adapt IT

INTEGRATED ANNUAL REPORT

for the year ended 30 June **2013**

SCOPE AND BOUNDARY

ABOUT THE REPORT

The Adapt IT integrated annual report for the year ended 30 June 2013 covers information from all the group operations and where additional information is available, this is clearly indicated. For a comprehensive overview it is recommended that this review is read together with the information available on the Adapt IT website (www.adaptit.co.za).

Adapt IT continues to progress on the journey outlined by the King Report on Governance for South Africa 2009 (King III) while ensuring increased integration of reported financial, social, governance and environmental information. The annual financial statements are prepared in accordance with International Financial Reporting Standards, the Companies Act of South Africa (The Companies Act, No 71 of 2008, as amended) and the JSE Listings Requirements. Adapt IT uses the discussion paper drafted by the Integrated Reporting Committee of South Africa as a platform for this integrated report, as well as the Global Reporting Initiative (GRI) framework and guidelines for sustainability reporting.

ASSURANCE

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

External verification has been sought for the Broad-Based Black Economic Empowerment (B-BBEE) accreditation level at the end of the 2013 financial year. Verification is being carried out by an organisation accredited by South African National Accreditation System (SANAS).

DIRECTORS' RESPONSIBILITY

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

CONTENTS

STRATEGIC FOCUS

WHO WE ARE

Adapt IT is an innovative information technology (IT) services and specialised solutions provider, delivering IT solutions to some of the most successful Manufacturing, Financial Services and Education organisations in over 20 countries worldwide.

Adapt IT's differentiated IT product and service offerings set it apart in the marketplace and enable its customers to have uniquely tailored solutions powering the day-to-day efficiencies within their businesses.

Adapt IT is committed to fair and sustainable business practices and strict adherence to legislation and other applicable regulatory frameworks. Adapt IT views empowerment as a strategic imperative and a vital component to the continued stability of the Company's operations in South Africa, as well as a pragmatic economic growth strategy. By retaining our level 3 B-BBEE status, Adapt IT is in the top 30 most empowered companies on the JSE.

STRATEGIC FOCUS

Adapt IT has over the last five years delivered profitable revenue growth and return on investment through the implementation of its sustainable growth strategy enabling it to deliver growth and returns above the ICT sector average.

The strategy focuses primarily on pursuing organic growth through IT Service and Product, Customer and Sector diversification. It complements this growth by acquiring strategic, synergistic and earnings-enhancing software businesses.

The organic growth strategy will be further enhanced by the recent amalgamation of the Company's subsidiaries into the main operating subsidiary under one Adapt IT brand. The amalgamation rationalises the number of Adapt IT's operating businesses in order to achieve efficiencies and savings whilst simplifying the Group structure. Adapt IT customers, from 1 July 2013, receive services from three divisions located in Johannesburg, Pretoria and Durban.

The strategy remains underpinned by our values which encourage and drive a high performance culture, strong corporate governance, a client- centric approach, focus on agility, diversity and innovation and align with the vision and mission to accelerate Adapt IT's success.

STRATEGIC FRAMEWORK

VISION

To be the leading innovative IT services and specialised solutions provider to some of the world's most effective organisations

HOW

By passionately striving to

- Provide innovative technology solutions
- Delivering positive results to stakeholders
- Ensuring good corporate governance

LONG-TERM CORPORATE STRATEGY

Four strategic drivers

- Revenue growth
- Operating margin
- Process and resource efficiency
- Stakeholder expectations

STRATEGIC GOALS FOR 2014

- Build a culture of excellence
  A key to the Company's success is that it demands and rewards excellence in leadership, teamwork and delivery of results – for all our people. This includes defining and embedding a high-performance leadership model against which we can assess, develop and remunerate our entire workforce
- Deliver high performance in all business units
  To ensure that we provide value to shareholders and customers, we need to drive high performance in our businesses by driving operational efficiency and delivering profitable growth
- Develop a unified customer proposition and experience
  We are passionate about developing the best value proposition for our customers, by building on our history of innovation and resolute customer focus
- Share skills and experience across Adapt IT
  We will utilise our capabilities across the regions to drive revenue and cost improvements and enhance value propositions
- Simplify operating structure to unlock value
  To unlock the full value of the Company for shareholders we will continue to optimise our operating structure

OUR VALUES

Underpinning our strategy and aligning with the vision and mission to accelerate Adapt IT's success

- Integrity
  Professionalism and accountability in all our business interactions
- Passion
  Resilience in the quest to service our customers
- Transparency
  Communicating honestly with our stakeholders
- Mutual respect
  Treating our stakeholders as we would like to be treated
- Solution focus
  Understanding of our customers' environments and technology
- People focus
  Recognition of the individuals that make up Adapt IT and their unique contributions
- Good corporate citizenship
  Putting sustainability at the core of our business ethos

OUR BUSINESS

TECHNOLOGY PARTNERSHIPS

MICROSOFT

Adapt IT's Microsoft Partnership equips us with certification in leading technologies. Our trusted Microsoft experts who have proven their expertise through rigorous exams and successful customer implementations can help deliver solutions to meet our customers' technology challenges.

ORACLE

As a valued Oracle Independent Software Vendor (ISV) we are equipped with the latest technology to exceed customer needs while remaining on the leading edge of innovation. Our alliance with Oracle combines our deep industry knowledge, useful tools, powerful research expertise and innovative thinking to ignite growth for our customers.

IBM

Adapt IT's IBM partnership enables us to develop next generation applications for big data and analytics and cognitive computing provides unprecedented insights into opportunities, threats and efficiencies for an organisation. We harness data and provide customers with a unified view of their business information from disparate data sources.

SAP®

Adapt IT's SAP® partnership enables us to offer complete Cloud-based Solutions, Powered by SAP®, in a cost-effective model to manage all SAP® applications and technology and enables the optimisation of application support services.

SPECIALISED SERVICES

Adapt IT provides high-performance solutions that add business value

PROFESSIONAL SERVICES

- Business Intelligence (BI) Services
- Human Capital Management Services
- Development and Integration Services
- Technology Services
- Enterprise Resource Planning (ERP) Services
- Training and Development Services

SOLUTIONS

- HCM Spectrum – SAP® HCM and Payroll on the Cloud
- CaneLab – Weighbridge and Cane Testing Solution
- ITS Integrator – Higher Education ERP
- OpSUITE – SHEQ Solution
- Tranquillity – Process Manufacturing ERP

DELIVERY PLATFORMS

On premise –
Services and Solutions

Web-based Solutions –
On premise and Hosted

Cloud Solutions –
Software as a Service,
Platform as a Service

Mobile Solutions

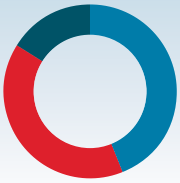
TARGET SECTORS

Education

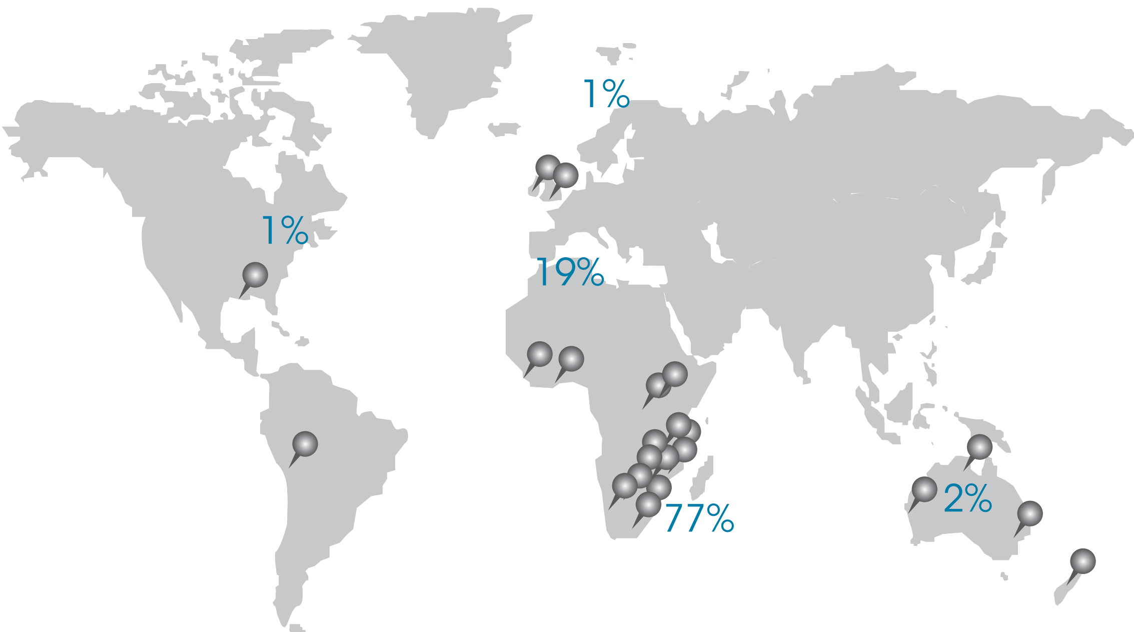
Manufacturing

Financial Services

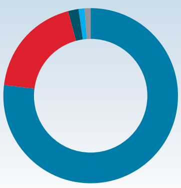
REVENUE BY SECTOR – 2013



- 44% Manufacturing
- 40% Education
- 16% Financial Services



GEOGRAPHIC REVENUE – 2013



- 77% South Africa
- 19% Other African countries
- 2% Australasia
- 1% Europe
- 1% USA

NON-FINANCIAL HIGHLIGHTS

SOCIAL RESPONSIBILITY

1400

learners

Adapt IT opened its first Knowledge Centre for school children to gain access to learning in a digital environment

ONE ADAPT IT

7 → 1

Seven operating entities were merged into one

SKILLS DEVELOPMENT

↑ 209%

Investment in skills development increased more than three-fold to over R2 million

STRATEGIC ACHIEVEMENTS

Increasing the Education sector market penetration in the African market

Improving the Manufacturing segment's operational efficiency

Introducing SAP® and Cloud Services (Powered by SAP®) through the Swicon360 (Pty) Ltd (Swicon) acquisition

Enhancing operational efficiencies through the One Adapt IT amalgamation project; Maintaining a level 3 B-BBEE rating

Improving customer service

FINANCIAL HIGHLIGHTS

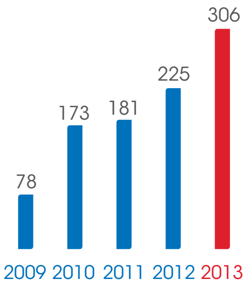
36%
REVENUE

32%
OPERATING PROFIT

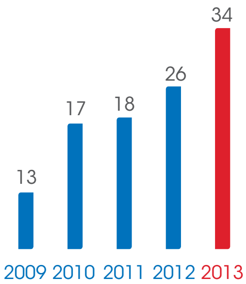
28%
HEADLINE EARNINGS PER SHARE

GROUP HIGHLIGHTS		2013	2012	%
Basic and diluted earnings per share	(cents)	**22,25**	17,46	27,4
Headline and diluted earnings per share	(cents)	**22,27**	17,45	27,6
Dividends per share	(cents)	**4,84**	2,84	70,4
Earnings before interest, tax, depreciation and amortisation (EBITDA) margin	(%)	**11,35**	11,64	(2,4)
Operating profit margin	(%)	**9,69**	10,11	(4,2)
Return on net assets	(%)	**14,80**	14,37	3,0
Net asset value	(R'000)	**92 234**	70 161	31,5
Current ratio	(ratio)	**1,11**	1,20	(7,5)
Revenue	(R'000)	**306 035**	224 769	36,2
EBITDA	(R'000)	**34 445**	25 556	34,8
Operating profit	(R'000)	**29 400**	22 207	32,4
Profit for the year	(R'000)	**24 091**	18 143	32,8

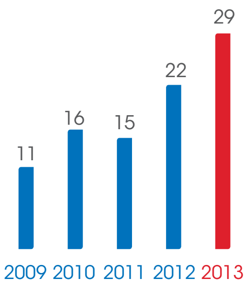
REVENUE
(Rm)



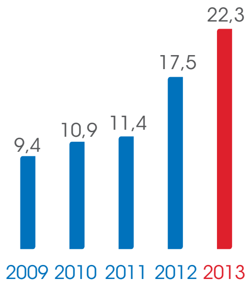
EBITDA
(Rm)



OPERATING PROFIT
(Rm)



BASIC EARNINGS PER SHARE (cents)



STAKEHOLDER ENGAGEMENT

INTRODUCTION

Adapt IT's operations and activities have an impact on stakeholders ranging from communities to investors. Adapt IT is therefore committed to building and maintaining open, sustainable relationships with a range of stakeholder groups, particularly in relation to long-term strategic direction and focus on sustainable practices. Therefore, Adapt IT's stakeholder engagement can be summarised as follows:

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

STAKEHOLDER ENGAGEMENT CONTINUED

STAKEHOLDER ENGAGEMENT MODEL continued			
STAKEHOLDER AND WHY WE ENGAGE	NATURE OF ENGAGEMENT	MATERIAL ISSUES	ACTIONS AND AREAS OF FOCUS
GOVERNMENT AND REGULATORY AUTHORITIES			
Licences to operate and provide a clear and supportive regulatory environment	• Written correspondence • Engagement forums • Personal meetings	• Compliance with industry regulations • Contribution to shaping industry policy	• Job creation and retention • Fair and sustainable business practices • Providing regular and transparent information • Proactive consulting as required • Full contribution to the fiscus through taxation and levies
COMMUNITIES			
Contributing to upliftment of communities around our business	• Corporate social investment initiatives • Media releases	• Good corporate citizenship • Sustainable business practices	• Employment opportunities • Sponsorships and donations • Support for key community developments • Donation to local schools project • Responsive contribution to community interests and needs • Focused CSI strategy
SUPPLIERS AND PARTNERS			
Good value, reliable and superior quality technology that supports our products	• Relationship management meetings and visits • Technology conferences • Performance audits and reports • Supplier days • Contract negotiations	• Continued growth and meaningful relationships	• Efficient payment cycles • Long-term relationships

IN CONCLUSION

Adapt IT is committed to building and maintaining open and sustainable relationships with all stakeholders and will continue to put in place systems to facilitate this dialogue and ensure that Adapt IT is responsive to the views and interests of its stakeholders.

DIRECTORATE

CRAIG CHAMBERS 41
CFA, PDM, BCom
Independent non-executive Chairman
Appointed 3 May 2011

Craig is certified as a Chartered Financial Analyst, having obtained a BCom degree majoring in accounting from the University of the Witwatersrand and a postgraduate Business Administration Certificate (PDM) from Wits Business School. Craig has been an asset manager for 15 years, with five years at Standard Corporate and Merchant Bank (SCMB) Asset Management as a Unit Trust Manager. Craig is a certified director via the Institute of Directors (IoDSA) and is currently the Managing Director of Old Mutual Global Index Trackers, a fund management business managing assets in excess of R48 billion internationally and in South Africa. In October 2012, Craig was appointed as the independent non-executive Chairman of Adapt IT Holdings Limited.

Chairman of the Nominations Committee
Member of the Remuneration Committee

BONGIWE NTULI 35
CA (SA)
Independent non-executive director
Appointed 27 May 2008

Bongiwe is a Chartered Accountant with international commercial experience and has attended various management programmes in the United Kingdom and Canada. Bongiwe has previously held various finance, treasury and risk management positions within Anglo American at their head office and in their subsidiaries in South Africa, Europe, Canada and the United Kingdom. Bongiwe joined Grindrod on her return to South Africa in 2008 as the Chief Financial Officer of Grindrod Freight Services. In November 2012, Bongiwe was appointed by Grindrod as a member of the group executive committee in the position of Executive: Corporate Services.

Chairperson of the Audit and Risk Committee
Member of the Nominations Committee
Member of the Remuneration Committee

THEMBISA DINGAAN 40
BProc, LLB, LLM, H Dip Tax
Independent non-executive director
Appointed 3 May 2011

Thembisa is a qualified attorney, having obtained her BProc and LLB from the University of Natal, an LLM degree from Harvard University and a Higher Diploma in Taxation from the University of the Witwatersrand. Thembisa is currently a member of the Board of Directors of the Development Bank of South Africa (DBSA) where she has the responsibility of sitting as a member of various Board committees and is chairperson of the Credit and Investment Committee. Thembisa also holds directorships on the Boards of Mustek Limited, JSE Limited, Imperial Holdings Limited and is chairperson of Ukhamba Holdings (Pty) Ltd. Thembisa is a former member of the Trade and Industry Standing Advisory Committee on Company Law.

Chairperson of the Remuneration Committee
Member of the Audit and Risk Committee
Member of the Nominations Committee

OLIVER FORTUIN 47
MBA
Independent non-executive director
Appointed 8 February 2013

Oliver has more than 23 years' experience in the technology industry, having held various leadership positions in the ICT sector. He held various executive positions with the IBM Corporation for over 15 years including General Manager of the IBM PC business for Africa as well as General Manager of IBM South Africa and sub-Saharan Africa. Oliver was Hewlett Packard South Africa director for HP Services, and headed HP's Technology Services Group (TSG) and also served as Managing Director of Hewlett Packard South Africa. Oliver is currently the Managing Director of i1 Solutions (a privately owned technology company) and has been director and lead independent non-executive director for the Ellies Holdings Group since April 2011.

Chairman of the Social and Ethics Committee
Member of the Audit and Risk Committee

SIBUSISO (SBU) SHABALALA 41
BCom
Chief Executive Officer

Appointed 5 December 2007

Sbu has a Bachelor's degree in Commerce and a postgraduate diploma in Financial Information Systems. With more than 18 years of IT experience, Sbu joined Adapt IT as a software developer, managing the implementation of Oracle applications throughout the Illovo Group, with operations in various African countries. He founded Adapt IT (Pty) Ltd nine years ago as a black-owned SME in the IT sector. As Managing Director, Sbu grew Adapt IT (Pty) Ltd into a successful ICT business. Through a merger with InfoWave Holdings in 2007, Sbu effected the listing of Adapt IT on the JSE and has been Chief Executive Officer and director of Adapt IT Holdings Limited since December 2007.

TIFFANY DUNSDON 42
CA (SA)
Financial Director

Appointed 18 April 2002

Tiffany is a qualified Chartered Accountant and served her traineeship with Deloitte and Touche. Tiffany joined British Airways in the United Kingdom where she was involved with several major business re-engineering and IT outsourcing projects. On her return to South Africa, Tiffany was contracted by Computer Sciences Corporation on the due diligence of outsourcing Old Mutual's IT infrastructure services. Tiffany joined Adapt IT in 2000 in a consulting capacity and was appointed as Financial Director in April 2002 and Chief Executive Officer in December 2003. Tiffany became the Commercial Director of Adapt IT Holdings Limited after the merger of InfoWave Holdings and Adapt IT (Pty) Ltd. Tiffany is currently Financial Director of Adapt IT Holdings Limited after being appointed in April 2013.

CHAIRMAN'S REPORT

Craig Chambers

Adapt IT has again maintained its record for consistent growth in the year under review. Basic earnings per share grew 27%, well above the average for the ICT sector and the share price gained 93% year-on-year.

Accepting this new role as Chairman of the Board of Adapt IT is a privilege and an exciting opportunity. I have observed the Adapt IT management team do a sterling job in implementing the Company's sustainable growth strategy over the past 18 months by ensuring solid organic growth and acquiring well-suited, complementary businesses. I look forward to the Board's continued contribution to Adapt IT's plans of growing into a significant player within the IT industry in South Africa.

PERFORMANCE OVERVIEW

Adapt IT has again maintained its record for consistent growth in the year under review. Basic earnings per share grew 27%, well above the average for the ICT sector and the share price gained 93% year-on-year. It is pleasing to see the results of the sustained pursuit of the Adapt IT strategy to increase shareholder value. This is good news for all stakeholders as continued profit expansion ensures more skilled employment opportunities, stronger dividend flows, a more significant budget for our social responsibility projects and better long-term sustainability.

Despite the challenging economic environment in every market Adapt IT serves, the Company has continued to grow turnover in the last five financial years. This performance has proven the ability of Adapt IT leadership to build a sustainable and high performance business.

Foreign markets represent 23% of Adapt IT revenue, with a specific focus on the rest of Africa. We now provide long-term services in 13 African countries. This organic growth into countries outside South Africa is a key factor in diversifying risk, growing our dollar-based revenues and enhancing sustainability.

During the year, we acquired Swicon360 (Pty) Ltd (Swicon), effective 1 October 2012, which has provided a strategic entry into SAP® and cloud services, which further enhances our technology service offering.

We have acted decisively in the past year to realign our business and strengthen our competitive positions in key market sectors and beyond. Adapt IT is now better structured, more diversified and solidly positioned to unlock the growth in business value that we have identified as part of our long-term strategy of pursuing steady organic growth combined with strategic acquisitions.

GOVERNANCE AND SUSTAINABILITY

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

The summary report of compliance with the King III Code is on pages 28 and 29 and corporate governance matters are covered in depth on pages 22 to 27 of this report.

Adapt IT remains committed to the pillars of sustainability, encompassing economic, employment, social and environmental practices. Adapt IT believes that commitment to all our stakeholders is fulfilled by intentionally strengthening our reputation as a trusted company in touch with the evolving needs and aspirations of our society. As a consequence, time, effort and money are invested in responding to the needs of all current and prospective stakeholders. This integrated annual report reflects the progress made this year towards integrated sustainability reporting.

DIRECTORATE

I would like to welcome respected ICT professional, Oliver Fortuin, as an independent non-executive Board member of Adapt IT. Oliver brings a wealth of ICT experience and we look forward to him contributing to Adapt IT's stated growth strategy. Oliver will serve as an independent non-executive member of the Board of Directors, Chairman of the Social and Ethics Committee and a member of the Audit and Risk Committee.

Further changes to the Board include the appointment of Thembisa Dingaan as the Chairperson of the Remuneration Committee. Thembisa was first appointed to the Board in May 2011 as an independent non-executive director.

DIVIDENDS

The Board declared ordinary dividend number 11 of 5,56 cents per share payable in September as further detailed on page 44. 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 8 November 2013. Notice of the meeting appears on page 97.

OUTLOOK

In the face of challenging market conditions, we will continue to pursue our strategy of realigning the business model to strengthen our competitive position whilst delivering real growth – via organic expansion and value accretive acquisitions. We have the right people, skills and technologies to take advantage of opportunities in our identified competencies, expanding into new markets and servicing existing customers in the best possible way.

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

APPRECIATION

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

I wish to thank the Chief Executive Officer, Sbu Shabalala, and his executive team for a job well done. The Board and I are extremely confident in their ability to execute Adapt IT's approved strategy and to continue to ensure the success of the Company in years to come.

I would like to thank the management team and employees for their role in Adapt IT's excellent set of results and look forward to this performance being consistently maintained.

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

Mr Craig Chambers
Independent non-executive Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

Sbu Shabalala

Adapt IT offers shareholders an opportunity to invest in a leading South African based solutions provider which is positioned to take advantage of specialised technology platforms across the fastest growing market sectors.

INTRODUCTION

Under challenging market conditions, Adapt IT delivered another strong financial performance in the 2013 financial year, through the implementation of the sustainable growth and diversification strategy adopted by the Board of Directors.

Adapt IT's strategy aims to deliver profitable growth at a higher than average rate of return than the South African ICT market.

Strategic achievements in the review period included:

- Increasing the Education sector market penetration into the African market;
- Improving the Manufacturing sector's operational efficiency;
- Introducing SAP® and Cloud Services (Powered by SAP®) through the Swicon360 (Pty) Ltd (Swicon) acquisition;
- Enhancing operational efficiencies through the One Adapt IT amalgamation project;
- Maintaining a level 3 B-BBEE rating; and
- Improving customer service.

GROUP FINANCIAL PERFORMANCE

Revenue for the year increased by 36% to R306 million, with annuity revenue representing a healthy 40% of total turnover.

Operating profit grew by 32% to R29,4 million, maintaining the operating margin at 10%. Basic earnings per share grew by 27%, while headline earnings per share grew by 28% on the prior year, substantially above the average of the ICT sector.

REVIEW OF OPERATING DIVISIONS

Adapt IT operates as specialised business divisions, led strategically by a core team of executives under a single Adapt IT brand. These divisions are run as regional and sector-focused IT solutions businesses for enhanced operational and financial performance, segmented in the following manner:

THE EDUCATION SEGMENT

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

The division increased market penetration in the Education sector and continued to outperform turnover growth expectations, delivering an improved profit before tax of R16,0 million for the year from R14,5 million.

THE MANUFACTURING SEGMENT

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

The division increased customer penetration through increased offerings and extracted operational efficiencies, delivering an increased profit before tax of R15,8 million for the year, up from R10,9 million.

The acquired SAP® HCM Cloud Service, now forming part of the Manufacturing segment, contributed profit before tax of R4,1 million for the nine months it formed part of Adapt IT.

THE FINANCIAL SERVICES SEGMENT

The Financial Services division provides Business Intelligence (BI) solutions and services to the Financial Services sector in South Africa.

The market conditions within the Financial Services sector were challenging in the year under review, due to Financial Services customers reviewing their operating costs and implementing cost-cutting measures which included delaying and downsizing various IT projects. The division was resilient and contributed a profit before tax of R3,2 million for the year (R3,5 million for the six months to the previous year-end).

POSITIONED FOR FURTHER GROWTH

Adapt IT is progressing the initiative of attracting new customers, led by operational management which is implementing an organic growth strategy that aims to achieve the following key objectives:

- To consolidate the sector focus in Education, Manufacturing and Financial Services;
- To improve our South African regional presence and grow in the local market;
- To extend our presence in the rest of the African markets; and
- To leverage our technology vendor partnerships and extend our IT service offering.

Further, Adapt IT continues to seek earnings enhancing acquisitions, led by the executive Board members, who pursue an acquisitive growth strategy that aims to achieve the following objectives:

- To acquire profitable businesses with "blue chip" customers to improve market presence;
- To remove barriers to entry into new markets and geographies;
- To acquire intellectual property and accelerate our technology penetration; and
- To complete our offering of IT products and services provided to our customers.

