrying out its IT responsibilities		4
COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS	• The board ensures that the group complies with relevant laws		
	• The board and directors have a working understanding of the relevance and implications of non-compliance		
	• Compliance risk forms an integral part of the group's risk management process		
	• The board has delegated to management the implementation of an effective framework and processes		
INTERNAL AUDIT	• Effective risk-based internal audit		3
	• Written assessment of the effectiveness of the group's system of internal control and risk management		3
	• Internal audit is strategically positioned to achieve its objectives		3
GOVERNANCE OF STAKEHOLDER RELATIONSHIPS	• Appreciation that stakeholders' perceptions affect the group's reputation		
	• Management proactively deals with stakeholder relationships		
	• There is an appropriate balance amongst the group's various stakeholder groupings		
	• Equitable treatment of stakeholders		
	• Transparent and effective communication to stakeholders		
	• Disputes are resolved effectively and timeously		
INTEGRATED REPORTING AND DISCLOSURE	• Ensures the integrity of the group's integrated report		
	• Sustainability reporting and disclosure is integrated with the group's financial reporting		
	• Sustainability reporting and disclosure is independently assured		5

Notes	Description
1	The performance evaluations for long-serving board members were done and the chairman is conducting the feedback sessions with those members. As board composition has changed substantially this year, overall board performance assessment will be introduced in the 2012 financial year.
2	Combined assurance will be implemented once Internal Audit is in place.
3	During the year the Audit Committee discussed the need for an Internal Audit function and decided to implement the function in 2012 on a risk-based approach, taking into account the overall governance enhancement programme.
4	The IT governance framework for internal IT management will be completed in the 2012 financial year. Once the framework is implemented the Audit and Risk Committee's mandate will include IT governance responsibilities.
5	We do not believe third party verification of the Sustainability Report (other than for B-BBEE), is necessary at this stage.

sustainability report

Preamble

The purpose of integrated reporting is to provide a holistic view of the business comprising financial and non-financial information which is accurate, balanced, complete and comparable. This allows a broad range of stakeholders to make an informed assessment of the sustainability of the business.

In the vision, mission, values, group profile, structure, services and strategy, we have set out what we do for customers, our primary stakeholders, which makes us relevant to them. The Corporate Governance report shows that we are well advanced for a company of our size in terms of being governed according to best practice, under strong and competent leadership. The five-year review of financial information demonstrates a strong track record and improving trend, with the group trebling in size over the last three years. We also demonstrate the diversification of the business across three segments. This provides assurance that the business is financially sustainable.

BROAD-BASED BEE

We operate in a society in which we wish to prosper. We therefore want our company to be reflective of our society and accordingly we have been committed to transformation since our inception in 1996.

The company views South Africa's policy of broad-based black economic empowerment (B-BBEE) not only as moral initiative to redress the wrongs of the past, but as a pragmatic economic growth strategy, for the South African economy, that aims to realise the country's full economic potential.

Adapt IT's points improved in the reporting period and it was again rated Level 3 B-BBEE status and was rated Number One Most Empowered ICT Company by the FM Empowerdex rating survey and rated 27th overall JSE listed company.

Adapt IT aims to help ensure that government's vision for broad-based black economic empowerment is realised whilst leveraging all opportunities presented by our transformation status to grow and further pursue B-BBEE ownership and control.

Our transformation is a source of competitive advantage, and we aim to further improve it. As we are constantly growing as a group, and integrating new companies as a result of our acquisitive growth strategy, we continue to focus on transformation across all aspects of our businesses on an ongoing basis, based on our successful track record.

This report outlines the status of broad-based empowerment in the organisation during the 2011 financial year.

Core components of B-BBEE

The three core elements of B-BBEE measured in this report are:

Direct empowerment:

Through ownership and control of enterprises and assets: This includes increasing black people's ownership and control of the company. We score strongly in this area but aim to improve further.

Human development and employment equity:

Given the apartheid legacy of systematic labour market discrimination and inferior education, accelerated skills and advanced professional skills development is prioritised. Details of our Human Capital Strategy are set out on page 23.

Indirect economic empowerment

Through preferential procurement and enterprise development: Given the need to grow the South African economy, more enterprises need to be created, supported and facilitated to produce value-added goods and services, to attract investment, and to employ more black people in productive activities.

Preferential procurement

The company is committed to supporting suppliers who are transformed and to improve the procurement of goods and services from small and medium black enterprises as preferred procurement sources.

Enterprise development

The group continues its financial support of the SmartXchange IT Hub for the development of SMMEs. Adapt IT was incubated in this environment and understands the value of such support in the early stages of growing a successful business.

Socio-economic development

We invest in a broad range of social projects, actively selected and supported by each subsidiary and in which many of our employees are directly involved.

EMPOWERDEX
Economic Empowerment Rating Agency

Level 3 contributor

Scorecard information	2011	2010
Ownership	**17,42**	17,53
Management	**9,58**	9,73
Employment equity	**7,36**	10,63
Skills development	**6,82**	2,10
Preferential procurement	**19,13**	15,08
Enterprise development	**15,00**	15,00
Socio-economic development	**4,84**	5,00
Total score	**80,15**	**75,08**

Human capital

A key pillar of our sustainability is our people. The valued-added statement on page 26, shows a clear picture of the importance of our people, as 86% of the value we add is due to them. We are a people business, only as good as the intellectual capital they embody and invest in our intellectual property in the form of software products, as well as the intellectual capital and positive disposition they apply in delivering superior services to our customers.

One of the key business objectives necessary to achieve the strategic goals is to have highly skilled people. The recruitment policies and practices together with our performance and talent management tools are aimed at constantly improving our skilled workforce.

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 skills development practices at all levels is a priority and continues to be strengthened, including management and leadership development and learnerships with targeted coaching and mentoring processes. Individual Development Plans are drawn for all employees and continuously monitored to ensure technical and management skills are nurtured or developed.

Particular emphasis is placed on skills development of black employees in line with the company's empowerment initiatives. The company decided not to meet the B-BBEE goal of spending 1% of payroll on training black employees since the total training budget is below that target, based on prevailing economic conditions and cost control measures.

Employment

The group reflects a diverse, multicultural workplace, working towards representing the demographics of the South African workforce. The current employee profile of Adapt IT is illustrated herein.

The total workforce within as at 30 June 2011 was 250 compared to 256 excluding all contractors and the attrition rate for the period was 24%, which is higher than the 15% target, however, initiatives to retain talent are continually pursued. The group continues to address the imbalances of the past with strong employment equity practices and policies aimed at improving the representation of designated groups, particularly black women. On 30 June 2011, 29% of management positions were filled by black people. Black women form 9% of management

African Males	Coloured Males	Indian Males	White Males	African Females	Coloured Females	Indian Females	White Females
32	1	30	59	32	5	21	70
13%	0%	12%	24%	13%	2%	8%	28%

The employment equity (EE) plans are in place to meet the EE goals that have been set for 2012. The EE Committee reports the progress and results of its initiatives to the Social and Ethics Committee. The main objective of the EE Committee is to set targets and review progress on all employment equity related matters and make recommendations to the Social and Ethics Committee. These targets are set and implemented within the framework of all employment practices.

Family responsibility

Adapt IT supports work life balance, in particular the need to uphold family responsibilities through policies and practices, including flexible working.

Labour and management relations

Currently, none of the Adapt IT staff are members of any union or such collective bargaining bodies.

Occupational 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.

Training and education

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. Furthermore, Adapt IT ensures that all employees go through a performance management process in order to promote employee growth and upliftment through development.

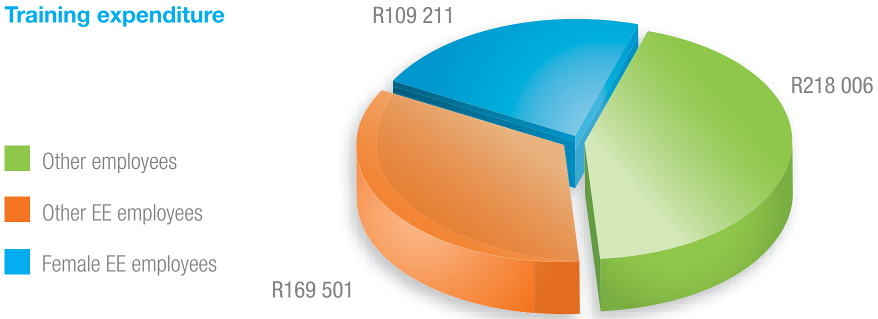
Diversity and equal opportunity

The group aims to attract, develop and retain the best people within a diverse, multicultural workplace. The Human Resource Department ensures that this aim is fulfilled and that remuneration remains in line with market practices and company performance.

Equal remuneration for women and men

The ratio of basic salary and remuneration of women to men is 1:1 as all employees are remunerated according to their roles and skill levels.

Training expenditure



sustainability report continued

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

THE ENVIRONMENT

Adapt IT actively seeks to manage natural resources responsibly and to continuously reduce carbon emissions and waste generation. Whilst our business by its nature is not resource intensive, we have chosen to be "early adopters" of environmental awareness and management, commencing with a major relocation project to "green" premises in 2010 as a step change reduction in our environment impact. About half of our operations now reside in this facility. Adapt IT collaborated with an 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 the need for cooling, as well as harnessing maximum natural light.

Materials

Adapt IT does not use materials in its core business, paper is the main physical resource utilised. Two of the three Adapt IT subsidiaries use paper from the supplier's green range, i.e. the paper is produced from sustainable forests or is 100% recycled. All IT hardware waste is recycled.

Energy

Adapt IT continually seeks to pursue initiatives that can assist in the conservation of energy. The group conserved energy by relocating the entire office infrastructure at Westville, where ApplyIT previously operated from before co-locating with Adapt IT Solutions. Furthermore, Adapt IT targets new business from clients in the sugar sector where co-generation of electricity and ethanol (bioenergy) production is being introduced, to support cost effective industry which produces cleaner energy.

Water

Municipal water consumption is for office use only and is nominal relative to other industry. All stormwater at KwaZulu-Natal premises is attenuated and used for irrigation on site.

Biodiversity

The premises at Rydall Vale (where Adapt IT Holdings, Adapt IT Solutions and ApplyIT are based) include a portion of land left for natural vegetation to provide habitat for wildlife.

Emissions, effluent, waste

The group intends to measure greenhouse emissions that result from the company's operations in the 2012 financial year and is currently undertaking preparatory information gathering in this regard. However, whilst measurement is important, the group has reduced its emissions by eliminating an entire office infrastructure through the co-location of the ApplyIT and Adapt IT Solutions operations.

Products and services

Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation include the implementation of the remote support model for clients across the globe which enables services to be delivered by technology to remote operations. This model is pervasive across all the Adapt IT operating segments.

Compliance

Adapt IT has not received any fines resulting from non-compliance with environmental laws and regulations.

Transport

The impact of transport on the environment from our direct operations is immaterial as there is a minimal amount of physical product sales (products and services are "logical" in nature). Employee transportation is limited to infrequent deployment via air and road to client sites on initial system implementations on-site training and occasional account management visits. It is estimated that in excess of 80% of all services are provided remotely to customers. Where possible, "electronic" meetings are held to avoid unnecessary travel.

OUR SOCIETY

Corruption

The Social and Ethics Committee 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. It is also responsible for the assessment of all business operations to ensure that no corruption exists within the business. No incidents of corruption have been identified during the period.

Furthermore, staff has been invited to attend workshops that address issues around corruption. It is estimated that 80% of staff have attended such workshops.

Public policy

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

Anticompetitive behaviour

The group will not condone any anti-competitive behaviour. There have been no incidents regarding legal actions for anticompetitive behaviour, antitrust, and monopolistic practices during the review period.

Compliance

Adapt IT has not received any fines resulting from non-compliance with laws and regulations.

STAKEHOLDER ENGAGEMENT

The board enjoys constructive dialogue with investors, at all times 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.

The company engages various stakeholders with an objective of building long-term and mutually-beneficial relationships. The following key stakeholders have been identified (see diagram) and various initiatives take place to communicate with each group.

The company interacts with employees daily, striving to achieve engagement on issues affecting them. Employees are also informed of company developments through internal newsletters, briefings and bi-annual results presentations made to staff.

