INTEGRATED ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE

2016

SCOPE AND BOUNDARY

ABOUT THIS REPORT

The Adapt IT integrated annual report for the year ended 30 June 2016 covers information from all operating divisions and where additional information is available, this is clearly indicated. For a comprehensive overview it is recommended that this review is read in conjunction with the information available on the Adapt IT website (www.adaptit.co.za).

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

ASSURANCE

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

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

Adapt IT (Pty) Ltd remains a Level 2 Broad-Based Black Economic Empowerment (B-BBEE) contributor. Verification is carried out by an organisation accredited by the South African National Accreditation System (SANAS).

DIRECTORS' RESPONSIBILITY

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

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

CONTENTS

STRATEGIC FOCUS


ABOUT ADAPT IT

Adapt IT is an innovative, specialised Information Technology (IT) services and solutions provider to a range of industry sectors including: Manufacturing, Education, Financial Services and Energy, in 38 countries around the world. Adapt IT (Pty) Ltd was founded 20 years ago and has grown both organically and acquisitively to form the business of today, in which some divisions have as much as 30 years' experience in the vertical industries they serve.

Adapt IT has formed strategic partnerships with the world's leading technology and business software providers in order to deliver robust, reliable and durable solutions to its customers. The company's differentiated software product and services offerings set Adapt 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. The company strictly adheres to legislative requirements and other applicable regulatory frameworks. Adapt IT is a level 2 B-BBEE company that views empowerment as a strategic imperative and vital component of the continued sustainability of its operations in South Africa. The company also pursues a pragmatic economic growth strategy.

STRATEGIC FOCUS

Adapt IT continues to deliver profitable growth and return on investment through the implementation of a sustainable growth strategy which yields returns above the Information and Communication Technology (ICT) sector average.

The strategy is primarily focused on pursuing organic growth through IT service and product, geographic customer and sector diversification. This approach is complemented by acquiring strategic, synergistic and earnings-enhancing software businesses.

Another key component of the Adapt IT growth strategy is a specific focus on growth in the Public Sector as well as into Africa and the rest of the world.

The strategy is underpinned by the company's values which encourage and drive a high-performance culture, strong corporate governance, a client centric approach, focus on agility, diversity and innovation.

STRATEGIC FRAMEWORK

Vision

To be a **leading innovative** IT services and specialised solutions provider

How

By striving **passionately** to:

- Provide innovative technology solutions
- Deliver positive results to stakeholders
- Ensure good corporate governance

Long-term Corporate Strategy

Four **strategic drivers:**

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

STRATEGIC GOALS

- **Entrench a culture of excellence**

  Excellence in leadership, teamwork and results delivery is key to Adapt IT's success and as such is expected and rewarded appropriately. This includes defining and embedding a high-performance leadership model, against which we can assess, develop and remunerate employees.

- **Delivery of high-performance in all business units**

  Adapt IT strives for high-performance in all business units promoting operational efficiencies which in turn deliver profitable growth and value to stakeholders and customers.

- **Develop a unified customer proposition and experience**

  The company is passionate about developing the best value proposition for customers by building on its history of innovation and resolute customer-centric focus.

- **Share skills and experience across Adapt IT**

  Adapt IT utilises its capabilities across the regions to drive turnover and cost improvements and enhance value propositions.

- **Simplify operating structure to unlock value**

  To unlock the full value for shareholders the business will continue to optimise its operating structure.

VALUES

Underpin its strategy and align with the vision to accelerate Adapt IT's success.

- **Integrity**

  Professionalism and accountability in all business interactions.

- **Passion**

  Resilience in the quest to service customers.

- **Transparency**

  Communicating honestly with stakeholders.

- **Mutual respect**

  Treating stakeholders as the company would like to be treated itself.

- **Solution focus**

  Understanding customers' environments and technologies.

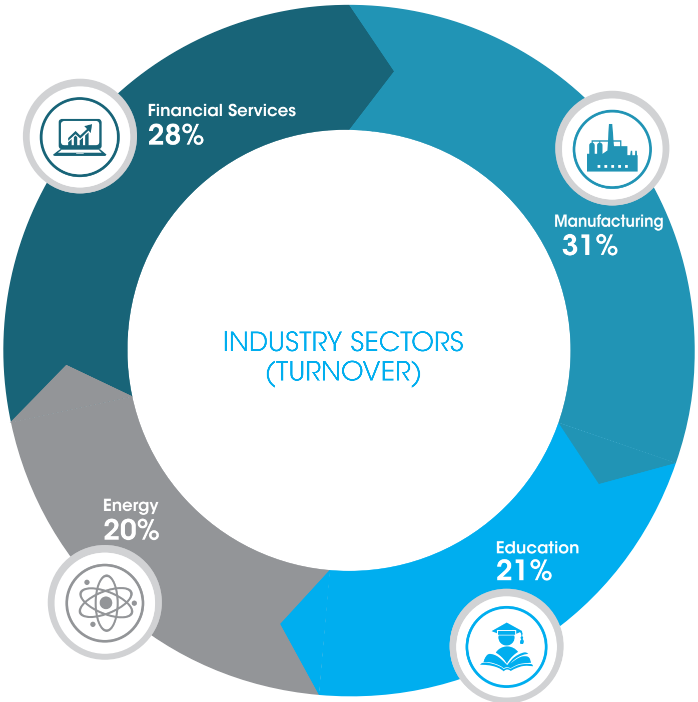
- **People focus**

  Recognition of the individuals that make up Adapt IT and their unique contributions.

- **Good corporate citizenship**

  Putting sustainability at the core of the business ethos.

OUR BUSINESS



DELIVERY PLATFORMS

Web-based Solutions
On premise and Hosted

Cloud Solutions
Software as a Service,
Platform as a Service

Mobile Solutions

On premise
Services and Solutions

GEOGRAPHIC TURNOVER

73%
South Africa

13%
Other African countries

7%
The Americas

5%
Australasia

2%
Europe

TECHNOLOGY PARTNERSHIPS

Adapt IT is a Microsoft Certified Gold and Cloud Partner, with specific competencies in Application Development, Midmarket Solution provisioning and Business Intelligence (BI). This enables us to offer our clients a comprehensive range of highly accredited independent technical support for Microsoft and multi-vendor products. Our Microsoft experts have proven expertise through certifications and successful customer implementations and are fully able to deliver solutions to meet our customers' technology challenges.

Adapt IT is an Oracle Gold Partner and Independent Software Vendor (ISV) which equips us 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.

Adapt IT's IBM partnership enables us to develop next generation applications for big data and analytics while 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.

Adapt IT is a SAP® Certified Hosting and BPO Partner, offering complete cloud-based solutions, including SAP certified fast-start templates to reduce implementation timelines. Additionally, we are able to design and implement solutions for Human Capital Management (HCM), Oil & Gas and Supply Chain industries as well as support services to a number of multinational companies across multiple industries.

SPECIALISED SERVICES AND SOLUTIONS

Adapt IT provides high-performance solutions that add real business value.

Software Services

- Business and Technical Advisory
- Application Development
- Business Intelligence (BI)
- Cloud Computing
- Development and Integration
- ERP Support
- Human Capital Management (HCM)
- Recruitment
- Training and Development

Solutions

Adapt IT Timetabling	*CELCAT solutions*
Artena	*Student management systems*
ITS Integrator	*Higher Education ERP*
ITS Mobile	*Real time information via mobile devices*
InfoSlips	*System-generated information and notifications*
Fuel-FACS	*Terminal Automation Software*
Oil-in-One	*SAP Downstream Oil Template*
SAP IS Oil & Gas	*Oil & Gas industry value chain solution*
CQS Caseware, ACL & Confirmations.com	*Audit and Risk management software*
IBM® Cognos®	*Business Intelligence, analytics and performance management*
IBM® Mid-market Solutions	*Business Analytics Solutions for Mid-size Business*
Microsoft BI	*Enterprise Business Intelligence and Analytics*
Motio™	*Optimising the quality, scalability and security of IBM Cognos*
CaneLab	*Weighbridge and Cane Testing Solution*
OpSuite, Intellipermit	*Plant Operations and Safety*
Tranquillity	*Process Manufacturing Enterprise Resource Planning (ERP)*
Ventyx™ Ellipse	*Enterprise asset management (EAM) solution*

NON-FINANCIAL HIGHLIGHTS

Social responsibility **R1,2 million** donated to Adopt-a-School

Level 2 BEE contributor score improved

Uyandiswa Black woman-owned Uyandiswa grew threefold

STRATEGIC ACHIEVEMENTS

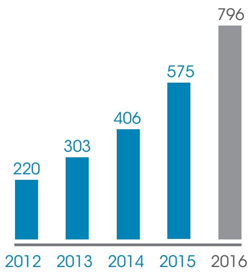
- Adapt IT was awarded Oracle's Middleware Partner Excellence Award for 2015 at Oracle South Africa's Partner Day
- Increasing the Education sector market penetration in the African and FET market
- Increasing penetration in the Financial Services sector
- Strategic entry into the Audit and Accounting sector
- Financial Mail ranked Adapt IT 7th in their Top Companies awards in July 2015
- Adapt IT featured in the Top 150 "Most Attractive Employers Ranking" of an independent in June 2016
- Durban business community recognised Adapt IT's Business Excellence at the Durban Chamber of Commerce and Industry's 160th anniversary celebrations
- Adapt IT Energy obtained SAP Business All-in-One Partner Solution certificate for Oil & Gas
- Improved business development capacity into Africa – opened a Botswana subsidiary
- Streamlined by amalgamating 12 operating subsidiaries
- Enterprise development investment in black woman-owned project management consultancy which grew threefold
- Increased Adapt IT Brand penetration

FINANCIAL HIGHLIGHTS

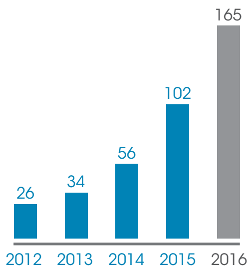
GROUP HIGHLIGHTS		2016	2015*	% Change
Basic earnings per share	(cents)	**57,61**	42,34	36,1
Headline earnings per share	(cents)	**57,54**	42,31	36,0
Dividends paid per share	(cents)	**10,90**	8,23	32,4
Earnings before interest, tax, depreciation and amortisation (EBITDA) margin	(%)	**20,74**	17,80	16,5
Operating profit margin	(%)	**17,13**	15,03	14,0
Return on assets	(%)	**10,26**	12,27	(16,4)
Net asset value	(R'000)	**472 688**	321 094	47,2
Liquidity ratio	(times)	**0,86**	1,08	(20,4)
Turnover	(R'000)	**796 178**	575 324	38,4
EBITDA	(R'000)	**165 140**	102 385	61,3
Operating profit	(R'000)	**136 389**	86 500	57,7
Profit for the year	(R'000)	**80 957**	52 679	53,7