Adapt IT continues to enjoy the benefits of a strong financial position, a recurring revenue model and low capital expenditure, all of which position Adapt IT for long-term success. We are continuously committing ourselves to enhancing stakeholder value through growing the business and profit sustainably.

FUTURE PROSPECTS

Generally market prospects in developing markets are improving for all sectors and with that, the expectation is that more companies will reinvest in Information Technology.

Having significantly improved our service and product portfolio and now being strategically positioned to grow business in differentiated sectors, markets and geographies, Adapt IT expects to significantly improve solution and services revenue, whilst prudently exploring diversification opportunities into identified growth sectors through an acquisitive growth strategy.

We believe that Adapt IT is well-placed to continue improving its performance and that it continues to be a compelling investment case for shareholders.

ADAPT IT STRATEGIC POSITIONING

Adapt IT has sector-focused lines of business, which can bring the full reach of our services to customers, under a single brand.

We have adopted a shared services model in order to meet internal customer satisfaction expectations, to reduce administration costs through simplification and standardisation of best practices and to align the organisation on common objectives. We believe that this will facilitate mergers and acquisitions integration, rationalise the Company's operating model, whilst securing the return on investment (ROI) in the deployment of technology and thereby positioning Adapt IT for further success.

The Shared Services team supports each division's growth strategy to align with the corporate strategy, in addition to the administration tasks and allocation of capital and financing resources, to facilitate co-operative selling and drive market, geographic and sector intelligence.

KEY ELEMENTS OF THE GROUP'S STRATEGY

The Adapt IT strategy remains to increase revenue and profitability, at a much higher rate than the South African ICT market, by being a high growth entity, in order to exceed stakeholder expectations.

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

IMPROVED SECTOR FOCUS DRIVING ORGANIC GROWTH

Adapt IT focuses on improving the ability of the existing businesses to increase revenue and to develop new capabilities in key markets: Education, Manufacturing and Financial Services, in order to secure more customers, diversify products and services and to move up the services value chain.

Each of the businesses in Adapt IT has shown the capability to innovate and grow organically in the past and it is necessary to nurture this capability and provide the ideal environment for these businesses to continue to prosper. Adapt IT therefore views each of the existing businesses as "growth engines" and encourages this with the proven entrepreneurship that exists within Adapt IT.

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

STRUCTURED TECHNOLOGY DIVERSIFICATION
We seek to leverage our partnerships with major multinational Information Technology (IT) vendors, namely: IBM, Microsoft, Oracle and SAP®, in order to improve our outsourcing capabilities and to offer customers better performance, lower costs, faster services, application variety, improved quality and reliable technology solutions.

This focus has enabled Adapt IT to reduce the cost of new technology development and adoption, thereby ensuring technology diversification success.

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

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

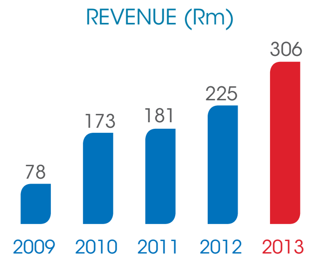
Our approach is to seek high quality and profitable technology companies in targeted sectors and geographies to improve Adapt IT's geographic presence in South Africa and gain exposure in higher margin and growth markets.

The criteria we look for in businesses that join Adapt IT include having sound management capabilities and successful underlying business models, which can benefit from the platform created by being part of a well-managed, larger and entrepreneurial IT company.

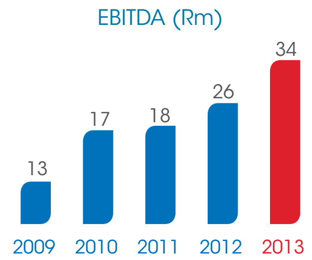
STRATEGIC KEY PERFORMANCE INDICATORS (KPIs)
The Adapt IT Board of Directors monitors the strategy implementation and reviews the following measures when monitoring the successes of the Company's growth strategy:

Non-financial metrics – The Board of Directors and divisional executive teams monitor the environmental, employee and social aspects of the Company's operations, and have adopted the most appropriate aspects of the Global Reporting Initiative (GRI) framework and report on these.

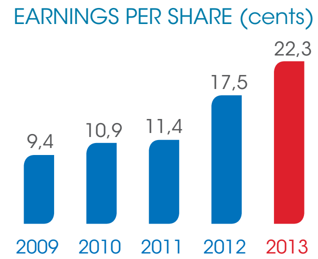
In addition, the Board and executive teams monitor other performance metrics for the divisions, including gross margins, operating margins, working capital metrics and cash generation, to monitor financial performance.



Growth in Revenue – The increase in Company revenue is a measure of the growth achieved year-on-year and this is measured against annual growth targets set by the Board in the medium term.

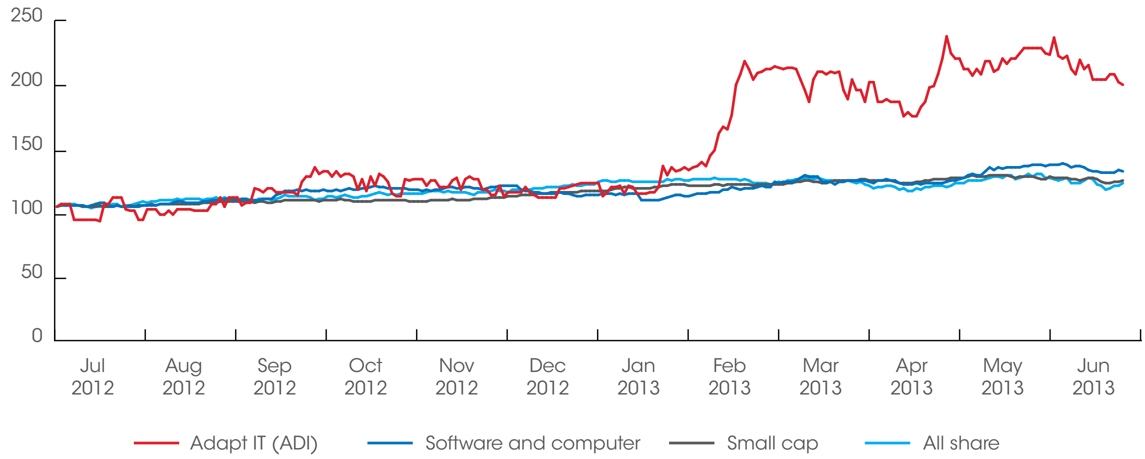


Operating Profit (EBITDA) – The earnings before interest, tax, depreciation and amortisation reflect the true operating performance of the Company based on an absolute value.



Earnings per Share – The earnings per share metric is the ultimate measure of the business's profitability. Monitoring the earnings on a per share basis ensures that any capital increases are aligned with the overall Company strategy and improve shareholder value.

SHARE PRICE (cents)



Share Price – The Company's share price is an independent measure of the value of the business set by trading on the JSE. Although the share price is affected by market trends over which the Company has no control, the Board considers the share price to be the key external metric reflecting investors' view of the Company's performance and compares it against the Software and Services Sector, as well as the general market trends.

INVESTMENT CASE

Adapt IT offers shareholders an opportunity to invest in a leading South African based solutions provider which is positioned to take advantage of specialised technology platforms across the fastest growing market sectors. Our software focus provides investors with a unique quality of earnings that can only be derived in high-annuity based businesses, like Adapt IT, diversified across the Education, Manufacturing and Financial Services sectors, providing investors a defensive hedge against a decline from any one sector.

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

APPRECIATION

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

I extend my most grateful thanks to the Adapt IT staff, both long serving and new, without whose hard work, team spirit, skills, as well as appetite for growth and change, our Company would not be the industry leader it is. My sincere thanks go to the families of all Adapt IT staff for their support.

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

Sbu Shabalala
Chief Executive Officer

FINANCIAL DIRECTOR'S REPORT

Tiffany Dunsdon

Adapt IT is strategically well-positioned in all of its operations and continues to grow from strength to strength. Adapt IT's diversification and geographic reach provides resilience and synergistic opportunities.

INTRODUCTION

Adapt IT had a good financial year from both a revenue growth and profitability perspective due to the consistent pursuit of its strategy. The acquisition of 100% of Swicon360 (Pty) Ltd (Swicon) from 1 October 2012, for a consideration of R11,7 million, provided a strategic entry into the SAP® and cloud services markets.

FINANCIAL PERFORMANCE

Revenue increased by 36% to R306,0 million from R224,8 million, 12% being due to organic growth and 24% being from acquisitions. The compound annual growth rate for revenue over five years is 39%. The segmental analysis of revenue is provided on page 94, and shown graphically below, demonstrating a good balance and spread of risk. Adapt IT has a high annuity income ratio of 40% (2012: 46%), providing sustainability through economic cycles.

Foreign revenue comprises 23% of total revenue. The majority of this is from other African countries and is Rand denominated. Foreign currency gains in the period totalled R1,0 million. The foreign currency exposure at year-end totals R7,2 million and is set out on page 91.

Profit from operations improved by 32% to R29,4 million (2012: R22,2 million) and the operating profit margin remained at 10%.

Finance costs increased marginally to R0,8 million (2012: R0,7 million). The effective tax rate decreased to 22% (2012: 29,5%), primarily due to retrospective research and development allowances and an over-provision for foreign tax in 2012. R8,9 million (2012: R3,9 million) of assessed losses were utilised in the current year to offset taxable profits (assessed losses relate to historic and acquired assessed losses, not current operations). Total estimated tax losses of R9,7 million (2012: R7,0 million) are carried forward for offset against future taxable profits. Most of these are expected to be utilised in the forthcoming year and accordingly they have been recognised in the deferred tax asset.

Profit attributable to ordinary shareholders of R24,1 million was 33% up on the prior year (2012: R18,1 million), while earnings per share (EPS) increased by 27%.

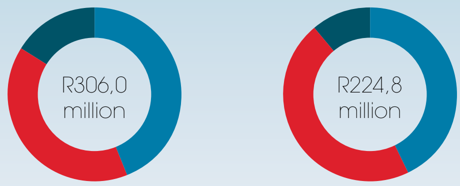
STATEMENT OF FINANCIAL POSITION

Shareholders' equity increased from R70,2 million to R92,2 million. This was a result of the total comprehensive income of R26,3 million (2012: R18,5 million) which includes a revaluation of R1,6 million on the land and building owned in Pretoria. The 10th dividend of 4,84 cents per share, covered four times by earnings, was paid to shareholders in September 2012. The 11th dividend of 5,56 cents per share, on a four times dividend cover ratio, will be paid to shareholders in September 2013.

The net debt:equity ratio is currently negligible at 0,7% (2012: 2,6%). Adapt IT has borrowing capacity (limited to a gearing ratio of 50%) to fund further growth, however, it is envisaged that additional equity will be raised, based on the growth plans.

Adapt IT repurchased 214 000 (0,1%) of its issued ordinary shares in the open market in October 2012

Revenue by segment



	2013	2012
Manufacturing	44%	43%
Education	40%	46%
Financial Services	16%	11%

under the general authority granted by shareholders for R0,3 million at an average price of 137,5 cents per share (2012: 2 136 687 shares (1,9%) for R2,4 million). The shares are held as treasury shares.

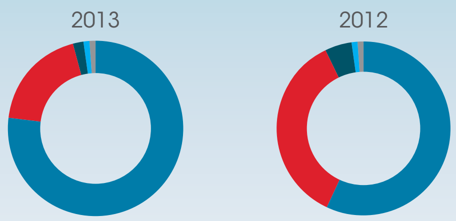
Deferred income increased from R42,5 million to R48,0 million. Deferred income is mainly in the Education sector where revenue in respect of annual licence fees for product development and support is received annually in advance at the beginning of each calendar year and the service obligation extends six months beyond the financial year-end. Furthermore, there is certain project revenue received in advance.

The business is not capital intensive. The property and equipment policy is consistent with the prior year and there have been no material changes to the useful life of any property and equipment. R7,9 million (2012: R1,2 million) of property and equipment was acquired during the year. R1,7 million (2012: R0,8 million) related to computer hardware. R4,3 million (2012: R0,3 million) related to improvements to the owner-occupied property located in Pretoria. Authorised but not contracted capital commitments of R5,2 million, disclosed on page 86, relates mainly to computer hardware and building improvements and will be financed through internal cash resources.

Goodwill increased from R25,6 million to R38,0 million due to the Swicon acquisition. The consideration paid for Swicon effectively included amounts in relation to the benefit of the expected synergies, revenue growth, new market penetration and future market development.

Trade and other receivables increased from R61,4 million to R64,0 million. The average debtors' days outstanding at the end of the year deteriorated slightly to 78 days (2012: 75,9 days). The ageing of the debtors is provided on page 89 and compared to the prior year.

Revenue by geography



	2013	2012
South Africa	77%	57%
Other African Countries	19%	36%
Australasia	2%	5%
Europe	1%	1%
North America	1%	1%

Intensive debt collection action has been taken in respect of specific debtors.

BORROWINGS, CASH FLOW AND LIQUIDITY

Cash generated from operations before working capital changes increased to R34,6 million from R28,9 million in 2012.

Net cash and cash equivalents decreased from R24,7 million to R22,7 million. Interest-bearing borrowings decreased by R1,2 million to R0,6 million.

Adapt IT has adequate funding for all capital commitments through its cash resources and bank facilities.

FINANCIAL CONTROLS AND RISK MANAGEMENT

The internal control framework, which includes financial controls, has been approved by the Audit and Risk Committee and the control environment will be further evaluated in 2014 by the internal audit function to improve the identification of risks and improvement of controls.

The internal audit approach has been dealt with under the Audit and Risk Committee report. The financial risk management is covered on page 89 of the annual financial statements.

ACCOUNTING POLICIES

The accounting policies adopted and methods of computation used in the preparation of the annual financial statements are in terms of IFRS and consistent with those used in the previous financial year. The adoption of new or revised accounting standards, interpretations and circulars has been described on pages 61 to 65.

GOING-CONCERN ASSERTION

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

POST BALANCE SHEET EVENT

The Group undertook a restructure, which became effective on 1 July 2013. This will achieve greater operational and governance efficiencies and strengthen internal controls. The restructure was undertaken by amalgamating seven subsidiaries into one main operating company, Adapt IT (Pty) Ltd, structured as three geographic divisions. This improves the go-to-market position of the business, as well as internal communication and collaboration.

CONCLUSION

Adapt IT is strategically well-positioned in all of its operations and continues to grow from strength to strength. Adapt IT's diversification and geographic reach provides resilience and synergistic opportunities. The Board expects revenue and profitability across all segments to continue to improve.

Tiffany Dunsdon
Financial Director

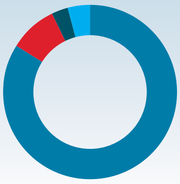
FIVE-YEAR REVIEW

		30 June 2013	30 June 2012	30 June 2011	Annualised 30 June 2010	16 months 30 June 2010	28 February 2009
OPERATING RESULTS							
Revenue	(R'000)	**306 035**	224 769	180 907	173 364	208 452	77 497
Turnover	(R'000)	**303 402**	219 614	173 533	168 669	198 986	74 865
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(R'000)	**34 445**	25 556	18 041	17 385	21 943	12 871
Operating profit	(R'000)	**29 400**	22 207	15 048	15 677	18 930	11 072
Profit for the year/period	(R'000)	**24 091**	18 143	13 246	14 469	16 836	9 829
Profit attributable to equity holders of the parent	(R'000)	**24 091**	18 143	11 045	10 500	13 100	9 077
Headline profit	(R'000)	**24 112**	18 126	11 146	9 079	11 678	9 098
Cash generated from operations	(R'000)	**36 662**	29 237	17 653	17 363	21 334	14 570
FINANCIAL POSITION							
Total equity	(R'000)	**92 234**	70 161	48 152	50 504	50 504	32 759
Total assets	(R'000)	**178 723**	146 878	105 614	124 741	124 741	42 117
Total current assets	(R'000)	**92 038**	86 828	61 746	84 975	84 975	28 591
Total liabilities	(R'000)	**86 489**	76 717	57 462	74 237	74 237	9 358
Total current liabilities	(R'000)	**82 742**	72 334	51 715	69 320	69 320	9 358
FINANCIAL RATIOS							
EBITDA margin	(%)	**11,35**	11,64	10,40	10,31	11,03	17,19
Operating profit margin	(%)	**9,69**	10,11	8,67	9,29	9,51	14,79
Return on equity	(%)	**29,67**	30,67	22,39	32,05	40,44	32,33
Return on assets	(%)	**14,80**	14,37	9,59	17,05	20,21	25,33
Interest-bearing liabilities to equity	(%)	**0,70**	2,59	5,83	8,40	8,40	–
Average debtors days	(days)	**78,54**	75,91	61,84	54,92	54,92	69,96
Solvency ratio	(times)	**2,07**	1,91	1,84	1,68	1,68	4,50
Current ratio	(ratio)	**1,11**	1,20	1,19	1,23	1,23	3,06
Number of employees	(number)	**313**	277	250	261	261	123
SHARE PERFORMANCE							
Number of shares in issue at year-end	('000)	**108 226**	108 440	98 353	95 670	95 670	95 650
Basic and diluted earnings per share	(cents)	**22,25**	17,46	11,36	10,93	13,64	9,44
Headline and diluted headline earnings per share	(cents)	**22,27**	17,45	11,46	12,15	9,46	8,17
Net asset value per share	(cents)	**85,18**	67,52	49,52	52,77	52,77	34,25
Tangible net asset value per share	(cents)	**36,64**	30,70	28,04	35,21	35,21	22,17
Closing share price at year-end	(cents)	**235**	122	70	49	49	47
Dividend per share	(cents)	**4,84**	2,84	3,41	1,86	1,86	4,43

VALUE ADDED STATEMENT

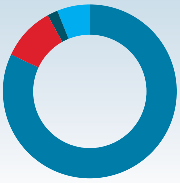
	GROUP 2013 R'000	%	GROUP 2012 R'000	%
Turnover	**303 402**		219 614	
Less:				
Net cost of products and services	**95 513**		66 394	
Value added	**207 889**		153 220	
Wealth created	**207 889**		153 220	
Applied to:				
Employees				
Salaries, wages and other benefits	**174 688**	**84,0**	125 341	81,8
Providers of capital	**6 035**	**2,9**	3 501	2,3
Interest on borrowings	**786**	**0,4**	707	0,5
Dividends to shareholders	**5 249**	**2,5**	2 794	1,8
Government				
Taxation	**8 324**	**4,0**	9 029	5,9
Income taxation: normal and deferred	**6 642**	**3,2**	7 324	4,8
Income taxation: secondary taxation on companies	**–**	**–**	281	0,2
Regional services council and skills development levies	**1 682**	**0,8**	1 424	0,9
Retained in the Group	**18 842**	**9,1**	15 349	10,0
Wealth distributed	**207 889**	**100,0**	153 220	100,0

2013



- 84% Salaries, wages and other benefits
- 9% Retained in the Group
- 3% Providers of capital
- 4% Taxation

2012



- 82% Salaries, wages and other benefits
- 10% Retained in the Group
- 2% Providers of capital
- 6% Taxation

CORPORATE GOVERNANCE

INTRODUCTION

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

The King Committee released King III on 1 September 2009. The JSE mandated that listed companies comply with the changes introduced by King III in respect of financial years commencing on or after March 2010.

For this reason, the Board has since made significant strides in ensuring compliance with King III, which it has adopted and endorsed as a strategic business imperative, in order to continue to conduct the business with openness, integrity and accountability. For the 2013 financial year, with the exception of those items outlined below, the Board confirms that the Group has complied with King III. In addition, a King III reference table is included on pages 28 and 29 of the integrated annual report.

- Elements of a combined assurance model have been developed, but require further maturation in 2014.
- The internal audit function was implemented at the end of 2012 on a risk-based approach and outsourced to KPMG. A written assessment of the effectiveness of the Company's system of internal controls and risk management has not yet been formally implemented. This will be addressed during 2014.
- The reporting on and the provision of assurance over non-financial sustainability issues other than B-BBEE are currently the responsibility of the Audit and Risk Committee. An independent assurance service provider in respect of sustainability reporting and respective disclosures will be sourced, should the need arise.
- The Board has not formalised a climate change strategy. Other than locating our head office and operations in a green building in La Lucia, Durban. The businesses by their nature are not natural resource intensive nor do they create any significant pollution.

The Group's corporate governance structure is represented in the following diagram:

GOVERNANCE FRAMEWORK	
BOARD OF DIRECTORS	
Non-executive independent directors	**Executive directors**
C Chambers (*Chairman*)	Sbu Shabalala (*CEO*)
B Ntuli	T Dunsdon (*Finance*)
T Dingaan	
O Fortuin	
BOARD COMMITTEES	
Audit and Risk Committee	
B Ntuli (Chairperson)	
T Dingaan	
O Fortuin	
Remuneration Committee	
T Dingaan (Chairman)	
B Ntuli	
C Chambers	
Nominations Committee	
C Chambers (Chairman)	
B Ntuli	
T Dingaan	
Social and Ethics Committee	
O Fortuin (Chairman)	
T Dunsdon	
JF Jordaan	

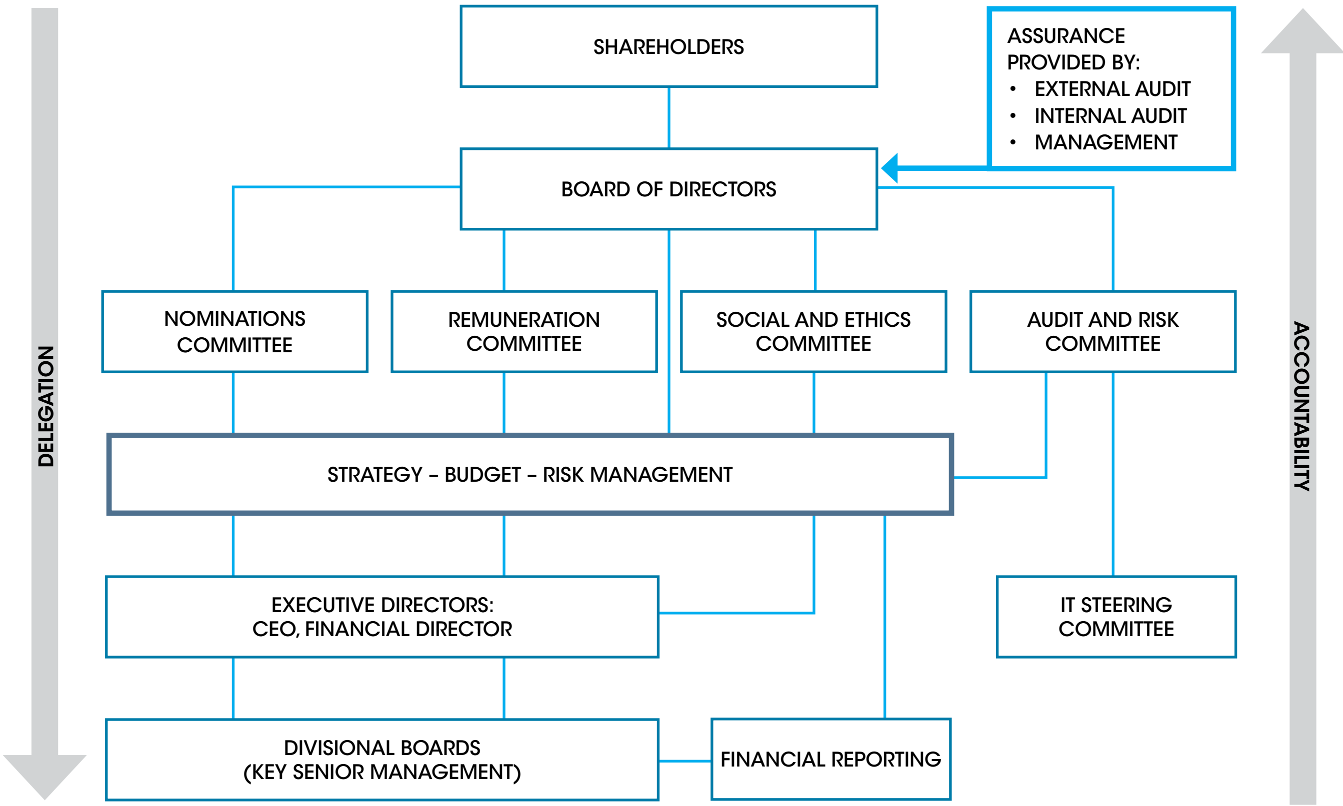
BOARD OF DIRECTORS

COMPOSITION

The Board comprises four independent non-executive directors and two executive directors. The Chairman of the Board is an independent non-executive director. The roles of the Chairman and the Chief Executive Officer are separated and a clear division of authority exists between these roles. The non-executive directors represent a wide range of skills and experience including Information Technology, financial, legal and commercial. The Directors are aware of their duties to ensure that the Group maintains a very high standard of corporate governance.

There are no service contracts between the non-executive directors and the Company. In accordance with the memorandum of incorporation, non-executive directors are required to retire after three years in office, or, if appointed by the Board between shareholders' meetings, at the next shareholders'

ADAPT IT CORPORATE GOVERNANCE STRUCTURE



meeting and, if eligible, may offer themselves for re-election by shareholders. Appointment to the Board is made in accordance with the Nominations policy and procedures, as managed by the Nominations Committee on behalf of the Board.

MANDATE

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

BOARD CHARTER AND RESPONSIBILITIES

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

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

The powers and responsibilities of the Board include the following:

- Giving direction to the Company through management and approving the strategic plan of the Group;
- Determining policy and processes to ensure the integrity of aspects such as director selection, orientation, evaluation and remuneration;
- Considering its composition, including its size, diversity and demographic make-up;
- Assessing the key risk areas and key performance areas of the Group;
- Reviewing the implementation of the strategic plan by management;
- Reserving specific powers to itself and delegates other matters to key senior management;
- Monitoring performance through various Board committees; and
- Monitoring compliance with all relevant laws, regulations and code of business practice and ensuring that the Group communicates effectively with its stakeholders.