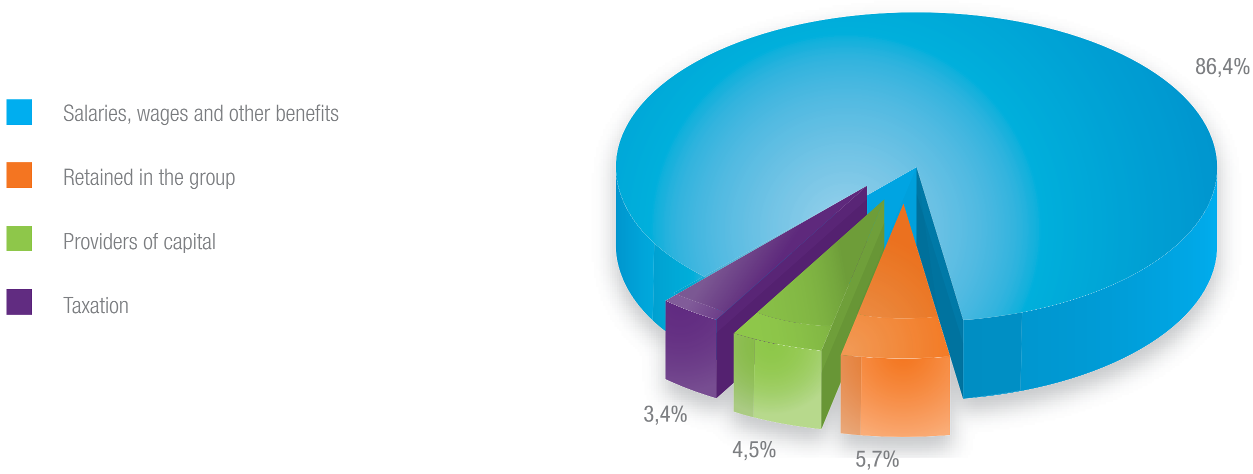
Customers are continuously engaged to ensure the quality of our products and services meet their expectations, which and are continuously improved in line with their needs. Our suppliers and service providers are expected to supply quality products and services in line with our specifications.

The company openly communicates to shareholders, investors and the media, the business strategy and financial results through meetings, telephone conversations and results presentations with management. Engagement with the media takes place via press releases, SENS and announcements. Shareholders are also encouraged to attend the company's annual general meeting.

Government authorities are engaged to ensure compliance with laws and regulations that the company operates within.

value-added statement

	GROUP 2011 R	%	GROUP 2010 R	%
Turnover	**173 532 636**		198 986 496	
Less:				
Net cost of products and services	**45 217 419**		54 981 135	
Value added	**128 315 217**		144 005 361	
Wealth created	**128 315 217**		144 005 361	
Applied to:				
Employees				
Salaries, wages and other benefits	**110 826 457**	**86,4**	122 496 690	85,1
Providers of capital	**4 358 182**	**3,4**	2 724 027	1,9
Interest on borrowings	**1 094 298**	**0,9**	944 841	0,7
Dividends to shareholders	**3 263 884**	**2,5**	1 779 186	1,2
Government				
Taxation	**5 756 420**	**4,5**	7 463 750	5,1
Income taxation: normal and deferred	**4 623 892**	**3,6**	6 527 669	4,5
Income taxation: secondary taxation on companies	**323 334**	**0,3**	181 273	0,1
Regional service council and skills development levies	**809 194**	**0,6**	754 808	0,5
Retained in the group	**7 374 158**	**5,7**	11 320 894	7,9
	128 315 217	**100,0**	144 005 361	100,0



remuneration report

The Remuneration Commitee is responsible for overseeing the implementation of the group's remuneration policy.

Remuneration levels are set with reference to independent salary surveys on a regular basis, taking cognisance of specific skills requirements. The Remuneration Committee reviews the remuneration paid to the group executive management as well as the executives and selected positions within subsidiaries. The salaries are then 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 between the market median and the upper quartile, depending on their individual contributions to the group. Employees who are clear outperformers may be remunerated above the median, while employees who are regarded as underperformers 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 bonus 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 bonus incentives to the Remuneration Committee for approval. The Remuneration Committee retains the absolute discretion to authorise incentives.

Annual bonus incentives payable to executive management, for targeted levels of performance, range between 8% and 20% of the cost to company, as deemed appropriate by the Remuneration Committee and determined with reference to market norms. The actual bonus incentive payment for the year under review for executive management was restricted to 15% of the total cost to company of this group of employees, excluding the cost of the bonus incentives.

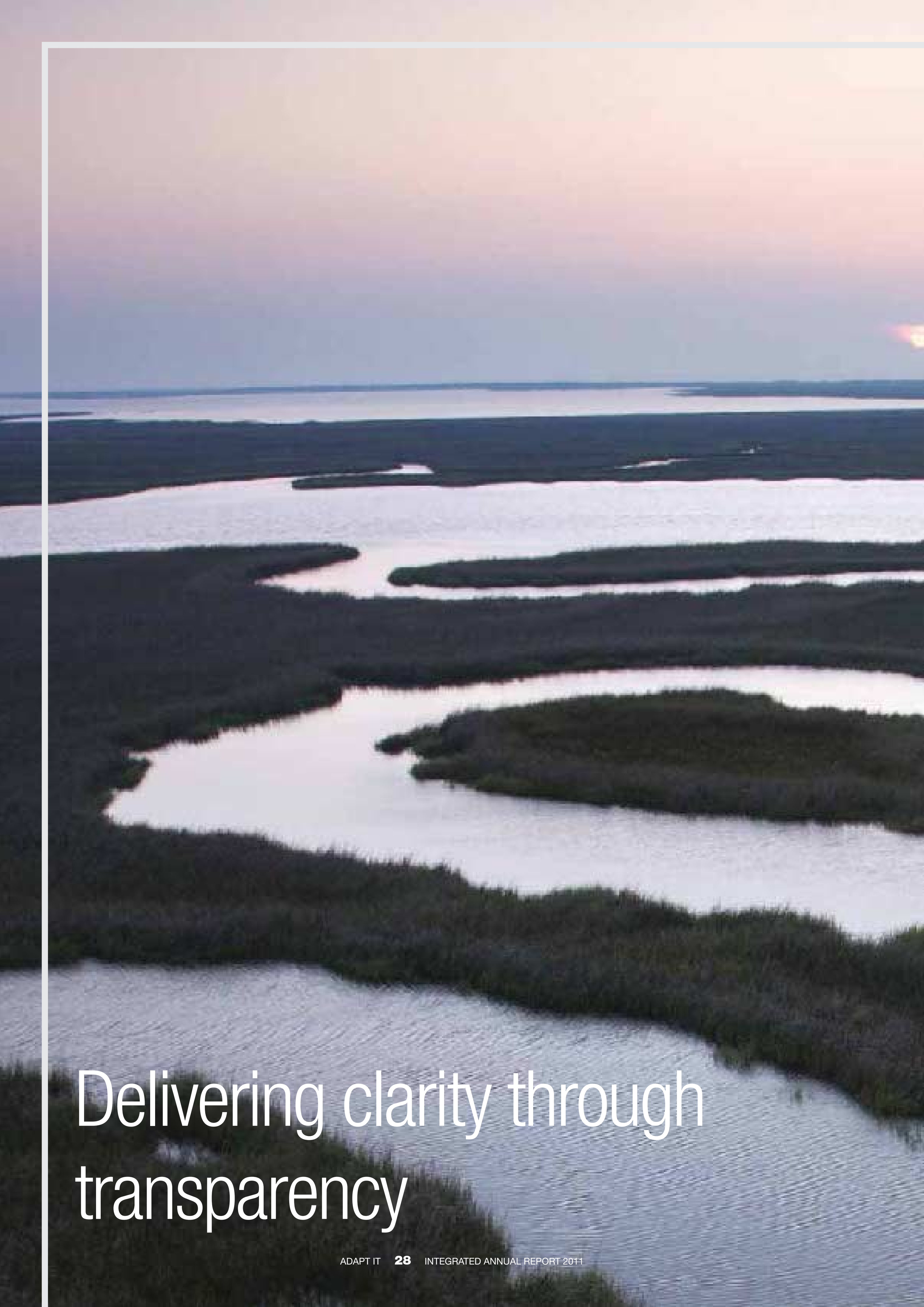
Remuneration for executive directors is detailed on the attached schedule (marked Remuneration Report for executives).

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 the interests of shareholders.

Non-executive directors remuneration is in the process of being aligned to market rates for similar sized listed companies, taking into account 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 any share incentive schemes.

Remuneration for non-executive directors is detailed on the attached schedule (marked Remuneration Report for non-executives).

Dr Bernard Ravnö
Chairman, Remuneration Committee



Delivering clarity through transparency

Annual financial statements

audit committee report

Introduction
The Audit Committee is constituted as a statutory committee in terms of the Companies Act, 2008 and as a committee of the board in respect of all additional duties assigned to it by the board.

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 year under review:

- Reviewed the external audit reports, after year-end financial audit;
- Reviewed risk management reports and made recommendations to the board; and
- Reviewed the interim and final annual 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 committee was appointed by the board and comprises three non-executive directors, all of whom possess the necessary skills, knowledge and expertise to direct the committee constructively in the execution of its responsibilities.

In terms of Section 94 of the Companies Act, a public company must elect an audit committee at each annual general meeting. It is proposed in the notice of meeting for the forthcoming annual general meeting of the company, that Ms B Ntuli, Ms T Dingaan and Mr M Nhlapo be appointed as members of the Audit Committee, until the next general meeting.

The committee is chaired by Ms B Ntuli and she will be available at the annual general meeting.

Frequency of meetings
The committee has two regular meetings a year which are also attended by the independent external auditors and appropriate members of executive management. In the past year, two meetings were held; attendance of the meetings is reflected on page 17.

Statutory duties
The committee confirms that it performed the following statutory duties as required by the Companies Act and in accordance with its terms of reference:

- Confirmed the appointment of external auditors, Ernst & Young Inc, (with the designated auditor being Mr Ian Catt);
- Determined the fees to be paid to the external auditor and agreed to the terms of their engagement and audit plan in consultation with executive management;
- Determined the nature and extent of the any non-audit services that the auditor may provide to the company; and
- Pre-approved any proposed agreement with the external auditor for the provision of non-audit services to the company;

The committee did not receive any concerns or complaints relating to the accounting practices, the content or auditing of the company's financial statements, the internal financial controls of the company or any other related matter during the period under review.

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

Annual financial statements
The committee has recommended the annual financial statements to the board after ensuring the disclosure is adequate and fair presentation has been achieved.

Bongiwe Ntuli
Chairperson, Audit Committee
15 September 2011

independent auditor's report

Report on the financial statements

We have audited the annual financial statements and the group annual financial statements of Adapt IT Holdings Limited, which comprise the statements of financial position as at 30 June 2011, the statements of comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes and the directors' report as set out on pages 33 to 71.

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 and for such controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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 and group annual financial statements fairly present, in all material respects, the financial position of the company and the group at 30 June 2011 and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Ernst & Young Inc.

Ernst & Young Inc.
Director, **Ian Richard Catt**
Chartered Accountant (SA)
Registered Auditor

Durban
15 September 2011

directors' approval of annual financial statements

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 integrated annual report. The annual financial statements have been prepared in accordance with International Financial Reporting Standards Companies Act, 2008, and the JSE Listings Requirements 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.

An Audit Committee of the board meets with the auditors and management to discuss internal accounting controls, auditing and financial reporting matters. The external auditors have unrestricted access to the Audit Committee.

Approval of the annual financial statements

The annual financial statements, which appear on pages 35 to 71, were approved by the board of directors on 15 September 2011 and are signed on its behalf by:

Dr Bernard Ravnö
Independent Non-executive Chairman

Sbu Shabalala
Chief Executive Officer

15 September 2011

These integrated annual financial statements were prepared by:

Siboniso Shabalala CA (SA)
Financial Director
Adapt IT Holdings Limited

certificate of the company secretary

Statucor (Pty) Limited, being the Company Secretary of Adapt IT Holdings Limited and its subsidiaries, certify that in accordance with section 88(2)(e) of the Companies Act, 2008, to the best of our knowledge and belief, all returns required of a public listed company have, in respect of the year under review, been lodged with the Registrar of Companies and that all such returns are true, correct and up to date.

Statucor (Pty) Limited
Company Secretary

Durban
15 September 2011

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.

Review of operations
Commentary is given under the CEO report on page 12 and segment report on page 70.

Acquisitions
During the year under review:

- The company increased its shareholding in ApplyIT (Pty) Limited from 77% to 100%; and
- The company increased its shareholding in ITS Holdings (Pty) Limited from 51% to 100%.