* *Restated for measurement period adjustment, refer note 32.*

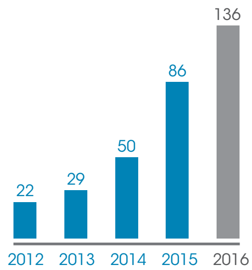
TURNOVER
(Rm)



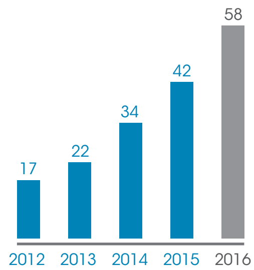
EBITDA
(Rm)



OPERATING PROFIT
(Rm)



BASIC EARNINGS PER SHARE
(cents)



STAKEHOLDER ENGAGEMENT

INTRODUCTION

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

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

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

IN CONCLUSION

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

DIRECTORATE

CRAIG CHAMBERS 44

CFA, PDM, BCom

Independent non-executive Chairman

Appointed to the Board
3 May 2011

Craig is a certified Chartered Financial Analyst, having obtained a BCom degree majoring in accounting from the University of the Witwatersrand and a postgraduate Business Administration Certificate (PDM) from Wits Business School. Craig has been an asset manager for 20 years, with five years at Standard Corporate and Merchant Bank (SCMB) Asset Management as a Unit Trust Manager. Craig is a certified director via the Institute of Directors (IoDSA) and is currently head of international distribution at Old Mutual Investment group. In October 2012, Craig was appointed independent non-executive Chairman of Adapt IT Holdings Limited.

Chairman of the Nominations Committee

Member of the Remuneration Committee

BONGIWE NTULI 38

CA (SA)

Independent non-executive director

Appointed to the Board
27 May 2008

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

Chairperson of the Audit and Risk Committee

Member of the Nominations Committee

Member of the Remuneration Committee

CATHERINE KOFFMAN 45

BA, LLB, LLM, Admitted Attorney

Independent non-executive director

Appointed to the Board
9 February 2015

Catherine is a qualified attorney, having obtained a primary law degree, and Masters in Law at the University of the Witwatersrand. Catherine has 20 years' experience in the legal, commercial and financial services sectors. She joined Arthur Andersen (later KPMG) in 1999 as a tax lawyer and in 2004 Catherine joined Nedbank Capital as Internal Legal Counsel supporting the Infrastructure Project Finance team in evaluating and structuring limited recourse transactions. In 2009, she joined Hadith General Partners, a sub-Saharan African private equity infrastructure developer and portfolio manager, as the Investment Director: Legal. In January 2015, Catherine was appointed as the Head of Infrastructure and Telecommunications Project Finance at Nedbank Limited.

Chairperson of the Remuneration Committee

Member of the Audit and Risk Committee

Member of the Nominations Committee

OLIVER FORTUIN 49

MBA

Independent non-executive director

Appointed to the Board
8 February 2013

Oliver has in excess of 26 years' experience in the technology industry, having held various leadership positions in the ICT sector. Having been with the IBM Corporation for over 17 years, Oliver has held various executive positions including General Manager of the IBM PC business for Africa as well as General Manager of IBM South Africa and sub-Saharan Africa. Oliver was a Hewlett Packard South Africa Director for HP Services, and headed HP's Technology Services group (TSG) and also served as Managing Director of Hewlett Packard South Africa. Oliver is the former Managing Director of i1 Solutions (a privately owned technology company) and has been director and Lead Independent Non-Executive director for the Ellis Holdings group since April 2011. In May 2014, Oliver was appointed Managing Director of British Telecommunications sub-Saharan Africa.

Chairman of the Social and Ethics Committee

Member of the Audit and Risk Committee

SIBUSISO (SBU) SHABALALA 43

BCom

Chief Executive Officer

Appointed to the Board
5 December 2007

Sbu attained a Bachelor of Commerce degree and a postgraduate diploma in Financial Information Systems. With over 21 years IT experience, Sbu joined the group where he gained project management expertise in the implementation of Oracle applications throughout the Illovo group, with operations in various African countries. He founded Adapt IT 12 years ago as a black-owned SME in the IT sector. As Managing Director, Sbu grew Adapt IT (Pty) Ltd into a successful ICT business. Through a merger with InfoWave Holdings in 2007, Sbu effected the listing of Adapt IT onto the Johannesburg Stock Exchange (JSE) and has been Chief Executive Officer and Director of Adapt IT Holdings Limited since January 2008.

TIFFANY DUNSDON 45

CA (SA)

Financial Director

Appointed to the Board
18 April 2002

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

NOMBALI MBAMBO 34

CA (SA)

Chief Financial Officer elect

Appointed to the Board
18 August 2016

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

CHAIRMAN'S REPORT

"2016 marks a double celebration of success. Not only is it 20 years since Adapt IT commenced trading, but it is also the 30th anniversary of the founding of our business which serves the education sector"

Craig Chambers
Chairman, Board

In this anniversary year we reflect on where the collective efforts of our people have brought us, having evolved from the array of entrepreneurial businesses on which the Adapt IT group has been built, with strong integration, collaboration, transformation and perseverance.

It is this very solid foundation and the implementation of the company's sustainable growth strategy which has led to continued strong organic growth and the strategic acquisition of the CQS group in 2016. This resulted in another strong performance, enhancing both shareholder returns and sustainability. The Board is committed to seeing Adapt IT's plan of growing to be a major player within the ICT industry in South Africa and beyond, coming to fruition.

PERFORMANCE OVERVIEW

Headline earnings per share grew 36% (2015: 22%), which is well above the average for the ICT sector and attracting an increasing institutional following.

It is pleasing to see the results of the focused pursuit of the Adapt IT strategy consistently increasing shareholder value. This is good news for all stakeholders as continued profit expansion leads to more ICT employment opportunities being created, stronger dividend flows, a more significant budget for our social responsibility projects and better long-term sustainability.

Despite the challenging economic environment and adverse market cycles in particular industries, we continue to drive efficiencies, win new business and service our existing customers with core, value adding software solutions. This allows us to sustain turnover growth year on year and provides the stable, high-performing business platform which attracts like-minded high-performance entrepreneurial software businesses that can leverage our B-BBEE credentials, listed platform and strong track record of unlocking synergistic growth.

We continue to expand into foreign markets, which represent 27% of Adapt IT's turnover, with a specific focus on the rest of Africa. We provide software and services to 22 other African countries and a total of 38 countries worldwide. This organic growth into countries outside of South Africa is a key factor in diversifying risk and growing our hard currency-based revenues.

During the year we acquired CQS which now forms part of the Adapt IT Financial Services division. We also acquired two other small businesses, one of which is New Zealand based Meta Office, which adds additional intellectual property for the education sector. The second one is a telecommunications management business, Multimatics.

Adapt IT is well diversified and strongly 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 moral manner and to this end, endorse its compliance with King III and preparation for King IV.

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. We believe that commitment to all our stakeholders is fulfilled by intentionally strengthening our reputation as a trusted company in touch with the evolving needs and aspirations of our society. As a consequence – time, effort and money are invested in responding to the needs of all stakeholders. This integrated annual report reflects the progress made this year towards integrated sustainability reporting. We have also paid particular attention to aligning with the new B-BBEE Codes.

DIRECTORATE

During the period under review there were no changes to the composition of the Board. On the 18th of August 2016, and following a six month induction period, Nombali Mbambo was appointed, effective on this date, to the Board as Chief Financial Officer. The Board looks forward to her valuable contribution to Adapt IT in the years to come. Tiffany Dunsdon's role reverts to the one she held previously, namely, Commercial Director.

DIVIDENDS

The Board declared ordinary dividend number 14 of 13,40 cents per share payable in September 2016 and further detailed on page 53. This represents a four times dividend cover ratio. The company has a policy of declaring a dividend at the end of the financial year and not at the interim reporting date.

ANNUAL GENERAL MEETING

Our annual general meeting will be held on 25 November 2016. Notice of the meeting appears on page 111.

OUTLOOK

In the face of challenging market conditions, we will continue to pursue our strategy of enhancing our competitive position across all sectors in which we operate in order to deliver real growth – through organic expansion and value accretive acquisitions. 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 optimistic as we continue to build upon the strong foundation we have established to create a sizeable, leading ICT business.

APPRECIATION

Adapt IT is in the hands of a high quality Board. I wish to thank my fellow Board members for their support and expert 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 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 ongoing support of Adapt IT.

Craig Chambers
Independent non-executive Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

"Delivering growth and value in a challenging environment"

Sbu Shabalala
Chief Executive Officer

INTRODUCTION

Adapt IT again delivered a strong financial performance in the 2016 financial year. This was achieved, despite challenging market conditions, through the implementation of the sustainable growth and diversification strategy.

Adapt IT's strategy aims to deliver profitable growth, with returns that are higher than the average currently being attained in the South African ICT market, through pursuing organic and acquisitive growth opportunities.

Strategic achievements in the review period included:

- Simplifying the business and enhancing operational efficiencies through the amalgamation of 12 operating companies into the main operating subsidiary. This integration also generated synergies;
- Enhancing presence in the Financial Services segment through the CQS acquisition;
- Retaining a Level 2 B-BBEE rating; and
- Improving the business geographic reach across Africa and the rest of the globe.

GROUP FINANCIAL PERFORMANCE

Turnover for the year increased strongly by 38% to R796 million with annuity turnover representing a healthy 55% (2015: 52%) of total turnover.

Operating profit grew 58% to R136 million increasing the operating margin from 15% to 17%. Basic headline earnings per share grew 36%, which is substantially above the average for the ICT sector.

REVIEW OF OPERATING DIVISIONS

Adapt IT's operational model is one of 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 a turnkey Enterprise Resource Planning (ERP) product, ITS Integrator, and services to the Higher and further Education sector worldwide.

The division delivered an improved operating profit of R30 million for the year over the previous R27 million.

THE MANUFACTURING SEGMENT

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

The division improved project delivery efficiencies to existing accounts. New business was slower than expected as this sector continues to be under pressure. Operating profit increased from R28 million to R38 million, aided by the full year consolidation of AspiviaUnison.