CORPORATE GOVERNANCE CONTINUED

BOARD AND COMMITTEE MEETINGS

The Board meets formally four times per year and reviews strategy, operational performance, capital expenditure, risk management, internal controls, communications and other material aspects pertaining to the Group's business. The Audit and Risk Committee met four times; the Social and Ethics Committee, Remuneration Committee and the Nominations Committee held one meeting each during the year.

BOARD MEETING ATTENDANCE

DIRECTOR	ATTENDED	HELD
C Chambers	4	4
B Ntuli	4	4
T Dingaan	4	4
O Fortuin*	2	4
Sbu Shabalala (CEO)	4	4
T Dunsdon (FD)	4	4
Dr AB Ravnö**	2	4
M Nhlapo***	3	4
S Shabalala****	3	4

* *Appointed 8 February 2013*
** *Resigned 26 October 2012*
*** *Resigned 8 February 2013*
**** *Resigned 31 March 2013*

BOARD AND COMMITTEE EVALUATION

During the year the Board and individual directors' performance was assessed in terms of the Board Charter. The Board recognises the importance of Board evaluation and development, not only as it constitutes good governance but also as it is a valuable process in improving Board performance.

REGULATORY COMPLIANCE

Board members are kept appraised of changes to all relevant legislation, including the JSE Listings Requirements. These updates are provided by the Company's sponsor and the Company Secretary. During the year under review, the Board received regular updates regarding the developments of the Companies Act, the Consumer Protection Act, JSE Listings Requirements, King III and other governance codes.

DELEGATION OF AUTHORITY

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

COMMITTEES

The Audit and Risk Committee was formally appointed in terms of the Companies Act at the annual general meeting held on 26 October 2012.

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

- Remuneration Committee
- Nominations Committee
- Social and Ethics Committee

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

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee operates under an approved charter, assisting the Board to fulfil its oversight responsibility on corporate governance. Its specific responsibility is on accurate financial reporting and the existence of adequate financial systems and controls. It discharges its responsibility by evaluating the operations and findings of both internal and external audits and assessing the appropriateness and adequacy of the accounting procedures and the systems of internal financial and operational controls. The committee is accountable for the process of risk management and internal control systems and for reviewing the effectiveness thereof. It is also responsible for establishing risk and control policies and ensuring these are communicated throughout the Group.

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

The Chief Executive Officer, Financial Director, internal auditors and external auditors are required to attend the Audit and Risk Committee meetings but do not vote at meetings of the committee. Other Board members also have the right of attendance only. The Group's internal auditors and external auditors have unfettered access to members of the committee and the Chief Executive Officer. The internal auditors and external auditors attend all formal Audit and Risk Committee meetings. The Company Secretary is secretary to the committee. The committee reports on its findings to the Board after each formal committee meeting.

The report of the Audit and Risk Committee is set out on pages 39 to 41.

AUDIT AND RISK COMMITTEE ATTENDANCE		
DIRECTOR	**ATTENDED**	**HELD**
B Ntuli (Chairperson)	4	4
T Dingaan	4	4
O Fortuin*	1	4
M Nhlapo**	3	4

* *Appointed 8 February 2013*
** *Resigned 8 February 2013*

REMUNERATION COMMITTEE

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

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

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

REMUNERATION COMMITTEE ATTENDANCE		
DIRECTOR	**ATTENDED**	**HELD**
T Dingaan (Chairperson)	1	1
C Chambers	1	1
B Ntuli	1	1

NOMINATIONS COMMITTEE

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

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

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

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

NOMINATIONS COMMITTEE ATTENDENCE		
DIRECTOR	**ATTENDED**	**HELD**
C Chambers (Chairman)	1	1
B Ntuli	1	1
T Dingaan	1	1

SOCIAL AND ETHICS COMMITTEE

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.

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 addresses training and development, a safe and healthy workplace and support to those affected by HIV/AIDS.

The committee oversees the broad-based black economic empowerment (B-BBEE) of the Group, its corporate social investment and enterprise development activities as well as its environmental progress and broader stakeholder relations.

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

CORPORATE GOVERNANCE CONTINUED

SOCIAL AND ETHICS COMMITTEE ATTENDANCE		
DIRECTOR	ATTENDED	HELD
O Fortuin (Chairman)	1	1
T Dunsdon	1	1
JF Jordaan	1	1

EXECUTIVE COMMITTEE

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

COMPANY SECRETARY

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

The Company Secretary function is outsourced to Statucor (Pty) Ltd (Statucor). Statucor's client base includes listed and non-listed entities whom they advise in accordance with the Companies Act as well as the provisions of the South African Corporate Business Administration as defined by the Southern African Institute of Chartered Secretaries and Administrators. Their approach delivers an informed interpretation of the Combined Code (set of principles of good corporate governance), with specific attention being paid to King III. They use a structured approach to implementing and maintaining a sound system of corporate governance, which allows the Board to highlight the actions needed by the business to comply with the requirements of King III. Statucor is considered by the Board to be suitably qualified to carry out the function of Company Secretary.

In accordance with the JSE Listings Requirements, the Board has carried out a formal evaluation of the Company Secretary's performance and competence and has concluded that Statucor is both competent to perform its duties and is fit and proper for the position. The Board has also evaluated and concluded that the Company Secretary retains an arm's-length relationship with the Board. It is not a director of the Company, nor related to, or in any other manner connected with, any of the Directors in any manner which could cause there to be a conflict of interest.

MANAGEMENT REPORTING

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

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

DEALING IN COMPANY SHARES

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

All dealings in shares of Adapt IT Holdings Limited by Company directors and the Company Secretary are reported on the JSE Stock Exchange News Service (SENS) within 48 hours of the trade. All trades must be pre-approved by a duly authorised director of the Company.

INVESTOR RELATIONS

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

INTERNAL AUDIT

The Group acknowledges the importance of an independent strategically aligned internal audit function to assist the Audit and Risk Committee in discharging its responsibilities. Adapt IT Holdings Limited has outsourced the provision of internal audit services to an appropriately qualified external service provider, being KPMG Services (Pty) Ltd, for the 2014 financial year.

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

The internal audit function is independent of all other organisational functions, reports directly to the Audit and Risk Committee and has free and unrestricted access to all areas within the Group, including management, employees, activities, locations and information.

Internal audit activities are performed in compliance with International Internal Audit Practice and the methodology and standards required by the South African Institute of Internal Auditors. Professional standards operating within the internal audit function will, once in five years, be evaluated by an independent party to continuously improve the quality of the internal audit staff and the quality of completed internal audit assignments.

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

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

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

The focus in the 2014 financial year will be to improve collaboration with management, other internal assurance providers and the Company's external auditor to ensure optimal coverage of the key risks and minimal duplication of effort. The purpose of this collaboration is also aimed at the development of a meaningful combined assurance model and plan.

INFORMATION TECHNOLOGY (IT) GOVERNANCE

The Board recognises that IT is an integral part of conducting business at Adapt IT Holdings Limited, as IT is fundamental to the support, sustainability and growth of the organisation. IT serves all aspects, components and processes in the organisation and is therefore not only an operational enabler for the Group, but a strategic business imperative which can be leveraged to create opportunities and to gain a competitive advantage.

The Board is cognisant of the fact that as much as IT is a strategic asset within the Group, it also presents the organisation with significant risk. The latter, together with its related costs and constraints, should be well governed and controlled to ensure that it supports the Group's strategic objectives. It is for this reason that the Board has deemed it appropriate to delegate this function to the Audit and Risk Committee. However, the responsibility of IT governance ultimately resides with the Board.

IT is implemented, based on the following model:

- The business applications and IT infrastructure are being centralised;
- An IT steering committee, represented by the Chief Executive Officer, key senior management and technical specialists, oversees the IT strategy and its implementation; and
- The IT steering committee reports to the Audit and Risk Committee.

The IT steering committee is responsible for ensuring that IT is managed within a defined framework that takes into account, inter alia:

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

CORPORATE GOVERNANCE CONTINUED

KING III REFERENCE TABLE

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

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

SUSTAINABILITY REPORT

STRATEGY AND ANALYSIS

While Adapt IT serves customers across 20 countries world-wide, our business is located predominantly in South Africa. All reporting takes place within the South African regulatory and socio-economic context, with consideration for international standards.

Adapt IT's goal is to deliver long-term value to shareholders and employees and maintain a positive association with all stakeholders.

The Board has considered the nature of operations in the context of the pillars of sustainability: economic value, human capital, social responsibility and environmental sustainability. This report concentrates on the human and social elements that the Board regards as most relevant to our stakeholders, whilst maintaining a balanced and holistic view.

GLOBAL REPORTING INITIATIVE

Adapt IT has adopted the GRI framework and guidelines for sustainability reporting. This sustainability report provides a balanced and reasonable representation of the areas that the Board regards as most critical to Adapt IT and its stakeholders for the financial year ended 30 June 2013.

As the Company progresses, this report will adjust accordingly into the relevant areas while we strive to align our processes with evolving international standards.

ECONOMIC VALUE

VALUE ADDED ANALYSIS

Adapt IT generated headline earnings of R24,1 million for the year ended 30 June 2013, from which major stakeholders benefited in varying proportions as indicated in the table on page 21.

INVESTMENT

The strong track record in financial performance has enabled Adapt IT to continue investment in product development, infrastructure, people and operational systems that support the organic and acquisitive growth initiatives.

RESEARCH AND DEVELOPMENT

The lifecycle of the solutions Adapt IT develops extends over many years and over time they become integral to our customers. This requires customers to form a strategic relationship with Adapt IT as a supplier. In today's environment of rapid technological advancement and changes, customers rely on Adapt IT to have a sustainable product development approach where products are enhanced and maintained in line with business requirements.

HUMAN CAPITAL

Adapt IT recognises that people are a key success factor in today's globally integrated and increasingly competitive business environment. People represent one of Adapt IT's most significant investments and provide the Company with opportunities to gain a competitive advantage. Of the value created in 2013, 84% was distributed to our employees in the form of salaries, wages and benefits (see value added statement on page 21).

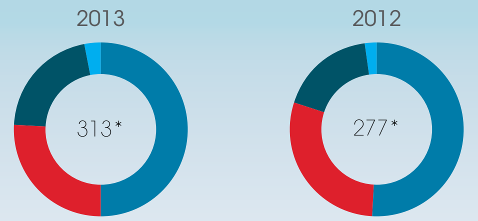
Chairman of the Social and Ethics Committee
Oliver Fortuin

In order to leverage our significant people investment, Adapt IT promotes employee growth through career path development and supporting work-life balance. This approach enables a self-motivated and productive environment within which Adapt IT and its people add significant and mutual value.

Adapt IT's success is directly impacted by the skills, motivation and commitment of its people. One of the key factors contributing to the achievement of Adapt IT's objectives is having the right highly skilled people in place.

The development of a high performance culture within Adapt IT is a key performance imperative of all employees, particularly those in leadership and management roles.

In line with our continued commitment to diversity, the report on the demographic profile of Adapt IT at the end of the reporting period is published below:



	2013	2012
White	50%	51%
African	26%	29%
Indian	21%	18%
Coloured	3%	2%

** Number of employees*

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Adapt IT has since its inception focused on B-BBEE as a strategic imperative to ensure continued sustainability, rather than as a matter of compliance. The goal of Adapt IT's B-BBEE strategy is to ensure the Company is fully representative of the combined skills and talents of the communities in which we operate and that we constructively contribute towards the broader society.

South Africa's policy of B-BBEE is not only a special intervention required to address the situation resulting from the previously disadvantaged communities in South Africa, but is a pragmatic economic growth strategy. Adapt IT aims to ensure that the Government's vision for B-BBEE is realised, in addition to leveraging all opportunities presented by our transformation status to develop the sustainability of the business.

Our cultural diversity is a distinct competitive advantage and therefore we aim to further improve our transformation programme to ensure equitable representation of all stakeholder groups. We intend to maintain our focus on this transformation programme as we constantly grow and integrate new companies as a result of our acquisitive growth strategy.

The B-BBEE verification is performed annually by an independent SANAS accredited assurance provider.

LEVEL 3 B-BBEE STATUS

SCORECARD INFORMATION	2013	2012
Ownership	**17,18**	17,20
Management	**11,00**	11,00
Employment equity	**5,00**	6,98
Skills development	**6,72**	4,90
Preferential procurement	**19,57**	18,03
Enterprise development	**11,00**	15,00
Socio-economic development	**12,00**	5,00
Total score	**82,47**	78,11

EMPLOYMENT EQUITY

All the divisions within Adapt IT are involved in and committed to promoting the employment equity policy. Adapt IT's approach to addressing its employment equity and management control imperatives is to focus on skills and leadership development, with particular emphasis on the identification of talented historically disadvantaged individuals for development and fast-tracking into leadership roles.

This business imperative is monitored by the Employment Equity Committee, which reports the progress and results of specific initiatives to the Social and Ethics Committee. Adapt IT will continue to attract, retain and develop talent from the designated groups with available employment opportunities.

On 30 June 2013 18% of management positions were filled by black people (2012: 17%). Black women form 21% of management. The overall employment equity statistic is 50% black staff. Our target for the period was 60%.

The main role of the Employment Equity 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.

PROMOTING EQUITY AND DIVERSITY IN THE WORKPLACE

Adapt IT aims to attract, develop and retain the best people within a diverse multicultural workplace. Our promotion of equal opportunity and workplace diversity is not merely a social responsibility, but a means of ensuring that we foster a culture of diversity in the belief that this brings business advantage.

SUSTAINABILITY REPORT CONTINUED

Adapt IT's remuneration practices comply with regulations, while continuing to reward people meaningfully for performance and contribution. Our remuneration strategy is based on the principle that remuneration remains in line with market practices, is performance-based and is fair and equitable. All employees are remunerated according to their roles and skills levels and there are no systematic disparities between the remuneration of male and female employees.

The employment of disabled individuals remains a challenge and requires further focus in the forthcoming year.

HEADCOUNT AND ATTRITION

The total headcount (excluding contractors) as at 30 June 2013 was 313 compared to 277 in the prior period. This increase is mainly as a result of the acquisition of Swicon in October 2012.

Adapt IT measures the employee attrition rate and constantly evaluates the impact of loss of key skills on the business. During the period the attrition rate was 14%, which is in line with the industry norm of 15% and up on the prior year (14%).

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

In assuming responsibility for our human capital Adapt IT has taken the following measures to promote sustainability and mitigate natural attrition:

- Remuneration benchmarking in 2012 and a market alignment exercise in the 2012 and 2013 financial years were applied to ensure competitive remuneration and reward where required;
- Training programmes to support employee development;
- Managing performance through regular reviews, learning and development aligned to Adapt IT performance metrics;
- Succession planning and talent management to identify key employees in critical positions and ensure business continuity; and
- Measures to ensure the health and well-being of employees.

EMPLOYEE PERFORMANCE

Measurement of employee performance is based on key performance indicators and business strategic objectives. The results of performance reviews inform Individual Development Programmes (IDP) and are applied in the process of developing the training budget. IDPs are compiled for all employees and are continuously monitored to ensure technical and management skills are nurtured and developed.

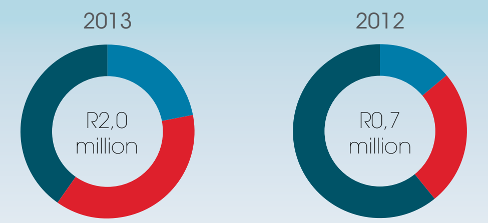
Managers are required to facilitate access and encourage employees to develop their careers through various opportunities available to them and these opportunities are discussed individually with line management during the IDP process.

TRAINING AND DEVELOPMENT

Adapt IT believes that it is imperative that employees attend training and development courses that are in line with their functional job requirements and enhance their skills. This includes participation in a wide range of training programmes (on-the-job training, classroom and professional development at training centres and through external service providers), which are tailored to meet their individual career development goals. In a number of instances, employees are given financial assistance to pursue studies in their chosen career paths, provided these are aligned to Adapt IT's objectives.

Adapt IT works closely with MICT SETA to achieve the objectives of improving the ICT skills in South Africa and adheres to the requirements of the Skills Development Act.

A priority for Adapt IT is skills development at all levels and this continues to be strengthened. This includes management and leadership development, and learnerships with targeted coaching and mentoring processes. Particular emphasis is placed on skills development of black employees in line with Adapt IT's empowerment initiatives. Significant progress was made in the year under review. The total investment in training increased from R655 270 to R2 026 370, broken down in the pie chart below:



	2013	2012
Female BEE employees	R447 854	R92 271
Male BEE employees	R762 823	R165 580
Other employees	R815 693	R397 419

INTERNSHIP PROGRAMME

Adapt IT participates in an internship programme and has employed 73% of the students admitted into the programme to date. Currently there are 10 students and interns in work experience programmes in Adapt IT.

It is our intention to consider these learners for employment at the end of their training period, for both temporary and permanent positions within the Company.

Adapt IT and MICT SETA jointly fund a number of the learners' internship training, with the remainder of learners being funded in full by Adapt IT. All employees have performance development plans, which highlight their training needs in order of priority. Training is monitored on a monthly basis. Adapt IT ensures that employees are performance-managed in order to promote employee growth and upliftment through development.

FAMILY RESPONSIBILITY

Adapt IT supports employee work-life balance through relevant policies and practices, in particular the need to uphold family responsibilities and all employees are required to take regular leave.

LABOUR RELATIONS

Employees are engaged through regular work forums with management to discuss business issues and all employees are encouraged to openly share their views.

Leadership supports the implementation of a collaborative and consultative approach in guiding employees to achieve both corporate and personal objectives during the year. Employees are encouraged to discuss with executive management any areas of concern or possible opportunities to improve working conditions.

We fully support employees' right to freedom of association. Although we are not aware of any Adapt IT employees that are members of a trade union, employees are free to associate with any labour organisation of their choice in line with the Basic Conditions of Employment Act.

OCCUPATIONAL HEALTH AND SAFETY

The health and safety of our people is a priority and Adapt IT complies with the Occupational Health and Safety Act. Employees are encouraged to take medical aid cover and a medical aid scheme is available for all permanent employees. Occupational and healthcare programmes include risk assessments, hygiene surveys, risk control measures and wellness days.

Adapt IT recognises that employee well-being is critical to the continued delivery of high quality services and to the achievement of the Company objectives. An employee wellness programme, covering all aspects of physical and mental wellness, including confidential counseling services, is currently in place and will be rolled out across all divisions.

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

ETHICS

Adapt IT subscribes to the highest standards of good governance and ethical business practice and is guided by the Adapt IT Code of Ethics. The role of the Social and Ethics Committee is to ensure that there is an ethical and responsible relationship between Adapt IT and the society in which it operates.

In November 2012, Adapt IT launched the Ethics Hotline, an anonymous corruption and unethical business hotline and email address, which allows staff and external stakeholders to report ethically questionable business practices. All reports are investigated to the satisfaction of the committee.

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

PUBLIC POLICY

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

ANTI-COMPETITIVE BEHAVIOUR

Adapt IT does not condone anti-competitive behaviour. There have been no incidents or legal actions for anti-competitive behaviour, antitrust and monopolistic practices during the review period.

SUSTAINABILITY REPORT CONTINUED

SOCIAL RESPONSIBILITY

Adapt IT has a long history of investing in the upliftment of disadvantaged South African communities and remains committed to continuing this investment. Our focus is on sustainable investment and extending the impact of our projects to more beneficiaries. Adapt IT has increasingly shifted the approach to Corporate Social Investment (CSI) from smaller, once-off investments to large, longer-term investments in major projects.

ADAPT IT KNOWLEDGE CENTRE

Adapt IT launched its first Knowledge Centre in May 2013. The centre serves as a computer facility for the more than 1 400 learners and 45 educators of the Zwakele Primary School, in Amaoti, the largest informal settlement in KwaZulu-Natal. The initiative is a joint venture between Adapt IT, Angel Projects (a social investment agency), Africa Learn (a training company) and the Department of Education.

The computer facility forms an integral part of Adapt IT's social investment strategy and will support long-term community development by encouraging the youth to embrace technology and give them the necessary skills to contribute to the ICT sector.

The state-of-the-art computer and Internet training facility is funded by Adapt IT and comprises 50 computers, all installed with the necessary software and Internet connections. The facility includes an interactive whiteboard, printer and air-conditioning.

To guarantee the sustainability of the project, Adapt IT is supporting the implementation of a comprehensive and sustainable training programme for both the teachers and the learners. Africa Learn is contracted to oversee all training and will retain an onsite facilitator for a period of six months. All courses are personalised to meet the needs of the school and will allow for maximum flexibility. In addition, the teachers' course runs for a period of six months, empowering teachers to provide the learners with the necessary IT training.

Adapt IT is planning to install more computer facilities, and will be using Zwakele Primary as a blueprint for future initiatives.

INCUBATION AND ENTERPRISE DEVELOPMENT

Adapt IT believes in facilitating the development of sustainable businesses that will create jobs. Adapt IT has demonstrated its commitment to this process by providing opportunities to small businesses and new enterprises as well as assistance to small and medium enterprises.

PREFERENTIAL PROCUREMENT

For over two years, Adapt IT has assisted emerging entrepreneurs through preferential procurement and training opportunities. We have engaged these small businesses in various projects. In agreement with our clients, they receive project management skills, preferential payment terms and business management.

ENVIRONMENTAL SUSTAINABILITY

As an IT services organisation, the environmental impact of Adapt IT's daily operations is limited. However, Adapt IT is evaluating formal measurement and reporting of the relevant indicators in line with the requirements of the Global Reporting Initiative.

Adapt IT promotes consciousness of environmental issues, choosing to manage natural resources responsibly and seeking to reduce carbon emissions and waste generation wherever possible. The relocation of the Durban office to "green" premises in 2010 was a major step towards change and reducing our environmental impact. Future decisions regarding changes or upgrades to premises in South Africa will follow the same approach.

MATERIALS

Adapt IT does not manufacture tangible products and therefore does not use any significant raw material in its business. Paper is the primary consumable resource utilised. Adapt IT uses paper from the supplier's green range, meaning that the paper is produced from sustainable forests or is 100% recycled. We encourage paperless working where possible.

All IT hardware waste is recycled through a certified third party.

ENERGY

Adapt IT continues to pursue initiatives that can assist in the conservation of energy. Furthermore, Adapt IT targets new business from clients where new technologies are being introduced to produce cleaner energy (e.g. biofuel). Our solutions in the chemicals and power generation industries lead to more efficient operation of plants and power stations in South Africa, reducing utilisation of scarce resources and waste products.

WATER

Adapt IT is considered to be a nominal user of water. However, minimum usage of water is encouraged throughout the Company. All storm-water at the Durban premises is attenuated and used for irrigation on site.

BIODIVERSITY

The Durban premises include a portion of land left for natural vegetation to provide habitat for wildlife.

EMISSIONS, EFFLUENT AND WASTE

Due to the relatively clean nature of our operations, we do not currently measure carbon emissions, choosing to focus on the social impact of creating sustainable employment as a key priority.

PRODUCTS AND SERVICES

Adapt IT has continuous software development processes which meet the customer, environmental and legislative requirements. The product development processes are mainly driven by the customer and industry needs and the safety of the products and services is ensured by a quality management system.

TRANSPORT

In order to reduce our carbon footprint and the impact of national travel by our people, where possible any discretionary travel has been reduced by using alternative communication such as video conferencing and e-mail.

The impact of transport on the environment from our direct operations is not significant as we operate predominantly using a remote support model. Employee transportation is limited to infrequent deployment via air and road to client sites on initial system implementations, on-site training and periodic account management visits.

REMUNERATION REPORT

Thembisa Dingaan

REMUNERATION PHILOSOPHY AND POLICY

The Group's remuneration policy complements its business strategy. The Board continues to embrace the importance of people for the continued sustainability and growth of the Group. It is the Group's objective to attract, retain and motivate excellent talent. Oversight of the remuneration policy and implementation thereof is maintained to ensure rewards are competitive, taking cognisance of the appropriate remuneration benchmarks, and proportionate with contribution to the Group's performance. Remuneration is one of the largest components of the Group's costs and optimising the remuneration expense remains a core focus area.

Remuneration levels are set with reference to independent salary surveys on a regular basis, taking cognisance of specific skills requirements, ICT industry statistics and benchmarks of other similar sized companies listed on the JSE. The Remuneration Committee reviews the remuneration paid to the Group executive and senior management.

REMUNERATION GOVERNANCE

COMPOSITION OF THE REMUNERATION COMMITTEE

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

The composition of the committee is:

T Dingaan	Chairperson
B Ntuli	Member
C Chambers	Member

Sbu Shabalala (Chief Executive Officer) and T Dunsdon (Finance Director) attend part of the meeting by invitation.

ROLE OF THE REMUNERATION COMMITTEE

The Remuneration Committee is tasked on behalf of the Board to ensure the alignment of remuneration with the interests of shareholders. The committee operates under terms of reference that are reviewed annually, approved by the Board and encompass the provisions of the new Companies Act and the requirements of King III.

The committee's key objectives include:

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

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

EMPLOYMENT CONTRACTS

Sbu Shabalala, Chief Executive Officer of Adapt IT Holdings Limited, was appointed with effect from 5 December 2007 and has a written letter of appointment which endures indefinitely and is subject to termination on three (3) months' notice. Tiffany Dunsdon was appointed Financial Director of Adapt IT Holdings Limited with effect from 1 April 2013 and is on an annual fixed-term contract subject to termination on three (3) months' notice. She was previously Commercial Director and originally joined the Group on 18 April 2002. Siboniso Shabalala resigned as the Finance Director on 31 March 2013. The contractual relationship between the Company and its executive directors is governed through the Remuneration Committee.

These contracts are formulated in a manner which is consistent with the provision of the Basic Conditions of Employment Act.

STRUCTURE OF REMUNERATION PACKAGES

The structure of remuneration packages supports business needs, is market-related and competitive. To this end market surveys are conducted annually and appropriate action is taken to ensure that pay levels, structures, composition and mix are in line with market trends where relevant. The appropriate mix between guaranteed and variable pay as well as short-, medium- and long-term elements of compensation are reviewed from time to time, taking market trends into consideration.