Events after the reporting period
There are no material events between the financial year end and the date of this report.

DIVIDENDS
Ordinary dividend number 8
The company declared a dividend of 3,41 cents per share, which was paid to shareholders on 25 October 2010.

Ordinary dividend number 9
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 2,84 cents per share ("the dividend") has been declared, payable to shareholders recorded in the books of the company at close of business on 21 October 2011.

Shareholders are advised that the last day to trade cum-dividend will be Friday, 14 October 2011. Shares will trade ex-dividend as from Monday, 17 October 2011, and the record date will be Friday, 21 October 2011. Payment will be made on Monday, 24 October 2011. Share certificates may not be dematerialised or rematerialised during the period 14 October 2011 to 24 October 2011, both days inclusive. This dividend, having been declared after 30 June 2011, has not been provided for in the financial statements.

Share capital
465 085 treasury shares were held by the group at 30 June 2011 (2010: 1 761 438), resulting in a reduction of issued share capital in the current reporting period.

During the year under review, the issued ordinary share capital of the company increased by 2 635 394 shares to 98 350 466 shares as a result of:

- The company issuing 1 278 309 of its treasury shares to non-controlling shareholders of ITS holdings who opted to takes shares in Adapt IT; and
- The company issuing 1 360 085 new shares to the non-controlling shareholders of ApplyIT.

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 R21 754 099 (2010: R22 599 042).

Share Incentive Trust
The group has a Share Incentive Trust. The amendments to the share trust deed, as approved at the general meeting on 22 October 2010, were effected.

Directorate
The names of the directors are set out on pages 10 and 11.

The following changes to the board of directors took place during the period under review:

- Directors retiring by rotation: Ms N Ntuli, Dr AB Ravnö and Messrs PCM September and M Nhlapo were re-appointed to the board, effective 22 October 2010;
- Mr W Shuenyane resigned from the board on 29 April 2011;
- Ms T Dingaan and Mr C Chambers were appointed on 3 May 2011 as independent non-executive directors; and
- Mr PCM September passed away on 22 May 2011.

Company Secretary

Mr Lester Moodley was Company Secretary until 31 January 2011. Statucor (Pty) Limited was appointed as Company Secretary from 1 February 2011.

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:

- On 22 October 2010, the members granted the directors authority to repurchase a maximum of 20% of the company's shares, valid until the next annual general meeting.

Directors' remuneration

At the forthcoming annual general meeting:

- Shareholders will be requested to a pass a non-binding advisory vote, approving the company's remuneration policy; and
- In line with the requirements of Section 66(9) of the Companies Act, 2008, shareholders will be requested to pass a special resolution to approve increases in the fees payable to non-executive directors with effect from 1 July 2011 as per the AGM notice on page 77.

The non-executive directors are not paid per meeting, rather a fixed fee for the year.

The directors are of the view that Section 66(9) does not apply to the remuneration of the executive directors.

Audit Committee

At the forthcoming annual general meeting, pursuant to the requirements of Section 94(2) of the Companies Act, 2008, shareholders will be requested to pass a special resolution appointing the members of the Audit Committee, as indicated in page 76 of this report.

Financial assistance to related companies

At the forthcoming annual general meeting, pursuant to the requirements of Section 45 of the Companies Act, 2008, shareholders will be requested to pass a special resolution authorising the directors, by way of general authority, to allow the company to provide direct or indirect financial assistance to any company which is related or interelated to the company, subject to the relevant provisions of Section 45.

statements of comprehensive income

for the year ended 30 June 2011

	Note	**GROUP 12 months ended 30 June 2011 R**	GROUP 16 months ended 30 June 2010 R	**COMPANY 12 months ended 30 June 2011 R**	COMPANY 16 months ended 30 June 2010 R
Services rendered		**153 715 808**	183 220 943	**–**	1 765 727
Sale of goods		**19 816 828**	15 765 553	**–**	–
Interest income		**4 245 667**	5 622 971	**25 368**	368 620
Dividend income		**–**	34 908	**6 826 924**	1 320 328
Other income		**3 128 235**	3 807 426	**1 113 032**	2 453 293
Revenue		**180 906 538**	208 451 801	**7 965 324**	5 907 968
Turnover		**173 532 636**	198 986 496	**–**	1 765 727
Cost of sales		**(90 107 278)**	(107 078 167)	**–**	–
Gross profit		**83 425 358**	91 908 329	**–**	1 765 727
Administrative, selling and other costs		**(71 505 256)**	(76 820 348)	**(3 436 911)**	(2 423 828)
Other income		**3 128 235**	3 807 426	**1 113 032**	2 453 293
Dividend income		**–**	34 908	**6 826 924**	1 320 328
Profit from operations (before interest)		**15 048 337**	18 930 315	**4 503 045**	3 115 520
Interest income		**4 245 667**	5 622 971	**25 368**	368 620
Finance costs		**(1 100 654)**	(944 841)	**(4 792)**	(15 512)
Loss from associate		**–**	(63 625)	**–**	–
Profit before taxation	2	**18 193 350**	23 544 820	**4 523 621**	3 468 628
Taxation	4	**(4 947 226)**	(6 708 942)	**(356 658)**	(344 175)
Profit for the period		**13 246 124**	16 835 878	**4 166 963**	3 124 453
Other comprehensive income for the period, net of tax		**134 548**	(169 155)	**–**	–
Exchange differences on translation of foreign operations		**134 548**	(169 155)	**–**	–
Total comprehensive income for the period, net of tax		**13 380 672**	16 666 723	**4 166 963**	3 124 453
Profit for the period:					
Attributable to equity shareholders of the parent		**11 044 511**	13 100 081	**4 166 963**	3 124 453
Attributable to non-controlling interests		**2 201 614**	3 735 797	**–**	–
		13 246 124	16 835 878	**4 166 963**	3 124 453
Total comprehensive income for the period					
Attributable to equity shareholders of the parent		**11 246 812**	13 013 812	**4 166 963**	3 124 453
Attributable to non-controlling interests		**2 133 860**	3 652 911	**–**	–
		13 380 672	16 666 723	**4 166 963**	3 124 453
Earnings per share (cents)	5.1	**11,36**	13,64		
Fully diluted earnings per share (cents)	5.1	**11,36**	13,64		

statements of financial position

as at 30 June 2011

	Note	GROUP 30 June 2011 R	GROUP 30 June 2010 R	COMPANY 30 June 2011 R	COMPANY 30 June 2010 R
ASSETS					
Non-current assets		**43 868 909**	39 765 127	**46 196 326**	28 400 565
Amounts owing from subsidiary	8	**–**	–	**15 331 125**	10 737 000
Property and equipment	6	**21 533 510**	22 719 927	**–**	–
Intangible assets	7	**1 452 498**	109 241	**–**	–
Interest in subsidiaries and share trust	8	**–**	–	**30 865 201**	17 663 565
Goodwill	9	**10 407 854**	10 407 854	**–**	–
Deferred taxation asset	10	**10 475 047**	6 528 105	**–**	–
Current assets		**61 745 521**	84 975 555	**450 739**	96 699
Accounts receivable	11	**43 067 695**	45 848 856	**82 981**	27 957
Cash and cash equivalents		**18 677 826**	39 126 699	**367 758**	68 742
Total assets		**105 614 430**	124 740 682	**46 647 065**	28 497 264
EQUITY AND LIABILITIES					
Share capital	12	**9 835**	9 570	**9 881**	9 745
Share premium	13	**8 650 098**	7 196 322	**8 833 005**	8 112 296
Share-based payment reserve	14	**–**	893 020	**–**	–
Foreign currency translation reserve	12	**116 032**	(86 269)	**–**	–
Retained earnings		**39 376 153**	34 666 074	**4 472 588**	3 569 509
Equity attributable to ordinary shareholders		**48 152 118**	42 678 717	**13 315 474**	11 691 550
Non-controlling interest		**–**	7 825 266	**–**	–
Total equity		**48 152 118**	50 503 983	**13 315 474**	11 691 550
Non-current liabilities		**5 747 229**	4 917 182	**–**	–
Interest-bearing borrowings	15	**1 575 836**	2 447 576	**–**	–
Deferred taxation liability	10	**4 171 393**	2 469 606	**–**	–
Current liabilities		**51 715 083**	69 319 517	**33 331 591**	16 805 714
Interest-bearing borrowings	15	**1 232 874**	1 793 103	**–**	–
Non-interest-bearing borrowings	16	**–**	10 315 036	**–**	–
Accounts payable	17	**9 718 636**	19 864 212	**219 659**	111 283
Provisions	18	**8 887 625**	7 243 852	**–**	–
Deferred income		**31 076 107**	25 844 741	**–**	–
Amounts owing to subsidiaries	8	**–**	–	**33 458 793**	16 552 292
Taxation payable		**799 841**	4 258 573	**(346 861)**	142 139
Total equity and liabilities		**105 614 430**	124 740 682	**46 647 065**	28 497 264

statements of cash flows

for the year ended 30 June 2011

	Note	GROUP 12 months ended 30 June 2011 R	GROUP 16 months ended 30 June 2010 R	COMPANY 12 months ended 30 June 2011 R	COMPANY 16 months ended 30 June 2010 R
Cash flows from operating activities					
Profit from operations (before interest and dividends)		**15 048 337**	18 895 407	**(2 323 879)**	1 795 192
Adjustment for:					
Provision for leave pay and bonus		**1 643 772**	1 463 368	**–**	–
Impairment loss		**51**	73 683	**51**	61 489
Non-cash flow items		**(64 075)**	(1 169 145)	**(12 647)**	–
Foreign currency translation variance		**–**	–	**–**	–
Share-based payment expense		**–**	90 341	**–**	–
Loss/(profit) on sale of equipment		**101 467**	(318 802)	**–**	–
Depreciation and amortisation		**2 992 740**	3 013 510	**–**	–
Cash generated from/(utilised by) operations, before working capital changes		**19 722 292**	22 048 362	**(2 336 475)**	1 856 681
Working capital changes					
Decrease/(increase) in receivables		**2 781 161**	(12 311 884)	**(55 024)**	576 567
(Decrease)/increase in payables		**(4 835 752)**	11 597 627	**108 376**	(373 770)
Cash generated from/(utilised by) operations		**17 667 701**	21 334 105	**(2 283 123)**	2 059 478
Taxation paid		**(10 666 006)**	(5 536 564)	**(845 658)**	(826 405)
Interest income		**4 245 667**	5 622 971	**25 368**	368 620
Finance costs		**(1 100 654)**	(944 841)	**(4 792)**	(15 512)
Dividend income from subsidiary		**–**	–	**6 826 924**	1 320 328
Dividend income from associate		**–**	34 908	**–**	–
Dividend paid to shareholders		**(3 263 884)**	(1 779 186)	**(3 263 884)**	(1 779 097)
Net cash inflow/(outflow) from operating activities		**6 882 824**	18 731 393	**454 834**	1 127 412
Cash flows from investing activities					
Acquisition of assets on expansion		**(3 268 355)**	(9 606 777)	**–**	–
Proceeds on disposal of equipment		**17 308**	437 802	**–**	–
Decrease in investment in associate		**–**	63 625	**–**	–
Acquisition of interest in ITS Holdings		**(19 126 691)**	(16 000 000)	**(19 126 691)**	(16 000 000)
Repayment of shareholder loan		**(3 656 539)**	–	**(18 970 873)**	3 570 389
Net cash outflow from investing activities		**(26 034 277)**	(25 105 350)	**(155 818)**	(12 429 611)
Cash flows from financing activities					
Proceeds from borrowings		**11 201 278**	17 114 820	**19 126 691**	3 592 199
Repayment of borrowings		**(12 633 246)**	(11 304 603)	**–**	
Issue of company's shares		**–**	10 080	**–**	–
Elimination of pre-acquisition loan from ITS		**–**	(1 430 000)	**–**	–
Net cash (outflow)/inflow from financing activities		**(1 431 968)**	4 390 297	**19 126 691**	3 592 199
Net (decrease)/increase in cash resources		**(20 583 421)**	(1 983 660)	**299 015**	(7 710 000)
Exchange differences on translation		**134 548**	(169 155)	**–**	–
Cash resources at beginning of period		**39 126 699**	14 556 076	**68 742**	7 778 742
Cash resources on acquisition of subsidiaries		**–**	26 723 438	**–**	–
Cash resources at end of period		**18 677 826**	39 126 699	**367 758**	68 742

statements of changes in equity

for the year ended 30 June 2011

	Share capital R	Share premium R	Share-based payment reserve R
GROUP			
Balance at 28 February 2009	9 565	7 186 247	802 679
Acquisition of subsidiary	–	–	–
Profit for the period	–	–	–
Other comprehensive income for the period	–	–	–
Total comprehensive income for the period	–	–	–
Shares issued during the year	5	10 075	–
Recognition of share-based payment	–	–	90 341
Dividend paid	–	–	–
Balance at 30 June 2010	9 570	7 196 322	893 020
Profit for the year	–	–	–
Other comprehensive income for the year	–	–	–
Total comprehensive income for the year	–	–	–
Transfer from share-based payment	–	–	(893 020)
Shares issued during the year	265	1 453 776	–
Acquisition of non-controlling interest in subsidiaries	–	–	–
Dividend paid	–	–	
Balance at 30 June 2011	**9 835**	**8 650 098**	**–**