THE FINANCIAL SERVICES SEGMENT

The Financial Services division provides Business Intelligence (BI) solutions and services to the South African Financial Services sector. The acquisition of CQS has increased the contribution of this segment significantly. This move will also augment the group's offerings in the Financial Services and Public Sector markets by providing expansion into the auditing and accounting professions with a broader range of software offerings.

The market conditions within the Financial Services segment improved with operating profit increasing to R34 million from R14 million, aided by the CQS acquisition.

THE ENERGY SEGMENT

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

The Energy sector had a marked improvement in performance in the global downstream market. The division contributed R38 million to operating profit (2015: R24 million).

POSITIONED FOR FURTHER GROWTH

Adapt IT is implementing an organic growth strategy that aims to achieve the following key objectives:

- To consolidate the sector focus in Education; Manufacturing, Financial Services and Energy;
- To grow the Public Sector focus;
- To extend the company's reach in the rest of the African markets; and
- To leverage technology vendor partnerships and extend the software service offerings.

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

- To acquire profitable businesses with "blue-chip" customers and thereby improve market presence;
- To remove entry barriers into new markets and geographies;
- To acquire intellectual property and diversify the technology offering; and
- To extend our offering of IT products and services 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 the company for long-term success. Adapt IT continues with its commitment to boost stakeholder value through growing the business and profit sustainably.

FUTURE PROSPECTS

Adapt IT expects to continue to grow solution and services revenue organically, whilst prudently exploring diversification opportunities into identified growth sectors through an acquisitive growth strategy.

The company's Board and executive management believe Adapt IT is well positioned to continue to pursue improved performance well into the future.

OPERATIONAL EFFICIENCY

Adapt IT has adopted a shared services model in order to meet internal customer satisfaction expectations; reduce administration costs through simplification and standardisation of best practices that align with governance policies within the organisation. We believe this approach will facilitate the integration of mergers and acquisitions, rationalise the company's operating model, whilst securing a return on investments on the deployment of technology. All of this serves to position Adapt IT for further success.

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

KEY ELEMENTS OF THE GROUP'S STRATEGY

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

The Adapt IT Board has the appropriate organisational profile and skill set to deliver on the growth strategy, supported by each of the operating divisions: Education, Manufacturing, Financial Services and Energy, all of which have operational executives responsible for 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 the key markets of: Education, Manufacturing, Financial Services and Energy. The purpose of this approach is 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

CHIEF EXECUTIVE OFFICER'S REPORT continued

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. The company, therefore, views each of the existing businesses as "growth engines" and encourages this with the proven entrepreneurship that exists within Adapt IT.

STRUCTURED TECHNOLOGY DIVERSIFICATION

To supplement our existing intellectual proprietary products, we leverage our partnerships with major multinational Information Technology (IT) vendors, namely: IBM, Microsoft, Oracle and SAP®. This improves the company's outsourcing capabilities and customer service. It also serves to promote 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 assuring successful technology diversification.

EARNINGS ENHANCING ACQUISITIONS

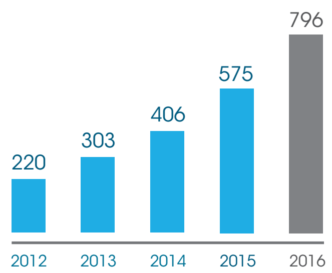
The Commercial Department manages an established acquisition process, across all of the company's operating divisions, working with operational and service management on due diligence and integration implementation plans, in order to integrate all acquisitions swiftly and successfully.

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

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

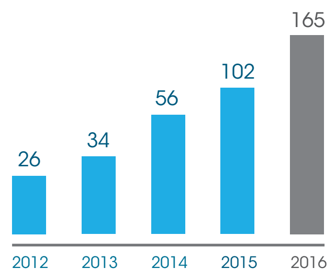
The acquisition criteria targets companies with sound management capabilities and successful underlying business models which can benefit from leveraging off the platform of a larger, well managed, entrepreneurial IT company.

TURNOVER (Rm)



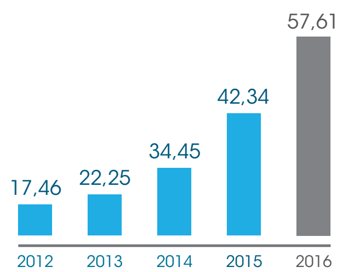
Growth in turnover
Compound annual growth of 36% per annum over five years.

EBITDA (Rm)



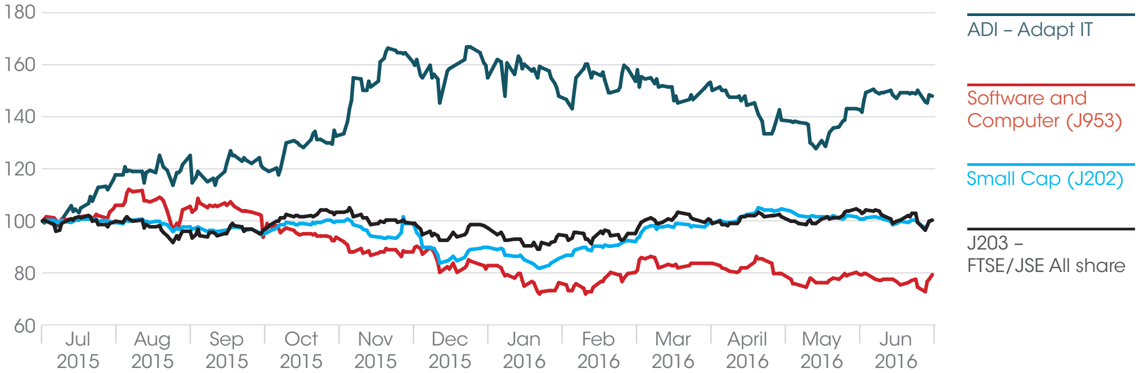
Operating profit (EBITDA)
Compound annual growth of 56% per annum over five years.

EARNINGS PER SHARE (cents)



Earnings per share
Compound annual growth of 38% per annum over five years.

Share movement based to 100



STRATEGIC KEY PERFORMANCE INDICATORS (KPIS)

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

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

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

Non-financial metrics: the Board and divisional executive teams monitor the environmental, employee and social aspects of the company's operations, and have adopted the most appropriate aspects of the GRI framework and guidelines in describing the organisation's activities and operations. B-BBEE is the most significant social matter and business imperative facing the business.

INVESTMENT CASE

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

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

APPRECIATION

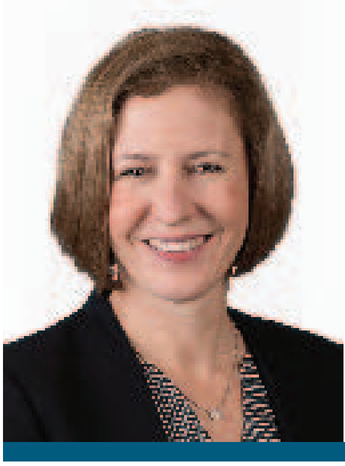
On behalf of Adapt IT, I take this opportunity to thank members of the Board for their leadership, the group and divisional executives for their dedication.

I extend my most grateful thanks to the Adapt IT staff, both long serving and new, without whose hard work, team spirit, expertise, 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 long term sustainable business value. Thanks also to our partners and service providers for their continued support in achieving this goal.

Sbu Shabalala
Chief Executive Officer

FINANCIAL DIRECTOR'S REPORT



"Adapt IT has become a robust business through diversification and the sustainability of earnings across all segments"

Tiffany Dunsdon
Financial Director

INTRODUCTION

The 2016 financial year showed strong turnover growth and profitability due to the consistent pursuit of Adapt IT's strategy. The company acquired 100% of CQS Investment Holdings (Pty) Ltd and its subsidiaries (CQS), from 31 December 2015, for a maximum consideration of R217 million. This serves to augment the group's offerings in the Financial Services and Public Sector markets by facilitating diversification into the auditing and accounting professions whilst also enhancing Adapt IT's technology portfolio.

FINANCIAL PERFORMANCE

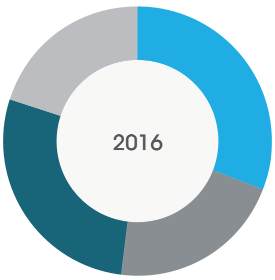
Turnover increased by 38% to R796 million from R575 million, 9% being due to organic growth and 29% from acquisitions. The compound annual growth rate for turnover over five years is 36%. The segmental analysis of turnover is provided on page 104, and shown graphically below, demonstrating a good balance and spread of risk. The AspiviaUnison group met 109% of its second profit warranty in the 22 months since acquisition.

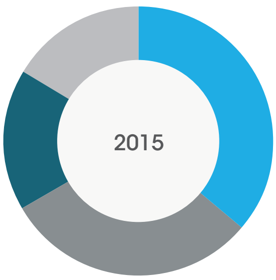
The Aquilon companies met 100% of their final performance warranty in the period from 1 July 2015 to 30 June 2016.

CQS performed in line with expectations for the six month period. It has a historic profit profile of three quarters of profit falling in the first half of a calendar year due to annual software licence renewal dates falling predominantly into this period.

Foreign turnover comprises 27% of total turnover. 49% of this was from other African countries. Foreign currency gains in the period totalled R4,1 million (2015: R0,4 million loss). The foreign currency exposure at year-end totalled R26 million (2015: R4 million) and is set out on page 103.

Profit from operations improved by 58% to R136 million (2015: R86 million) and operating profit margin improved to 17% (2015: 15%).





TURNOVER BY SEGMENT	2016 %	2015 %
Manufacturing	**30**	37
Education	**22**	27
Financial Services	**28**	17
Energy	**20**	19

Interest-bearing borrowings increased to R165 million. Finance costs increased to R22 million (2015: R11 million). The main reason for this was interest on facilities utilised to fund acquisitions and working capital.

The effective tax rate increased to 35% (2015: 33%), mainly due to expenses of a capital nature which related to acquisition costs. No tax losses were utilised in the current year (2015: R5 million).

Profit attributable to ordinary shareholders of R79 million was 44% up on the prior year (2015: R55 million). The increase in earnings per share (EPS) is 36% (2015: 23%).

FINANCIAL POSITION

Equity attributable to the company shareholders increased from R321 million to R467 million. This was primarily a result of the total comprehensive income of R79 million (2015: R55 million) and three fresh share issues. In respect of the second tranche of the Aquilon share consideration, 3 653 538 shares were issued in August 2015. This was after the Aquilon consideration was reduced by 29% (R5 million) in line with actual performance in the second warranty period. A further 7 020 442 shares were issued in respect of the CQS acquisition in December 2015. In June 2016, 186 413 shares were issued to two CQS executives under an earn-in bonus scheme.