GUARANTEED PAY

Employees' guaranteed pay generally consists of total cost-to-company which comprises salary, retirement funding and health benefits. The targeted cost-to-company remuneration is based on the median of the market, with discretion to pay a premium to the median for attraction and retention. Employees who are clear outperformers may be remunerated above the median, while employees who are regarded as underperformers may be 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.

VARIABLE PAY

Short-term annual bonus incentives are based on the overall financial performance of the Group, financial achievement of the division and business unit to which an employee is accountable and on individual performance, measured against the achievement of key performance indicators.

Short-term bonus incentives payable to executive management, for targeted levels of performance, range between 10% and 30% of the cost-to-company, as deemed appropriate by the Remuneration Committee and determined with reference to market norms.

The primary purpose of the bonus scheme is to serve as a short-term incentive to motivate a common drive towards high performance.

	Salary R	Retirement R	Medical aid R	Total guaranteed pay R	Bonus R	Retention payment R	Total R
JUNE 2013							
Sbu Shabalala	**1 030 896**	**83 188**	**21 259**	**1 135 343**	**380 000**	**324 000**	**1 839 343**
S Shabalala*	**718 306**	**58 940**	**15 915**	**793 161**	**91 239**	**–**	**884 400**
T Dunsdon	**946 979**	**12 900**	**–**	**959 879**	**260 000**	**312 000**	**1 531 879**
Total	**2 696 181**	**155 028**	**37 174**	**2 888 383**	**731 239**	**636 000**	**4 255 622**
JUNE 2012							
Sbu Shabalala	769 994	65 252	19 977	855 223	200 351	380 000	1 435 574
S Shabalala	846 702	71 588	19 977	938 267	100 000	179 000	1 217 267
T Dunsdon	846 147	10 708	-	856 855	139 414	271 000	1 267 269
Total	2 462 843	147 548	39 954	2 650 345	439 765	830 000	3 920 110

* *Resigned effective 31 March 2013*

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

	Total guaranteed pay R	Bonus R	Other R	Total R
JUNE 2013				
Employee 1	**1 463 479**	**75 000**	**239 852***	**1 778 331**
Employee 2	**1 253 676**	**115 000**	**17 169**	**1 385 845**
Employee 3	**1 219 800**	**76 200**	**16 584**	**1 312 584**
Total	**3 936 955**	**266 200**	**273 605**	**4 476 760**
JUNE 2012				
Employee 1	1 129 440	177 580	21 755	1 328 775
Employee 2	1 129 440	155 380	15 153	1 299 973
Employee 3	1 118 640	133 190	16 574	1 268 404
Total	3 377 520	466 150	53 482	3 897 152

* *Commission*

REMUNERATION REPORT CONTINUED

Another key aspect of variable pay which has been extended in the past year to certain subsidiary company executives who are involved in sales is the sales commission scheme. The purpose of this is to drive improvement in organic growth and cross-selling. The commission scheme is currently being aligned across the Group and enhanced to maximise effectiveness.

LONG-TERM INCENTIVES

The long-term executive share incentive plan, set out on pages 104 to 107, will be put to shareholders for approval at the forthcoming annual general meeting. It is designed to ensure that key executives are motivated and retained over a medium- to long-term period and to align their interests with those of shareholders.

EXECUTIVE DIRECTORS' REMUNERATION

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

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

NON-EXECUTIVE DIRECTORS' FEES

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

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

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

	2013 R	2012 R
C Chambers*	**184 500**	70 000
B Ntuli	**92 000**	70 000
T Dingaan	**92 000**	70 000
AB Ravnö**	**67 667**	150 000
M Nhlapo***	**55 857**	70 000
O Fortuin****	**36 143**	–
Total	**528 167**	430 000

* *Chairman with effect from 26 October 2012, and previously lead independent non-executive director*
** *Resigned 26 October 2012*
*** *Resigned 8 February 2013*
**** *Appointed 8 February 2013*

Refer to the Directors' Statutory Report on page 45 for directors' interests in the Company and interests' of directors in contracts.

On behalf of the Remuneration Committee.

Thembisa Dingaan
Chairperson

Durban
16 August 2013

AUDIT AND RISK COMMITTEE REPORT

Bongiwe Ntuli

INTRODUCTION

The Audit and Risk Committee ("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. The committee operates under approved terms of reference.

FUNCTIONS OF THE AUDIT AND RISK COMMITTEE

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

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

MEMBERS OF THE AUDIT AND RISK COMMITTEE

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

In terms of Section 94 of the Companies Act, 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 O Fortuin be re-appointed as members of the committee, until the next annual general meeting.

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

FREQUENCY OF MEETINGS

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

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

KEY DUTIES DISCHARGED DURING THE YEAR

EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

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

The committee, in consultation with executive management, agreed to the engagement letter terms, audit plan and budgeted audit fees in respect of the 2013 financial year.

Prior to the annual general meeting, in line with the procurement policy of the Group, the committee will consider proposals for the provision of external audit assurance in respect of the 2014 financial year and thereafter. The committee will nominate, for election at the annual general meeting, an independent external audit firm and the designated auditor responsible for performing the functions of auditor, for the 2014 financial year. The audit firm and designated auditor will be on the JSE list of accredited auditors and advisors.

FINANCIAL STATEMENTS AND ACCOUNTING PROCESSES

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

INTERNAL FINANCIAL CONTROLS

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

Based on the results of the system of internal financial controls conducted by the internal audit function during the 2013 financial year and considering information and explanations given by management together with a discussion held with the external auditors on the results of their audit, the committee is of the opinion that the Group's system of internal financial controls is effective and forms a basis for the

AUDIT AND RISK COMMITTEE REPORT CONTINUED

preparation of reliable financial statements. Certain matters were identified during the year under review though the internal audit function, which matters were substantially resolved before the commencement of the external audit.

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

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

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

EXPERTISE AND EXPERIENCE OF THE FINANCIAL DIRECTOR AND FINANCE FUNCTION

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

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

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

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

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

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

The risk management process adopted involved:

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

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

The top eight (8) strategic, operational, human capital, compliance and environmental risks were identified, prioritised and mitigating interventions developed.

THE STRATEGIC RISKS WERE IDENTIFIED AS FOLLOWS:

THE ORGANIC GROWTH RISKS ARE:

1. OPERATIONAL BUSINESS MANAGEMENT CAPACITY
   We identified the need to continuously evaluate and supplement operational management as the Group continues to grow. We have improved the management capacity in the current financial period and continue to evaluate and secure the requisite management capacity when required.
2. ORGANIC REVENUE GROWTH ABILITY
   Organic growth was identified as the inevitable result of a successful business model for Adapt IT. To this end, we have employed strategies to develop all our divisions to become more skilled at growing organically, through leveraging the existing business models.

THE ACQUISITIVE GROWTH RISKS ARE:

3. ACQUISITIVE GROWTH ABILITY
   We identified the ability to identify and select the correct targets as the key enabler in the acquisitive growth strategy. We have a dedicated team focused on the acquisitive growth strategy that has the requisite skills and experience in the successful conclusion of acquisitive growth initiatives.
4. CORPORATE FINANCE FUNCTION EFFECTIVENESS
   The risk of overpaying for acquired assets has been identified as the key acquisitive growth risk. We have ensured that the Board has enough checks and balances in the process to ensure the continued success of our acquisitions.

THE OPERATIONAL RISK IS:

5. PROJECT DELIVERY CAPACITY MANAGEMENT
   Customer service is at the core of our success as a business and capacity management is key to ensuring the successful delivery to our customers. We have successfully implemented project management practices and a process of ensuring the capacity and project matrix management framework covers all operational units.

THE HUMAN CAPITAL RISK IS:

6. THE NEED FOR A HIGH PERFORMANCE CULTURE
   A high performance culture is a pre-requisite to achieving the ambitious targets that we seek to continuously achieve through our people. We have made strides in developing the building blocks of a high-performance organisation by focusing on setting a clear strategic vision, developing a shared value system, linking remuneration to performance, configuring organisational agility and seeking to continuously improve performance measurement and recognition.

THE COMPLIANCE RISK IS:

7. GOVERNANCE AND COMPLIANCE
   Governance and compliance with the regulatory environment and legislation underpin our strategy. The Board reviewed and evaluated the corporate governance within the Group and continues to implement the principles as recommended by the King Report on Governance of 2009 (King III). We developed and implemented a legislative compliance framework to ensure compliance with the legislative environment. We use the services of our JSE sponsor and legal advisors on all JSE regulations and contractual matters, respectively. We continue to establish systems to apply best practice governance principles where the Board deems it applicable.

THE ENVIRONMENTAL RISK IS:

8. BUSINESS INTERRUPTION
   Although the operations of the Group are now well diversified across several separate geographies and physical infrastructures and adequate data security and backup as well as business interruption insurance are in place, it is desirable to develop more detailed formal business continuity plans for low likelihood but high-impact risks such as total site destruction. These plans are in the final stages of development.

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

INTEGRATED REPORTING AND COMBINED ASSURANCE

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

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

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

The combined assurance provided by internal and external assurance providers as well as management should be sufficient to satisfy the committee that significant risk areas within the Group have been adequately addressed and suitable controls exist to mitigate and reduce those risks.

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

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

Bongiwe Ntuli
Chairperson, Audit and Risk Committee

16 August 2013

DIRECTORS' RESPONSIBILITIES AND APPROVAL

FOR THE YEAR ENDED 30 JUNE 2013

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

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The annual financial statements of the Group and Company, set out on pages 46 to 95, were approved by the Board of Directors on 16 August 2013 and were signed on its behalf by:

Craig Chambers
Independent non-executive Chairman

Sbu Shabalala
Chief Executive Officer

Durban
16 August 2013

PREPARER OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

These annual financial statements have been prepared under the supervision of Tiffany Dunsdon, CA(SA).

Tiffany Dunsdon
Financial Director

Durban
16 August 2013

CERTIFICATE OF THE COMPANY SECRETARY

FOR THE YEAR ENDED 30 JUNE 2013

During the year under review, Statucor (Pty) Ltd conducted the duties of Company Secretary for Adapt IT Holdings Limited and its subsidiaries. The secretarial matters are the responsibility of the Company's directors. Statucor (Pty) Ltd is providing the directors collectively and individually with guidance as to their duties, responsibilities and powers.

We hereby certify that, to the best of our knowledge and belief, the Company has lodged with the Registrar of Companies all such returns as are required by the Companies Act, No 71 of 2008, as amended, and that all such returns are true, correct and up to date.

Statucor (Pty) Ltd
Company Secretary

Durban
16 August 2013

INDEPENDENT AUDITOR'S REPORT

AS AT 30 JUNE 2013

TO THE SHAREHOLDERS OF ADAPT IT HOLDINGS LIMITED

We have audited the consolidated and separate financial statements of Adapt IT Holdings Limited, set out on pages 44 to 95, which comprise the statements of financial position as at 30 June 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information and the Directors' Statutory Report.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate 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 about whether the consolidated and separate 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 and fair presentation 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 management, 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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Adapt IT Holdings Limited as at 30 June 2013, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2013, we have read the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited and consolidated separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Ernst & Young Inc.

Ernst & Young Inc.
Director – **Kreesen Venketas Naidu**
Registered Auditor
Chartered Accountant (SA)

1 Pencarrow Crescent
La Lucia Ridge Office Estate
Durban 4000

16 August 2013

DIRECTORS' STATUTORY REPORT

NATURE OF THE BUSINESS

Adapt IT Holdings Limited is an information technology business which concentrates on software solutions and services.

FINANCIAL RESULTS

The net profit attributable to shareholders of the Group for the year ended 30 June 2013 amounted to R24 090 653 (2012: R18 143 152). This translates into headline earnings per share of 22,27 cents (2012: 17,45 cents) based on the weighted average number of shares in issue during the year.

REVIEW OF OPERATIONS

Commentary is given under the CEO report commencing on page 14 and segment report on page 94.

ACQUISITIONS

On 1 October 2012, the Company acquired 100% of the issued capital of Swicon360 (Pty) Ltd for R11 700 000. Swicon360 (Pty) Ltd is a SAP® service partner that specialises in providing business outsourcing (BPO) services for the SAP® ERP Human Capital Management (SAP® ERP HCM) solution to clients across diverse sectors, deployed in a cloud environment. The acquisition provides Adapt IT additional depth and expertise in SAP® technology and solutions required to extend value-added services to existing customers in mining and manufacturing.

EVENTS AFTER THE REPORTING PERIOD

On 1 July 2013, BI Planning Services (Pty) Ltd, ITS Abacus (Pty) Ltd, ITS Africa Technologies (Pty) Ltd, ITS Holdings (Pty) Ltd, ITS Tertiary Software (Pty) Ltd and Synet (Pty) Ltd were amalgamated into Adapt IT (Pty) Ltd in accordance with Section 113, 115 and 116 of the Companies Act, 2008, as amended.

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

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

DIVIDENDS: ORDINARY DIVIDEND NUMBER 10

The Company declared a dividend of 4,84 cents per share, which was paid to shareholders on 17 September 2012.

DIVIDENDS: ORDINARY DIVIDEND NUMBER 11

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 5,56 cents per share (the dividend) has been declared for the year ended 30 June 2013, payable to shareholders recorded in the books of the Company at close of business on 13 September 2013.

In terms of the Listings Requirements of the JSE Limited regarding the new Dividends Tax effective 1 April 2012, the following additional information is disclosed:

- This is a dividend as defined in the Income Tax Act, 1962, and is payable from income reserves;
- The South African dividend tax (DT) rate is 15%;
- No credits in terms of secondary tax on companies have been utilised. Accordingly, the dividend to utilise in determining the DT is 5,56 cents per share;
- The DT to be withheld by the company amounts to 0,834 cents per share;
- Therefore, the net dividend payable to shareholders who are not exempt from DT is 4,726 cents per share, while the gross dividend of 5,56 cents per share is payable to those shareholders who are exempt from DT;
- The issued share capital of Adapt IT at the declaration date comprises 111 001 011 ordinary shares including 2 774 647 treasury shares held by the Company's subsidiary, Adapt IT (Pty) Ltd. The issued share capital, excluding treasury shares, at the declaration date is 108 226 364 ordinary shares;
- Adapt IT's registration number is 1998/017276/06; and
- Adapt IT's income tax reference number is 9410/002/71/2.

Shareholders are advised that the last day to trade cum-dividend will be Friday, 6 September 2013. Shares will trade ex-dividend as from Monday, 9 September 2013, and the record date will be Friday, 13 September 2013. Payment will be made on Monday, 16 September 2013. Share certificates may not be dematerialised or rematerialised during the period Monday, 9 September 2013 to Friday, 13 September 2013, both days inclusive. This dividend, having been declared after 30 June 2013, has not been provided for in the financial statements.

SHARE CAPITAL

2 774 647 treasury shares were held by the Group at 30 June 2013 (2012: 2 560 647), resulting in a reduction of issued share capital in the current year.

At 30 June 2013 the issued ordinary share capital of the Company was 111 001 011 (2012: 111 001 011) shares.

TREASURY SHARES

During the year, the Company's subsidiary, Adapt IT (Pty) Ltd, purchased 214 000 (2012: 2 136 687) shares in Adapt IT Holdings Limited for R294 250 (2012: R2 377 619). The shares will be utilised in the ongoing acquisition programme.

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

The share repurchase programme will be considered in light of the prevailing circumstances and the cash resources of the Group at the time. Shareholders will be asked to consider a similar special resolution to this effect at the forthcoming AGM.

INVESTMENTS IN SUBSIDIARIES

Details of the subsidiaries appear in note 10 to the annual financial statements. Aggregate profit before taxation from subsidiaries for the year ended 30 June 2013 amounted to R35 019 232 (2012: R28 892 092).

DIRECTORATE

Full details of the current Board of directors appear on pages 10 and 11. In terms of the Company's memorandum of incorporation, one third of the directors retire annually by rotation at the AGM. Provided that if a director is appointed as an employee of the Company, he or she shall not, while continuing to be employed by the Company, be subject to retirement by rotation and shall not be taken into account in determining the rotation or retirement of directors. A retiring director shall be eligible for re-election.

Accordingly, Mr C Chambers and Mrs T Dingaan retire at the AGM to be held on 8 November 2013 and offer themselves for re-election.

At 30 June 2013, the directors held interests in the Company as follows:

There were no indirect beneficial shareholdings at 30 June 2013 and 30 June 2012 in respect of shares held by the directors. There were no non-beneficial interests held by the directors at the year-end.

There have been no changes in the directors' shareholdings since the year-end.

INTEREST OF DIRECTORS IN CONTRACTS

The Directors have certified that they were not materially interested in any transaction of material significance, which significantly affected the business of the Group, with the Company or any of its subsidiaries. Accordingly, no conflict of interest, with regard to directors' interest in contracts exist. There have been no material changes to the above since 30 June 2013 and up to the date of this integrated annual report.

FINANCIAL ASSISTANCE TO RELATED COMPANIES

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

SPECIAL RESOLUTIONS PASSED BY THE COMPANY

The following special resolutions were passed at the previous AGM; the members approved the:

- Memorandum of Incorporation;
- Increase in the directors' fees, as tabled;

And granted directors authority to:

- Repurchase a maximum of 10% of the Company's shares, valid until the next AGM; and
- Provide financial assistance to subsidiaries in the form of inter-company loans and guarantees of their debts as and when appropriate in the course of business.

Tiffany Dunsdon Durban
Financial Director 16 August 2013

	2013 Direct beneficial	**%**	2012 Direct beneficial	%
Executive directors				
Sbu Shabalala	**16 531 057**	**15**	16 531 057	15
T Dunsdon	**4 548 974**	**4**	4 548 974	4
Siboniso Shabalala	**–**	**–**	709 665	1
Total	**21 080 031**	**19**	21 789 696	20

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	GROUP 2013 R	GROUP 2012 R	COMPANY 2013 R	COMPANY 2012 R
Revenue	2	**306 035 046**	224 768 928	**12 437 997**	9 990 213
Turnover	2	**303 401 597**	219 613 534	**–**	–
Cost of sales		**(171 782 171)**	(115 707 737)	**–**	–
Gross profit		**131 619 426**	103 905 797	**–**	–
Administrative, selling and other costs		**(102 734 945)**	(82 606 979)	**(931 743)**	(2 071 795)
Sundry revenue	2	**515 031**	908 304	**8 652**	–
Dividend income		**–**	–	**–**	3 075 051
Profit/(loss) from operations		**29 399 512**	22 207 122	**(923 091)**	1 003 256
Finance income		**2 118 418**	4 247 090	**14 672**	22
Finance costs		**(785 526)**	(706 836)	**–**	(43 666)
Profit/(loss) before taxation	3	**30 732 404**	25 747 376	**(908 419)**	959 612
Income tax (expense)/credit	5	**(6 641 751)**	(7 604 224)	**401 847**	(282 873)
Profit/(loss) for the year		**24 090 653**	18 143 152	**(506 572)**	676 739
Attributable to:					
Equity holders of the parent		**24 090 653**	18 143 152	**(506 572)**	676 739
Other comprehensive income		**2 224 730**	389 143	**–**	–
Revaluation of land and building		**2 224 914**	–	**–**	–
Income tax effect		**(622 976)**	–	**–**	–
Exchange differences arising from translation of foreign operations		**622 792**	389 143	**–**	–
Total comprehensive income/(loss)		**26 315 383**	18 532 295	**(506 572)**	676 739
Attributable to:					
Equity holders of the parent		**26 315 383**	18 532 295	**(506 572)**	676 739
Basic earnings per share (cents)	6.1	**22,25**	17,46		
Basic diluted earnings per share (cents)	6.1	**22,25**	17,46		

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Notes	GROUP 2013 R	GROUP 2012 R	COMPANY 2013 R	COMPANY 2012 R
ASSETS					
Non-current assets		**86 684 069**	60 049 877	**54 235 229**	58 625 104
Property and equipment	7	**28 351 209**	20 475 190	**–**	–
Intangible assets	8	**5 772 000**	1 307 944	**–**	–
Goodwill	9	**38 010 030**	25 657 554	**–**	–
Interest in subsidiaries and share trust	10	**–**	–	**48 115 401**	48 115 401
Loans to subsidiary	10	**–**	–	**5 641 125**	10 461 125
Deferred taxation asset	11	**14 550 830**	12 609 189	**478 703**	48 578
Current assets		**92 038 482**	86 828 424	**2 483 204**	1 063 848
Trade and other receivables	12	**64 038 739**	61 412 034	**101 270**	499 915
Current tax receivable		**5 307 082**	21 184	**114 515**	461 730
Cash and cash equivalents	13	**22 692 661**	25 395 206	**2 267 419**	102 203
Total assets		**178 722 551**	146 878 301	**56 718 433**	59 688 952
EQUITY AND LIABILITIES					
Equity		**92 233 683**	70 161 063	**15 244 386**	19 823 407
Share capital	14	**11 100**	11 100	**11 100**	11 100
Treasury shares	14	**(277)**	(256)	**–**	–
Share premium	15	**14 625 917**	14 920 145	**17 457 386**	17 457 386
Other capital reserves	20.1	**1 300 000**	–	**1 300 000**	–
Foreign currency translation reserve		**1 127 967**	505 175	**–**	–
Revaluation reserve		**1 601 938**	–	**–**	–
Retained earnings		**73 567 038**	54 724 899	**(3 524 100)**	2 354 921
Non-current liabilities		**3 746 839**	4 383 546	**25 518**	7 284
Interest-bearing borrowings	16	**–**	642 519	**–**	–
Deferred taxation liability	11	**3 746 839**	3 741 027	**25 518**	7 284
Current liabilities		**82 742 029**	72 333 692	**41 448 529**	39 858 261
Trade and other payables	17	**18 549 873**	15 225 905	**449 751**	673 405
Provisions	18	**14 200 079**	12 730 286	**1 709 655**	1 443 258
Deferred income		**47 979 558**	42 461 565	**–**	–
Amounts owing to subsidiaries	10	**–**	–	**39 289 123**	37 741 598
Current portion of interest-bearing borrowings	16	**642 519**	1 171 156	**–**	–
Current portion of non-interest-bearing borrowings	20.1	**1 370 000**	–	**–**	–
Bank overdraft	13	**–**	744 780	**–**	–
Total equity and liabilities		**178 722 551**	146 878 301	**56 718 433**	59 688 952

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	GROUP 2013 R	GROUP 2012 R	COMPANY 2013 R	COMPANY 2012 R
OPERATING ACTIVITIES					
Cash generated from/(utilised in) operations	19.1	**36 662 063**	29 237 346	**(481 703)**	(591 725)
Finance income		**2 118 418**	4 247 090	**14 672**	22
Finance costs		**(785 526)**	(706 836)	**–**	(43 666)
Dividends received		**–**	–	**–**	3 075 051
Dividends paid		**(5 248 514)**	(2 794 406)	**(5 372 449)**	(2 794 406)
Taxation (paid)/refunded	19.2	**(11 481 189)**	(12 485 448)	**337 171**	(439 036)
Net cash flow from/(utilised in) operating activities		**21 265 252**	17 497 746	**(5 502 309)**	(793 760)
INVESTING ACTIVITIES					
Property and equipment acquired	7	**(7 902 169)**	(1 167 561)	**–**	–
Intangible assets acquired and developed	8	**(6 578 478)**	(841 158)	**–**	–
Proceeds on disposal of property and equipment		**58 723**	24 343	**–**	–
Net cash (outflow)/inflow on acquisition of subsidiary	20	**(7 164 718)**	4 199 307	**–**	–
Increase in investments on acquisition of BIPS		**–**	–	**–**	(17 250 200)
Net cash (utilised in)/flows from investment activities		**(21 586 642)**	2 214 931	**-**	(17 250 200)
FINANCING ACTIVITIES					
Proceeds from borrowings		**28 916 920**	9 046	**–**	–
Repayment of borrowings		**(30 878 076)**	(1 004 081)	**–**	–
Share repurchases		**(294 249)**	(2 377 619)	**–**	–
Net cash flow on disposal of investment properties	20.2	**–**	152 525	**–**	–
Issue of Company's shares		**–**	–	**–**	8 625 600
Increase in amounts owing to subsidiaries		**–**	–	**7 667 525**	9 152 805
Repayment of vendor loans	20.2	**–**	(10 909 091)	**–**	–
Net cash (utilised in)/flows from financing activities		**(2 255 405)**	(14 129 220)	**7 667 525**	17 778 405
Net (decrease)/increase in cash resources		**(2 576 795)**	5 583 457	**2 165 216**	(265 555)
Exchange differences on translation		**619 030**	389 143	**–**	–
Cash and cash equivalents at beginning of year		**24 650 426**	18 677 826	**102 203**	367 758
Cash and cash equivalents at end of year	13	**22 692 661**	24 650 426	**2 267 419**	102 203

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	Attributable to equity holders of the parent							
GROUP	Share capital R	Treasury shares R	Share premium R	Other capital reserves R	Asset revaluation reserve R	Foreign currency translation reserve R	Retained earnings R	Total equity R
Balance at 30 June 2011	9 881	(46)	8 650 098	–	–	116 032	39 376 153	48 152 118
Total comprehensive income for the year	–	–	–	–	–	389 143	18 143 152	18 532 295
Profit for the year	–	–	–	–	–	–	18 143 152	18 143 152
Other comprehensive income for the year	–	–	–	–	–	389 143	–	389 143
Shares issued during the year	1 219	–	8 624 381	–	–	–	–	8 625 600
Net repurchase of shares	–	(210)	(2 354 334)	–	–	–	–	(2 354 544)
Dividend paid	–	–	–	–	–	–	(2 794 406)	(2 794 406)
Balance at 30 June 2012	11 100	(256)	14 920 145	–	–	505 175	54 724 899	70 161 063
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**1 601 938**	**622 792**	**24 090 653**	**26 315 383**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**24 090 653**	**24 090 653**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**1 601 938**	**622 792**	**–**	**2 224 730**
Shares to be issued	**–**	**–**	**–**	**1 300 000**	**–**	**–**	**–**	**1 300 000**
Net repurchase of shares	**–**	**(21)**	**(294 228)**	**–**	**–**	**–**	**–**	**(294 249)**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**(5 248 514)**	**(5 248 514)**
Balance at 30 June 2013	**11 100**	**(277)**	**14 625 917**	**1 300 000**	**1 601 938**	**1 127 967**	**73 567 038**	**92 233 683**

Refer to note 14 for detail on share capital movement

COMPANY	Share capital R	Share premium R	Other capital reserves R	Retained earnings/ (loss) R	Total equity R
Balance at 30 June 2011	9 881	8 833 005	–	4 472 588	13 315 474
Total comprehensive income for the year	–	–	–	676 739	676 739
Shares issued during the year	1 219	8 624 381	–	–	8 625 600
Dividend paid	–	–	–	(2 794 406)	(2 794 406)
Balance at 30 June 2012	11 100	17 457 386	–	2 354 921	19 823 407
Total comprehensive loss for the year	**–**	**–**	**–**	**(506 572)**	**(506 572)**
Issue of shares	**–**	**–**	**–**	**–**	**–**
Shares to be issued	**–**	**–**	**1 300 000**	**–**	**1 300 000**
Dividend paid	**–**	**–**	**–**	**(5 372 449)**	**(5 372 449)**
Balance at 30 June 2013	**11 100**	**17 457 386**	**1 300 000**	**(3 524 100)**	**15 244 386**

Refer to note 14 for detail on share capital movement

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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, 2008, as amended. The financial statements have been prepared under the historical cost method, except in the case of property measured at fair value. These accounting policies have been consistently applied to all the years presented, except for the Standards and Interpretations which became effective during the current financial year which are disclosed in note 1.24 to the financial statements.