	Share capital R	Share premium R	Retained earnings R
COMPANY			
Balance at 28 February 2009	9 745	8 112 296	2 224 153
Profit for the period	–	–	3 124 453
Other comprehensive income for the period	–	–	–
Total comprehensive income for the period	–	–	3 124 453
Dividend paid	–	–	(1 779 097)
Balance at 30 June 2010	9 745	8 112 296	3 569 509
Profit for the year	–	–	4 166 963
Other comprehensive income for the year	–	–	–
Total comprehensive income for the year	–	–	4 166 963
Shares issued during the year	136	720 709	–
Dividend paid	–	–	(3 263 884)
Balance at 30 June 2011	**9 881**	**8 833 005**	**4 472 588**

Foreign currency translation reserve R	Retained earnings R	Attributable to equity holders of the parent R	Non-controlling interest R	Total R
–	23 345 179	31 343 670	1 415 355	32 759 025
–	–	–	2 757 000	2 757 000
–	13 100 081	13 100 081	3 735 797	16 835 878
(86 269)	–	(86 269)	(82 886)	(169 155)
(86 269)	13 100 081	13 013 812	6 409 911	19 423 723
–	–	10 080	–	10 080
–	–	90 341	–	90 341
–	(1 779 186)	(1 779 186)	–	(1 779 186)
(86 269)	34 666 074	42 678 717	7 825 266	50 503 983
–	11 044 511	11 044 511	2 201 613	13 246 124
202 301	–	202 301	(67 753)	134 548
202 301	11 044 511	11 246 812	2 133 860	13 380 672
–	893 020	–	–	–
–	–	1 454 041	–	1 454 041
–	(3 963 568)	(3 963 568)	(9 959 126)	(13 922 694)
–	(3 263 884)	(3 263 884)	–	(3 263 884)
116 032	**39 376 153**	**48 152 118**	**–**	**48 152 118**

Total R
10 346 194
3 124 453
–
3 124 453
(1 779 097)
11 691 550
4 166 963
–
4 166 963
720 845
(3 263 884)
13 315 474

notes to the annual financial statements

for the year ended 30 June 2011

1. ACCOUNTING POLICIES

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

The financial statements and consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies Act in South Africa. The financial statements have been prepared under the historical cost method, except in the case of financial instruments, which are carried in accordance with IAS 39. These accounting policies have been consistently applied to all the years presented, except for the Standards and Interpretations which became effective during the current financial year which are disclosed in note 1.23 to the financial statements.

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.

1.1 Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the company, its subsidiaries and the Adapt IT 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.

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.

1.2 Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment loss.

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 as land and buildings and is carried using the revaluation model.

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 is depreciated separately.

The depreciation charge for each period is recognised in the statement of comprehensive income.

Any revaluation surplus is recognised in other comprehensive income and credited to the asset's revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of comprehensive income, in which case the increase is recognised in the statement of comprehensive income. A revaluation deficit is recognised in the statement 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.

1. **ACCOUNTING POLICIES** CONTINUED

1.2 **Property and equipment** continued

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

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

1.3 **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

Inhouse developed software

Research costs pertaining to inhouse 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 table below and are reassessed, with the amortisation method, at least at each financial period end. The amortisation of software is recognised in the statement 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 statement of comprehensive income when the asset is derecognised.

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

1. ACCOUNTING POLICIES CONTINUED

1.4 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, 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, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient 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 outside profit or loss is recognised outside profit or loss.

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

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 outside profit or loss is recognised outside 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 statement 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.

1. **ACCOUNTING POLICIES** CONTINUED

1.5 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 statement of financial position.

Other income consists of recoveries from clients and sales of consumables.

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.

1.6 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.

1.7 Leases

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

Finance lease

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

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

Operating lease

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

1.8 Research expenditure

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

1.9 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 statement 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 an average prevailing exchange rates, applicable at the period. The exchange difference arising on the translation are recognised in other comprehensive income and accumulated in equity in the foreign currency translation reserve.

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

1. **ACCOUNTING POLICIES** CONTINUED

1.10 Financial instruments

Financial assets or financial liabilities are recognised in the statements of financial position when they become 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 measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement 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 asset's original effective interest rate.

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income.

1. ACCOUNTING POLICIES CONTINUED

1.10 Financial instruments continued

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 statement 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 year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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 statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate (EIR) method amortisation process.

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

1. ACCOUNTING POLICIES CONTINUED

1.10 Financial instruments continued

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

1.11 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.

1.12 Share issue costs

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

1.13 Treasury shares

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

1.14 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 board of directors.

1.15 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 Listings 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.

1. ACCOUNTING POLICIES CONTINUED

1.16 Business combinations and goodwill

Business combinations before 1 July 2009

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) is 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.

Acquisition of non-controlling interest

Where a non-controlling interest is acquired from the outside shareholders, and control had previously been obtained, the acquiree's net assets are not restated to their fair value at the date that the non-controlling interest is acquired. The group has chosen to treat this as a transaction between owners and hence the entire difference between the cost of the additional interest in the subsidiary and the non-controlling interest's share of the net assets and liabilities reflected in the statement of financial position at the date of the acquisition of the non-controlling interest is taken directly to 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 statement 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.

1.17 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 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 with the impairment recognised in profit and loss. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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 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 revalued amount, in which case the reversal is treated as a revaluation increase.

notes to the annual financial statements

for the year ended 30 June 2011

1. ACCOUNTING POLICIES CONTINUED

1.18 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.

1.19 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.

1.20 Cost of sales

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

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

1.21 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.

Accrued revenue

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

Deferred taxation

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

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

Owner-occupied property

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

Useful lives and residual values

Property and equipment are depreciated over 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 10.

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 yield and making assumptions about them.

1. **ACCOUNTING POLICIES** CONTINUED

1.22 New or revised IFRS standards and interpretations

The following new standards and interpretations were in issue but not effective for 2011. 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, financial position and disclosures. The group expects to adopt these changes when they become effective:

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 2015
Improvements to IFRS (May 2010)	mostly 1 January 2011
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosure of Interest in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
IAS 1 Amendments to Presentation of Financial Statements – Changes to the Presentation of Other Comprehensive Income	1 July 2012
IAS 12 Income Taxes: Deferred Tax – Recovery of Underlying Assets	1 January 2012
IAS 19 Employee Benefits – Significant Changes	1 January 2013
IAS 24 Related Party Disclosure – Definitions	1 January 2011

The following standards were issued, are not yet effective and are not expected to have any impact on the group:

IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
IFRS 7 Financial Instruments Disclosures – Transfers of Financial Assets (amendments to IFRS)	1 July 2011

1.23 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:

IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes to IFRS 3R and IAS 27R will affect future acquisitions or loss of control and transactions with minority interests.

Changes to accounting policies – standards, interpretations and amendments that became effective during the year which had no material impact on the group:

IAS 39 Financial Instruments: Recognition and Measurement (amendments) – Eligible Hedged Items;

IFRIC 17 Distributions of Non-cash Assets to Owners;

IFRS 2 Share-based Payments (amendments);

IAS 32 Financial Instruments: Presentation (amendments) – Classification of Rights Issues;

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments;

AC 504 IAS19 The Limit on a Defined Benefit Plan, Minimum Funding Requirements and their Interactions in a South African Pension Fund Environment; and

Improvements to IFRS (April 2009).

notes to the annual financial statements

for the year ended 30 June 2011

2. PROFIT BEFORE TAX

	GROUP 12 months ended 30 June 2011 R	GROUP 16 months ended 30 June 2010 R	**COMPANY 12 months ended 30 June 2011 R**	COMPANY 16 months ended 30 June 2010 R
Profit before tax is arrived at after taking into account:				
Expenses				
Auditor's remuneration				
– audit fees – current	**1 331 629**	886 136	**80 391**	630 452
– other services	**244 646**	620 338	**–**	–
Depreciation				
– computer hardware	**1 115 602**	1 301 722	**–**	–
– telephone equipment	**462 951**	412 152	**–**	–
– office equipment	**52 103**	120 161	**–**	–
– furniture and fittings	**404 081**	333 619	**–**	–
– servers	**381 897**	157 602	**–**	–
– motor vehicles	**–**	39 936	**–**	–
– owner-occupied property	**218 609**	175 606	**–**	–
– leasehold improvements	**193 829**	107 299	**–**	–
Finance costs				
– borrowings	**1 100 654**	944 841	**4 792**	15 512
Foreign exchange loss	**2 036 199**	663 081	**–**	–
Amortisation of intangible assets				
– inhouse developed software	**60 248**	145 557	**–**	–
– trademarks	**1 379**	1 841	**–**	–
– computer software	**102 041**	218 015	**–**	–
Employee costs	**110 826 457**	122 490 690	**–**	–
– salaries and wages	**105 047 226**	115 860 458	**–**	–
– pension costs	**5 779 231**	6 545 891	**–**	–
– share-based payment expense	**–**	90 341	**–**	–
Operating lease charges				
– property	**6 273 484**	5 523 102	**–**	–
Loss on sale of property and equipment	**101 467**	–	**–**	–
Impairment of investment	**51**	73 683	**51**	61 489
Provision for impairment of debtors	**1 193 437**	(178 960)	**–**	–
Income				
Bad debts recovered	**–**	11 972	**–**	–
Skills development levy refund	**276 095**	543 610	**–**	–
Excess of net value over purchase price on business combination	**–**	1 176 398	**–**	–
Profit on sale of property and equipment	**–**	318 802	**–**	–
Other income	**3 128 235**	2 631 029	**1 113 032**	2 453 293

3. DIRECTORS' EMOLUMENTS

The directors' remuneration for the year ended 30 June 2011 was as follows:

	Salary R	Contributions Retirement R	Contributions Medical aid R	Bonus R	Retention payment R	12 months ended 30 June 2011 Total emoluments R	16 months ended 30 June 2010 Total emoluments R
Executive directors							
Sbu Shabalala	**726 410**	**61 558**	**18 846**	**65 000**	**253 380**	**1 125 194**	**1 067 205**
Siboniso Shabalala	**798 776**	**67 536**	**18 846**	**55 000**	**129 761**	**1 069 919**	**1 274 015**
T Dunsdon	**791 602**	**14 335**	**1 571**	**59 800**	**261 516**	**1 128 824**	**1 038 165**
MCB Lionnet*	**–**	**–**	**–**	**–**	**–**	**–**	**993 000**
CL von Pannier*	**–**	**–**	**–**	**–**	**–**	**–**	**934 723**
Total	**2 316 788**	**143 429**	**39 263**	**179 800**	**644 657**	**3 323 937**	**5 307 108**

* *MCB Lionnet and CL von Pannier resigned from the Holdings board on 3 June 2009, and were appointed to the subsidiary board on 4 June 2009*

	Directors' fees 2011 R	Directors' fees 2010 R	Fees for other services 2011 R	Fees for other services 2010 R	Total emoluments 2011 R	Total emoluments 2010 R
Non-executive directors						
AB Ravnö	**94 819**	89 726	**–**	–	**94 819**	89 726
RP Collis*		50 283	**–**	–	**–**	50 283
W Shuenyane**	**26 389**	38 384	**–**	–	**26 389**	38 384
B Ntuli	**47 288**	57 319	**–**	–	**47 288**	57 319
PCM September***	**42 134**	19 187	**–**	–	**42 134**	19 187
M Nhlapo	**47 288**	12 791	**–**	–	**47 288**	12 791
T Dingaan****	**7 881**	–	**–**	–	**7 881**	–
C Chambers****	**7 881**	–	**–**	–	**7 881**	–
Total	**273 680**	267 690	**–**	–	**273 680**	267 690