The 13th dividend of 10,90 cents per share, covered four times by earnings, was paid to shareholders in September 2015. The 14th dividend of 13,40 cents per share, on a four times dividend cover ratio, will be paid to shareholders in September 2016.

Deferred income increased from R65 million to R67 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. The related service obligation extends six months beyond financial year-end. Furthermore, there are certain project revenues, plus other licence and support revenues, received in advance – across various divisions.

The business is not capital intensive. The property and equipment policy is consistent with the prior year and there have been no material changes to the useful life of any property and equipment. R8 million (2015: R4 million) worth of property and equipment was acquired during the year. Total capital commitments of R13 million, disclosed on page 98 relate mainly to computer equipment, and will be financed through internal cash resources.

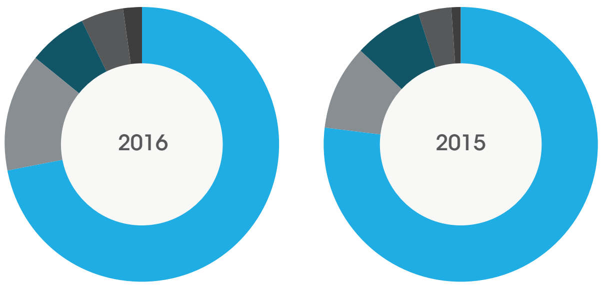
Intangible assets include R103 million arising from the allocation of value to intangible assets at acquisition, relating mainly to the CQS acquisition. Refer to page 92 for further details.

Goodwill increased from R277 million to R473 million due to the CQS acquisition. The consideration paid for CQS effectively included amounts in relation to the benefit of the expected synergies, revenue growth, new market penetration and future market development.

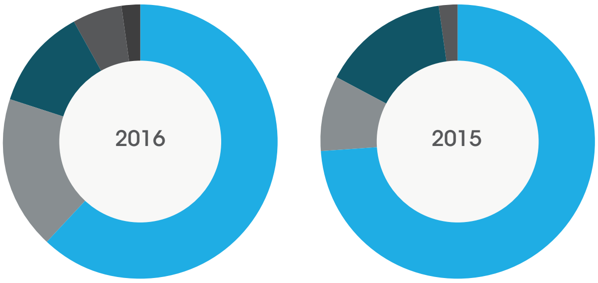
Trade and other receivables increased from R112 million to R171 million largely due to the acquisition of CQS. The average debtors' days outstanding at the end of the year deteriorated to 72 days (2015: 60 days) mainly due to customer process changes. Management believes the provision for impairment is adequate. The ageing of the debtors is provided on page 101 and compared to the prior year. Trade receivables by geographic area were as set out on page 18.

TURNOVER BY GEOGRAPHY

	2016 %	2015 %
South Africa	**73**	77
Other African countries	**13**	10
The Americas	**7**	8
Australasia	**5**	4
Europe	**2**	1



FINANCIAL DIRECTOR'S REPORT continued



TRADE RECEIVABLES BY GEOGRAPHIC AREA	2016 %	2015 %
South Africa	**62**	74
Other African countries	**18**	9
The Americas	**12**	15
Australasia	**6**	2
Europe	**2**	–

BORROWINGS, CASH FLOW AND LIQUIDITY

The gearing ratio is currently at 35% (2015: 8%). Adapt IT has borrowing capacity (limited to a gearing ratio of 50%) to fund further growth, however, in addition to borrowings, it is envisaged that additional equity will be raised, based on the acquisitive growth plans.

Cash generated from operations after working capital changes, increased to R174 million from R105 million in 2015.

Net cash and cash equivalents increased from R29 million to R78 million.

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

FINANCIAL CONTROLS AND RISK MANAGEMENT

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

The internal audit approach has been dealt with under the Audit and Risk Committee Report. The financial risk management is covered on page 100 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 keeping with IFRS and consistent with those used in the previous financial year. The adoption of new or revised accounting standards, interpretations and circulars have been described on pages 70 and 71.

GOING-CONCERN ASSERTION

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

AMALGAMATION

The group undertook a restructure, which was effective on 1 July 2015. This resulted in greater operational and governance efficiencies and strengthened internal controls. The restructure was undertaken by amalgamating 11 subsidiaries into the main operating company, as divisions of Adapt IT (Pty) Ltd. This improved the go-to-market position of the business, as well as internal communication and collaboration.

CONCLUSION

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

I take this opportunity to welcome Nombali Mbambo as the incoming Chief Financial Officer after a six month induction and handover period. I have every confidence in her and look forward to working alongside her in my role as Commercial Director going forward.

Tiffany Dunsdon
Financial Director

FIVE-YEAR REVIEW

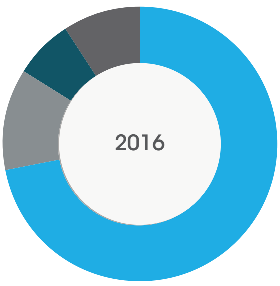
		30 June 2016	30 June 2015*	30 June 2014	30 June 2013	30 June 2012
Operating results						
Revenue	(R'000)	**803 338**	578 049	408 546	306 035	224 769
Turnover	(R'000)	**796 178**	575 324	406 301	303 402	219 614
Earnings before interest tax, depreciation and amortisation (EBITDA)	(R'000)	**165 140**	102 385	55 834	34 445	25 556
Operating profit	(R'000)	**136 389**	86 500	49 688	29 400	22 207
Profit for the year	(R'000)	**80 957**	52 679	38 123	24 091	18 143
Profit attributable to equity holders of the parent	(R'000)	**78 357**	52 679	38 123	24 091	18 143
Headline earnings	(R'000)	**78 259**	52 639	38 235	24 112	18 126
Cash generated from operations	(R'000)	**173 602**	105 387	60 642	36 662	29 237
Financial position						
Total equity	(R'000)	**472 688**	321 094	185 101	92 234	70 161
Total assets	(R'000)	**964 877**	561 852	296 726	178 723	146 878
Total current assets	(R'000)	**259 556**	153 805	111 485	92 038	86 828
Total liabilities	(R'000)	**492 189**	240 758	111 626	86 489	76 717
Total current liabilities	(R'000)	**301 422**	141 809	107 064	82 742	72 334
Financial ratios						
EBITDA margin	(%)	**20,74**	17,80	13,74	11,35	11,64
Operating profit margin	(%)	**17,13**	15,03	12,23	9,69	10,11
Return on equity	(%)	**19,74**	20,81	27,49	29,67	30,67
Return on assets	(%)	**10,26**	12,27	16,04	14,80	14,37
Gearing ratio	(%)	**34,94**	7,58	3,94	0,70	2,59
Average debtors days	(days)	**71,92**	60,07	78,86	78,54	75,91
Solvency ratio	(times)	**1,96**	2,33	2,66	2,07	1,91
Liquidity ratio	(times)	**0,86**	1,08	1,04	1,11	1,20
Number of permanent employees	(number)	**664**	450	357	313	277
Share performance						
Number of shares in issue at year-end	('000)	**140 062**	129 201	111 499	108 226	108 440
Basic earnings per share	(cents)	**57,61**	42,34	34,45	22,25	17,46
Diluted basic earnings per share	(cents)	**55,28**	41,33	33,48	22,25	17,46
Headline earnings per share	(cents)	**57,54**	42,31	34,55	22,27	17,45
Diluted headline earnings per share	(cents)	**55,21**	41,30	33,58	22,27	17,45
Net asset value per share	(cents)	**337,49**	248,52	167,25	85,18	67,52
Tangible net asset value per share	(cents)	**(34,18)**	47,70	46,73	47,88	45,29
Closing share price at year-end	(cents)	**1 242**	842	774	235	122
Dividend per share (paid)	(cents)	**10,90**	8,23	5,56	4,84	2,84

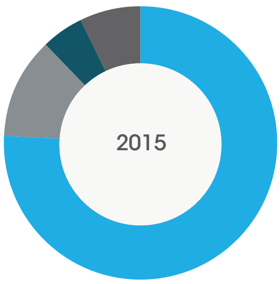
** Restated for measurement period adjustment, refer to note 32.*

VALUE-ADDED STATEMENT

	Group 2016 R'000	%	Group 2015* R'000	%
Turnover	796 178		575 324	
Less:				
Net cost of products and services	(264 506)		(169 587)	
Value added	531 672		405 737	
Wealth created	531 672		405 737	
Applied to:				
Employees				
Salaries, wages and other benefits	384 779	72,4	313 414	77,2
Providers of capital	36 779	6,9	20 775	5,1
Interest on borrowings	22 298	4,2	11 247	2,8
Dividends to shareholders	14 481	2,7	9 528	2,3
Government				
Taxation	46 238	8,7	28 397	7,0
Income taxation: normal and deferred	41 930	7,9	25 468	6,3
Skills development levies	4 308	0,8	2 929	0,7
Retained in the group	63 876	12,0	43 151	10,6
Wealth distributed	531 672	100,0	405 737	100,0

** Restated for measurement period adjustment, refer to note 32.*





VALUE-ADDED	2016 %	2015 %
Salaries, wages and other benefits	72	77
Retained in the group	12	11
Providers of capital	7	5
Taxation	9	7

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 to sustainable growth of 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 2016 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.

- Significant elements of a combined assurance model have been developed, but require further maturation in 2017;
- The reporting on and the provision of assurance over non-financial sustainability issues other than B-BBEE are the responsibility of the Audit and Risk Committee. Independent assurance in respect of sustainability reporting beyond the existing scope is not considered to be necessary at this stage; and
- The Board has not formalised a climate change strategy. Other than locating our head office and operations in a green building in La Lucia, Durban. The businesses by their nature are not natural resource intensive nor do they create any significant pollution.