Unless otherwise indicated, any references to the Group include the Company.

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.

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

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

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

The Company accounts for its investments in subsidiaries at cost.

1.2 BUSINESS COMBINATIONS AND GOODWILL

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

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

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

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

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

Where goodwill forms part of a cash-generating unit and part of the operation within 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.

1.3 FOREIGN CURRENCY TRANSACTIONS

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

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

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

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES continued

1.4 REVENUE

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

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

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

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

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

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

1.5 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.

1.6 BORROWING COSTS

Borrowing costs are expensed as incurred, except where these are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of the asset.

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

1.7 TAXATION

Current income taxation

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

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

Deferred taxation

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

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

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

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

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

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES continued

1.7 TAXATION continued

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

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

Value-added taxation

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

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

Secondary taxation on companies (STC)

For all dividends declared prior to 1 April 2012, the STC effect of dividends paid on equity instruments is recognised in the period in which the Company declares the dividend.

Dividend tax

From 1 April 2012, dividends are taxed in the hands of the shareholder and not the company in South Africa. As a result, the amount of such dividend tax payable to the taxation authority on behalf of the shareholders is included as part of payables in the statement of financial position (where applicable).

1.8 EMPLOYEE BENEFITS

Short-term benefits

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

Post-retirement benefits

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

1.9 EARNINGS PER SHARE (EPS)

Basic EPS

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

Diluted EPS

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

Headline EPS

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

1.10 PROPERTY AND EQUIPMENT

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

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

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

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

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

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

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

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

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

1.11 INTANGIBLE ASSETS

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES continued

1.11 INTANGIBLE ASSETS continued

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

Trademarks

Trademarks are recognised at cost less accumulated amortisation and accumulated impairment losses, if any.

Amortisation commences when the trademarks are available for use.

The Group ensures that all its proprietary software is amortised over a 20-year period.

Category	Useful life
Trademarks	20 years

Inhouse developed software

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

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

Other software

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

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

Category	Useful life
Inhouse developed software	3 to 5 years
Computer software acquired	2 to 4 years

Research expenditure

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

1.12 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

1.13 LEASES

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

Finance leases

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

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

Operating leases

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

1.14 FINANCIAL INSTRUMENTS

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

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as loans and receivables.

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

Subsequent measurement

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

Loans and receivables

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES continued

1.14 FINANCIAL INSTRUMENTS continued

Cash and cash equivalents

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

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

Accounts receivables

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

1.15 IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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

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

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

1.16 FINANCIAL LIABILITIES

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

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

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

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

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

Loans and borrowings

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

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

1.17 DERECOGNITION OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

1.18 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.

1.19 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.

1.20 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES continued

1.21 DIVIDENDS

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

1.22 PROVISIONS

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

1.23 KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Accrued revenue

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

Deferred taxation

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

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

Owner-occupied property

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

Useful lives and residual values

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

Intangible assets are amortised over the useful lives 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 goodwill

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

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

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

Contingent consideration

The contingent consideration arising from the acquisition of BI Planning Services (Pty) Ltd has been estimated at a nil value. This is management's best estimate based on the outcome in relation to the performance warranty clause.

1.24 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 July 2012:

- IAS 12 Deferred taxes: Recovery of underlying assets (amendment) effective 1 January 2012; and
- IAS 1 Presentation of items of other comprehensive income (amendment) effective 1 July 2012.

These amended standards did not have any material effect on the financial performance or position of the Group. They did, however, give rise to additional disclosures in some occasions.

The principal effects of these changes are as follows:

- IAS 12 Deferred taxes: Recovery of underlying assets (amendment): The amendment introduces a rebuttable presumption that deferred tax on investment properties measured at fair value be recognised on a sale basis. The presumption can be rebutted if the entity applies a business model that would indicate that substantially all of the investment property will be consumed in the business, in which case an own-use basis must be adopted. The amendment also includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment does not have a significant impact on the Group's financial position or performance as the Group does not hold investment property. Deferred tax on such assets is already measured on a sale basis.
- IAS 1 Presentation of items of other comprehensive income (amendment): The amendment to IAS 1 requires that items presented within other comprehensive income be grouped separately into those items that will be recycled into profit or loss at a future point in time (for example, net loss or gain on available-for-sale assets), and those items that will never be recycled (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation and disclosure only and has no impact on the Group's financial position or performance.

1.25 NEW OR REVISED IFRS STANDARDS AND INTERPRETATIONS

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. These standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes, such as removing the corridor mechanism and the concept of expected returns on plan assets, to simple clarifications and re-wording. The more significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognised in OCI when they occur. Amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognised in OCI with no subsequent recycling to profit or loss.
- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES continued

1.25 NEW OR REVISED IFRS STANDARDS AND INTERPRETATIONS continued

- Termination benefits will be recognised at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognised under IAS 37 Liabilities.
- The distinction between short-term and other long-term employee benefits will be based on expected timing of settlement rather than the employee's entitlement to the benefits.

The Group does not have any defined benefit plans and will therefore not be impacted by a number of these amendments. The Group is currently assessing the full impact of the remaining amendments (termination benefits and definitions of short-term and long-term employee benefits). The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27 Separate Financial Statements (as revised in 2011)
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013 and will have no impact on the Group as the revised standard does not change the rules in applying equity accounting and the Group does not have any interests in joint arrangements.

IAS 32 Financial Instruments: Presentation (Amendment) – Offsetting Financial Assets and Financial Liabilities
The IASB issued an amendment to clarify the meaning of "currently has a legally enforceable right to set off the recognised amounts" (IAS 32.42(a)). This means that the right of set-off:

- Must not be contingent on a future event; and
- Must be legally enforceable in all of the following circumstances:
  - the normal course of business;
  - the event of default; and
  - the event of insolvency or bankruptcy of the entity and all of the counterparties.

The amendment is effective for annual periods beginning on or after 1 January 2014 and the Group is still in the process of determining how it will impact the statement of financial position and statement of comprehensive income upon adoption.

IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendment)
The amendments dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. The amendment becomes effective for annual periods beginning on or after 1 January 2013 and will not impact the Group as the Group already reports in terms of IFRS.

IFRS 7 Financial Instruments: Disclosures (Amendment) – Disclosures – Offsetting Financial Assets and Financial Liabilities
The amendment amends the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendment is effective for annual periods beginning on or after 1 January 2013 and the Group is still in the process of determining how it will impact the note disclosures upon adoption.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 32. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected in the second half of 2013. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurement of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

Financial assets

All financial assets are measured at fair value at initial recognition. Debt instruments may, if the Fair Value Option (FVO) is not invoked, be subsequently measured at amortised cost if:

- The asset is held within a business model that has the objective to hold the assets to collect the contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

All other debt instruments are subsequently measured at fair value.

All equity investment financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity instruments held for trading must be measured at fair value through profit or loss. However, entities have an irrevocable choice to recognise fair value changes in OCI by instrument for all other equity financial assets.

Financial liabilities

For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities.

Control exists when an investor has:

- Power over the investee (defined in IFRS 10 as when the investor has existing rights that give it the current ability to direct the relevant activities);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 10 also provides a number of clarifications on applying this new definition of control, including the following key points:

- An investor is any party that potentially controls an investee; such party need not hold an equity investment to be considered an investor;
- An investor may have control over an investee even when it has less than a majority of the voting rights of that investee (sometimes referred to as de facto control);
- Exposure to risks and rewards is an indicator of control, but does not in itself constitute control;

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES continued

1.25 NEW OR REVISED IFRS STANDARDS AND INTERPRETATIONS continued

IFRS 10 Consolidated Financial Statements continued

- When decision-making rights have been delegated or are being held for the benefit of others, it is necessary to assess whether a decision-maker is a principal or an agent to determine whether it has control; and
- Consolidation is required until such time as control ceases, even if control is temporary.

The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013 and the Group will assess the impact upon adoption of this new standard.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 and SIC-13. Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. The reference to 'control' in 'joint control' refers to the definition of 'control' in IFRS 10.

IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories:

Joint operation: An arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. Joint operations are accounted for by showing the party's interest in the assets, liabilities, revenues and expenses, and/or its relative share of jointly controlled assets, liabilities, revenue and expenses, if any.

Joint venture: An arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity accounting method.

The option to account for joint ventures (as newly defined) using proportionate consolidation has been removed. Under this new classification, the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or a joint venture, which is a change from IAS 31. Under IFRS 11, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms and conditions, and other facts and circumstances.

This standard becomes effective for annual periods beginning on or after 1 January 2013 and will have no impact on the Group as it is not party to any joint arrangements.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013 and the impact of adopting this new standard is still being assessed.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted, as well as providing clarification on certain areas. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRIC 21 Levies

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy are certain. The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached.

This IFRIC is effective for annual periods beginning on or after 1 January 2014 and will have no impact on the Group as the Group does not pay government levies.

IAS 36 Disclosure Requirements for the Recoverable Amount of Impaired Assets

The IASB has issued amendments to IAS 36 – Impairment of Assets, to clarify the disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarify the IASB's original intention: that the scope of these disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. This amendment is effective for annual periods beginning on or after 1 January 2014 and will have no impact on the Group's financial position or performance but may have an impact on disclosure.

Annual Improvements May 2012

These improvements will not have an impact on the Group, but include:

IFRS 1 First-time Adoption of International Financial Reporting Standards

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property, Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	GROUP 2013 R	GROUP 2012 R	COMPANY 2013 R	COMPANY 2012 R
2. REVENUE				
Services rendered	**260 612 168**	173 186 880	**–**	–
Sale of goods	**42 789 429**	46 426 654	**–**	–
Turnover	**303 401 597**	219 613 534	**–**	–
Finance income	**2 118 418**	4 247 090	**14 672**	22
Management fees received	**–**	–	**12 414 673**	6 915 140
Dividend income	**–**	–	**–**	3 075 051
Sundry revenue	**515 031**	908 304	**8 652**	–
	306 035 046	224 768 928	**12 437 997**	9 990 213
3. PROFIT/(LOSS) BEFORE TAXATION				
Profit/(loss) before taxation is stated after:				
Income				
Foreign exchange profit	**1 702 453**	2 219 284	**–**	–
Bad debts recovered	**34 726**	184 560	**–**	–
Profit on sale of property and equipment	**–**	16 655	**–**	–
Management fees received	**–**	–	**12 414 673**	6 915 140
Finance income	**2 118 418**	4 247 090	**14 672**	22
Imputed interest	**1 237 846**	3 093 312	**–**	–
Interest received from SARS	**31 898**	–	**14 660**	–
Interest on cash and cash equivalents	**848 674**	1 153 778	**12**	22
Expenditure				
Auditors' remuneration	**1 975 181**	1 939 279	**136 329**	93 279
– In respect of current year	**1 560 059**	1 402 214	**95 153**	43 279
– Underprovision of prior year	**271 755**	424 090	**35 396**	–
– In respect of other services	**143 367**	112 975	**5 780**	50 000
Depreciation	**2 902 874**	2 363 137	**–**	–
Finance costs				
– Borrowings	**785 526**	706 836	**–**	43 666
Foreign exchange loss	**686 514**	186 856	**30 462**	–
Amortisation of intangible assets	**2 143 063**	985 713	**–**	–
Staff costs	**174 688 253**	125 340 692	**6 778 946**	–
– Salaries and wages	**171 085 060**	122 773 207	**6 507 035**	–
– Pension costs	**3 603 193**	2 567 485	**271 911**	–
Operating lease charges				
– Property	**7 366 058**	5 980 535	**–**	–
Loss on sale of property and equipment	**20 852**	–	**–**	–
Provision for impairment of trade and other receivables	**3 212 109**	2 653 026	**–**	–

	GROUP 2013 R	GROUP 2012 R	COMPANY 2013 R	COMPANY 2012 R
4. DIRECTORS' EMOLUMENTS				
Directors and past executive directors				
In connection with the affairs of the Company	**4 255 622**	3 920 110	**4 255 622**	3 920 110
Salary and medical aid				
– Sbu Shabalala	**1 052 155**	789 971	**1 052 155**	789 971
– Siboniso Shabalala*	**734 221**	866 679	**734 221**	866 679
– T Dunsdon	**946 979**	846 147	**946 979**	846 147
Retirement				
– Sbu Shabalala	**83 188**	65 252	**83 188**	65 252
– Siboniso Shabalala*	**58 940**	71 588	**58 940**	71 588
– T Dunsdon	**12 900**	10 708	**12 900**	10 708
Bonus and performance-related payments				
– Sbu Shabalala	**380 000**	200 351	**380 000**	200 351
– Siboniso Shabalala*	**91 239**	100 000	**91 239**	100 000
– T Dunsdon	**260 000**	139 414	**260 000**	139 414
Retention payments				
– Sbu Shabalala	**324 000**	380 000	**324 000**	380 000
– Siboniso Shabalala*	**–**	179 000	**–**	179 000
– T Dunsdon	**312 000**	271 000	**312 000**	271 000
Directors and past non-executive directors				
For attending meetings	**528 167**	430 000	**528 167**	430 000
AB Ravnö**	**67 667**	150 000	**67 667**	150 000
C Chambers	**184 500**	70 000	**184 500**	70 000
B Ntuli	**92 000**	70 000	**92 000**	70 000
T Dingaan	**92 000**	70 000	**92 000**	70 000
M Nhlapo***	**55 857**	70 000	**55 857**	70 000
O Fortuin****	**36 143**	–	**36 143**	–
	4 783 789	4 350 110	**4 783 789**	4 350 110

* *S Sbalabala resigned on 31 March 2013*
** *AB Ravnö resigned on 26 October 2012*
*** *M Nhlapo resigned on 8 February 2013*
**** *O Fortuin was appointed on 8 February 2013*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	GROUP 2013 R	GROUP 2012 R	COMPANY 2013 R	COMPANY 2012 R
5. INCOME TAX EXPENSE/(CREDIT)				
South African normal tax				
Current tax				
– Current year	**5 082 792**	9 295 905	**14 968**	–
– Prior year (over)/under provision	**(260 499)**	(22 051)	**(4 924)**	394
Deferred tax				
– Current year	**1 436 857**	(2 315 332)	**(184 625)**	(41 294)
– Prior year (over)/under provision	**(990 397)**	186 832	**(227 266)**	–
– Change in tax rate*	**–**	34 331	**–**	–
Secondary tax on companies	**–**	280 645	**–**	280 645
Share transfer tax	**–**	43 128	**–**	43 128
	5 268 753	7 503 458	**(401 847)**	282 873
Foreign tax				
– Current year	**1 764 557**	–	**–**	–
– Prior year (over)/under provision	**(391 559)**	100 766	**–**	–
	1 372 998	100 766	**–**	–
Tax for the year	**6 641 751**	7 604 224	**(401 847)**	282 873

Reconciliation of rate of taxation	**%**	%	**%**	%
South African normal tax rate	**28,0**	28,0	**28,0**	28,0
Adjusted for:				
– Permanent differences	**(2,0)**	2,7	**(9,3)**	(56,2)
– Prior year (over)/under provision in current and foreign tax	**(2,1)**	0,3	**0,5**	–
– Prior year (over)/under provision in deferred tax	**(3,2)**	0,7	**25,0**	–
– Withholding tax paid	**5,8**	–	**–**	–
– Withholding tax credits	**(5,0)**	(4,5)	**–**	–
– Unprovided tax losses utilised	**0,1**	–	**–**	–
– Change in tax rate	**–**	0,1	**–**	–
– Unprovided tax losses	**–**	0,9	**–**	23,9
– Secondary tax on companies	**–**	1,1	**–**	29,2
– Share transfer tax	**–**	0,2	**–**	4,5
Effective tax rate	**21,6**	29,5	**44,2**	29,4

* *The prior year change in tax rate related to New Zealand tax rate change from 30% in 2011 to 28% for the year ended 30 June 2012 and the increase in Capital Gains Tax (CGT) inclusion rate in South Africa from 50% in 2011 to 66,66% for the year ended 30 June 2012. R8 930 324 (2012: R3 939 953) of assessed losses brought forward was used in the current year to reduce taxable profits.*

6 EARNINGS AND DIVIDENDS PER SHARE

6.1 Earnings per share

The calculation of earnings per share is based on the profit attributable to equity holders of R24 090 653 (2012: R18 143 152) and the weighted average number of ordinary shares in issue during the year of 108 286 526 (2012: 103 904 368). The calculation of fully diluted earnings per share is based on the profit of R24 090 653 (2012: R18 143 152) and the weighted average number of ordinary shares in issue during the year of 108 286 526 (2012: 103 904 368).

There is no effect of dilution in the current or prior year.

		GROUP 2013 R	GROUP 2012 R
Reconciliation between earnings and headline earnings			
Earnings attributable to equity holders of the parent		**24 090 653**	18 143 152
Adjusted for:			
– Loss/(profit) on sale of property and equipment (refer note 3)		**20 852**	(16 655)
Headline earnings		**24 111 505**	18 126 497
Basic earnings per share	(cents)	**22,25**	17,46
Headline earnings per share	(cents)	**22,27**	17,45
Fully diluted basic earnings per share	(cents)	**22,25**	17,46
Fully diluted headline earnings per share	(cents)	**22,27**	17,45

6.2 Dividends per share

Dividends per share	(cents)	**4,84**	2,84

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

7. PROPERTY AND EQUIPMENT

	Owner-occupied property – land and building R	Computer hardware R	Furniture and fittings R	Telephone equipment R
GROUP 2013				
Carrying amount at beginning of year				
– Cost or valuation	13 658 711	7 802 237	3 726 186	2 333 896
– Accumulated depreciation	(553 316)	(5 413 046)	(1 669 881)	(1 115 032)
Carrying amount at beginning of year	13 105 395	2 389 191	2 056 305	1 218 864
Current year movements				
– Additions	4 263 497	1 673 599	1 277 857	29 522
– Revaluation	2 224 914	–	–	–
– Acquisition of subsidiary	–	–	727 614	–
– Disposals	–	(15 969)	(50 772)	–
– Cost	–	(2 796 615)	(485 122)	–
– Accumulated depreciation	–	2 780 646	434 350	–
– Transfers:	–	(6 239)	6 239	–
	–	–	–	–
– Cost				
– Accumulated depreciation	–	(6 239)	6 239	–
– Depreciation	(293 806)	(1 407 644)	(457 781)	(468 366)
– Foreign exchange adjustments	–	3 764	(3)	–
– Cost	–	(214 226)	(4 563)	–
– Accumulated depreciation	–	217 990	4 560	–
Carrying amount at end of year	19 300 000	2 636 702	3 559 459	780 020
Made up as follows:				
– Cost or valuation	20 147 122	6 464 995	5 241 972	2 363 418
– Accumulated depreciation	(847 122)	(3 828 293)	(1 682 513)	(1 583 398)
Carrying amount at end of year	19 300 000	2 636 702	3 559 459	780 020

7. PROPERTY AND EQUIPMENT continued

	Leasehold improve-ments R	Office equipment R	Motor vehicles R	Total R
GROUP 2013				
Carrying amount at beginning of year				
– Cost or valuation	1 938 278	385 254	119 306	29 963 868
– Accumulated depreciation	(484 765)	(133 332)	(119 306)	(9 488 678)
Carrying amount at beginning of year	1 453 513	251 922	–	20 475 190
Current year movements				
– Additions	574 044	83 650	–	7 902 169
– Revaluation	–	–	–	2 224 914
– Acquisition of subsidiary	–	–	–	727 614
– Disposals	–	(12 824)	–	(79 565)
– Cost	–	(37 433)	(29 305)	(3 348 475)
– Accumulated depreciation	–	24 609	29 305	3 268 910
– Transfers:	–	–	–	–
– Cost	–	–	–	–
– Accumulated depreciation	–	–	–	–
– Depreciation	(197 745)	(77 532)	–	(2 902 874)
– Foreign exchange adjustments	–	–	–	3 761
– Cost	–	–	8 919	(209 870)
– Accumulated depreciation	–	–	(8 919)	213 631
Carrying amount at end of year	1 829 812	245 216	–	28 351 209
Made up as follows:				
– Cost or valuation	2 512 322	431 471	98 920	37 260 220
– Accumulated depreciation	(682 510)	(186 255)	(98 920)	(8 909 011)
Carrying amount at end of year	1 829 812	245 216	–	28 351 209

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

7. PROPERTY AND EQUIPMENT continued

	Owner-occupied property – land and building R	Computer hardware R	Furniture and fittings R	Telephone equipment R
GROUP 2012				
Carrying amount at beginning of year				
– Cost or valuation	13 363 596	7 866 479	3 968 647	2 333 896
– Accumulated depreciation	(363 596)	(5 249 747)	(1 670 407)	(648 253)
Carrying amount at beginning of year	13 000 000	2 616 732	2 298 240	1 685 643
Current year movements				
– Additions	295 115	839 172	26 736	–
– Acquisition of subsidiary	–	52 897	65 020	–
– Disposals	–	5 333	(13 021)	–
– Cost	–	(974 978)	(334 476)	–
– Accumulated depreciation	–	980 311	321 455	–
– Depreciation	(189 720)	(1 132 099)	(320 670)	(466 779)
– Foreign exchange adjustments	–	7 156	–	–
– Cost	–	18 667	259	–
– Accumulated depreciation	–	(11 511)	(259)	–
Carrying amount at end of year	13 105 395	2 389 191	2 056 305	1 218 864
Made up as follows:				
– Cost or valuation	13 658 711	7 802 237	3 726 186	2 333 896
– Accumulated depreciation	(553 316)	(5 413 046)	(1 669 881)	(1 115 032)
Carrying amount at end of year	13 105 395	2 389 191	2 056 305	1 218 864

7. PROPERTY AND EQUIPMENT continued

	Leasehold improvements R	Office equipment R	Motor vehicles R	Total R
GROUP 2012				
Carrying amount at beginning of year				
– Cost or valuation	1 938 278	358 845	112 312	29 942 053
– Accumulated depreciation	(291 515)	(72 713)	(112 312)	(8 408 543)
Carrying amount at beginning of year	1 646 763	286 132	–	21 533 510
Current year movements				
– Additions	–	6 538	–	1 167 561
– Acquisition of subsidiary	–	19 871	–	137 788
– Disposals	–	–	–	(7 688)
– Cost	–	–	–	(1 309 454)
– Accumulated depreciation	–	–	–	1 301 766
– Depreciation	(193 250)	(60 619)	–	(2 363 137)
– Foreign exchange adjustments	–	–	–	7 156
– Cost	–	–	6 994	25 920
– Accumulated depreciation	–	–	(6 994)	(18 764)
Carrying amount at end of year	1 453 513	251 922	–	20 475 190
Made up as follows:				
– Cost or valuation	1 938 278	385 254	119 306	29 963 868
– Accumulated depreciation	(484 765)	(133 332)	(119 306)	(9 488 678)
Carrying amount at end of year	1 453 513	251 922	–	20 475 190

Assets within the Computer Hardware and Telephone Equipment categories have been pledged as security, in favour of IBM Global Finance (refer note 16 for details).

The owner–occupied property is owned by the ITS Group and is accounted for under the revaluation model. Management determines the value of the property, with reference to the expertise of an independent valuer, (I Joubert of IJ Valuations (Pty) Ltd), who assisted in evaluating the property on 30 June 2013. IJ Valuations (Pty) Ltd is not connected to the Company or Group 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 2013 %	JUNE 2012 %
Yield	**10,0**	10,5

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 R6 559 799 (2012: R2 296 302).

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 R17 075 086 (2012: R13 105 395).