* *RP Collis resigned as Chairman on 30 September 2009*
** *W Shuenyane resigned on 29 April 2011*
*** *PCM September passed away on 22 May 2011*
**** *T Dingaan and C Chambers were appointed on 3 May 2011*

4. TAXATION

	GROUP 30 June 2011 R	GROUP 30 June 2010 R	COMPANY 30 June 2011 R	COMPANY 30 June 2010 R
South African normal taxation				
Current tax				
– current year	**6 941 614**	9 599 466	**5 328**	201 229
– prior year	**(1 215)**	(151 075)	**(2 535)**	(38 327)
Deferred tax				
– current year	**(910 728)**	(2 925 367)	**–**	–
– prior year raised on assessed loss	**(1 349 320)**	–	**–**	–
Secondary tax on companies	**323 334**	185 918	**323 334**	181 273
Foreign tax adjustment	**(86 990)**	–	**–**	–
Share transfer tax	**30 531**	–	**30 531**	–
Total	**4 947 226**	6 708 942	**356 658**	344 175
	%	%	**%**	%
Tax rate reconciliation				
Statutory rate	**28,0**	28,0	**28,0**	28,0
Adjustment from prior years	**0,2**	(0,6)	**–**	
Permanent differences	**4,9**	0,5	**(28,1)**	(23.3)
Deferred tax raised on tax losses	**(7,4)**	0,7	**–**	–
Assessed loss utilised	**(0,4)**	(1,0)	**–**	–
Secondary tax on companies	**1,8**	0,8	**7,1**	5,2
Foreign tax rate differential	**(0,1)**	0,1	**–**	–
Share transfer tax	**0,2**	–	**0,7**	–
Effective rate	**27,2**	28,5	**7,7**	9,9

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 R11 044 511 (2010: R13 100 081) and the weighted average number of ordinary shares in issue during the year of 97 245 767 (2010: 96 084 561). The calculation of fully diluted earnings per share is based on the profit of R11 044 511 (2010: R13 100 081) and the weighted average number of 97 245 767 (2010 96 084 561) shares.

There is no effect of dilution in the current year.

		GROUP 2011 R	GROUP 2010 R
Reconciliation between earnings and headline earnings:			
Earnings attributable to equity shareholders		**11 044 511**	13 100 081
Less discount received on acquisition of ITS Holdings (Pty) Limited		**–**	(1 176 398)
Add loss/(profit) on sale of property and equipment		**101 467**	(318 802)
Add impairment on investment		**51**	73 683
Headline earnings		**11 146 029**	11 678 564
Headline earnings per share	(cents)	**11,46**	12,15
Fully diluted headline earnings per share	(cents)	**11,46**	12,15

5.2 Dividends per share

Dividends per share	(cents)	**3,41**	1,86

6. PROPERTY AND EQUIPMENT

	2011 Cost R	2011 Accumulated depreciation R	2011 Net book value R	2010 Cost R	2010 Accumulated depreciation R	2010 Net book value R
GROUP						
Owner-occupied property – land and buildings	**13 363 596**	**363 596**	**13 000 000**	12 824 595	175 606	12 648 989
Motor vehicles	**112 312**	**112 312**	**–**	109 957	109 957	–
Servers	**1 917 067**	**539 499**	**1 377 568**	1 891 222	157 602	1 733 620
Computer hardware	**5 508 592**	**4 268 480**	**1 240 112**	5 165 310	3 641 433	1 523 877
Telephone equipment	**2 333 896**	**648 253**	**1 685 643**	2 223 598	185 301	2 038 297
Office equipment	**293 427**	**1 829**	**291 598**	333 270	57 264	276 006
Furniture and fittings	**3 604 638**	**1 312 812**	**2 291 826**	3 906 711	1 248 165	2 658 546
Leasehold improvements	**1 933 654**	**286 891**	**1 646 763**	1 938 278	97 686	1 840 592
Total	**29 067 182**	**7 533 672**	**21 533 510**	28 392 941	5 673 014	22 719 927

	Net book value at beginning of year R	Acquisition of subsidiary R	Additions R	Disposals at net book value R	Depreciation R	Net book value at end of year R
2011						
Owner-occupied property – land and buildings	**12 648 989**	**–**	**569 620**	**–**	**(218 609)**	**13 000 000**
Motor vehicles	**–**	**–**	**–**	**–**	**–**	**–**
Servers	**1 733 620**	**–**	**25 845**	**–**	**(381 897)**	**1 377 568**
Computer hardware	**1 523 877**	**–**	**831 837**	**–**	**(1 115 602)**	**1 240 112**
Telephone equipment	**2 038 297**	**–**	**110 297**	**–**	**(462 951)**	**1 685 643**
Office equipment	**276 006**	**–**	**133 304**	**(65 609)**	**(52 103)**	**291 598**
Furniture and fittings	**2 658 546**	**–**	**90 527**	**(53 166)**	**(404 081)**	**2 291 826**
Leasehold improvements	**1 840 592**	**–**	**–**	**–**	**(193 829)**	**1 646 763**
Total	**22 719 927**	**–**	**1 761 430**	**(118 775)**	**(2 829 072)**	**21 533 510**
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

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

Assets within the Servers, Computer Hardware, Telephone Equipment and Office Equipment categories have been pledged as security, in favour of IBM global finance (refer to note 15 for details).

6. **PROPERTY AND EQUIPMENT** CONTINUED

Owner-occupied property is carried using the revaluation model. Management determines the value of the property, with reference to the expertise of an independent valuer, (I Joubert, of IJ Valuations (Pty) Limited), who assisted in valuing the property on 30 June 2011. IJ Valuations (Pty) Limited is not connected to the company and has recent valuation experience in the location and category of the investment property being valued. The valuation was based on open market value for existing use. The assumptions used are based on current market conditions.

	June 2011 %	June 2010 %
Yield	**10,50**	9 – 10

The land is described as:

Erf 1488 Monument Park, Registration Division JR, Province of Gauteng; measuring 5 090 square metres. Purchased at a cost of R4 348 450. Additions and improvements since the date of acquisition amount to R2 063 908 (2010: R1 494 288).

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

Had land and buildings been measured using the cost model instead of at fair value, the carrying amount would be R13 000 000 (2010: R12 648 989).

7. **INTANGIBLE ASSETS**

	Cost R	**2011 Accu-mulated amortisation R**	**Net book value R**	Cost R	2010 Accu-mulated amortisation R	Net book value R
GROUP						
Inhouse developed software	**2 582 640**	**1 159 516**	**1 423 124**	1 434 069	1 434 069	–
Trademarks	**27 610**	**10 013**	**17 597**	27 610	8 634	18 976
Computer software	**96 048**	**84 271**	**11 777**	289 336	199 071	90 265
Total	**2 706 298**	**1 253 800**	**1 452 498**	1 751 015	1 641 774	109 241

	Net book value at beginning of year R	**Additions R**	**Disposals at net book value R**	**Amort-isation R**	**Net book value at end of year R**
2011					
Inhouse developed software	**–**	**1 483 372**	**–**	**(60 248)**	**1 423 124**
Trademarks	**18 976**	**–**	**–**	**(1 379)**	**17 597**
Computer software	**90 265**	**23 553**	**–**	**(102 041)**	**11 777**
Total	**109 241**	**1 506 925**	**–**	**(163 668)**	**1 452 498**
2010					
Inhouse 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

Refer to note 9 for details of the goodwill.

8. INTEREST IN SUBSIDIARIES AND SHARE TRUST

Details of the company's subsidiaries and Share Trust at 30 June 2011 are as follows:

Name of subsidiary	Country of incorporation registration	**2011 Ownership interest %**	2010 Ownership interest %	Principal activity
Adapt IT (Pty) Limited (previously InfoWave (Pty) Limited)	RSA	**100**	100	Application solutions
ApplyIT (Pty) Limited	RSA	**100**	77	Application solutions
Adapt IT Holdings Limited Share Incentive Trust	RSA	**	**	Employee share participation
ITS Holdings (Pty) Limited	RSA	**100**	51	Application solutions

** *100% consolidation*

	COMPANY 2011 R	COMPANY 2010 R
Adapt IT (Pty) Limited (previously InfoWave (Pty) Limited)		
Shares at cost	**15 967 052**	15 967 052
Indebtedness to subsidiary	**(33 458 793)**	(17 235 322)
	(17 491 741)	(1 268 270)
This intercompany loan is between Adapt IT (Pty) Limited and Adapt IT Holdings Limited. No interest is charged and there are no fixed terms of repayment.		
ApplyIT (Pty) Limited		
Shares at cost	**3 688**	2 952
Indebtedness of subsidiary	**1 357 848**	637 739
	1 361 536	640 691
This intercompany loan is between ApplyIT (Pty) Limited and Adapt IT Holdings Limited. No interest is charged and there are no fixed terms of repayment.		
ITS Holdings (Pty) Limited		
Shares at cost	**14 894 461**	1 693 461
Indebtedness of subsidiary	**13 927 036**	10 737 000
	28 821 497	12 429 611
This intercompany loan is between ITS Holdings (Pty) Limited 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 bears no interest. The loan has no set terms of repayment, and will not be recalled within the next 12 months.		
Adapt IT Holdings Limited Share Incentive Trust		
Indebtedness of 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.		
Total investment	**30 865 201**	17 663 565
Net amounts owing to subsidiaries	**(18 127 668)**	(5 815 292)
Total interest	**12 737 533**	11 848 273

The directors' valuation of the above investment exceed the carrying amounts reflected above, and hence no impairment is considered necessary. Refer to note 23 for details of transactions between related parties.

8. INTEREST IN SUBSIDIARIES AND SHARE TRUST CONTINUED

2011 BUSINESS COMBINATIONS

Acquisition of non-controlling interest in ApplyIT (Pty) Limited

On 30 November 2010, the group acquired the remaining 22,7% interest of the voting shares of ApplyIT (Pty) Limited.

A purchase consideration of R0,72 million was paid to the non-controlling shareholders. The non-controlling interest value was R1,4 million and the difference of R0,69 million has been recognised in the retained earnings with equity.

Acquisition of non-controlling interest in ITS Holdings (Pty) Limited

On 31 December 2010, the group acquired the remaining non-controlling interest of 49% of the shares in ITS Holdings. The purchase consideration of R19,9 million was paid to the non-controlling interest shareholders.

The net carrying value of the assets of ITS Holdings (excluding goodwill) at the initial acquisition date was R5,6 million with the carrying value of the additional interest acquired being R8,5 million which was acquired for R13,2 million (net of the shareholders loan of R6,6 million).

The difference between the purchase consideration and the carrying value of the interest acquired has been recognised in retained earnings within equity.

The fair value of the identifiable net assets and liabilities of ITS Holdings as at the date of acquisition were:

	Fair value recognised on acquisition (Unaudited) R	31 December 2010 Previous carrying value (Unaudited) R
Property, plant and equipment	13 838 933	13 838 933
Deferred taxation	7 557 226	7 557 226
Trade receivables	65 372 583	65 372 583
Cash	13 103 272	13 103 272
	99 872 014	99 872 014
Taxation	4 033 098	4 033 098
Shareholders' loans	15 661 036	15 661 036
Deferred income	51 521 199	51 521 199
Trade payables	11 212 331	11 212 331
	82 427 664	82 427 664
Net assets	17 444 350	
Purchase consideration	19 859 886	
Portion of consideration applicable to shareholders' loan acquired	(6 658 497)	
Portion of consideration applicable to net asset value	13 201 389	
49% of net assets above	(8 547 732)	
Excess on acquisition of 49% recognised directly in equity	4 653 657	

8. **INTEREST IN SUBSIDIARIES AND SHARE TRUST** CONTINUED

BUSINESS COMBINATIONS

Acquisition of ITS Group in the prior period

On 30 June 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 12-month period from acquisition date.

The fair value of the identifiable net assets and liabilities of ITS as at the date of acquisition were:

	30 June 2009 (Audited) R	Fair value recognised on acquisition R
Property and equipment	14 033 063	14 033 063
Deferred taxation	494 383	494 383
Loans to group companies	5 000 000	5 000 000
Trade receivables	19 501 820	17 121 940
Cash	26 723 438	26 940 274
Total assets	65 752 704	63 589 660
Taxation	603 666	603 666
Shareholders' loans	28 052 036	28 052 036
Trade payables	31 469 828	29 306 784
Total liabilities	60 125 530	57 962 486
Net assets	5 627 174	5 627 174
Purchase consideration		16 000 000
Portion of consideration applicable to shareholder's 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 net value over purchase price		(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

During the 2010 financial period, ITS contributed R3,8 million to the profit and R80 million to the revenue of the group.