The group's corporate governance structure during the reporting period is represented in the following diagram:

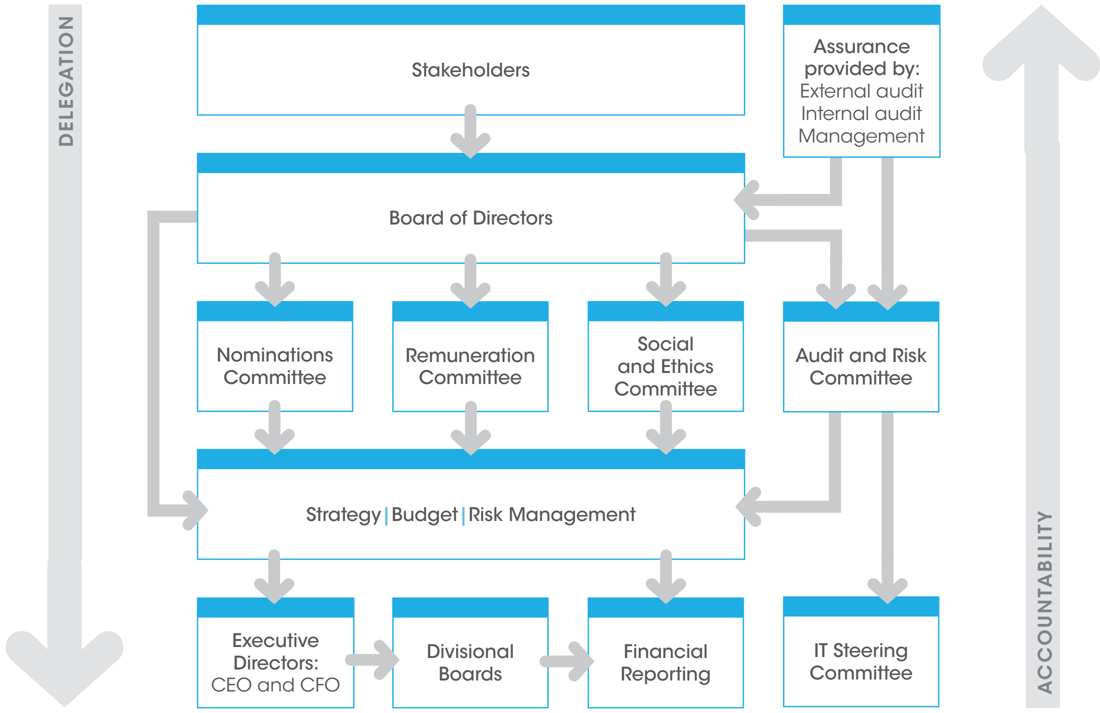
GOVERNANCE FRAMEWORK
Board of directors
Independent non-executive directors
C Chambers (Chairman)
B Ntuli
C Koffman
O Fortuin
Executive directors
S Shabalala (CEO)
T Dunsdon (Financial Director)
BOARD COMMITTEES
Audit and Risk Committee
B Ntuli (Chairperson)
C Koffman
O Fortuin
Remuneration Committee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

BOARD OF DIRECTORS

COMPOSITION

The Board comprises four independent non-executive directors and three executive directors following the appointment of Nombali Mbambo as executive director and Chief Financial Officer as announced on SENS on 18 August 2016. 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.

Adapt IT Corporate Governance Structure



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

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 an annual basis. The Board Charter includes principles recommended by King III and sets out the powers and authority of the Board. It also provides a clear and concise overview of the roles and responsibilities of the Board members.

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

The powers and responsibilities of the Board include the following:

- Giving direction to the company through management and approving the strategic plan of the 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 Board convenes additional meetings for special purposes when necessary. The Audit and Risk Committee met four times; the Social and Ethics Committee met twice and the Remuneration Committee and the Nominations Committee held one meeting each during the year.

BOARD MEETING ATTENDANCE		
Director	Attended	Held
C Chambers	4	4
B Ntuli	3	4
C Koffman	4	4
O Fortuin	3	4
S Shabalala (CEO)	4	4
T Dunsdon (FD)	4	4

BOARD AND COMMITTEE EVALUATION

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

REGULATORY COMPLIANCE

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

DELEGATION OF AUTHORITY

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

COMMITTEES

The Audit and Risk Committee was formally appointed in terms of the Companies Act at the annual general meeting held on 6 November 2015.

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 47 to 49.

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

REMUNERATION COMMITTEE

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

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

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

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

NOMINATIONS COMMITTEE

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

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

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

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

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

SOCIAL AND ETHICS COMMITTEE

The Social and Ethics Committee is accountable for ensuring the existence of an ethical and responsible relationship between 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 experienced by designated groups, so ensuring their equitable representation at all levels in the workplace. It addresses training and development, a safe and healthy workplace and employee wellbeing.

The committee oversees B-BBEE of 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.

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

CORPORATE GOVERNANCE continued

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, Financial Director and Regional Executives.

COMPANY SECRETARY

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

The Company Secretary function is outsourced to Statucor (Pty) Ltd (Statucor). Statucor's client base includes listed and non-listed entities whom they advise in accordance with the Companies Act No 71 of 2008, as well as the provisions of the South African Corporate Business Administration as defined by the Southern African Institute of Chartered Secretaries and Administrators. Their approach delivers an informed interpretation of the Combined Code (set of principles of good corporate governance), with specific attention being paid to King III. They use a structured approach to implementing and maintaining a sound system of corporate governance, which allows the Board to highlight the actions needed by the business to comply with the requirements of King III. Statucor is considered by the Board to be suitably qualified and experienced to carry out the function of Company Secretary.

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

MANAGEMENT REPORTING

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

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 Listings Requirements, 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 has outsourced the provision of internal audit services to an appropriately qualified external service provider, KPMG Services (Pty) Ltd.

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

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

Internal audit activities are performed in compliance with International Standards for the Professional Practice of Internal Auditing methodology and standards required by the Institute of Internal Auditors South Africa. 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 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 2016 financial year was to improve collaboration with management, other internal assurance providers and the group's external auditor to ensure optimal coverage of the key risks and minimal duplication of effort. The purpose of this collaboration was the development of a meaningful combined assurance model and plan, on which good progress has been made.

INFORMATION TECHNOLOGY (IT) GOVERNANCE

The Board recognises that IT is an integral part of conducting business at Adapt IT, as IT is fundamental to the support, sustainability and growth of the organisation. IT serves all aspects, components and processes in the organisation and is therefore not only an operational enabler for 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, comprised the Chief Executive Officer, key senior management and technical specialists, oversees the IT strategy and its implementation; and
- The IT Steering Committee reports to the Audit and Risk Committee.

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

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

CORPORATE GOVERNANCE continued

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

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

SUSTAINABILITY REPORT OVERVIEW

"Adapt IT has delivered strong financial results and advanced its B-BBEE transformation programme steadily over the past year."

Oliver Fortuin
Chairman Social and Ethics Committee

OUR APPROACH TO SUSTAINABILITY

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

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

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

STRATEGIC SUSTAINABILITY ISSUES IN 2016

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

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

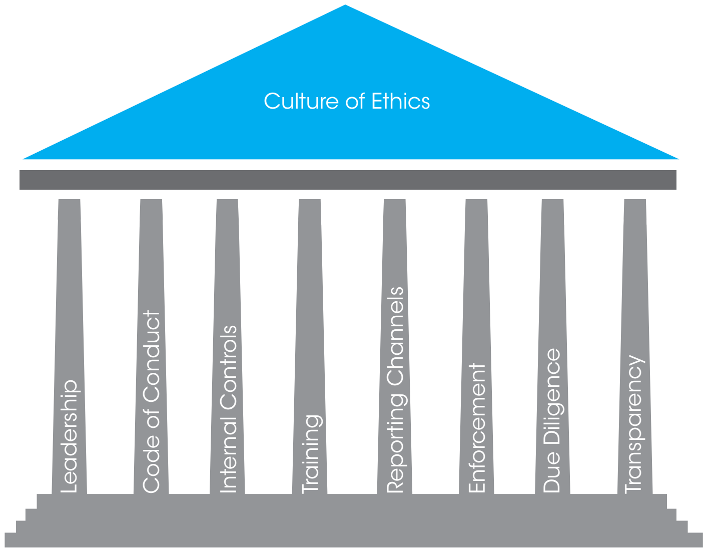
Planet
- Minimising waste
- Monitoring water usage
- Reducing our carbon footprint
- Conserving energy
- Biodiversity

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

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

PROSPERITY

ECONOMIC SUSTAINABILITY



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

ECONOMIC PERFORMANCE

The financial performance of the group which is covered extensively in this integrated annual report is positive and consistent with the long track record of good performance. The Board believes that the well diversified base of the business and the strong leadership capability across the group positions it well to continue to succeed in the years ahead.

VALUE-ADDED ANALYSIS AT A GLANCE

Adapt IT generated wealth of R532 million for the year ended 30 June 2016 from which employees benefited in the amount of R385 million (72%) and other stakeholders benefited in varying proportions as indicated in the value-added statement on page 21.

INVESTMENT

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

RESEARCH AND DEVELOPMENT

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

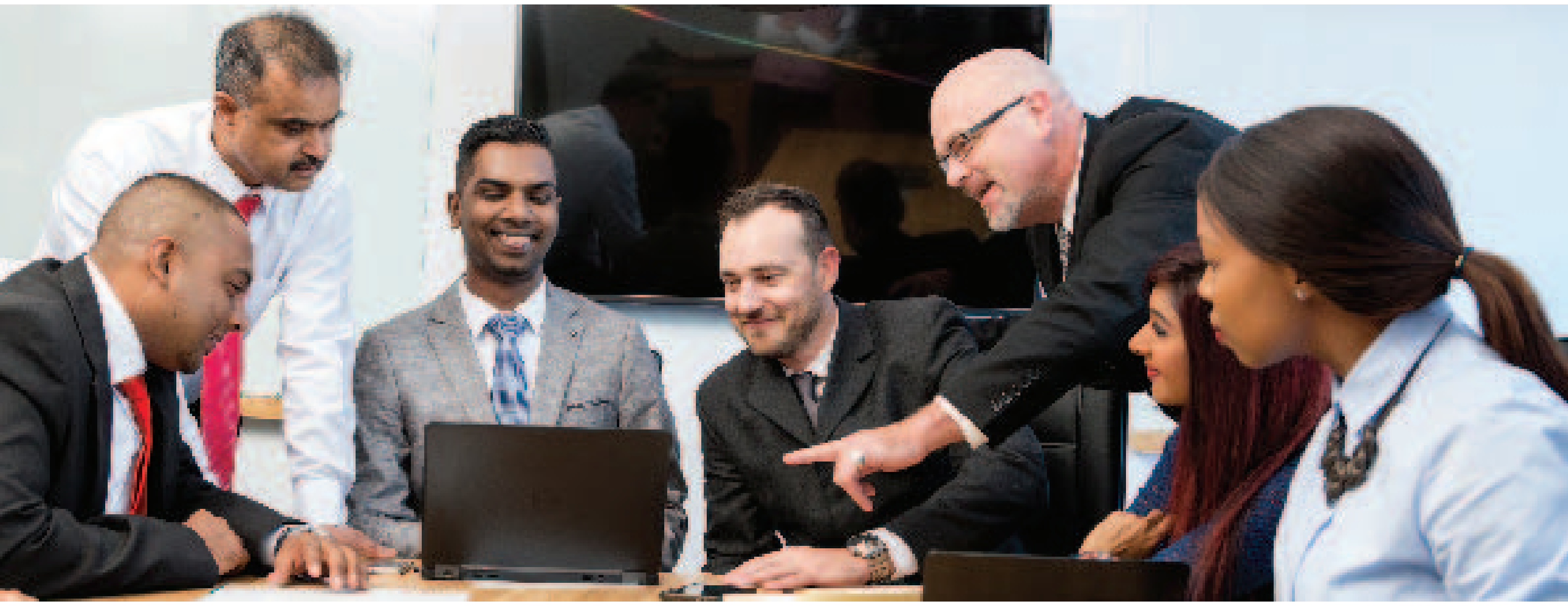
R796m
our turnover
for the year ended
30 June 2016