The property has been ceded to Investec Private Bank Limited as security for a financing facility granted to Adapt IT (Pty) Ltd.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Inhouse developed software R	Trademarks R	Acquired computer software R	Licence acquired R	Total R
8. INTANGIBLE ASSETS					
GROUP 2013					
Carrying amount at beginning of year					
– Cost or valuation	**3 511 238**	**27 610**	**27 953**	**–**	**3 566 801**
– Accumulated amortisation	**(2 225 755)**	**(11 393)**	**(21 709)**	**–**	**(2 258 857)**
Carrying amount at beginning of year	**1 285 483**	**16 217**	**6 244**	**–**	**1 307 944**
Current year movements					
– Additions	**905 763**	**–**	**–**	**5 672 715**	**6 578 478**
– Acquisition of subsidiary	**–**	**–**	**28 650**	**–**	**28 650**
– Disposals	**–**	**–**	**(9)**	**–**	**(9)**
– Cost	**–**	**–**	**(9)**	**–**	**(9)**
– Accumulated depreciation/ amortisation	**–**	**–**	**–**	**–**	**–**
– Amortisation	**(1 295 242)**	**(1 380)**	**(18 558)**	**(827 883)**	**(2 143 063)**
Carrying amount at end of year	**896 004**	**14 837**	**16 327**	**4 844 832**	**5 772 000**
Made up as follows:					
– Cost or valuation	**4 417 001**	**27 610**	**56 594**	**5 672 715**	**10 173 920**
– Accumulated amortisation	**(3 520 997)**	**(12 773)**	**(40 267)**	**(827 883)**	**(4 401 920)**
Carrying amount at end of year	**896 004**	**14 837**	**16 327**	**4 844 832**	**5 772 000**
GROUP 2012					
Carrying amount at beginning of year					
– Cost or valuation	2 674 478	27 610	96 048	–	2 798 136
– Accumulated amortisation	(1 251 354)	(10 013)	(84 271)	–	(1 345 638)
Carrying amount at beginning of year	1 423 124	17 597	11 777	–	1 452 498
Current year movements					
– Additions	836 760	–	4 398	–	841 158
– Acquisition of subsidiary	–	–	1	–	1
– Disposals	–	–	–	–	–
– Cost	–	–	(72 494)	–	(72 494)
– Accumulated depreciation	–	–	72 494	–	72 494
– Amortisation	(974 401)	(1 380)	(9 932)	–	(985 713)
Carrying amount at end of year	1 285 483	16 217	6 244	–	1 307 944
Made up as follows:					
– Cost or valuation	3 511 238	27 610	27 953	–	3 566 801
– Accumulated amortisation	(2 225 755)	(11 393)	(21 709)	–	(2 258 857)
Carrying amount at end of year	1 285 483	16 217	6 244	–	1 307 944

Inhouse developed software relates mainly to an inhouse accounting package with an estimated remaining useful life of between two and four years (2012: two and four years).

The licence acquired relates to licences bought from SAP and is being amortised over the term of the licence period, being five years.

	GROUP 2013 R	GROUP 2012 R	COMPANY 2013 R	COMPANY 2012 R
9. GOODWILL				
Carrying amount at beginning of year	**25 657 554**	10 407 854	**–**	–
Acquisition of BI Planning Services (Pty) Ltd	**–**	15 249 700	**–**	–
Acquisition of Swicon360 (Pty) Ltd	**12 352 476**	–	**–**	–
Carrying amount at end of year	**38 010 030**	25 657 554	**–**	–
Comprising:				
Cost	**38 010 030**	25 657 554	**–**	–
Goodwill is allocated as follows:				
– Adapt IT (Pty) Ltd	**10 349 145**	10 349 145	**–**	–
– ApplyIT (Pty) Ltd	**58 709**	58 709	**–**	–
– BI Planning Services (Pty) Ltd	**15 249 700**	15 249 700	**–**	–
– Swicon360 (Pty) Ltd	**12 352 476**	–	**–**	–
For more detail on investments, refer to note 10.				
Total	**38 010 030**	25 657 554	**–**	–

The Group tests goodwill annually for impairment. As at 30 June 2013, the carrying amount of goodwill was considered not to require impairment.

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

The key assumptions used in the testing of goodwill are:

– Discount rate of 11% (2012: 12%) (weighted average cost of capital); and

– Projected cash flows for the five years based on a 5% (2012: 5%) growth rate.

	COMPANY Effective holding 2013 %	COMPANY Effective holding 2012 %	COMPANY Investment at cost 2013 R	COMPANY Investment at cost 2012 R
10. INTEREST IN SUBSIDIARIES AND SHARE TRUST				
Incorporated in South Africa				
Adapt IT (Pty) Ltd	**100**	100	**15 967 052**	15 967 052
ApplyIT (Pty) Ltd	**100**	100	**3 688**	3 688
ITS Holdings (Pty) Ltd	**100**	100	**14 894 461**	14 894 461
BI Planning Services (Pty) Ltd	**100**	100	**17 250 200**	17 250 200
Adapt IT Holdings Limited Share Incentive Trust	**	**	**–**	–
			48 115 401	48 115 401

*** 100% consolidation*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		COMPANY 2013 R	COMPANY 2012 R
10.	INTEREST IN SUBSIDIARIES AND SHARE TRUST continued		
	Adapt IT (Pty) Ltd		
	Shares at cost	**15 967 052**	15 967 052
	Amounts owing to subsidiary	**(39 289 123)**	(37 741 598)
		(23 322 071)	(21 774 546)
	This intercompany amount is between Adapt IT (Pty) Ltd and Adapt IT Holdings Limited.		
	No interest is charged and there are no fixed terms of repayment.		
	ApplyIT (Pty) Ltd		
	Shares at cost	**3 688**	3 688
	Loan to subsidiary	**1 357 848**	1 357 848
		1 361 536	1 361 536
	This intercompany loan is between ApplyIT (Pty) Ltd and Adapt IT Holdings Limited.		
	No interest is charged and there are no fixed terms of repayment.		
	ITS Holdings (Pty) Ltd		
	Shares at cost	**14 894 461**	14 894 461
	Loan to subsidiary	**4 237 036**	9 057 036
		19 131 497	23 951 497
	This intercompany loan is between ITS Holdings (Pty) Ltd and Adapt IT Holdings Limited, and relates to the ITS shareholder loan taken over by Adapt IT Holdings Limited as part of the business combination.		
	BI Planning Services (Pty) Ltd		
	Shares at cost	**17 250 200**	17 250 200
	Loan to subsidiary	**–**	–
		17 250 200	17 250 200
	Adapt IT Holdings Limited Share Incentive Trust		
	Loan to Trust	**46 241**	46 241
		46 241	46 241
	The indebtedness of the Trust comes about as a result of interest earned on issue of share options.		
	The loan is unsecured and no interest is charged. The loan has no set terms of repayment.		
	Total shares at cost	**48 115 401**	48 115 401
	Net amount owing to subsidiaries	**(33 647 998)**	(27 280 473)
	– Amounts owing to subsidiary	**(39 289 123)**	(37 741 598)
	– Loans to subsidiaries/Trust	**5 641 125**	10 461 125
	Total interest	**14 467 403**	20 834 928

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

Refer to note 25 for details of transactions between related parties.

Loans receivable not past due nor impaired amount to R5 641 125 (2012: R10 461 125).

	GROUP 2013 R	GROUP 2012 R	COMPANY 2013 R	COMPANY 2012 R
11. DEFERRED TAXATION				
The major components of the deferred taxation balance are as follows:				
Deferred taxation asset				
Temporary differences to be offset against future income:				
Leave pay, bonus and other provisions	**5 454 593**	3 525 072	**478 703**	48 578
Deferred revenue	**5 866 899**	6 578 845	**–**	–
Estimated tax losses	**2 719 041**	1 960 584	**–**	–
Imputed interest	**12 020**	187 247	**–**	–
Other	**498 277**	357 441	**–**	–
	14 550 830	12 609 189	**478 703**	48 578
Deferred taxation liability				
Prepaid expenditure	**(600 567)**	(369 755)	**(25 518)**	(7 284)
Revenue in advance	**(586 309)**	(1 368 494)	**–**	–
Improvements to owner-occupied property	**(125 819)**	(47 122)	**–**	–
Property and equipment	**(2 434 144)**	(1 955 656)	**–**	–
	(3 746 839)	(3 741 027)	**(25 518)**	(7 284)
Reconciliation of deferred taxation				
Balance at beginning of year	**8 868 162**	6 303 654	**41 294**	–
Movements during the period attributable to:				
– Charge to profit and loss	**(1 436 857)**	2 315 332	**184 625**	41 294
– Change in prior year	**990 397**	(186 832)	**227 266**	–
– Tax rate change*	**–**	(34 331)	**–**	–
– Revaluation of property	**(622 976)**	219 207	**–**	–
– Acquisition of subsidiary	**3 005 265**	251 132	**–**	–
Balance at end of year	**10 803 991**	8 868 162	**453 185**	41 294

Deferred taxation has not been raised on estimated tax losses of R581 379 (2012: R581 379).

* *The change in tax rate related to New Zealand tax rate change from 30% in 2011 to 28% for the year ended 30 June 2012 and the increase in Capital Gains Tax (CGT) inclusion rate in South Africa from 50% in 2011 to 66,66% for the year ended 30 June 2012.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	GROUP 2013 R	GROUP 2012 R	COMPANY 2013 R	COMPANY 2012 R
12. TRADE AND OTHER RECEIVABLES				
Trade receivables	**65 043 686**	62 516 106	**–**	473 901
Other receivables	**1 168 567**	1 110 366	**–**	–
Prepaid expenses	**4 276 602**	2 201 693	**101 270**	26 014
	70 488 855	65 828 165	**101 270**	499 915
Provision for impairment	**(6 450 116)**	(4 416 131)	**–**	–
	64 038 739	61 412 034	**101 270**	499 915
The movement in provision for impairment:				
Balance at beginning of year	**4 416 131**	1 917 794	**–**	–
Charge for the year	**3 212 109**	2 653 026	**–**	–
Amounts written-off	**(1 197 054)**	(184 560)	**–**	–
Foreign exchange movement	**18 930**	(130 973)	**–**	–
Acquisition of subsidiary	**–**	160 844	**–**	–
Balance at end of year	**6 450 116**	4 416 131	–	–

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

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

Other receivables relate mainly to contracts in progress.

		GROUP 2013 R	GROUP 2012 R	COMPANY 2013 R	COMPANY 2012 R
13.	CASH AND CASH EQUIVALENTS				
	Bank balances	**2 506 158**	8 321 695	**2 267 419**	102 203
	Cash on deposit	**20 075 465**	16 929 398	**–**	–
	Foreign currency	**91 569**	127 271	**–**	–
	Petty cash	**19 469**	16 842	**–**	–
	Total cash and cash equivalents at year-end	**22 692 661**	25 395 206	**2 267 419**	102 203
	Total bank overdraft at year-end	**–**	744 780	**–**	–
	Net cash and cash equivalents at year-end	**22 692 661**	24 650 426	**2 267 419**	102 203
	Bank balances earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.				
14.	SHARE CAPITAL				
	Authorised				
	200 000 000 ordinary shares at 0,01 cent each	**20 000**	20 000	**20 000**	20 000
	Issued				
	111 001 011 (2012: 111 001 011) ordinary shares of 0,01 cent each	**11 100**	11 100	**11 100**	11 100
	Less:				
	2 774 647 (2012: 2 560 647) treasury shares of 0,01 cent each	**277**	256	**–**	–
		10 823	10 844	**11 100**	11 100

	2013 Number of shares	2012 Number of shares
Reconciliation of the number of ordinary shares in issue and treasury shares on hand		
Ordinary shares in issue		
Balance at beginning of year	**111 001 011**	98 818 551
Issue of shares for acquisition	**–**	12 182 460
Balance at end of the year	**111 001 011**	111 001 011
Treasury shares on hand		
Balance at beginning of year	**2 560 647**	465 085
Purchase of treasury shares	**214 000**	2 136 687
Issue of treasury shares	**–**	(41 125)
Balance at end of the year	**2 774 647**	2 560 647

The remaining unissued shares are under the control of the Directors subject to the provision of Section 41 and 42 of the Companies Act, 2008 as amended, and the Rules and Regulations of the JSE Securities Exchange South Africa. All shares are fully paid up.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		GROUP 2013 R	GROUP 2012 R	COMPANY 2013 R	COMPANY 2012 R
15.	SHARE PREMIUM				
	Balance at beginning of year	**14 920 145**	8 650 098	**17 457 386**	8 833 005
	On shares (repurchased)/allotted during the year	**(294 228)**	6 270 047	**–**	8 624 381
	Balance at end of year	**14 625 917**	14 920 145	**17 457 386**	17 457 386
16.	INTEREST-BEARING BORROWINGS				
	Non-current borrowings	**–**	642 519	**–**	–
	IBM Global Finance	**–**	642 519	**–**	–
	Current portion of borrowings	**642 519**	1 171 156	**–**	–
	IBM Global Finance	**642 519**	1 156 513	**–**	–
	Investec Private Bank Limited	**–**	14 643	**–**	–
	Total	**642 519**	1 813 675	**–**	–

	Interest rate 2013 %	Interest rate 2012 %	Maturity
Name of entity			
IBM Global Finance	**14,00**	14,00	1 January 2014
Investec Private Bank Limited	**–**	10,00	–

IBM Global Finance

The loan from IBM Global Finance was obtained to fund certain capital expenditure in 2010. The loan is secured by the financed equipment with a net carrying amount of R1 681 271 (2012: R2 125 990). Refer to note 7 for details of this equipment.

The lease provides for 48 equal repayments, inclusive of interest, of R111 571, payable in advance on the first of each month. Ownership on the leased assets passes to Adapt IT (Pty) Ltd at the end of the leased term. The interest rate is fixed at 14% per annum.

Investec Private Bank Limited

A loan from Investec Private Bank Limited was obtained in October 2012 to fund working capital requirements. This was subsequently paid in full.

A new loan from Investec Private Bank Limited was obtained in July 2013 to fund future working capital requirements. The loan is a 30 month credit facility at an interest rate of 0,25% below Investec Private Bank Limited's prime rate. The property has been ceded to Investec Private Bank Limited as security (note 7).

	GROUP 2013 R	GROUP 2012 R	COMPANY 2013 R	COMPANY 2012 R
17. TRADE AND OTHER PAYABLES				
Trade payables	**12 055 936**	4 393 198	**344 649**	300 425
Accruals	**3 456 523**	5 597 877	**50 230**	37 594
VAT	**751 488**	1 270 177	**54 872**	335 386
Other payables	**2 285 926**	3 964 653	**–**	–
	18 549 873	15 225 905	**449 751**	673 405
Trade payables are non-interest-bearing and are normally settled on 30 day terms.				
Accruals, VAT and other payables are non-interest-bearing and are normally settled on 60 days.				
18. PROVISIONS				
Leave pay				
Carrying value at beginning of year	**4 514 268**	3 709 811	**173 493**	–
Provision created during the year	**2 381 834**	2 979 615	**117 336**	173 493
Provision released during the year	**(2 316 742)**	(2 415 158)	**(71 174)**	–
Acquisition of subsidiary	**587 774**	240 000	**–**	–
Carrying value at end of year	**5 167 134**	4 514 268	**219 655**	173 493
The leave pay provision is calculated using the total cost of employment multiplied by the leave days outstanding at year-end. The expected release date of leave pay benefits is within the subsequent year of trading.				
Bonuses				
Carrying value at beginning of year	**8 216 018**	5 177 814	**1 269 765**	–
Provision created during the year	**11 541 653**	11 695 564	**1 490 000**	1 269 765
Paid during the year	**(11 247 715)**	(8 889 786)	**(1 269 765)**	–
Provision reversed during the year	**(197 011)**	(16 378)	**–**	–
Acquisition of subsidiary	**720 000**	248 804	**–**	–
Carrying value at end of year	**9 032 945**	8 216 018	**1 490 000**	1 269 765
The bonus provision is based on the results of the Group and the related performance evaluation of the employees.				
Total	**14 200 079**	12 730 286	**1 709 655**	1 443 258

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	GROUP 2013 R	GROUP 2012 R	COMPANY 2013 R	COMPANY 2012 R
19. NOTES TO THE STATEMENTS OF CASH FLOW				
19.1 Cash generated from/(utilised in) operations				
Profit/(loss) before taxation	**30 732 404**	25 747 376	**(908 419)**	959 612
Adjustments for:				
Depreciation and amortisation	**5 045 937**	3 348 850	**–**	–
Net loss/(profit) on disposal of property and equipment	**20 852**	(16 655)	**–**	–
Finance income	**(2 118 418)**	(4 247 090)	**(14 672)**	(22)
Finance costs	**785 526**	706 836	**–**	43 666
Dividends received	**–**	–	**–**	(3 075 051)
Increase in provisions	**162 019**	3 353 857	**266 397**	1 443 258
Working capital changes:				
Decrease/(increase) in trade and other receivables	**6 928 295**	(14 219 991)	**398 645**	(416 934)
(Decrease)/increase in trade and other payables	**(8 164 180)**	4 388 673	**(223 654)**	453 746
Increase in deferred income	**3 269 628**	10 175 490	**–**	–
	36 662 063	29 237 346	**(481 703)**	(591 725)
19.2 Taxation paid/(refunded)				
Charge to the statement of comprehensive income	**6 641 751**	7 604 224	**(401 847)**	282 873
Adjustment for deferred taxation	**(446 460)**	2 094 169	**411 891**	41 294
Acquisition of subsidiary	**–**	1 966 030	**–**	–
Movement in taxation balance	**5 285 898**	821 025	**(347 215)**	114 869
	11 481 189	12 485 448	**(337 171)**	439 036

20. BUSINESS COMBINATIONS

20.1 Acquisition of subsidiary

On 1 October 2012, the Group acquired the entire issued share capital of Swicon360 (Pty) Ltd, a South African registered company.

Swicon360 (Pty) Ltd is an unlisted company and a SAP® service partner that specialises in providing business outsourcing (BPO) services for the SAP® ERP Human Capital Management (SAP® ERP HCM) solution to clients across diverse sectors, deployed in a cloud environment.

The acquisition was concluded for a purchase consideration of R11 700 000. The purchase consideration consists of R9 350 000 cash paid on 31 October 2012 and R1 050 000 payable on 1 October 2013, disclosed under non-interest-bearing liabilities. The balance of R1 300 000 of the purchase consideration will be funded from the issue of 1 000 000 Adapt IT shares valued at R1,30 per share to be issued on 1 October 2013. The R1 300 000 new shares have been disclosed under other capital reserves.

The fair value of the net liabilities acquired amounted to R652 476, resulting in goodwill of R12 352 476 at acquisition. The consideration paid for the combination effectively included amounts in relation to the benefit of the expected synergies, revenue growth, new market penetration and future market development.

The acquisition provides Adapt IT additional depth and expertise in SAP® technology and solutions required to extend value-added services to existing customers in mining and manufacturing.

The fair values of the identifiable net assets and liabilities of Swicon360 (Pty) Ltd as at the date of acquisition were:

20. BUSINESS COMBINATIONS continued

20.1 Acquisition of subsidiary continued

	Fair value recognised on acquisition R
Assets	
Property and equipment	727 614
Intangible assets	28 650
Deferred taxation	3 005 265
Trade and other receivables	9 555 000
Cash and cash equivalents	2 185 282
Total assets	15 501 811
Liabilities	
Non-interest-bearing borrowings	1 110 000
Trade and other payables	13 736 513
Provisions	1 307 774
Total liabilities	16 154 287
Total identifiable net liability	(652 476)
Goodwill arising on acquisition	12 352 476
Fair value of consideration transferred	11 700 000
Shares to be issued 1 October 2013	1 300 000
Non-interest-bearing borrowings	1 050 000
Settled in cash	9 350 000
Cash outflow on acquisition:	
Net cash acquired with the subsidiary	2 185 282
Cash paid	(9 350 000)
Net cash outflow on acquisition	(7 164 718)

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

From the date of acquisition, Swicon360 (Pty) Ltd has contributed R3 444 428 to the profit after tax and R29 599 560 to the turnover of the Group.

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

Goodwill recognised is not deductible for tax purposes.

Acquisition-related costs of R515 970 have been expensed and are included in administrative, selling and other costs on the statement of comprehensive income.

	R
Current portion of non-interest-bearing borrowings, relating to the acquisition, is made up as follows	
Viker Investments (Pty) Ltd	1 050 000
Markus Bucher	320 000
Current portion of non-interest-bearing borrowings	1 370 000

The above borrowings is interest-free. The cash due to Viker Investments (Pty) Ltd is payable on 1 October 2013.

The amount due to Markus Bucher is repaid at R80 000 per month and the final payment is due on 31 October 2013.

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20. BUSINESS COMBINATIONS continued

20.2 Acquisition of subsidiary

On 1 January 2012, the Group acquired the entire issued share capital of BI Planning Services (Pty) Ltd, a South African registered company.

BI Planning Services (Pty) Ltd is an unlisted company specialising in developing and implementing tailored business intelligence solutions for the financial services, healthcare and other sectors. The acquisition was concluded for a purchase consideration of R17 250 200. The purchase consideration consists of R8 624 600 cash paid on 30 January 2012 and R8 625 600 from the issue of 12 182 460 Adapt IT Holdings Limited shares on 11 January 2012.

Shares were specifically issued at a volume weighted average traded price of 71 cents.

The fair value of the net assets acquired amounted to R2 000 500, resulting in goodwill of R 15 249 700 at acquisition. The consideration paid for the combination effectively included amounts in relation to the benefit of the expected synergies, revenue growth, new market penetration and future market development.

The acquisition further enhances the Group's product offerings and provides access to customers within the Financial Services sector.

The fair value of the identifiable net assets and liabilities of BI Planning Services (Pty) Ltd as at the date of acquisition were:

	Fair value recognised on acquisition R
Assets	
Investment properties	2 020 000
Property and equipment	137 788
Intangible assets	1
Deferred taxation	251 132
Trade and other receivables	4 108 428
Cash and cash equivalents	12 823 907
Total assets	19 341 256
Liabilities	
Interest-bearing borrowings	1 867 475
Loans from vendors (previous shareholders)	10 909 091
Trade and other payables	2 109 356
Provisions	488 804
Current tax payable	1 966 030
Total liabilities	17 340 756
Total identifiable net assets	2 000 500
Goodwill arising on acquisition	15 249 700
Fair value of consideration transferred	17 250 200
Settled in shares	8 625 600
Settled in cash	8 624 600
Cash inflow on acquisition:	
Net cash acquired with the subsidiary	12 823 907
Cash paid	(8 624 600)
Net cash inflow on acquisition	4 199 307

Fair value of the assets acquired approximate carrying value at the acquisition date.

20. BUSINESS COMBINATIONS continued

20.2 Acquisition of subsidiary continued

Turnover of R48 418 277 (2012: R23 938 463) and profit after tax of R2 291 985 (2012: R2 502 467) of BI Planning Services (Pty) Ltd have been included in the Group's results since the date of acquisition.

Resulting from the acquisition, was the disposal of the BI Planning Services (Pty) Ltd investment properties, and the settlement of the related interest-bearing borrowings, with effect from 1 January 2012.

All risks and benefits were for the Vendors account from 1 January 2012. The investment properties were disposed at fair value. The transfer was registered at the Deeds office in June 2012. Upon registration of the investment properties at the deeds office, the related interest-bearing borrowings were settled.

	Fair value recognised on acquisition R
The net cash flow, on registration at the deeds office, of investment properties was as follows:	
Investment properties	2 020 000
Settlement of interest-bearing borrowings	(1 867 475)
Net cash inflow to the business	152 525

Acquired receivables represent the gross contractual amounts which approximates fair value of which is further estimated to be fully recoverable.

The amount of goodwill recognised is not deductible for these purposes. Goodwill recognised is not deductible for tax purposes.

Acquisition related costs of R595 744 were expensed and were included in administrative, selling and other costs on the statement of comprehensive income in the 2012 financial year.

Performance warranty:

The Vendors warrant that the profit before interest and tax ("PBIT"), after adjusting for certain expenses, will be no less than:

– R8 763 150 for the period 1 January 2012 to 30 June 2013 ("the 2013 performance warranty"); and

– R6 426 310 for the period 1 July 2013 to 30 June 2014 ("the 2014 performance warranty").

If BI Planning Services (Pty) Ltd fails to meet or exceed the 2013 and/or 2014 performance warranty then the purchase consideration shall be reduced in accordance with an agreed-upon formula but shall not exceed 50% of the purchase consideration. There will be no upward adjustment to the purchase consideration should the performance warranty criteria be exceeded.

The 2013 performance warranty was met for the period and no adjustment was needed.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	GROUP 2013 R	GROUP 2012 R	COMPANY 2013 R	COMPANY 2012 R
21. COMMITMENTS				
Property operating lease commitments				
No later than one year	**7 182 097**	5 177 155	**–**	–
Later than one year and no later than five years	**7 180 605**	8 525 928	**–**	–
	14 362 702	13 703 083	**–**	–
The Group leases offices in terms of operating leases. The Group does not have the option to acquire the assets at the termination of the leases and there are no restrictions imposed by the leases. The lease terms are between one year and five years, and the lease agreements are renewable at the end of the lease period at the prevailing market rates. The future minimum lease payments under non-cancellable operating leases are shown above.				
Capital commitments				
Authorised and contracted	**47 765**	3 883 522	**–**	–
Authorised but not contracted	**5 235 682**	2 385 600	**–**	–
	5 283 447	6 269 122	**–**	–
Capital commitments will be funded from cash resources.				
22. CONTINGENT LIABILITIES				
22.1 Bank guarantee	**604 535**	541 699	**541 699**	541 699

The bank guarantee expires on 1 February 2015. The bank guarantee is in favour of a landlord and relates to the last month's office rental. The bank guarantee will only be released upon the expiry of the office lease agreement, being 1 February 2015.

22.2 In the prior year, Ararat Corporate Advisory Services (Pty) Ltd instituted a commission claim against ITS Holdings (Pty) Ltd (ITS) to the value of R1 400 000 resulting from the sale of the last 49% of shares in ITS to Adapt IT Holdings Ltd. The trial was scheduled for hearing on 12 April 2013 in the High Court of South Africa.

Before the court date the plaintiff withdrew the claim.

23. BORROWING LIMITS

The directors may from time to time at their discretion raise or borrow monies for the purpose of the Group as they deem fit. There are no borrowing limits in the memorandum of incorporation of the Company or its subsidiaries.

24. PENSION FUND AND RISK BENEFIT INFORMATION

Adapt IT (Pty) Ltd established the Adapt IT Pension Fund on 1 July 1996 and moved to the Alexander Forbes Umbrella Fund in September 2011. The Fund is a defined contribution pension fund under the Alexander Forbes Umbrella Fund which is governed by the Pension Funds Act, 1956. It is compulsory for all permanent salaried employees to join the Fund. The average age of the members as at 30 June 2013 was 37 (2012: 36).

Pursuant to the amalgamation, certain ITS Tertiary Software (Pty) Ltd employees will join the Adapt IT (Pty) Ltd pension fund effective from 1 July 2013.

The assets of the scheme are held separately from those of the Group in funds under the control of the Trustees. The management committee oversees the Fund and the latest audited financial statements of the Fund reflect a satisfactory state of affairs.