The excess of the net asset value over the purchase price was included in other income in the statement of comprehensive income in 2010 financial period.

9. GOODWILL

	GROUP 2011 R	GROUP 2010 R	COMPANY 2011 R	COMPANY 2010 R
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) Limited in the 2008 financial year.

Goodwill is allocated to cash-generating units as follows:

– ApplyIT (Pty) Limited: R58 709; and

– Adapt IT (Pty) Limited: R10 349 145.

The group tests goodwill annually for impairment. As at 30 June 2011, the carrying value of goodwill was considered not to require impairment.

The recoverable amount of goodwill has been determined based on a value in use calculation using cash flow projections from financial forecasts approved by senior management covering a five-year period.

The key assumptions used in the testing of goodwill are:

– Discount rate of 13% (2010: 14%) (weighted average cost of capital); and

– Projected cash flows for five years based on a 5% (2010: 5%) growth rate.

10. DEFERRED TAXATION

The major components of the deferred taxation balance are as follows:

	GROUP 2011 R	GROUP 2010 R	**COMPANY 2011 R**	COMPANY 2010 R
Deferred taxation asset				
Temporary difference to be offset against future income:				
Leave pay and other provisions	**2 282 768**	2 163 722	**–**	–
Deferred revenue	**4 660 708**	3 815 505	**–**	–
Imputed interest	**125 785**	109 170	**–**	–
Other	**292 964**	112 921	**–**	–
Estimated tax losses	**3 112 822**	326 787	**–**	–
	10 475 047	6 528 105	**–**	–
Deferred taxation liability				
Prepaid expenditure	**(295 250)**	(353 070)	**–**	–
Revenue in advance	**(1 964 753)**	(303 203)	**–**	–
Improvements to owner-occupied property	**(28 992)**	(14 114)	**–**	–
Revaluation of property	**(1 754 831)**	(1 789 736)	**–**	–
Other	**(127 567)**	(9 483)	**–**	–
	(4 171 393)	(2 469 606)	**–**	–
Movement in the deferred taxation balance for the period:				
Balance at beginning of the period	**4 058 499**	658 877	**–**	–
Acquisition of subsidiary	**–**	494 383	**–**	–
Other	**(14 893)**	(20 128)	**–**	–
Charge to profit and loss	**2 260 048**	2 925 367	**–**	–
Balance at end of the period	**6 303 654**	4 058 499	**–**	–

Deferred taxation raised on estimated tax losses of the prior years.

11. ACCOUNTS RECEIVABLE

	GROUP 2011 R	GROUP 2010 R	**COMPANY 2011 R**	COMPANY 2010 R
Trade receivables	**41 135 581**	44 773 467	**–**	–
Allowance for impairment of accounts receivable	**(1 917 794)**	(724 357)	**–**	–
	39 217 787	44 049 110	**–**	–
Other receivables	**1 980 844**	468 070	**45 057**	–
Prepaid expenses	**1 869 064**	1 331 676	**37 924**	27 957
	43 067 695	45 848 856	**82 981**	27 957

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

Movements in the allowance for impairment of trade receivables have been disclosed in note 24.1

12. SHARE CAPITAL AND RESERVES

	GROUP 2011 R	GROUP 2010 R	**COMPANY 2011 R**	COMPANY 2010 R
Authorised				
200 000 000 ordinary shares of 0,01 cent each	**20 000**	20 000	**20 000**	20 000
Issued				
98 818 551 (2010: 97 458 466) ordinary shares of 0,01 cent each less 465 085 (2010: 1 761 438) treasury shares	**9 835**	9 570	**9 881**	9 745
The remaining unissued shares are under the control of the directors subject to the provisions of Sections 41 and 42 of the Companies Act, 2008 and the Rules and Regulations of the JSE Securities Exchange South Africa.				
Foreign currency translation reserve	**116 032**	(86 269)		

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

13. SHARE PREMIUM

	GROUP 2011 R	GROUP 2010 R	**COMPANY 2011 R**	COMPANY 2010 R
At beginning of year	**7 196 322**	7 186 247	**8 112 296**	8 112 296
On shares allotted during the year	**1 453 776**	10 075	**720 709**	–
Balance at end of year	**8 650 098**	7 196 322	**8 833 005**	8 112 296

14. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The group had a share option scheme for all Adapt IT (Pty) Limited employees. Options were exercisable at a 30% discount to the quoted market price of the Adapt IT Holdings Limited's shares on the date of acceptance. Share options were generally exercisable in tranches of one third per annum on the anniversary of the acceptance date. If the options remained unexercised after a period of four years from the date of acceptance, the options expired. Options were forfeited if the employee leaves the group before the options vest.

In May 2006, the group issued options which were exercisable in a single tranche on the anniversary of the acceptance date. The options expired if they remained unexercised for a period of two 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.

During the year, all outstanding options were either forfeited or exercised.

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

	2011		2010	
	Number of share options	**Weighted average exercise price cents**	Number of share options	Weighted average exercise price cents
Outstanding at the beginning of the year	**522 976**		749 519	
Forfeited during the year	**(481 851)**		(179 893)	
Exercised during the year	**(41 125)**	**49,0**	(46 650)	38,0
Outstanding at the end of the year	**–**		522 976	

The weighted average share price at the date of exercise for share options exercised during the year was 49 cents (2010: 38 cents).

There were no outstanding options at the end of the year (2010: 522 976).

There were no new share options granted during the current year (2010: nil).

The share-based payment reserve was measured at fair value (excluding the impact of any non-market vesting conditions) at the date of the grant, which was expensed over the vesting period. The fair value of each option granted was estimated at the date of the grant using the Black-Scholes pricing model. The inputs into the model were as follows:

		2010*
Weighted average share price	(cents)	74
Weighted average exercise price	(cents)	52
Expected volatility	(%)	67
Expected life	(years)	3
Risk-free rate	(%)	8,8
Expected dividend yield	(%)	19,3

* *No details have been included for 2011 as there were no outstanding options at year end*

These assumptions varied 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 three years.

The group recognised total expenses of Rnil (2010: R90 341) related to equity-settled share-based payment transactions during the year.

15. INTEREST-BEARING BORROWINGS

	GROUP 2011 R	GROUP 2010 R	COMPANY 2011 R	COMPANY 2010 R
Non-current borrowings				
IBM Global Finance	**1 575 836**	2 447 576	**–**	–
Current portion of borrowings	**1 232 874**	1 793 103	**–**	–
IBM Global Finance	**1 227 277**	1 227 277	**–**	–
Investec Private Bank Limited	**5 597**	565 826	**–**	–
Total borrowings	**2 808 710**	4 240 679	**–**	–

	Interest rate 2011	Interest rate 2010	Maturity
Name of entity			
Investec Private Bank Limited	**10%**	11%	01/01/2013
IBM Global Finance	**14%**	14%	01/01/2014

Investec Private Bank Limited

A loan from Investec Private Bank Limited was obtained in the current year to fund the acquisition of the non-controlling interest in ITS Holdings. The loan is secured by limited sureties of shareholders (directors), 100% of ITS Holdings (Pty) Limited 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 obtained to fund certain capital expenditure and is secured by the financed equipment. Refer to note 6 for details of this equipment.

The lease provides for 48 equal repayments of R111 580, payable in advance on the first of each month. Ownership of the leased assets passes to Adapt IT (Pty) Limited at the end of the lease term.

16. NON-INTEREST-BEARING BORROWINGS

	GROUP 2011 R	GROUP 2010 R	COMPANY 2011 R	COMPANY 2010 R
Non-controlling shareholders' loan				
EDITS Holdings (Pty) Limited				
Opening balance	**10 315 036**	–	**–**	–
Amounts purchased	**(6 658 497)**	13 745 498	**–**	–
Repayments	**(3 656 539)**	(3 430 462)	**–**	–
	–	10 315 036	**–**	–

This loan was with the non-controlling shareholders of ITS Holdings (Pty) Limited; and was settled as part of the ITS transaction on note 8.

The loan was unsecured and bore no interest.

17. ACCOUNTS PAYABLE

	GROUP 2011 R	GROUP 2010 R	COMPANY 2011 R	COMPANY 2010 R
Trade payables	**5 969 258**	13 330 167	**77 669**	126 993
Other payables	**3 749 378**	6 534 045	**141 990**	(15 710)
	9 718 636	19 864 212	**219 659**	111 283

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.

18. PROVISIONS

	GROUP 2011 R	GROUP 2010 R	COMPANY 2011 R	COMPANY 2010 R
Leave pay				
Opening balance	**4 196 382**	1 596 754	**–**	–
Provision raised during the period	**3 130 437**	1 754 912	**–**	–
Amount utilised during the period	**(3 617 008)**	–	**–**	–
Amount reversed during the period	**–**	(760 887)	**–**	–
Acquisition of subsidiary	**–**	1 605 603	**–**	–
Closing balance	**3 709 811**	4 196 382	**–**	–
The leave pay provision is calculated using the total cost of employment multiplied by the leave days outstanding at year-end.				
Bonus				
Opening balance	**3 047 470**	–	**–**	–
Provision raised during the period	**8 339 915**	–	**–**	–
Amount utilised during the period	**(4 471 401)**	–	**–**	–
Amount reversed during the period	**(1 738 170)**	–	**–**	–
Acquisition of subsidiary	**–**	3 047 470	**–**	–
Closing balance	**5 177 814**	3 047 470	**–**	–
The bonus provision is based on the results of the group, and the related performance evaluation of the employees.				
Total provisions	**8 887 625**	7 243 852	**–**	–

19. COMMITMENTS

	GROUP 2011 R	GROUP 2010 R	COMPANY 2011 R	COMPANY 2010 R
Property operating lease commitments				
Due not later than one year	**5 153 530**	4 524 491	**–**	–
Due later than one year but not later than five years	**13 666 770**	18 383 141	**–**	–
	18 820 300	22 907 632	**–**	–
Capital commitments				
Authorised but not contracted for	**3 652 723**	1 778 033	**–**	–

Capital commitments will be funded from cash resources.

notes to the annual financial statements

for the year ended 30 June 2011

20. CONTINGENT LIABILITIES

In the current year, Ararat Corporate Advisory Services (Pty) Limited has instituted a commission claim against the ITS Holdings (ITS) to the value of R1,3 million resulting from the sale of the last 49% of shares in ITS to Adapt IT Holdings Limited. The claim is being defended.

Adapt IT Holdings Limited has provided a guarantee of R541 699 (2010: R541 699) to one of is suppliers. This guarantee expires on 1 February 2015.

21. 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.

22. PENSION FUND AND RISK BENEFIT INFORMATION

Adapt IT (Pty) Limited established the Adapt IT 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 2011 was 35,5 (2010: 35).

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) Limited 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.

23. RELATED PARTY TRANSACTIONS

	GROUP 2011 R	GROUP 2010 R	COMPANY 2011 R	COMPANY 2010 R
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 Holdings (Pty) Limited to Adapt IT (Pty) Limited	**–**	1 430 000	**–**	–
Interest paid by Adapt IT (Pty) Limited to ITS Holdings (Pty) Limited	**–**	374 120	**–**	–
The loan is repayable within five 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) Limited to the group.				
Adapt IT (Pty) Limited is a related party of ITS Holdings (Pty) Limited as they are both subsidiaries of Adapt IT Holdings Limited.				
Loan to Adapt IT (Pty) Limited from:				
Adapt-IT (Pty) Limited	**–**	2 143 321	**–**	–
Isizinda Consulting (Pty) Limited	**–**	957 994	**–**	–
MicroZone Investment Holdings (Pty) Limited	**–**	65 829	**–**	–
During 2010 the net assets of the above entities were sold to Adapt IT (Pty) Limited. These transactions were accounted for using the pooling of interests method.				
Loan from ApplyIT (Pty) Limited to Adapt IT (Pty) Limited	**1 204 229**	894 129	**–**	–
The loan has no set terms of repayment and bears interest at the prime rate as determined from time to time.				
Administration fees and other income				
Between the company and its subsidiaries	**–**	–	**–**	25 412
Transacted between subsidiaries within the group	**3 718 120**	644 802	**–**	–
Transacted with associate companies	**–**	–	**–**	–
Interest received				
Transacted with associate companies	**–**	–	**–**	–
Transacted between subsidiaries within the group	**–**	374 120	**–**	–
Dividends received				
Between the company and its subsidiaries	**–**	–	**6 826 924**	1 320 328

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

Key management: refer to note 3 on directors' emoluments.