R78m
the total headline
earnings we generated
for the year ended
30 June 2016

17%
operating margin
for the year ended
30 June 2016

SUSTAINABILITY REPORT continued
PEOPLE

INVESTING IN PEOPLE



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

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

R8,7m
the total amount spent externally on B-BBEE skills development in 2016

38
interns and learners received formal training and monitoring, equipping them for employment

R385m
of the value created in 2016 was distributed to our employees in the form of salaries, wages and benefits

EMPLOYMENT EQUITY – TRANSFORMING OUR WORKFORCE

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

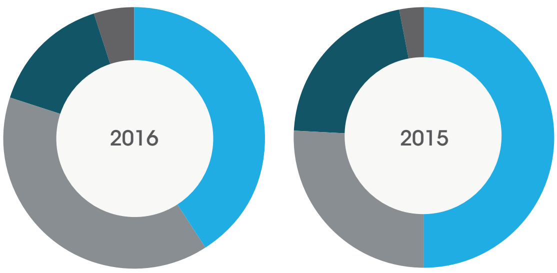
Adapt IT's ethos is firmly rooted in the belief that the promotion of equal opportunity and diversity in the workplace is not merely a social responsibility but is also a means of ensuring both sustainability and ongoing success.

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

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

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

OUR EMPLOYMENT EQUITY PROFILE



EMPLOYEES	2016 %	2015 %
White	**41**	44
African	**39**	30
Indian	**15**	19
Coloured	**5**	6

OUR PEOPLE

As at 30 June 2016, Adapt IT had 789 people operating across business divisions in Johannesburg, Pretoria, Durban and Cape Town as well as several small international offices. The increase is mainly a result of the acquisition of CQS in December 2015.

SUSTAINABILITY REPORT continued

PEOPLE

INVESTING IN PEOPLE

DRIVING BROAD-BASED BLACK ECONOMIC EMPOWERMENT TRANSFORMATION AND DIVERSITY

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

The B-BBEE verification is performed annually by an independent assurance provider. The compny's score improved overall and remained at Level 2. Adapt IT is working on alignment towards the new B-BBEE Codes under which it will be measured next year.

LEVEL 2 B-BBEE STATUS	
Scorecard information	2016
Ownership	18,15
Management	11,00
Employment equity	3,84
Skills development	14,34
Preferential procurement	23,05
Enterprise development	11,00
Socio-economic development	12,00
Total score	93,38

RETENTION

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

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

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

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

EMPLOYEE DEVELOPMENT

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

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

The development of a high-performance culture is a key performance imperative for all Adapt IT employees. Measurement of employee performance

SUSTAINABILITY REPORT continued
PEOPLE

INVESTING IN PEOPLE

is based on key performance indicators and strategic business objectives. The results of performance reviews from Individual Development Plans (IDPs) are utilised in devising the training budget. All employees are responsible to ensure that their IDPs are completed. Progress is continuously monitored to certify that technical and management skills are nurtured and developed.

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

TRAINING TO SUCCEED

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

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

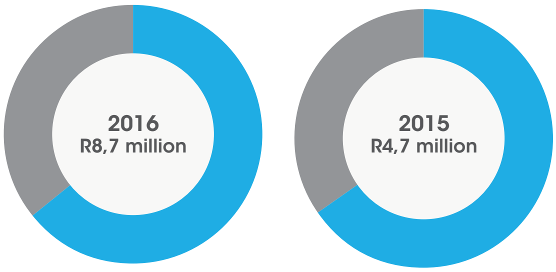
These courses are tailored to assist staff to fulfil their career development goals. In a number of instances, employees are given financial assistance to pursue studies in their chosen career paths, provided these are aligned to Adapt IT's business objectives.

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

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

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

BEE SKILLS DEVELOPMENT



SKILLS SPEND	2016 (R)	2015 (R)
Female BEE	**3 895 771**	2 168 992
Male BEE	**4 798 801**	2 527 024

ADAPT IT ACADEMY

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

In January 2014, Adapt IT initiated a new Academy programme in an effort to develop skills and talent within the South African technology industry. The programme – which consists of three distinct phases – involves taking graduates from local universities and providing them with specialist training with the intention of integrating them into the company's various project teams.

In May 2016, 38 graduate trainees were admitted to the first phase of the programme which entails technology training based on a curriculum co-developed by Adapt IT and technology partners.

The second phase is Workplace Training and focuses on the business domain and Adapt IT's key products and solutions. The final phase is projects and placements and involves the seamless integration of the graduates into the company's various project and support teams. This last phase delivers invaluable work experience and serves to demonstrate to these young people, the value of the organisation's technology deployments in the field. Adapt IT and MICT SETA jointly funds a portion of the entrants with the remainder being fully funded by Adapt IT. During the 2014 programme, all ten graduates successfully completed the programme and were offered permanent employment contracts. The same programme continued in 2015 and resulted in a further ten graduates being permanently employed.

The programme is ongoing and continues to provide benefits to learners, graduates, Adapt IT and the broader IT landscape.

SUSTAINABILITY REPORT continued
PEOPLE

INVESTING IN PEOPLE

MAINTAINING SOUND LABOUR RELATIONS

Employees are engaged, through regular work forums with management and encouraged to discuss business issues and to openly share their views, concerns or ideas for improving working conditions. The company leadership supports a collaborative and consultative approach aimed at guiding staff towards the achievement of both corporate and personal goals.

Adapt IT fully supports employees' rights to freedom of association with labour organisations of their choice. This is in line with the Basic Conditions of Employment Act. There is a grievance procedure available to all employees.

OCCUPATIONAL HEALTH AND SAFETY

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

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

ETHICS

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

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

No credible incidents of corruption have been detected during the reporting period. Certain minor individual human resource grievances were reported to the Ethics Line which was not the correct channel for such matters. They were referred to the Human Capital Management division for resolution.

PUBLIC POLICY

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

ANTI-COMPETITIVE BEHAVIOUR

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

FAMILY RESPONSIBILITY

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

SUSTAINABILITY REPORT continued
PEOPLE

INVESTING IN COMMUNITIES

Adapt IT has a long track record of investing in the upliftment of disadvantaged South African communities and remains committed to continuing with this practice through its sustainable finance practices and policy of extending the impact of projects to embrace more beneficiaries. However, the focus of the company's CSI has shifted from small once-off initiatives to large longer term ones that are sustainable and provide greater benefits for disadvantaged South African communities.

ADOPT-A-SCHOOL FOUNDATION

The Adopt-a-School Foundation was established in 2002 by a group of concerned individuals including Cyril Ramaphosa and Dr James Motlatsi.

The Foundation strives to address the inequalities and inadequacies in rural and disadvantaged schools, in order to ensure positive learning experiences which will lead to greater opportunities for South Africa's youth.

Over the last ten years Adopt-a-School has inspired both businesses and individuals in the private sector to invest effectively in education in South Africa through their Whole School Development model.

In 2016 Adapt IT became involved and donated R1,2 million to the programme with a specific intent of this being applied to school ICT programmes.

ADOPT-A-SCHOOL ACHIEVEMENTS SINCE 2002:

- 3 new schools built
- 560+ facilities built
- 8 000+ temporary jobs created
- 734 000+ learners have benefitted from the foundation
- 600+ schools have been adopted
- 1 140+ small businesses supported
- 5 600+ educators and school governing bodies have benefitted from curriculum development
- 4 000+ Grade 1 and Grade 4 Learners have benefitted from the literacy intervention programme

These are impressive statistics and Adapt IT proudly supports the Adopt-a-School programme.

ADAPT IT KNOWLEDGE CENTRES

The Adapt IT Knowledge centres were first established in 2013 with the opening of a facility in KwaZulu-Natal. This was followed by the launch of two more centres, one in Gauteng in 2014 and one in the Western Cape in 2015. The goal behind this initiative was, and is, to provide state of the art computer equipment and Internet access to learners in disadvantaged communities.

Similar programmes like this, rolled out by the government, have been seriously negatively impacted by theft as exemplified by the Gauteng Department of Education's withdrawal of 88 000 tablets from schools in 2015 alone. This has served to put the Gauteng Provincial Government's R17 billion digital classrooms project which they hoped would be rolled out by 2017/2018 – in jeopardy.*

The Adapt IT Knowledge centres have also proven not to be immune to this problem. This has led to a policy change with regards to funding ICT school projects.

It has been decided that in situations where security is inadequate to rather direct these funds to the education sector, not via independent projects but through the Adopt-a-School initiative.

The Western Cape Adapt IT centre continues to operate at the Rusthof Secondary School where it serves 1 129 learners and 39 employees.

**BusinessTech May 2015*

SUSTAINABILITY REPORT continued

PEOPLE

INVESTING IN COMMUNITIES

The third Adapt IT Knowledge Centre opened in Rusthof Secondary School in the Western Cape, 2015.

ENTERPRISE AND SUPPLIER DEVELOPMENT

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

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

PREFERENTIAL PROCUREMENT

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

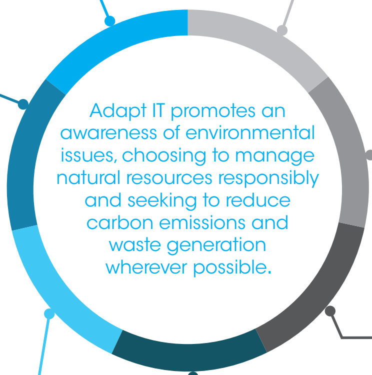
Adapt IT is undergoing a procurement review and will update its procurement policy to align with the new B-BBEE Codes which will come into effect next year.