Adapt IT (Pty) Ltd also offers a risk benefit cover which is compulsory for all permanent salaried employees. The conditions of the policy have catered for an exception by allowing the Financial Director, who is a contract employee, resident in a foreign jurisdiction, to be covered under the risk benefit.

ApplyIT (Pty) Ltd contributes towards a provident fund which is subject to the Pensions Fund Act, 1956. This Fund is a defined contribution fund and it is compulsory for all permanent salaried employees to join the Fund. The average age of the members as at 30 June 2013 was 40 (2012: 39).

BI Planning Services (Pty) Ltd currently does not have a pension fund. Existing employees can elect to join the Adapt IT (Pty) Ltd pension fund from 1 July 2013, but it is compulsory for all new appointments after 1 July 2013.

Swicon360 (Pty) Ltd contributes towards a provident fund which is subject to the Pensions Fund Act, 1956. The contributions are made in the Destiny Umbrella Provident Fund, which is a defined contribution fund and it is compulsory for all permanent salaried employees to join the Fund. The average age of the members as at 30 June 2013 was 40 (2012: 39).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

25. RELATED PARTY TRANSACTIONS

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

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

Related party relationship:	COMPANY Effective holding 2013 %	COMPANY Effective holding 2012 %
Incorporated in South Africa		
Adapt IT (Pty) Ltd	**100**	100
ApplyIT (Pty) Ltd	**100**	100
ITS Holdings (Pty) Ltd	**100**	100
Adapt IT Holdings Limited Share Incentive Trust	**	**
BI Planning Services (Pty) Ltd	**100**	100

*** 100% consolidation*

	2013 R	2012 R
Loans		
Loans from the Company to (refer note 10):		
ITS Holdings (Pty) Ltd	**4 237 036**	9 057 036
ApplyIT (Pty) Ltd	**1 357 848**	1 357 848
Adapt IT Holdings Share Incentive Trust	**46 241**	46 241
Amounts owing to subsidiary (refer note 10)		
Adapt IT (Pty) Ltd	**(39 289 123)**	(37 741 598)
The loans are unsecured and no interest is charged. The loans have no set terms of repayment.		
Trade and other receivables		
ApplyIT (Pty) Ltd	**–**	473 901
Trade and other receivables are non-interest-bearing and are generally on 30-day terms.		
For the year ended 30 June 2013, the Group has not recorded any impairment of trade and other receivables relating to amounts owed by related parties (2012: Rnil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.		
The following transactions were entered into between related parties within the Group:		
Management fees received by the Company from:		
Adapt IT (Pty) Ltd	**4 430 525**	2 787 623
ITS Holdings (Pty) Ltd	**5 531 206**	3 604 408
ApplyIT (Pty) Ltd	**423 506**	523 109
BI Planning Services (Pty) Ltd	**2 029 436**	–
Management fees are charged to all operating subsidiaries in order to recover the Company's management time and effort.		
Administrative, selling and other costs		
During the year various administration expenses were recovered between subsidiaries. The net effect, on consolidation, on administration, selling and other costs was nil.		
Administrative, selling and other costs recovered between:		
Company and ITS Holdings (Pty) Ltd	**–**	328 508
Dividends received by the Company from:		
Adapt IT (Pty) Ltd	**–**	3 075 051

Key management personnel compensation is represented by directors' emoluments as referred to in note 4.

	GROUP 2013 R	GROUP 2012 R	COMPANY 2013 R	COMPANY 2012 R
26. FINANCIAL RISK MANAGEMENT				
Categories of financial instruments				
Financial assets				
Loans and receivables	**81 286 231**	82 750 401	**7 908 544**	10 563 328
Financial liabilities				
Other financial liabilities measured at amortised cost	**12 698 455**	6 206 873	**39 633 772**	38 042 023
Reconciliation to statements of financial position				
Amounts owing from subsidiaries	**–**	–	**5 641 125**	10 461 125
Trade and other receivables net of provision for impairment	**58 593 570**	58 099 975	**–**	–
Cash and cash equivalents	**22 692 661**	24 650 426	**2 267 419**	102 203
Loans and receivables	**81 286 231**	82 750 401	**7 908 544**	10 563 328
Trade and other payables	**12 055 936**	4 393 198	**344 649**	300 425
Amounts owing to subsidiaries	**–**	–	**39 289 123**	37 741 598
Interest-bearing borrowings	**642 519**	1 813 675	**–**	–
Other financial liabilities measured at amortised cost	**12 698 455**	6 206 873	**39 633 772**	38 042 023

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

At 30 June 2013 the carrying values of the financial assets and financial liabilities are considered by management to approximate their fair value, due to their short-term nature.

All financial assets are carried at amortised cost and hence no fair value disclosure is necessary, in terms of the fair value hierarchy requirements of IFRS 7 Financial Instruments: Disclosures.

26.1 Credit risk

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

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

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

The Group does not hold collateral as security.

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

	GROUP 2013 R	GROUP 2012 R	COMPANY 2013 R	COMPANY 2012 R
Not past due or impaired	**30 144 856**	30 167 662	**–**	473 901
Past due by 31 – 60 days but not impaired	**10 669 841**	10 467 234	**–**	–
Past due by 61 – 90 days but not impaired	**8 100 032**	6 114 548	**–**	–
Past due over 90 days but not impaired	**10 847 409**	12 460 897	**–**	–
Total trade and other not impaired	**59 762 138**	59 210 341	**–**	473 901

The Group limits its counterparty exposures attributable to its cash investments by only dealing with well-established financial institutions of high quality credit standing. The carrying amount of the trade receivables impaired is R6 450 116 (2012: R4 416 131).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

26. FINANCIAL RISK MANAGEMENT continued

26.2 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. There have been no defaults or breaches on repayments during the year.

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

GROUP	On demand R	Within one year R	One to five years R	Greater than five years R	Total R
2013					
Interest-bearing borrowings	**–**	**642 519**	**–**	**–**	**642 519**
Accounts payable	**–**	**14 341 862**	**–**	**–**	**14 341 862**
Total	**–**	**14 984 381**	**–**	**–**	**14 984 381**
2012					
Interest-bearing borrowings	–	1 171 156	642 519	–	1 813 675
Accounts payable	–	8 357 851	–	–	8 357 851
Total	–	9 529 007	642 519	–	10 171 526

COMPANY	On demand R	Within one year R	One to five years R	Greater than five years R	Total R
2013					
Accounts payable	**–**	**449 751**	**–**	**–**	**449 751**
Amounts owing to subsidiaries	**39 289 123**	**–**	**–**	**–**	**39 289 123**
Total	**39 289 123**	**449 751**	**–**	**–**	**39 738 874**
2012					
Accounts payable	–	673 405	–	–	673 405
Amounts owing to subsidiaries	37 741 598	–	–	–	37 741 598
Total	37 741 598	673 405	–	–	38 415 003

26. FINANCIAL RISK MANAGEMENT continued

26.3 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. The Group does not make use of derivative financial instruments.

Foreign currency risk management

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

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

Most transactions are Rand-based with a limited exposure to other currencies, mainly US Dollars, Euros Australian Dollars, British Pounds and New Zealand Dollars, resulting in a foreign exchange profit for the year of R1 015 939 (2012: profit of R2 032 428).

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

	2013 Foreign amount	**R**	2012 Foreign amount	R
US Dollars	**472 422**	**4 601 970**	1 009 797	8 187 911
New Zealand Dollars	**51**	**376**	1 040	6 491
Australian Dollars	**106 087**	**1 012 448**	204 447	1 724 290
Euros	**28 535**	**345 728**	(3 280)	(34 323)
British Pounds	**77 551**	**1 188 811**	112 448	1 444 992
Singapore Dollars	**389**	**2 905**	389	2 394
Canadian Dollars	**220**	**1 980**	220	1 685
Botswana Pula	**1 458**	**1 602**	4 180	4 193
Rwanda Francs	**5 000**	**73**	97 800	12 714
Indian Rupees	**16 170**	**2 568**	16 170	2 248
UAE Dirhams	**740**	**1 915**	680	1 442
Ghana CDs	**289**	**1 349**	289	1 155
Mozambique Meticals	**255**	**84**	–	–
Ugandian Shillings	**48 000**	**180**	–	–
Tanzanian Shillings	**52 750**	**310**	–	–
Other	**300**	**231**	1 078	1 400
Total		**7 162 530**		11 356 592

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

26. FINANCIAL RISK MANAGEMENT continued

26.3 Market risk continued

The Group's exchange rate exposure relates mainly to the US Dollar, British Pound and Australian Dollar. The following details the Group's sensitivity to a 14,0% (2012: 14,0%) increase or decrease in the Rand against the relevant foreign currencies. 14,0% is the sensitivity rate used based on the average movement in foreign exchange rates between reporting dates and represents management's best assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and adjusts their translation at the year-end for a 14,0% change in foreign currency rates. The amount below indicates the amount by which profit or loss and equity would increase or decrease if the Rand strengthens or weakens by 14,0% (2012: 14,0%). This is reflective of the currency risk exposure throughout the year.

	2013 R	2012 R
Sensitivity analysis		
If the foreign currency rates had been 14,0% (2012: 14,0%) higher/lower and all other variables held constant, the Group's profit for the year (before tax) would increase/decrease by	**1 002 754**	1 589 923
Interest rate risk management		
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with variable interest rates.		
Interest rate sensitivity		
The sensitivity analysis below has been determined based on the exposure of cash and cash equivalents to interest rates. A 100 basis point increase or decrease has been used.		
Sensitivity analysis		
If the interest rates had been 100 basis points higher/lower and all other variables held constant, the Group's profit for the year (before tax) would increase/decrease by	**226 927**	253 952

27. CAPITAL MANAGEMENT

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

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

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 50%. The Group includes within net debt, interest-bearing loans and borrowings, trade and other payables, less cash and cash equivalents.

The Group is not subject to any external capital requirements.

	GROUP 2013 %	GROUP 2012 %
Gearing ratio	**1**	3

28. EVENTS AFTER THE REPORTING DATE

On 1 July 2013, BI Planning Services (Pty) Ltd, ITS Abacus (Pty) Ltd, ITS Africa Technologies (Pty) Ltd, ITS Holdings (Pty) Ltd, ITS Tertiary Software (Pty) Ltd and Synet (Pty) Ltd were amalgamated into Adapt IT (Pty) Ltd in accordance with the provisions of Section 113, 115 and 116 of the Companies Act, 2008, as amended.

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

29. SEGMENT ANALYSIS

The Group is organised into the following segments:

- Education – ITS Holdings (Pty) Ltd
- Manufacturing (includes Mining and Energy) – Adapt IT (Pty) Ltd, ApplyIT (Pty) Ltd and Swicon360 (Pty) Ltd
- Financial services – BI Planning Services (Pty) Ltd
- Other – includes Group and shared services 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 year ended 30 June 2013 and 30 June 2012 respectively:

	Education R	Manu-facturing R	Financial Services R	Other R	Adjustments and eliminations R	Total R
2013						
Revenue*	**122 044 453**	**135 538 369**	**48 622 631**	**23 324**	**(193 731)**	**306 035 046**
Third party	**121 850 723**	**135 538 369**	**48 622 631**	**23 324**	**–**	**306 035 047**
Inter-segment	**193 730**	**–**	**–**	**–**	**(193 731)**	**(1)**
Segment profit/(loss) before taxation	**15 967 843**	**15 852 117**	**3 199 272**	**(909 757)**	**(3 377 071)**	**30 732 404**
2012						
Revenue*	103 963 546	97 012 112	23 938 463	22	(145 215)	224 768 928
Third party	103 963 546	96 866 897	23 938 463	22	–	224 768 928
Inter-segment	–	145 215	–	–	(145 215)	–
Segment profit/(loss) before taxation	14 467 573	10 947 182	3 477 336	958 291	(4 103 006)	25 747 376

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

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

Revenue of approximately R50 624 466 (2012: R58 812 016) is derived from a single external group customer. These revenues are attributable to the Manufacturing segment.

29. SEGMENT ANALYSIS continued

The following table presents segment assets, liabilities, trade receivables and revenue by geographic area of the Group's operating segments as at 30 June 2013 and 30 June 2012:

	Education R	Manu-facturing R	Financial Services R	Other R	Adjustments and eliminations R	Total R
2013						
Total assets	**125 515 856**	**138 424 335**	**11 536 119**	**56 885 278**	**(153 639 037)**	**178 722 551**
Total liabilities	**51 603 915**	**87 634 162**	**4 741 165**	**41 520 289**	**(99 010 664)**	**86 488 867**
Revenue by geography	**122 044 453**	**135 662 304**	**48 622 631**	**(100 611)**	**(193 731)**	**306 035 046**
South Africa	**95 154 461**	**92 247 420**	**48 622 631**	**(100 611)**	**(193 731)**	**235 730 170**
African countries*	**19 835 429**	**37 658 272**	**–**	**–**	**–**	**57 493 701**
Europe	**3 453 730**	**–**	**–**	**–**	**–**	**3 453 730**
Australasia	**3 600 833**	**3 520 217**	**–**	**–**	**–**	**7 121 050**
North America	**–**	**2 236 395**	**–**	**–**	**–**	**2 236 395**
Non-current assets by geography	**87 389 565**	**42 985 891**	**610 487**	**54 188 988**	**(98 490 863)**	**86 684 068**
South Africa	**86 961 316**	**42 985 891**	**610 487**	**54 188 988**	**(98 490 863)**	**86 255 819**
African countries*	**–**	**–**	**–**	**–**	**–**	**–**
Europe	**35 771**	**–**	**–**	**–**	**–**	**35 771**
Australasia	**392 478**	**–**	**–**	**–**	**–**	**392 478**
Trade receivables by geography	**22 428 934**	**35 291 928**	**7 471 961**	**–**	**(149 137)**	**65 043 686**
South Africa	**14 047 692**	**24 419 105**	**7 471 961**	**–**	**(149 137)**	**45 789 621**
African countries*	**4 179 053**	**7 413 820**	**–**	**–**	**–**	**11 592 873**
Europe	**391 106**	**–**	**–**	**–**	**–**	**391 106**
Australasia	**3 811 083**	**1 024 710**	**–**	**–**	**–**	**4 835 793**
North America	**–**	**2 434 293**	**–**	**–**	**–**	**2 434 293**
2012						
Total assets	115 156 398	96 191 538	10 190 450	59 857 135	(134 517 220)	146 878 301
Total liabilities	54 900 401	59 008 049	5 687 483	39 911 786	(82 790 481)	76 717 238
Revenue by geography	103 963 546	97 012 112	23 938 463	22	(145 215)	224 768 928
South Africa	56 364 622	47 389 997	23 938 463	22	(145 215)	127 547 889
African countries*	39 020 378	41 493 101	–	–	–	80 513 479
Europe	3 499 220	–	–	–	–	3 499 220
Australasia	5 079 326	6 076 808	–	–	–	11 156 134
North America	–	2 052 206	–	–	–	2 052 206
Non-current assets by geography	69 614 982	22 517 922	520 507	58 578 863	(91 182 397)	60 049 877
South Africa	69 586 384	22 517 922	520 507	58 578 863	(91 182 397)	60 021 279
African countries*	–	–	–	–	–	–
Europe	10 892	–	–	–	–	10 892
Australasia	17 706	–	–	–	–	17 706
Trade receivables by geography	22 354 524	31 063 614	9 797 885	473 901	(1 173 818)	62 516 106
South Africa	118 482	13 214 348	9 797 885	473 901	(1 173 818)	22 430 798
African countries*	15 717 114	12 248 922	–	–	–	27 966 036
Europe	327 449	–	–	–	–	327 449
Australasia	6 191 479	1 852 767	–	–	–	8 044 246
North America	–	3 747 577	–	–	–	3 747 577

* *African countries are: Ghana, Zambia, Tanzania, Mozambique, Namibia, Malawi, Swaziland, Lesotho, Botswana, Uganda, Sierra Leone, Zimbabwe and Rwanda.*

Revenue of approximately R50 624 466 (2012: R58 812 016) is derived from a single external group customer. These revenues are attributable to the Manufacturing segment.

SHARES AND SHAREHOLDERS

		2013	%	2012	%
Performance on the JSE Limited					
Total number of shares traded	('000)	**18 468**		11 766	
Total number of shares traded as a percentage of total issued shares (liquidity)	(%)	**16,6**		10,6	
Total value of shares traded	(R'000)	**37 689**		10 295	
Prices:					
Closing	(cents)	**235**		122	
High	(cents)	**290**		122	
Low	(cents)	**102**		60	
Spread (number of shareholders)					
Up to 10 000 shares		**662**	**64**	229	49
10 001 to 100 000 shares		**295**	**28**	164	35
100 001 to 200 000 shares		**23**	**2**	21	5
Over 200 000 shares		**57**	**6**	53	11
		1 037	**100**	467	100

	Number	%	Shares	%
Shareholder distribution				
Public	**999**	**96**	**56 899 386**	**51**
Non-public	**26**	**3**	**15 289 653**	**14**
Subsidiaries	**1**	**–**	**2 774 647**	**3**
Directors	**10**	**1**	**35 635 325**	**32**
Associates of directors	**1**	**–**	**402 000**	**–**
	1 037	**100**	**111 001 011**	**100**

Principal shareholders

The following are the principal shareholders whose holdings in the Company total more than 5% of the total issued share capital as at 30 June 2013.

	Shares	%
Sibusiso Shabalala	**16 531 057**	**15**
Jan Hendrik Hofmeyr	**7 043 090**	**6**
Johannes Hendrik Strydom	**5 438 122**	**5**
Corneil Lubbe	**5 418 107**	**5**
	34 430 376	**31**

SHAREHOLDERS' DIARY

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

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

NOTICE OF ANNUAL GENERAL MEETING

ADAPT IT HOLDINGS LIMITED
Incorporated in the Republic of South Africa
Registration number: 1998/017276/06
Share code: ADI
ISIN: ZAE000113163

NOTICE OF THE 14TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the 14th annual general meeting of the shareholders of Adapt IT Holdings Limited ("the Company" or "the Group") will be held on Friday, 8 November 2013 at 09:00 at the Company's offices at 5 Rydall Vale Office Park, Rydall Vale Crescent, La Lucia Ridge, KwaZulu-Natal to transact the following business:

1. FINANCIAL STATEMENTS

To receive and consider the consolidated audited annual financial statements of the Company for the year ended 30 June 2013, incorporating the reports of the external auditors, the Audit and Risk Committee, the directors, and the Social and Ethics Committee, which will be presented to shareholders as required in terms of section 30(3)(d) of the Companies Act, 71 of 2008, as amended ("the Companies Act").

Note: A copy of the annual financial statements appear on page 39 to 95 of the integrated annual report of which this notice forms part.

2. ORDINARY RESOLUTIONS

To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolutions. The percentage of voting rights that will be required for the adoption of each ordinary resolution is the support of more than 50% of the voting rights exercised on the resolution. In the case of ordinary resolution numbers 10 and 11, the JSE Listings Requirements prescribe a 75% majority vote.

2.1 ORDINARY RESOLUTION NUMBER 1 – ELECTION OF MR O FORTUIN AS A DIRECTOR

To elect Mr Oliver Fortuin as a director of the Company.

Note: The curriculum vitae of Mr O Fortuin is provided on page 11 of the integrated annual report.

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

To re-elect Mr Craig Chambers who retires by rotation in terms of the Company's Memorandum of Incorporation, and who, being eligible, offers himself for re-election.

Note: The curriculum vitae of Mr C Chambers is provided on page 10 of the integrated annual report.

2.3 ORDINARY RESOLUTION NUMBER 3 – RE-ELECTION OF MS T DINGAAN AS A DIRECTOR

To re-elect Ms Thembisa Dingaan who retires by rotation in terms of the Company's Memorandum of Incorporation, and who, being eligible, offers herself for re-election.

Note: The curriculum vitae of Ms T Dingaan is provided on page 10 of the integrated annual report.

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

Pursuant to the requirements of section 94(2) of the Companies Act, 2008, to appoint Ms Bongiwe Ntuli, a non-executive, independent director of the Company, as a member of the Audit and Risk Committee until the next annual general meeting.

2.5 ORDINARY RESOLUTION NUMBER 5 – APPOINTMENT OF MR O FORTUIN TO THE AUDIT AND RISK COMMITTEE

Pursuant to the requirements of section 94(2) of the Companies Act, 2008, but subject to the passing of ordinary resolution number 1 above, to appoint Mr Oliver Fortuin, a non-executive, independent director of the Company, as a member of the Audit and Risk Committee until the next annual general meeting.

2.6 ORDINARY RESOLUTION NUMBER 6 – APPOINTMENT OF MS T DINGAAN TO THE AUDIT AND RISK COMMITTEE

Pursuant to the requirements of section 94(2) of the Companies Act, 2008, but subject to the passing of ordinary resolution number 2 above, to appoint Ms Thembisa Dingaan, a non-executive, independent director of the Company, as a member of the Audit and Risk Committee until the next annual general meeting.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

2.7 ORDINARY RESOLUTION NUMBER 7 – APPOINTMENT OF THE INDEPENDENT REGISTERED AUDITOR
Pursuant to the requirements of section 90(1) read with section 61(8)(c) of the Companies Act, 2008 to appoint the independent audit firm nominated by the Company's Audit and Risk Committee as the external auditor for the financial year ending 30 June 2014, with the individual in that audit firm nominated by the Company's Audit and Risk Committee designated as the auditor responsible for the audit, pursuant to section 92(1) of the Companies Act 2008.

Note: the Company's Audit and Risk Committee will nominate the audit firm to be appointed, and the individual in that firm to be designated as the auditor responsible for the audit, prior to or at the AGM, pursuant to sections 94(7)(a) and 94(9) of the Companies Act, 2008.

2.8 ORDINARY RESOLUTION NUMBER 8 – ENDORSEMENT OF THE REMUNERATION POLICY
Resolved that the shareholders endorse, on a non-binding advisory basis, the Remuneration Policy.

Note: King III recommends that the Company's remuneration policy (which appears on pages 36 to 38 of the integrated annual report) be tabled to shareholders for a non-binding advisory vote at each annual general meeting.

2.9 ORDINARY RESOLUTION NUMBER 9 – CONTROL OF AUTHORISED BUT UNISSUED ORDINARY SHARES
Resolved that the authorised but unissued ordinary shares in the capital of the Company be and they are hereby placed under the control and authority of the directors of the Company ("directors") and that the directors be and they are hereby authorised and empowered to allot and issue all or any of such ordinary shares, or to issue any options in respect of all or any of such ordinary shares, to such person/s on such terms and conditions and at such times as the directors may from time to time and in their discretion deem fit, subject to the provisions of sections 38 and 41 of the Companies Act, 2008, the Memorandum of Incorporation of the Company and the Listings Requirements of the JSE Limited (JSE Listings Requirements), as amended from time to time.

2.10 ORDINARY RESOLUTION NUMBER 10 – APPROVAL TO ISSUE ORDINARY SHARES, AND TO SELL TREASURY SHARES, FOR CASH
Resolved that the directors of the Company and/or any of its subsidiaries from time to time be and they are hereby authorised, by way of a general authority, to:

2.10.1 Allot and issue, or to issue any options in respect of, all or any of the authorised but unissued ordinary shares in the capital of the Company; and/or

2.10.2 Sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the Company purchased by subsidiaries of the Company,

for cash, to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the Companies Act, 2008, the Memorandum of Incorporation of the Company and its subsidiaries and the JSE Listings Requirements from time to time.

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

- the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue may only be made to "public shareholders" as defined in the JSE Listings Requirements and not to related parties;
- the number of ordinary shares issued for cash shall not in any one financial year in the aggregate exceed 15% (fifteen percent) of the number of issued ordinary shares. The number of ordinary shares which may be issued shall be based, *inter alia*, on the number of ordinary shares in issue, added to those that may be issued in future (arising from the conversion of options/convertibles) at the date of such application, less any ordinary shares issued, or to be issued in future arising from options/convertible ordinary shares issued during the current financial year; plus any ordinary shares to be issued pursuant to a rights issue which has been announced, is irrevocable and is fully underwritten, or an acquisition which has had final terms announced;

- this general authority will be valid until the earlier of the Company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given;
- an announcement giving full details, including the impact on net asset value per share, net tangible asset value per share, earnings per share and headline earnings per share and, if applicable, diluted earnings and headline earnings per share, will be published when the Company has issued ordinary shares representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of ordinary shares in issue prior to the issue;
- in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE Limited of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities; and
- whenever the Company wishes to use ordinary shares, held as treasury shares by a subsidiary of the Company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares.

2.11 ORDINARY RESOLUTION NUMBER 11 – ADOPTION OF THE ADAPT IT HOLDINGS LIMITED EXECUTIVE SHARE INCENTIVE PLAN

Resolved that the Adapt IT Holdings Limited Share Incentive Trust be cancelled and that the Adapt IT Holdings Limited Executive Share Incentive Plan, which has been tabled at this annual general meeting and initialled by the Chairperson of the annual general meeting for purposes of identification, be and is hereby subsequently approved and adopted by the Adapt IT shareholders.

Refer to Annexure A, attached to this notice, for the Salient Features of the Adapt IT Holdings Limited Executive Share Incentive Plan.

3. SPECIAL RESOLUTIONS

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

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

Resolved as a special resolution that, unless otherwise determined by the Company in general meeting, the following annual fees payable by the Company to its non-executive directors for their services as directors, with effect from 1 July 2013, are approved:

	Current R	Proposed R
Chairman	**203 000**	243 000
Director	**92 000**	130 000

Explanation

Section 66(9) of the Companies Act requires that a company may pay remuneration to its directors for their services as directors only in accordance with a special resolution approved by the shareholders within the previous two years. The reason for, and effect of, special resolution number 1 is to grant the Company the authority to pay fees to its non-executive directors for their services as directors. The non-executive directors' fees have been increased to align with similar sized companies listed on the JSE.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

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

Resolved, as a general approval by special resolution, that the company and/or any of its subsidiaries from time to time be and they are hereby authorised to acquire ordinary shares in the Company in terms of, and subject to, the Companies Act, 2008, the Memorandum of Incorporation of the Company and its subsidiaries and the JSE Listings Requirements, as amended from time to time. Any acquisition of ordinary shares is also subject to the sanction of any other authority whose approval is required by law, regulation or the JSE Listings Requirements.