24. FINANCIAL RISK MANAGEMENT

	GROUP 2011 R	GROUP 2010 R	COMPANY 2011 R	COMPANY 2010 R
Financial instruments consist of cash deposits with banks, borrowings and accounts receivable and payable.				
Categories of financial instruments				
Financial assets				
Accounts receivable	**43 067 695**	45 848 856	**82 981**	27 957
Cash and cash equivalents	**18 677 826**	39 126 699	**367 758**	68 742
Amounts owing from subsidiaries	**–**	–	**15 331 125**	10 737 000
	61 745 521	84 975 555	**15 781 864**	10 833 699
Financial liabilities				
Accounts payable	**9 718 636**	19 864 212	**219 659**	111 283
Interest-bearing borrowings	**2 808 710**	4 240 679	**–**	–
Non-interest-bearing borrowings	**–**	10 315 036	**–**	–
Amounts owing to subsidiary	**–**	–	**33 458 793**	16 552 292
	12 527 346	34 419 927	**33 678 452**	16 663 575

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 these financial assets and financial liabilities are considered by management to approximate their fair values, due to their short-term nature.

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.

24. **FINANCIAL RISK MANAGEMENT** CONTINUED

24.1 Credit risk

Credit risk is the risk that a counterparty 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 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 2011 R	GROUP 2010 R	**COMPANY 2011 R**	COMPANY 2010 R
Past due trade receivables				
Less than one month	**–**	–	**–**	–
Between one to two months	**5 067 074**	6 338 385	**–**	–
Between two to three months	**4 480 151**	4 249 844	**–**	–
Greater than three months	**11 096 161**	7 753 480	**–**	–
Total past due	**20 643 386**	18 341 709	**–**	–
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	**724 357**	472 809	**–**	–
Amounts written off during the period	**(493 367)**	(178 960)	**–**	–
Amounts provided for during the period	**1 686 804**	–	**–**	–
Acquisition of subsidiary	**–**	430 508	**–**	–
Balance at end of period	**1 917 794**	724 357	**–**	–

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset as presented in the statement of financial position.

The group deposits cash surpluses with major banks of high quality credit standing.

notes to the annual financial statements

for the year ended 30 June 2011

24. FINANCIAL RISK MANAGEMENT CONTINUED

24.2 Liquidity risk

Liquidity risk is defined as the risk that the group 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:

	On demand R	Within one year R	1-5 years R	>5 years R	Total R
GROUP					
2011					
Interest-bearing borrowings	–	1 232 874	1 575 836	–	2 808 710
Non-interest-bearing borrowings	–	–	–	–	–
Accounts payable	–	9 718 636	–	–	9 718 636
Total	–	10 951 510	1 575 836	–	12 527 346
2010					
Interest-bearing borrowings	–	1 793 103	2 447 576	–	4 240 679
Accounts payable	–	19 864 212	–	–	19 864 212
Non-controlling shareholders' loans	–	–	–	10 315 036	10 315 036
Total	–	21 657 315	2 447 576	10 315 036	34 419 927
COMPANY					
2011					
Accounts payable	–	219 659	–	–	219 659
Amounts owing to subsidiaries	–	–	–	33 458 793	33 458 793
Total	–	219 659	–	33 458 793	33 678 452
2010					
Accounts payable	–	111 283	–	–	111 283
Amounts owing to subsidiaries	–	–	–	16 552 292	16 552 292
Total	–	111 283	–	16 552 292	16 663 575

24. **FINANCIAL RISK MANAGEMENT** CONTINUED

24.3 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).

Most transactions are Rand based with a limited exposure to other currencies, mainly US, Australian and New Zealand Dollars resulting in a foreign exchange loss of R2 036 199 (2010: R663 081) for the year ended 30 June 2011 (2010: 16 months ended 30 June 2010).

	Foreign amount	**GROUP 2011 R**	GROUP 2010 R	**COMPANY 2011 R**	COMPANY 2010 R
The group has the following uncovered receivables and payables:					
Receivables					
US Dollars	628 114	**4 283 740**	508 969	**–**	–
New Zealand Dollars	798 061	**4 298 120**	3 363	**–**	–
Botswana Pula	1 189	**1 165**	3 106	**–**	–
Australian Dollars	209 851	**1 534 011**	42 432	**–**	–
Euro	417	**3 923**	20 479	**–**	–
British Pounds	345	**3 601**	12 074	**–**	–
Singapore Dollars	389	**2 058**	2 046	**–**	–
Norwegian Kroner	2 450	**2 963**	2 765	**–**	–
Canadian Dollars	220	**1 480**	1 537	**–**	–
Other	–	**7 876**	23 129	**–**	–
		10 138 937	619 900	**–**	–

The impact of a 10% strengthening or weakening of the Rand on the uncovered foreign receivables and payables will have a R1 013 893 (2010: R61 990) impact on net profit. The impact on equity is not considered to be material.

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 R186 778 (2010: R349 141) impact on profit.

25. CAPITAL MANAGEMENT

Capital includes equity attributable to the equity holders of the parent, as presented in the statement 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.

26. EVENTS AFTER THE REPORTING DATE

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

27. 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 2011 and 30 June 2010 respectively:

	Adapt IT R	ITS R	ApplyIT R	Other R	Adjustments and eliminations R	Total R
12 months ended 30 June 2011						
Revenue*						
Third party	**77 582 632**	**93 283 869**	**10 014 659**	**25 378**	**–**	**180 906 538**
Intersegment	**1 286 959**	**20 795**	**2 574 601**	**1 113 031**	**(4 995 386)**	**–**
Total revenue	**78 869 591**	**93 304 664**	**12 589 260**	**1 138 409**	**(4 995 386)**	**180 906 538**
Segment profit/(loss) before tax	**6 357 774**	**14 616 932**	**779 392**	**(2 304 277)**	**(1 256 471)**	**18 193 350**
16 months ended 30 June 2010						
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 before tax	12 159 818	10 337 144	102 079	2 148 300	(1 202 521)	23 544 820

* *Revenue includes sales and services rendered to customers, interest income and dividends received*

27. SEGMENT ANALYSIS CONTINUED

The following table presents segment assets of the group's operating segments as at 30 June 2011 and 30 June 2010:

	Adapt IT R	ITS R	ApplyIT R	Other R	Adjustments and eliminations R	Total R
Segment assets						
30 June 2011	**76 824 980**	**102 382 428**	**7 753 640**	**46 816 571**	**(128 163 189)**	**105 614 430**
30 June 2010	50 635 585	108 669 621	4 493 498	29 180 345	(68 238 367)	124 740 682
Segment liabilities						
30 June 2011	**37 548 876**	**52 726 861**	**15 623 808**	**33 378 227**	**(81 815 460)**	**57 462 312**
30 June 2010	15 474 391	69 704 436	13 923 069	17 535 429	(46 300 069)	74 236 699
GEOGRAPHIC INFORMATION						
2011						
Revenues from external customers						
South Africa	**42 675 195**	**49 469 150**	**10 509 541**	**1 138 409**	**(4 995 386)**	**98 796 917**
Other African countries	**28 551 336**	**32 569 179**	**–**	**–**	**–**	**61 120 515**
Europe	**–**	**3 232 901**	**–**	**–**	**–**	**3 232 903**
Australasia	**–**	**8 033 424**	**2 079 719**	**–**	**–**	**10 113 143**
North America	**7 643 060**	**–**	**–**	**–**	**–**	**7 643 060**
Total revenue per consolidated statement of comprehensive income	**78 869 591**	**93 304 664**	**12 589 260**	**1 138 409**	**(4 995 386)**	**180 906 538**
The revenue information above is based on the location of the customer.						
Non-current assets						
South Africa	**21 114 282**	**66 709 553**	**1 920 297**	**46 150 085**	**(92 092 873)**	**43 801 344**
Other African countries	**–**	**–**	**–**	**–**	**–**	**–**
Europe	**–**	**21 754**	**–**	**–**	**–**	**21 754**
Australasia	**–**	**45 811**	**–**	**–**	**–**	**45 811**
Total	**21 114 282**	**66 777 118**	**1 920 297**	**46 150 085**	**(92 092 873)**	**43 868 909**
2010						
Revenues from external customers						
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	–	–	8 752 749
Total revenue per consolidated statement 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						
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, plant and equipment and intangible assets and deferred taxation.

We specialise in ensuring our customers can optimise their production performance, manage their financials, and secure their high value products for greater efficiency and to drive growth in the process manufacturing and mining sectors

shares and shareholders

		2011	2010
Performance on the JSE Limited			
Total number of shares traded	('000)	**9 160**	7 931
Total number of shares traded as a percentage of total issue shares (liquidity)	(%)	**9,3**	8,1
Total value of shares traded	(R'000)	**5 799**	3 552
Prices:			
Closing		**70**	49
High	(cents)	**79**	58
Low	(cents)	**45**	31
Spread (number of shareholders)			
Up to 10 000 shares		**211**	191
10 001 to 100 000 shares		**180**	225
100 001 to 200 000 shares		**27**	25
Over 200 000 shares		**55**	53
		473	494

	Number	Shares	%
Shareholder distribution			
Public	**434**	**53 593 416**	**53**
Non-public	**34**	**22 758 354**	**23**
Subsidiaries	**1**	**465 085**	**0**
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 2011.

	%	Shares
Sbu Shabalala	**17**	**16 531 057**
Jan Hendrik Hofmeyr	**8**	**8 283 933**
The Collis Clan Trust	**6**	**5 576 360**

Directors' direct and indirect beneficial interest in the company

As at 30 June 2011, the directors of the company held in aggregate direct and indirect beneficial interest of 21 599 696 (2010: 21 599 696) of the ordinary shares of the company as set out below:

	2011				2010			
	Direct	**Indirect**	**Total**	**%**	Direct	Indirect	Total	%
Executive directors								
Sbu Shabalala	**16 531 057**	**–**	**16 531 057**	**17**	16 531 057	–	16 531 057	17
T Dunsdon	**4 358 974**	**–**	**4 358 974**	**4**	4 358 974	–	4 358 974	4
Siboniso Shabalala	**709 665**	**–**	**709 665**	**1**	709 665	–	709 665	1
Total	**21 599 696**	**–**	**21 599 696**	**22**	21 599 696	–	21 599 696	22

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 year-end.

shareholder diary

Annual general meeting	25 November 2011
Ordinary dividend number 8	
Last date to trade "cum" dividend	Friday, 14 October 2011
Shares commence trading "ex" dividend	Monday, 17 October 2011
Record date	Friday, 21 October 2011
Payment date	Monday, 24 October 2011
Report	
Interim report to 31 December 2011 to be published	Friday, 17 February 2012
2012 integrated annual report to be published	Thursday, 20 September 2012
Financial year-end	30 June 2012

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.

notice of annual general meeting

Notice is hereby given that the 12th annual general meeting of shareholders will be held at Adapt IT's offices, 4 & 5 Rydall Office Park, Rydall Vale Crescent, La Lucia Ridge on Friday, 25 November 2011 at 09:00 to transact the following business:

1. To receive and adopt the audited annual financial statements for the year ended 30 June 2011, including the reports of the audit committee, auditors and directors.

2. To re-elect each of Ms T Dunsdon, Ms T Dingaan and Mr C Chambers who retire by rotation, in terms of the articles of association, and who, being eligible, offer themselves for re-election.

Motions for re-election will be moved individually.

Details of each of these retiring directors are set out in pages 10 to 11 of the integrated annual report.

3. To re-appoint Ernst & Young Inc as independent registered auditors with Mr Ian Catt being the designated auditor until the next annual general meeting.

4. To elect the Audit and Risk Committee in terms of the Companies Act, 2008, as amended. The following independent non-executive directors are proposed as members:

- Ms B Ntuli
- Ms T Dingaan
- Mr M Nhlapo

5. Ordinary resolution number 1

Approval of remuneration policy
"Resolved that the remuneration policy of Adapt IT Holdings Limited ("the company"), as set out on page 27 of the integrated annual report, be and is hereby approved as a non-binding advisory vote of shareholders of the company in terms of King III Report on Corporate Governance."