PLANET

INVESTING IN THE ENVIRONMENT

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

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



MATERIALS

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

TRANSPORT

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

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

EMISSIONS, EFFLUENT, WASTE

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

ENERGY

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

BIODIVERSITY

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

PRODUCTS AND SERVICES

Adapt IT's continuous sustainable software development processes meet customer, environmental and legislative requirements. The product development processes are mainly driven by the customer and industry need, and the safety of the products and services are ensured by a quality management system.

WATER

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

REMUNERATION REPORT

Catherine Koffman
Chairperson, Remuneration Committee

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 the largest component 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.

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:

C Koffman	Chairperson
B Ntuli	Member
C Chambers	Member

S Shabalala (Chief Executive Officer), T Dunsdon (Financial Director) and M Seleoane (Human Capital Executive) 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 months' notice.

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

Tiffany Dunsdon reverted to the position she held previously, Commercial Director as well as being Managing Director of the international operations. She originally joined the group on 18 April 2002 and is on an annual fixed-term contract subject to termination on three months' notice. The contractual relationship between the company and its executive directors is governed through the Remuneration Committee.

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

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 is on a total cost-to-company basis. The targeted cost-to-company remuneration is based on aiming to reward at 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. 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.

Another key aspect of variable pay for sales executives and managers who are on risk-based packages is the sales commission scheme. The purpose of this is to drive organic growth and cross-selling.

LONG-TERM INCENTIVES

The long-term executive share incentive plan was implemented in the 2015 financial year. It is designed to ensure that key executives are motivated and retained over a medium to long-term period and to align their interests with those of shareholders. The executive share incentive plan will continue in the forthcoming year.

JUNE 2016
Share appreciation rights (units) granted in April 2015 to Executive Directors, at an option price of 901 cents per unit, were as follows:

	Total units	Unit price (cents)
S Shabalala	694 053	901
T Dunsdon	368 822	901
Total	1 062 875	

Share appreciation rights (units) granted in October 2015 to Executive Directors, at an option price of 1 125 cents per unit, were as follows:

	Total units	Unit price (cents)
S Shabalala	263 261	1 125
T Dunsdon	139 898	1 125
Total	403 159	

No share incentive units lapsed or were exercised during the year. The units vest and share appreciation gains can be realised, subject to performance conditions been met, in tranches over two years and up to the end of the third year, after which they lapse.

EXECUTIVE DIRECTORS' REMUNERATION

The tables on page 46 show a breakdown of the annual remuneration of the executive directors for the respective years ended.

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

REMUNERATION REPORT continued

	Salary R	Retirement R	Medical aid R	Total guaranteed pay R	Bonus R	Total R
June 2016						
S Shabalala	2 086 616	23 005	–	2 109 621	1 812 827	3 922 448
T Dunsdon	1 961 213	–	–	1 961 213	1 157 966	3 119 179
Total	4 047 829	23 005	–	4 070 834	2 970 793	7 041 627
June 2015						
S Shabalala	1 835 373	153 367	21 375	2 010 115	1 297 733	3 307 848
T Dunsdon	1 656 901	21 815	–	1 678 716	766 350	2 445 066
Total	3 492 274	175 182	21 375	3 688 831	2 064 083	5 752 914

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 2016				
Employee 1	1 688 400	866 350	–	2 554 750
Employee 2	2 054 095	–	–	2 054 095
Employee 3	1 548 969	440 000	–	1 988 969
Total	5 291 464	1 306 350	–	6 597 814
June 2015				
Employee 1	1 470 144	590 250	–	2 060 394
Employee 2	1 621 800	248 600	186 366*	2 056 766
Employee 3	1 576 293	348 480	–	1 924 773
Total	4 668 237	1 187 330	186 366	6 041 933

**Commission.*

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.

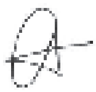
The following table shows the directors' fees paid to non-executive directors for the year ended:

	2016 R	2015 R
C Chambers	292 600	266 000
B Ntuli	182 600	166 000
O Fortuin	182 600	166 000
C Koffman*	182 600	65 547
Total	840 400	727 180

**Appointed 9 February 2015.*

Refer to the Directors' Statutory Report on page 54 for directors' interests in the company and interests of directors in contracts.

On behalf of the Remuneration Committee



Catherine Koffman
Chairperson

17 August 2016

AUDIT AND RISK COMMITTEE REPORT

Bongiwe Ntuli
Chairperson, Audit and Risk Committee

INTRODUCTION

The Audit and Risk Committee ("committee") is constituted as a statutory committee in terms of the Companies Act, No 71 of 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.

COMPOSITION OF THE AUDIT AND RISK COMMITTEE

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

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

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

FREQUENCY OF MEETINGS

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

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

KEY DUTIES DISCHARGED DURING THE YEAR

EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

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

The committee satisfied itself that the external auditor was independent of 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 2016 financial year.

The committee has nominated Deloitte, for re-election at the annual general meeting, as the external audit firm and Mr Stephen Munro as the designated auditor responsible for performing the functions of auditor, for the 2017 financial year. The audit firm and designated auditor are accredited on the JSE list of auditors and advisors.

AUDIT AND RISK COMMITTEE REPORT continued

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 2016 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 preparation of reliable financial statements. Certain matters were identified during the year under review through the internal audit function, which matters were substantially resolved before the commencement of the external audit.

GOING CONCERN

The committee has reviewed a documented assessment, prepared by management, which includes key assumptions, of the going concern status of 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 chairperson. 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. In order to grow the leadership capacity of the group, the Board appointed a new Chief Financial Officer, Nombali Mbambo effective 18 August 2016, pursuant to a six-month induction and handover period. Tiffany Dunsdon remains with the group as Commercial Director, primarily responsible for the acquisitive growth of the group and international operations. In line with the growth of the group, the capacity of the finance function will be further augmented in the forthcoming year.

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.

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

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

The risk management process adopted involved:

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

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

The top seven (7) 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 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 period under review and continue to evaluate and secure the requisite management capacity.

2. ORGANIC REVENUE GROWTH ABILITY

Although organic growth remains good this year, we continue to employ strategies to develop all our divisions to become more skilled at growing organically, through leveraging the existing business models.

THE OPERATIONAL RISK WAS IDENTIFIED AS:

3. CHANGE MANAGEMENT

The high pace of organic and acquisitive growth means constant change for the business. We are cognisant that effective change management is necessary as we integrate the businesses and evolve the business model. We continue to refine these processes to maintain good staff morale, a high-performance culture and business success. We have developed a formal Integration Methodology in the last year.

THE HUMAN CAPITAL RISK IS:

4. ICT SKILLS SHORTAGE

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

5. NEED FOR A HIGH-PERFORMANCE CULTURE

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

THE COMPLIANCE RISK IS:

6. 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 III and is preparing for King IV. We developed and implemented a legislative compliance framework to ensure compliance with the legislative environment. We use the services of our JSE Sponsor and legal advisors on all JSE regulations and contractual matters, respectively. We continue to establish systems to apply best practice governance principles where the Board deems it applicable.

THE ENVIRONMENTAL RISK IS:

7. INDUSTRY BUSINESS CYCLES

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

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

INTEGRATED REPORTING AND COMBINED ASSURANCE

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

The combined assurance model which is being enhanced year on year, aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers on the risk areas affecting 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 annual report for approval by the Board of Directors.

Bongiwe Ntuli
Chairperson, Audit and Risk Committee

17 August 2016

DIRECTORS' RESPONSIBILITIES AND APPROVAL
AS AT 30 JUNE 2016

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

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

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

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

The annual financial statements of the group and company, set out on pages 56 to 108, were approved by the Board of Directors on 17 August 2016 and were signed on its behalf by:

Craig Chambers
Independent non-executive Chairman

Sbu Shabalala
Chief Executive Officer Durban

17 August 2016

PREPARER OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

These annual financial statements have been prepared under the supervision of T Dunsdon.

Tiffany Dunsdon CA (SA)
Financial Director

Durban
17 August 2016

CERTIFICATE OF THE COMPANY SECRETARY

FOR THE YEAR ENDED 30 JUNE 2016

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

Statucor (Pty) Ltd
Company Secretary

Durban
17 August 2016

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ADAPT IT HOLDINGS LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the consolidated and separate financial statements of Adapt IT Holdings Limited set out on pages 56 to 108, which comprise the statements of financial position as at 30 June 2016, and the statements of profit or loss and other 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.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and 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 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 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 2016, and its consolidated and separate financial performance and its 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 financial statements for the year ended 30 June 2016, we have read the Directors' Statutory Report (located on pages 53 to 55), the Audit and Risk Committee's Report (located on pages 47 to 49) and the Certificate of the Company Secretary 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 consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the Independent Regulatory Board for Auditors Rule published in the Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Adapt IT Holdings Limited for 3 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per: Stephen Munro
Partner

17 August 2016

DIRECTORS' STATUTORY REPORT

NATURE OF THE BUSINESS

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

FINANCIAL RESULTS

The net profit attributable to shareholders of the group for the year ended 30 June 2016 amounted to R78 357 135 (2015: R52 678 575). This translates into headline earnings per share of 57.54 cents (2015: 42,31 cents) based on the weighted average number of shares in issue during the year.

REVIEW OF OPERATIONS

Commentary is given under the CEO report on page 12 and segment report on page 104.

ACQUISITIONS

On 31 December 2015, the group acquired 100% of the issued capital of CQS Investment Holdings (Pty) Ltd (CQS), for a maximum purchase consideration R216 815 000. CQS is a value added distributor of a combination of its own and third party (being CaseWare, ACL and Confirmations.com) Intellectual Property software solutions. The acquisition will augment the group's offerings in the Financial Services and public sector markets by providing diversification into the auditing and accounting professions and will enhance its technology diversification. Refer to note 22.1 on page 92 for further details. On 1 January 2016 the group acquired 100% of the issued capital of Meta Office (Pty) Ltd in New Zealand for $NZ340 000 or R3 416 388. This extends the product set for the higher education segment and geographic reach of Adapt IT in foreign markets. On 1 January 2016 the group acquired 100% of the issued capital of Multimatics (Pty) Ltd for R7 000 000. The company specialises in business intelligence solutions relating to telecommunications. Refer to note 22.2 on page 94 for further details.

AMALGAMATION

On 1 July 2015, ApplyIT (Pty) Ltd, Swicon360 (Pty) Ltd, Swicon360 HCM Spectrum (Pty) Ltd, ITS Evula (Pty) Ltd, Aquilon (Pty) Ltd, Aquilon Evolution Holdings (Pty) Ltd, Aquilon Evolution Consulting (Pty) Ltd, AspiviaUnison (Pty) Ltd, Unison Communications Holdings (Pty) Ltd, Unison Communications (Pty) Ltd and Aspivia (Pty) Ltd were amalgamated into Adapt IT (Pty) Ltd in accordance with Sections 113, 115 and 116 of the Companies Act, 2008, as amended.