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

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

Explanation

Special resolution number 2 is to grant the Company a general authority for the Company and the Company's subsidiaries to acquire the Company's issued ordinary shares. There is no requirement in the Companies Act, 2008 for shareholder approval unless the acquisition by the Company of any particular class of securities exceeds 5% of the issued shares of that class, either alone or together with other transactions in an integrated series of transactions, per sections 48(8), 115 and 116 of the Companies Act, 2008.

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

3.2.1 Other disclosures in terms of section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosures, which are contained in the annual report of which this notice forms part:

Directors	page 10 and 11
Directors' interests in the Company	page 45
Share capital of the Company	page 79
Major shareholders of the Company	page 96

3.2.2 Material change

Effective 1 July 2013, the Group successfully implemented the first phase of a Group reorganisation involving the amalgamation of six group companies into the Company's main operating subsidiary, Adapt IT (Pty) Ltd, in terms of sections 113, 115 and 116 of the Companies Act, 71 of 2008.

The entities that have been amalgamated are BI Planning Services (Pty) Ltd, ITS Holdings (Pty) Ltd, ITS Tertiary Software, ITS Abacus (Pty) Ltd, ITS Africa Technologies and Synet (Pty) Ltd, all of which are in the process of being deregistered. Three divisions have been created within Adapt IT (Pty) Ltd, being the Pretoria Division, the Johannesburg Division and the Durban Division.

There have been no other material changes in the affairs or financial position of the Company and its subsidiaries since the Company's financial year-end and the date of this notice.

3.2.3 Directors' responsibility statement

The directors, whose names are given on pages 10 and 11 of the annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 2 and certify that to the best of their knowledge and belief there are no facts in relation to special resolution number 2 that have been omitted which would make any statement in relation to special resolution number 2 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 2 together with this notice contains all information required by law and the JSE Listings Requirements in relation to special resolution number 2.

3.2.4 Adequacy of working capital

At the time that the contemplated repurchase is to take place, the directors of the Company will ensure that, after considering the effect of the maximum repurchase and for a period of twelve months thereafter:

- the Company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business;
- the consolidated assets of the Company and its subsidiaries, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the consolidated liabilities of the Company and its subsidiaries;
- the issued share capital and reserves of the Company and its subsidiaries will be adequate for the purpose of the ordinary business of the Company and its subsidiaries; and
- the working capital available to the Company and its subsidiaries will be sufficient for the Group's requirements.

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

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

3.3 SPECIAL RESOLUTION NUMBER 3 – LOANS OR OTHER FINANCIAL ASSISTANCE TO DIRECTORS AND RELATED COMPANIES

Resolved, as a special resolution, that in terms of section 45 of the Companies Act, the shareholders hereby approve of the Company providing, at any time and from time to time during the period of two years commencing on the date of adoption of this special resolution number 3, any direct or indirect financial assistance (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) as contemplated in section 45 of the Companies Act, 2008, to a related or inter-related company, or to a director or prescribed officer of the Company or such related or inter-related company, or to any other class of person referred to in section 45(2) of the Companies Act 2008, provided that:

- The Board from time to time, determines:
  - i) The specific recipient, or general category of potential recipients of such financial assistance;
  - ii) The form, nature and extent of such financial assistance;
  - iii) The terms and conditions under which such financial assistance is provided; and
- The Board may not authorise the Company to provide any financial assistance pursuant to this special resolution number 3 unless the Board meets all the requirements of section 45 of the Companies Act, 2008, which it is required to meet in order to authorise the Company to provide such financial assistance.

Explanation

The reason for and effect of special resolution number 3 is to grant the Board the authority to authorise the Company to provide financial assistance as contemplated in section 45 of the Companies Act, 2008, to the persons specified in section 45(2), i.e. a director or prescribed officer of the Company, or to a related or inter-related company or corporation, or to a member of a related or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer or member.

This resolution is intended to be mostly used to enable the Company to provide inter-company loans and guarantees within the Group, but will also permit the Board to authorise financial assistance to directors and prescribed officers, and to related parties.

4. OTHER BUSINESS

To transact such other business as may be transacted at an annual general meeting of shareholders.

INFORMATION SCHEDULE

RECORD DATE

The record date for the purpose of determining which shareholders are entitled to participate in, and vote at, the annual general meeting is Friday, 1 November 2013. Accordingly, the last date to trade in order to be registered in the register of shareholders of the Company and therefore be eligible to participate in and vote at the annual general meeting is Friday, 25 October 2013.

SHAREHOLDERS SHOULD TAKE NOTE OF THE FOLLOWING IMPORTANT DATES:	
Record date for the purposes of determining which shareholders are entitled to receive notice of the annual general meeting	9 October 2013
Last date to trade in order to be registered in the register of shareholders of the Company and therefore be eligible to participate in and vote at the annual general meeting	25 October 2013
Record date for purposes of determining which shareholders are entitled to participate in and vote at the annual general meeting	1 November 2013
Last day to lodge forms of proxy	6 November 2013 at 09:00
Date of the annual general meeting	8 November 2013 at 09:00

PROXIES/REPRESENTATION AT THE MEETING

Shareholders holding certificated shares and shareholders that have dematerialised their shares and have elected own name registration in the sub-register maintained by a Central Securities Depository Participant ("CSDP"), may attend, speak and vote at the annual general meeting or may appoint one or more proxies (who need not be shareholders of the Company) to attend, speak and vote at the annual general meeting on behalf of the shareholder who appointed such proxy or proxies.

A proxy form is enclosed with this notice. Duly completed proxy forms must be returned to the transfer secretaries, Computershare Investor Services (Pty) Ltd (PO Box 61051, Marshalltown, 2107 or 70 Marshall Street, Johannesburg, 2001) by no later than 09:00 on Wednesday, 6 November 2013.

Shareholders who have dematerialised their shares through a CSDP or a broker and who have not elected own name registration in the sub-register maintained by the CSDP/broker and who wish to attend the annual general meeting, should instruct their CSDP/broker to issue them with the necessary authority to attend. Shareholders who are unable or do not intend to attend the meeting, but wish to be represented at the meeting, may provide their CSDP/broker with their voting instructions in terms of the custody agreement entered into between such shareholders and their CSDP/broker.

IDENTIFICATION

Shareholders and proxies are requested to ensure registration of attendance on arrival. Kindly note pursuant to the requirements of section 62(3) of the Companies Act, notice is hereby given that in terms of section 63(1), shareholders and proxies who attend the annual general meeting will be required to provide satisfactory identification. Forms of identification include valid identity documents, passports and driver's licences.

ACTION TO TAKE

If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your CSDP, broker, banker, attorney, accountant or other professional adviser immediately.

By order of the Board

Statucor (Pty) Ltd
Company Secretary

16 August 2013
Durban

ANNEXURE A

SALIENT FEATURES OF THE ADAPT IT HOLDINGS LIMITED EXECUTIVE SHARE INCENTIVE PLAN

1. INTERPRETATION AND DEFINITIONS

"the Board" means the Remuneration Committee of the Board of Directors of the Company for the time being;

"CPI" means the weighted average of the Consumer Price Index in respect of all areas and for all items as published by Central Statistical Services (Statistical Release PO141.7) from time to time for the immediate past twelve month reporting period;

"Date of Grant" means the date on which the Board makes an Offer in accordance with the provisions of Rule 2;

"Eligible Employee" means any person (including a director) who at any Date of Grant is Employed, whether permanently or on a fixed term contract;

`**Employed/Employment"** means employed by the Company or a Subsidiary;

"the Formula" – means:

P = n x (S1 – S2)

where:

P is the consideration payable for the Incentive Units sold by the Participant to the Company in terms of Rule 5; and

n is the number of Incentive Units sold by the Participant to the Company in terms of Rules 3.4 and 5; and

S1 is the Ruling Price, determined in accordance with the provisions of 4, applicable as at the Sale Date in respect of the Incentive Units sold in accordance with Rules 3.4 and 5; and

S2 is the Ruling Price, determined in accordance with the provisions of 4, applicable as at the Date of Grant in respect of the Incentive Units sold in accordance with Rules 3.4 and 5;

"Issue Price" means the issue price of the Shares which are to be issued to Participants in terms of Rule 5.3, determined with reference to the VWAP as at the Sale Date;

an **"Incentive Unit"** means a notional share in the Company, the value of which determines the value of an Offer;

"Offer" means an offer made to an Eligible Employee on a Date of Grant to acquire Incentive Units in accordance with these Rules;

"Offer Certificate" means a certificate by which an Offer is evidenced as referred to in Rule 2.3;

"Participant" means any Eligible Employee (including, where the context permits, the legal representatives of such person) who holds an Offer Certificate and/or Incentive Units pursuant to an Offer;

"Plan" means this plan, being the Adapt IT Holdings Limited Executive Share Incentive Plan, as amended from time to time;

"Ruling Price" means the price of an Incentive Unit from time to time, to be determined with reference to the VWAP of the Shares at the Date of Grant or the Sale Date, as the case may be, in accordance with the provisions of Rule 4, on the basis that the applicable Ruling Price at the Date of Grant and at the Sale Date shall be the value of an Incentive Unit at such time;

"Sale Date" means in relation to a sale by a Participant to the Company of Incentive Units in terms of Rules 3.4 and 5, the date of delivery by such Participant to the Company of the Acceptance Notice referred to in Rule 3;

"Shares" means ordinary shares in the Company;

"VWAP" means the 30 (thirty) day volume weighted average price at which the Shares are traded on the JSE for the 30 (thirty) trading day period immediately preceding the Date of Grant or the Sale Date, as the case may be.

2. MAKING OF OFFERS

2.2 The Offers may be made by the Board subject to such conditions (additional to the conditions set out in these Rules and not inconsistent with the provisions of the Plan) as the Board may in each case deem fit, including a condition to the effect that an Offer shall not be capable of acceptance in terms of Rule 3.1 unless the Company has achieved an annual increase in headline earnings of not less than a percentage equal to CPI plus 8% (eight percent). Any such additional conditions, which shall be performance based and/or retention based, may be waived or varied, in the sole and absolute discretion of the Board, if an event occurs which causes the Board to consider that such additional conditions should reasonably be waived or varied.

2.3 An Offer shall be evidenced by the issue of an Offer Certificate. An Offer Certificate shall state that the Offer is made in terms of these Rules, shall specify the number of Incentive Units forming the subject matter of the Offer in question, the Date of Grant, the Ruling Price as at the Date of Grant and any additional conditions relating to the Offer determined by the Board in terms of Rule 2.2, and shall be otherwise in such form (not inconsistent with the provisions of the Plan) as the Board may from time to time determine. If any Offer Certificate shall be defaced, destroyed or lost, it may be replaced on such evidence being provided and on such terms as the Board may reasonably require.

2.4 Notwithstanding anything to the contrary herein contained or implied, the Board may, in its sole and absolute discretion:-

2.4.1 makes Offers to Participants at a discount of not more than 10% (ten percent) to the prevailing Ruling Price, in special circumstances;

2.4.2 reduce the number of Incentive Units forming the subject matter of the portion of any Offer not yet accepted by the Participant, in the event that the Participant to whom such Offer has been made is demoted or his/her position in the Company is downgraded for any reason whatsoever;

and in such circumstances, the relevant Offer Certificate shall be endorsed accordingly.

2.5 No amount shall be payable by an Eligible Employee in consideration for the making of an Offer nor by a Participant for the acceptance of all or any portion of such Offer.

2.6 Notwithstanding anything to the contrary herein contained or implied in these Rules:

2.6.1 the Plan shall not constitute any contract of employment between the Company and any Participant and it shall not confer on any Participant any legal or equitable rights (other than those constituted by the Offers as described herein) whatsoever against the Company directly or indirectly or give rise to any cause of action at law or in equity against the Company;

2.6.2 the benefits to the Participants under the Plan shall form part of their remuneration for tax purposes, but shall not form part of remuneration for pension purposes;

2.6.3 an Offer to a Participant is a matter entirely separate from any pension right or entitlement he/she may have and from his/her terms and conditions of employment and participation in the Plan shall in no respect whatever affect his/her pension rights or entitlements or terms and conditions of employment and in particular (but without limiting the generality of the aforegoing) any Participant who ceases to be Employed shall not be entitled to any compensation for any loss of any right or benefit or prospective right or benefit under the Plan which he/she might otherwise have enjoyed.

2.7 An Offer shall be personal to the Participant and shall not be assignable and any purported assignment, transfer, charge, disposal or dealing with the rights or interest of the Participant under the Plan shall render the Offer and the Participant's rights thereunder as being of no further force or effect. Incentive Units do not carry any rights to dividends that may be declared by the Company.

2.8 An Offer does not confer any rights on a Participant to acquire any Shares, other than in terms of Rule 5.3.

ANNEXURE A CONTINUED

SALIENT FEATURES OF THE ADAPT IT HOLDINGS LIMITED EXECUTIVE SHARE INCENTIVE PLAN

3. ACCEPTANCE OF AN OFFER

3.1 Subject to Rule 2.4.2, Rule 3.2 and Rule 3.3, and subject further to any conditions attached to an Offer pursuant to Rule 2.2, a Participant shall be entitled to accept an Offer by written notice to the Company as follows (the Acceptance Notice):

3.1.1 50% (fifty percent) of the Incentive Units forming the subject matter of an Offer shall be capable of acceptance by the Participant at any time from the 1st (first) anniversary of the Date of Grant until the 3rd (third) anniversary of the Date of Grant;

3.1.2 The remaining 50% (fifty percent) of the Incentive Units forming the subject matter of an Offer shall be capable of acceptance by the Participant at any time from the 2nd (second) anniversary of the Date of Grant until the 3rd (third) anniversary of the Date of Grant;

provided that the rights of acceptance of an Offer in terms of the aforegoing provisions shall be cumulative (i.e. to the extent that right of acceptance is not exercised prior to the expiry of the relevant period, such right of acceptance may be exercised thereafter) and provided further that any portion of an Offer not accepted in writing by the Participant prior to the 3rd (third) anniversary of the Date of Grant shall lapse and shall no longer be capable of acceptance by the Participant.

3.3 Notwithstanding anything to the contrary herein contained or implied, a Participant shall be deemed to have waived his/her right to accept the portion of the Offer which has not already been accepted by such Participant in accordance with the aforegoing provisions, should the Participant cease to be Employed for any reason whatsoever other than the reasons set out in Rule 3.2.1.

3.4 Upon acceptance by the Participant of any portion of an Offer, the Incentive Units in respect of which the Offer has been accepted shall vest in the Participant and immediately upon vesting, the Participant shall be deemed to have been sold the Incentive Units so vested to the Company in accordance with the provisions of Rule 5.

4. RULING PRICE

4.1 The Ruling Price will be determined in a consistent manner by the Sponsor of the Company with reference to the VWAP of the Shares at the relevant date, being the Date of Grant or the Sale Date, as the case may be.

5. SALE AND PURCHASE OF INCENTIVE UNITS

Subject at all times to the provisions of Rule 3.2, Rule 3.3 and Rule 3.4, the Company hereby agrees and undertakes to the Participants that it shall purchase any portion of the Incentive Units which shall have vested in such Participants pursuant to the acceptance of any portion of an Offer in terms of Rule 3 by the delivery of an Acceptance Notice referred to in Rule 3, stating the number of Incentive Units in respect of which he/she is accepting the Offer, upon the terms set out hereunder.

5.1 An Acceptance Notice shall only be valid if the Offer of the Incentive Units referred to therein shall have been accepted by the Participant in question as at the date of delivery thereof.

5.2 The purchase consideration payable by the Company to the Participant in question in respect of the Incentive Units sold to the Company shall be an amount determined in accordance with the Formula.

5.3 The purchase consideration payable by the Company to the Participant in question, shall, subject at all times to the provisions of Rule 5.4, be discharged by the Company on the 7th (seventh) business day after the Sale Date:

5.3.1 by way of the issue and allotment to the Participant concerned of such number of Shares which, at the Issue Price, shall be equal to the amount of the purchase consideration, of the sale of his/her Incentive Units;

alternatively and at the sole and absolute discretion of the Company, subject to being in the best interests of the Company at the time of acceptance of an offer:

5.3.2 in cash or partly in cash and partly by way of the issue and allotment of such number of Shares which, at the Issue Price, shall be equal to the portion of the purchase consideration to be discharged by the issue and allotment of Shares.

5. SALE AND PURCHASE OF INCENTIVE UNITS continued

5.4 Notwithstanding the provisions of Rule 5.3, the number of Shares which may be issued and allotted by the Company in order to discharge the whole or portions, as the case may be, of the purchase consideration of the Incentive Units purchased by the Company in terms of the Plan, shall not:

5.4.1 in the aggregate, in respect of all of the Incentive Units to be purchased by the Company in terms of the Plan, exceed 21 600 000 (twenty one million six hundred thousand) Shares; and

5.4.2 in respect of any one Participant, in pursuance of the acquisition of Incentive Units from him/her, exceed 2 160 000 (two million one hundred and sixty thousand) Shares;

provided that the aforementioned numbers of Shares shall be increased or reduced pro rata in pursuance of any subdivision, consolidation, capitalisation issue or scrip dividend by the Company in respect of its Shares.

The Company's auditors or any other independent advisors acceptable to the JSE must confirm to the JSE in writing that any adjustments to the maximum aggregate number of shares referred to in 5.4.1 and/or the maximum number of shares in respect of which any single Participant shall have rights in terms of the Plan referred to in 5.4.2 are in accordance with the provisions of the Plan, which written notice must be provided to the JSE at the time that any such adjustment is finalised.

In addition, any adjustments to the maximum aggregate number of shares referred to in 5.4.1 and/or the maximum number of shares in respect of which any single participant shall have rights in terms of the Plan referred to in 5.4.2 must be reported on in the annual financial statements of the Company for the financial year during which such adjustment is made.

6. TAKEOVER OF COMPANY AND CHANGED CIRCUMSTANCES

6.1 Should control of the Company pass to another person or company as a result of a take-over, reconstruction, amalgamation or merger which makes provision for the Participants to receive equity instruments allotted and issued by such other persons or in such other company in substitution of their plan shares on terms in the opinion of the auditors (such opinion being given by them as experts and not as arbitrators or quasi arbitrators) not less favourable than those on which those Participants are entitled to their plan shares, they shall be obliged to accept such equity instruments in such other company on such terms.

7. ADMINISTRATION AND AMENDMENT

7.1 Notwithstanding anything to the contrary herein contained and subject to the JSE Listings Requirements, the Board may restructure, amend, vary, modify or alter any of these Rules, or cancel the Plan in its entirety, subject to being sanctioned by the Company in general meeting in terms of a resolution approved by a 75% majority of the votes cast in favour of such resolution, should circumstances so require, provided that the rights of Participants shall be compensated for in a fair and equitable manner. In the event of a dispute in regard to such compensation, such dispute shall be determined by the auditors of the Company, regard being had to the provisions of Rule 7.5.

NOTES

FORM OF PROXY

ADAPT IT HOLDINGS LIMITED
Incorporated in the Republic of South Africa
Registration number: 1998/017276/06
Share code: ADI
ISIN: ZAE000113163

For completion only by shareholders holding certificated ordinary shares, and shareholders that have dematerialised their ordinary shares and have elected own name registration.

I/We (name/s in block letters)

Of (address)

Telephone: Cell:

Being a shareholder of the above-named company and entitled to: (number of votes)

do hereby appoint 1 share = 1 vote

1. of or failing him/her

2. of or failing him/her

3. the Chairman of the meeting

as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the annual general meeting of the Company to be held at the registered offices of the Company, Adapt IT Offices, 5 Rydall Vale Office Park, Rydall Vale Crescent, La Lucia Ridge, KwaZulu-Natal on Friday, 8 November 2013 at 09:00 and at any adjournment or postponement thereof as follows:

		Number of ordinary shares		
Ordinary resolutions	**Agenda item**	**For**	**Against**	**Abstain**
Ordinary resolution 1	Election of director – Oliver Fortuin			
Ordinary resolution 2	Re-election of director – Craig Chambers			
Ordinary resolution 3	Re-election of director – Thembisa Dingaan			
Ordinary resolution 4	Appointment of Bongiwe Ntuli to the Audit and Risk Committee			
Ordinary resolution 5	Appointment of Oliver Fortuin to the Audit and Risk Committee			
Ordinary resolution 6	Appointment of Thembisa Dingaan to the Audit and Risk Committee			
Ordinary resolution 7	Appointment of the nominee of the Audit and Risk Committee as independent registered auditor			
Ordinary resolution 8	Endorsement of remuneration policy			
Ordinary resolution 9	Control of authorised but unissued ordinary shares			
Ordinary resolution 10	Approval to issue ordinary shares, and to sell treasury shares, for cash			
Ordinary resolution 11	Adoption of the Adapt IT Holdings Limited Executive Share Incentive Plan			
Special resolutions	**Agenda item**	**For**	**Against**	**Abstain**
Special resolution 1	Approval of non-executive directors' fees			
Special resolution 2	General approval to acquire own shares			
Special resolution 3	Loans or other financial assistance to directors and related companies			

Signed at on this day of 2013

Signature

Assisted by me (where applicable)

Full name/s of signatory/ies if signing in a representative capacity

NOTES

1. The form of proxy must only be completed by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
2. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the annual general meeting must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. Alternatively the CSDP or broker should provide the beneficial owners with a letter of representation that would enable the shareholder to vote. Kindly note that should the CSDP or broker not have provided the company with the details of the beneficial shareholding at the specific request by the Company such shares may be disallowed to vote subject to the decision by the Chairperson of the meeting.
3. A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies to attend, participate in and vote at the meeting in the place of the shareholder. A proxy need not be a shareholder.
4. The shareholder may insert the names of its proxies in the spaces provided on the proxy form, with or without deleting "the Chairperson of the meeting".
5. In the case of alternate proxies, the person whose name stands first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those proxy/ies whose names follow. Should this space be left blank, the proxy will be exercised by the Chairperson of the meeting.
6. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned.
7. If no voting instruction is indicated then the proxy is authorised to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all of the shareholder's voting rights.
8. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
9. The Chairperson of the annual general meeting may reject any form of proxy which does not comply with these instructions.
10. A shareholder's authorisation to the proxy, including the Chairperson of the annual general meeting, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the annual general meeting.
11. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
12. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's transfer secretaries or waived by the Chairperson of the annual general meeting.
13. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the Company.
14. Where there are joint holders of ordinary shares:
    - any one holder may sign the form of proxy;
    - the vote/s of the senior ordinary shareholder/s (for that purpose seniority will be determined by the order in which the names of ordinary shareholders appear in the Company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote/s of the other joint shareholder/s.
15. Forms of proxy should be lodged with or mailed to Computershare Investor Services (Pty) Ltd:

    Hand deliveries to:
    Computershare Investor Services (Pty) Ltd
    70 Marshall Street
    Johannesburg
    2001

    Postal deliveries to:
    Computershare Investor Services (Pty) Ltd
    PO Box 61051
    Marshalltown
    2107

    to be received by no later than 09:00 on Wednesday, 6 November 2013 (or 48 hours before any adjournment of the annual general meeting, which date, if necessary, will be notified on SENS).
16. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.

General

Herewith more information regarding quorum requirements and voting rights of shareholders.

1. **Quorum requirements**

   In terms of the Company's Memorandum of Incorporation:

   "The quorum for a shareholders' meeting to begin or for a matter to be considered, shall be at least 3 (three) shareholders entitled to attend and vote and present in person. In addition:

- A shareholders' meeting may not begin until sufficient persons are present at the meeting to exercise, in aggregate, at least 25% (twenty five percent) of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the meeting; and
- A matter to be decided at a shareholders' meeting may not begin to be considered unless sufficient persons are present at the meeting to exercise, in aggregate, at least 25% (twenty five percent) of all of the voting rights that are entitled to be exercised in respect of that matter at the time the matter is called on the agenda."

2. **Votes of shareholders**

   In terms of the Memorandum of Incorporation, every shareholder present at the meeting who is entitled to vote shall be entitled to 1 (one) vote on a show of hands, irrespective of the number of voting rights that person would otherwise be entitled to exercise. Should the vote be conducted by poll, each shareholder present at the meeting in person or by proxy shall be entitled to vote in accordance with the voting rights associated with the securities held by that shareholder.

CORPORATE INFORMATION

ADAPT IT HOLDINGS LIMITED
Incorporated in the Republic of South Africa
Registration number 1998/017276/06
Share code: ADI
ISIN: ZAE000113163

COMPANY SECRETARY
Statucor (Pty) Ltd
22 Wellington Road
Parktown
2193

REGISTERED OFFICE
5 Rydall Vale Office Park
Rydall Vale Crescent
La Lucia Ridge
4019
KwaZulu-Natal
South Africa

TRANSFER SECRETARY
Computershare Investor Services (Pty) Ltd
PO Box 61051, Marshalltown, 2107
T +27 (0) 11 370 5000
F +27 (0) 11 688 5200

AUDITORS
Ernst & Young Inc.

CORPORATE SPONSOR
Merchantec Capital
2nd Floor, Corner North Wing
Hyde Park Office Suites
Corner 6th Road and Jan Smuts Avenue
Hyde Park
Johannesburg
2024

CORPORATE BANKERS
The Standard Bank of South Africa Limited
ABSA Bank

LEGAL REPRESENTATIVES
Shepstone & Wylie
Read Hope Phillips Thomas Cadman Incorporated

ADAPT IT WEBSITE
www.adaptit.co.za

REGIONAL OFFICES

Durban
5 Rydall Vale Office Park
Rydall Vale Crescent
La Lucia Ridge
4019
KwaZulu-Natal

T +27 (0) 31 514 7300
F +27 (0) 86 602 8961

Johannesburg
The Braes
Adapt IT House
193 Bryanston Drive
Bryanston
Johannesburg

T +27 (0) 11 460 5300
F +27 (0) 11 460 5301

Pretoria
50 Bushbuck Lane
Monument Park
0181
Pretoria

T +27 (0) 12 425 5600
F +27 (0) 12 460 5377

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www.adaptit.co.za