6. Ordinary resolution number 2

"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 authorized 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 directors may from time to time and their discretion deem fit, subject to the provisions of sections 41 and 42 of the Companies Act, 2008, as amended. the articles of association of the company and the Listings Requirements of JSE Limited from time to time".

7. Ordinary resolution number 3

"Resolved that the directors have the powers to allot and issue any shares of any class already in issue in the capital of the company for cash when the directors consider it appropriate in the circumstances, subject to the following:

7.1 this authority shall not endure beyond the earlier of the next annual general meeting of the company or beyond 15 (fifteen) months from the date of the meeting;

7.2 there will be no restrictions in regard to the persons to whom the shares may be issued, provided that such shares are to be issued to public shareholders (as defined by the JSE Limited ("the JSE") in its Listings Requirements) and not to related parties;

7.3 upon any issue of shares which, together with prior issues during any financial year, will constitute 5% (five percent) or more of the number of shares of the class in issue, the company shall, by way of a paid press announcement in terms of schedule 11.22 of the JSE Listings Requirements, give full details thereof, including the effect on the net asset value of the company and earnings per share, the number of securities issued and the average discount to the weighted average traded price of the securities over the 30 days prior to the date that the price of such issue was determined or agreed by the company's directors;

7.4 that issues in the aggregate in any one financial year may not exceed 15% (fifteen percent) of the number of that class of the company's issued shares (including instruments which are compulsorily convertible into shares of that class) at the date of application less any shares of that class issued, or to be issued in the future arising from options/convertible securities issued during the current financial year, plus any shares to be issued pursuant to an announced, irrevocable and fully underwritten rights offer or to be issued pursuant to any acquisition for which final terms have been announced;

7.5 the maximum discount at which securities may be issued is 10% (ten percent) of the weighted average traded price of those securities over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors; and

7.6 a 75% (seventy-five percent) majority is required of votes cast by the shareholders present or represented by proxy at the general meeting to approve the resolution."

8. Special resolution number 1:

"Resolved as a special resolution that, unless otherwise determined by the company in general meeting, the annual fees payable by the company to its non-executive directors, with effect from 1 July 2011, be approved as follows:

	Current	**Proposed**
Chairman	R94 819	R150 000
Members	R47 288	R70 000"

Section 66(8) and (9) of the Companies Act, 2008, requires that a company may pay remuneration to its directors for their services as directors in accordance with a special resolution approved by the shareholders.

The remuneration has been increased to align with similar size companies listed on the JSE.

9. Special resolution number 2:

"Resolved as a special resolution according to Section 45 (3) of the Act that the directors be and are hereby granted the authority, subject to and as required in terms of the provisions of the Section 45, to authorise the company to provide direct or indirect financial assistance that the directors may deem fit to any related or inter-related company of the company on the terms and conditions and for amounts that the directors may determine."

The company provides financial assistance to its subsidiaries in the form of inter-company loans and guarantees of their debts, as and when appropriate in the course of business. The Companies Act, 2008, requires that shareholders approve such financial assistance.

Prior to 1 May 2011, the effective date of the Companies Act, 2008, the directors were entitled to authorise the company to provide such financial assistance without the need to obtain shareholder approval. The above special resolution number 2 grants the directors the authority now required to authorise the company to provide financial assistance for purposes of funding group activities. It does not authorise the provision of financial assistance to a director or prescribed officer of the company.

10. Special resolution number 3

"Resolved that the company hereby approves, as a general approval contemplated in Sections 46 and 48 of the Companies Act, 2008, and in terms of the company's articles of association, the acquisition by the company or any of its subsidiaries from time to time of the issued ordinary shares of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, but, subject to the articles of association of the company, the provisions of the Act and the Listings Requirements of the JSE, as presently constituted and which may be amended from time to time, and provided:

10.1 that any such acquisition of ordinary shares shall 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;

10.2 that this general authority shall only be valid until the company's next annual general meeting provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;

10.3 that a paid press announcement will be published as soon as the company or its subsidiaries have acquired ordinary shares constituting, on a cumulative basis, 3% (three percent) of the number of ordinary shares in issue, prior to the acquisition pursuant to which the 3% (three percent) threshold is reached, and in respect of every 3% (three percent) thereafter, which announcement shall contain full details of such acquisitions;

10.4 that acquisitions by the company and its subsidiaries of ordinary shares in any one financial year may not exceed 20% (twenty percent) of the company's issued ordinary share capital from the date of the grant of this general authority;

10.5 that subsidiaries of the company will acquire, in aggregate, not more than 10% (ten percent) of the company's issued ordinary share capital at any one time;

10.6 that in determining the price at which the company's ordinary shares are acquired by the company in terms of this general authority, the maximum price at which such ordinary shares may be acquired will be at a premium of no more than 10% (ten percent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date of repurchase of such ordinary shares by the company;

10.7 that the company may at any point in time only appoint one agent to effect any repurchase(s) on its behalf;

10.8 that the company may only undertake a repurchase if, after such a repurchase it shall still comply with the spread requirements of the JSE Listings Requirements; and

10.9 that the company may not repurchase securities during a prohibited period, as defined in the JSE Listings Requirements."

The reason for the special resolution is to grant the company a general authority in terms of the Act for the acquisition by the company or any of its subsidiaries of shares issued by the company, which authority shall be valid until the earlier of the next annual general meeting of the company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the company, provided that the general authority shall not extend beyond 15 (fifteen) months from the date of this annual general meeting. The passing and registration of this special resolution will have the effect of authorising the company or any of its subsidiaries to acquire shares issued by the company.

Information required in terms of the JSE Listings Requirements with regard to this general authority for the company to repurchase its securities appears in the annual financial statements, to which this notice of general meeting is annexed as indicated below:

Share capital of the company	page12
Major shareholders	page 74
Directors' interest in securities	pages 74
Directors of the company	pages 10 and 11

The directors, whose names are given on pages 10 and 11 of the integrated annual report, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the integrated annual report and notice of general meeting contains all information required by the JSE Listings Requirements.

Material changes

Other than the facts and developments reported in the integrated annual report, there have been no material change in the financial or trading position of Adapt IT Holdings and its subsidiaries that has occurred since 30 June 2011 (or since the date of the signature of this audit report and the date of this notice).

Pursuant to and in terms of the Listings Requirements of the JSE, the directors of the company hereby state:

(a) That the intention of the company is to utilise the authority if at some future date the cash resources of the company are in excess of its requirements. In this regard the directors will take account, *inter alia*, of an appropriate capitalisation structure for the company, the long-term cash needs of the company, and will ensure that any such utilisation is in the interest of shareholders;

(b) That the method by which the company intends to repurchase its securities and the date on which such repurchase will take place, has not yet been determined; and

(c) That after considering the effect of a maximum permitted repurchase of securities, the company is, as at the date of this notice convening the annual general meeting of the company, able to comply fully with the Listings Requirements of the JSE. Nevertheless, at the time that the contemplated repurchase is to take place, the directors of the company will ensure that:

- the company and the group will be able in the ordinary course of business to pay its debts for a period of 12 months after the date of the notice of the annual general meeting;
- the assets of the company and the group will be in excess of the liabilities of the company and the group for a period of 12 months after the date of the notice of the annual general meeting. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in these audited annual group financial statements;
- the share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting;
- the working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting; and
- the company will provide its sponsor and the JSE with all documentation as required in Schedule 25 of the JSE Listings Requirements, and will not commence any repurchase programme until the sponsor has signed off on the adequacy of its working capital, advised the JSE accordingly and the JSE has approved this documentation.

There are no legal or arbitration proceedings, either pending or threatened against the company or its subsidiaries, of which the directors are aware, which may have, or have had in the last 12 months, a material effect on the financial position of the company or its subsidiaries.

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 by not later than 15:30 on Wednesday, 23 November 2011. 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

Statucor (Pty) Limited
Company Secretary

15 September 2011

Registered office
4 & 5 Rydall Vale Crescent
Rydall Vale Park
La Lucia Ridge
4019

Postal address
PO Box 5207
Rydall Vale Park
4051

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

form of proxy

For use ONLY by certificated shareholders and own-name dematerialised shareholders at the annual general meeting of Adapt IT shareholders, to be held at Adapt IT, 4 & 5 Rydall Vale Office Park, Rydall Vale Crescent, La Lucia Ridge, KwaZulu-Natal on Friday, 25 November 2011 at 09:00 or such later time that may be applicable ("the annual general meeting").

I/We (names in capital letters)

being a member(s) of Adapt IT Holdings Limited and entitled, on a poll, to vote, hereby appoint

of or failing him/her

of or failing them,

the chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the company, to be held on Friday, 25 November 2011 and at any adjournment thereof.

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. Unless this is done the proxy will vote as he/she thinks fit.

Resolution	In favour	Against	Abstain
1. Adoption of annual financial statements			
2. Re-election of directors			
a. T Dingaan			
b. C Chambers			
c. T Dunsdon			
3. Re-appointment of Ernst & Young as auditors (with Ian Catt as designated auditor)			
4. Appointment of the members of the Audit and Risk Committee			
5. Approval of the remuneration policy			
6. To grant directors' control of shares in terms of Section 41			
7. To grant directors a general authority to issue shares for cash			
8. To approve non-executive directors' fees until the next annual general meeting			
9. General authority to provide financial assistance to related or inter-related companies			
10. To authorise the company to acquire shares issued by itself in terms of special resolution number 3			

Signature Date

Please read the notes on the reverse side hereof.

notes
to the form of proxy

Shareholders, who hold their shares in certificated form or who are own-name registered dematerialised shareholders, who are unable to attend the annual 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 Secretaries by not later than 15:30 on Wednesday, 23 November 2011. 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 annual 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.

Notes

1. An Adapt IT shareholder may insert the name of a proxy or the names of two alternative proxies of the Adapt IT shareholder's choice in the space/s provided, with or without deleting "the chairman of the general meeting", but any such deletion must be initialled by the Adapt IT shareholder concerned. The person whose name appears first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in Adapt IT, insert the number of ordinary shares held in respect of which you desire to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. An Adapt IT shareholder or his/her proxy is not obliged to use all the votes exercisable by the Adapt IT shareholder or by his/her proxy, but the total of the votes cast and in respect whereof abstentions recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
3. The date must be filled in on this proxy form when it is signed.
4. The completion and lodging of this form of proxy will not preclude the relevant Adapt IT shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof. Where there are joint holders of shares, the vote of the senior joint holder who tenders a vote, as determined by the order in which the names stand in the register of members, will be accepted.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Transfer Secretaries of Adapt IT or waived by the chairman of the general meeting of Adapt IT shareholders.
6. Any alterations or corrections made to this form of proxy must be initialled by the signatory/ies.
7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Transfer Secretaries of Adapt IT.
8. Forms of proxy must be received by the Transfer Secretaries, Computershare Investor Services (Pty) Limited at 70 Marshall Street, Johannesburg, 2001, PO Box 61051, Marshalltown, 2107, or by the company, Adapt IT Holdings Limited at 4 & 5 Rydall Vale Park, Rydall Vale Crescent, La Lucia, 4051, PO Box 5207, Rydall Vale Park, La Lucia, 4019, by not later than 15:30 on Wednesday, 23 November 2010.
9. The chairman of the general meeting may accept or reject any form of proxy, in his absolute discretion, which is completed other than in accordance with these notes.
10. If required, additional forms of proxy are available from the Transfer Secretaries of Adapt IT.
11. Dematerialised shareholders, other than by own-name registration, must NOT complete this form of proxy, but must 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.

corporate information

Adapt IT Holdings Limited
(Incorporated in the Republic of South Africa)
Registration number 1998/017276/06
Share code: ADI
ISIN: ZAE000113163

Company Secretary
Statucor (Pty) Limited

Postal address
PO Box 5207
Rydall Vale Park
4019

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4 & 5 Rydall Vale Office Park
Rydall Vale Crescent
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South Africa
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Transfer Secretary
Computershare Investor Services
PO Box 61051, Marshalltown, 2107
Telephone: +27 (0) 11 370 5000
Facsimile: +27 (0) 11 688 5200

Auditors
Ernst & Young Inc.

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 representatives:
Technical advisors
Harty Rushmere Attorneys

Commercial advisors
Shepstone and Wylie
Read Hope Phillips Thomas Cadman Incorporated

Adapt IT website
www.adaptit.co.za

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