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

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

DIVIDENDS: ORDINARY DIVIDEND NUMBER 13

The company declared a dividend of 10,90 cents per share, which was paid to shareholders on 14 September 2015.

DIVIDENDS: ORDINARY DIVIDEND NUMBER 14

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

The group will have sufficient working capital to meet its requirements after the dividend payment. Notice is hereby given that a gross cash dividend of 13,40 cents per share (the dividend) has been declared for the year ended 30 June 2016, payable to shareholders recorded in the books of the company at close of business on 16 September 2016.

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

- This is a dividend as defined in the Income Tax Act, 1962, and is payable from income reserves;
- The South African dividend tax (DT) rate is 15%;
- The DT to be withheld by the company amounts to 2,01 cents per share;
- Therefore, the net dividend payable to shareholders who are not exempt from DT is 11,39 cents per share, while the gross dividend of 13,40 cents per share is payable to those shareholders who are exempt from DT;

DIRECTORS' STATUTORY REPORT continued

- The issued share capital of Adapt IT at the declaration date comprises 140 061 814 ordinary shares;
- Adapt IT's registration number is 1998/017276/06; and
- Adapt IT's income tax reference number is 9410/002/71/2.

Shareholders are advised that the last day to trade cum-dividend will be Tuesday, 13 September 2016. Shares will trade ex-dividend as from Wednesday, 14 September 2016, and the record date will be Friday, 16 September 2016. Payment will be made on Monday, 19 September 2016. Share certificates may not be dematerialised or rematerialised during the period Wednesday, 14 September 2016 to Friday, 16 September 2016, both days inclusive. This dividend, having been declared after 30 June 2016, has not been provided for in the financial statements for the year ended 30 June 2016.

SHARE CAPITAL

During the current year, the issued ordinary share capital of the company increased by 10 860 393 shares to 140 061 814 (2015: 129 201 421) shares as a result of the company issuing shares to fund acquisitions as follows:

In respect of the second tranche of the Aquilon earn out share consideration 3 653 538 shares were issued in August 2015. A further 7 020 442 shares were issued in respect of CQS acquisition in December 2015.

In June 2016, 186 413 shares were issued to two CQS executives under an earn-in bonus scheme.

TREASURY SHARES

At 30 June 2016 (2015: nil) there were no treasury shares held.

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

Although not likely under current conditions, a share repurchase programme may potentially be considered in light of the prevailing circumstances and the cash resources of the group at a future time. This resolution is sought on a routine basis to avoid the need for a special meeting of Shareholders, should the Board deem a share repurchase programme to be suitable at a future date. Accordingly, shareholders will be asked to consider a similar special resolution to this effect at the forthcoming AGM.

INVESTMENTS IN SUBSIDIARIES

Details of the subsidiaries appear in note 10 to the annual financial statements. Aggregate profit before taxation from subsidiaries for the year ended 30 June 2016 amounted to R158 197 817 (2015: R83 732 118).

DIRECTORATE

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

Accordingly, Mr O Fortuin and Ms C Koffman retire at the AGM to be held on 25 November 2016 and offer themselves for re-election.

At 30 June 2016, the directors held interests in the company as follows:

Executive directors	2016 Direct beneficial	%	2015 Direct beneficial	%	2016 Indirect beneficial	%	2015 Indirect beneficial	%
S Shabalala	14 316 646	10	15 531 057	12	–	–	–	–
T Dunsdon	1 200 000	1	1 400 000	1	2 600 000	2	2 600 000	2
Total	17 931 057	11	17 931 057	13	2 600 000	2	2 600 000	2

There were no non-beneficial interests held by the directors at the year-end.

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

INTEREST OF DIRECTORS IN CONTRACTS

The directors have certified that they were not materially interested in any transaction of material significance, which significantly affected the business of the group, with the company or any of its subsidiaries. Accordingly, no conflict of interest, with regard to directors' interest in contracts exist. There have been no material changes to the above since 30 June 2016 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 and granted directors authority to:

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

Tiffany Dunsdon
Financial Director

Durban
17 August 2016

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Group 2016 R	Group 2015* R	Company 2016 R	Company 2015 R
Revenue	2	803 337 834	578 049 095	37 001 209	7 267 700
Turnover	2	796 178 409	575 323 868	–	–
Cost of sales		(343 573 374)	(299 108 714)	–	–
Gross profit		452 605 035	276 215 154	–	–
Administrative, selling and other costs		(316 216 126)	(189 715 331)	(2 945 285)	(6 134 407)
Sundry revenue	2	–	–	5 000 000	7 267 700
Profit from operations		136 388 909	86 499 823	2 054 715	1 133 293
Dividend received	2	–	–	32 000 000	–
Finance income	2	7 159 425	2 725 227	1 209	–
Finance costs	3	(22 297 839)	(11 247 056)	–	(2 641)
Share of profits of equity accounted investment after tax		1 636 095	168 200	–	–
Profit before taxation	3	122 886 590	78 146 194	34 055 924	1 130 652
Income tax expense	5	(41 929 718)	(25 467 619)	(489 289)	(407 860)
Profit for the year		80 956 872	52 678 575	33 566 635	722 792
Attributable to:					
Equity holders of the parent		78 357 135	52 678 575	33 566 635	722 792
Non-controlling interests		2 599 737	–	–	–
Other comprehensive income					
Items that will not be reclassified to profit and loss		–	1 942 462	–	–
Revaluation of land and building		–	1 406 984	–	–
Income tax effect		–	535 478	–	–
Items that may be reclassified subsequently to profit and loss		789 408	529 847	–	–
Exchange differences arising from translation of foreign operations		789 408	529 847	–	–
Total comprehensive income		81 746 280	55 150 884	33 566 635	722 792
Attributable to:					
Equity holders of the parent		79 146 543	55 150 884	33 566 635	722 792
Non-controlling interests		2 599 737	–	–	–
Basic earnings per share (cents)	6,1	57,61	42,34		
Basic diluted earnings per share (cents)	6,1	55,28	41,33		

** Restated for measurement period adjustment, refer to note 32.*

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Notes	Group 2016 R	Group 2015* R	Company 2016 R	Company 2015 R
ASSETS					
Non-current assets		705 320 773	408 046 994	48 147 559	50 010 248
Property and equipment	7	37 366 544	31 705 928	–	–
Intangible assets	8	170 031 438	86 231 757	–	–
Goodwill	9	472 515 143	276 525 230	–	–
Interest in subsidiaries and share trust	10	–	–	48 115 401	48 115 401
Loans to subsidiaries	10	–	–	32 158	1 390 006
Equity accounted investment	11	1 804 295	168 200	–	–
Deferred taxation asset	12	23 603 353	13 415 879	–	504 841
Current assets		259 556 272	153 804 606	184 137 891	71 120 533
Trade and other receivables	13	170 600 288	112 111 658	217 335	890 765
Amounts owing by subsidiaries	10	–	–	183 719 243	70 141 692
Current tax receivable		11 231 616	12 720 662	71 870	–
Cash and cash equivalents	14	77 724 368	28 972 286	129 443	88 076
Total assets		964 877 045	561 851 600	232 285 450	121 130 781
EQUITY AND LIABILITIES					
Equity					
Share capital	15	14 006	12 920	14 006	12 920
Share premium	16	200 831 266	128 819 663	196 116 254	124 104 651
Other capital reserves		34 574 504	26 594 829	34 574 504	12 860 454
Equity compensation reserve	17	5 724 817	530 517	–	–
Foreign currency translation reserve		3 208 520	2 419 112	–	–
Revaluation reserve		3 544 400	3 544 400	–	–
Retained earnings		218 782 518	159 172 199	585 580	(18 499 864)
Equity attributable to shareholders of the company		466 680 031	321 093 640	231 290 344	118 478 161
Non-controlling interests		6 007 925	–	–	–
Total equity		472 687 956	321 093 640	231 290 344	118 478 161
Non-current liabilities		190 766 634	98 948 817	16 878	–
Interest-bearing borrowings	18	145 790 502	8 521 023	–	–
Financial liabilities	22,3	–	69 224 164	–	–
Deferred taxation liability	12	44 976 132	21 203 630	16 878	–
Current liabilities		301 422 455	141 809 143	978 228	2 652 620
Trade and other payables	19	105 551 855	33 614 633	978 228	754 225
Provisions	20	42 937 636	26 466 046	–	1 859 116
Deferred income		67 271 122	65 287 590	–	–
Current tax payable		6 811 480	618 838	–	39 279
Financial liabilities	22,3	59 476 533	–	–	–
Current portion of interest-bearing borrowings	18	19 373 829	15 822 036	–	–
Total equity and liabilities		964 877 045	561 851 600	232 285 450	121 130 781

** Restated for measurement period adjustment, refer to note 32.*

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Group 2016 R	Group 2015 R	Company 2016 R	Company 2015 R
OPERATING ACTIVITIES					
Cash generated from/(utilised in) operations	21,1	173 602 262	105 387 069	1 093 032	(731 556)
Finance income		5 091 400	1 018 543	1 209	–
Finance costs		(15 376 527)	(4 425 757)	–	(2 641)
Dividends received		–	–	32 000 000	–
Dividends paid		(18 630 671)	(9 528 391)	(14 481 191)	(9 528 391)
Taxation paid	21,2	(55 029 679)	(44 191 308)	(78 719)	(158 559)
Net cash flow from/(utilised in) operating activities		89 656 785	48 260 156	18 534 331	(10 421 147)
INVESTING ACTIVITIES					
Property and equipment acquired	7	(7 934 021)	(4 322 657)	–	–
Intangible assets acquired and developed	8	(2 544 560)	(6 083 953)	–	–
Proceeds on disposal of property and equipment		177 949	67 525	–	–
Proceeds on disposal of asset held for sale	22.1	9 733 141	–	–	–
Net cash outflow on acquisition of subsidiaries	22	(137 790 705)	(63 877 413)	–	–
Net cash utilised in investment activities		(138 358 196)	(74 216 498)	–	–
FINANCING ACTIVITIES					
Proceeds from borrowings		267 431 000	132 120 285	–	–
Repayment of borrowings		(173 011 364)	(135 265 514)	–	–
Issue of shares for cash		2 216 450	41 839 999	–	–
Issue of company's shares		–	–	72 012 689	104 895 843
Increase in amounts owing by subsidiaries		–	–	(90 505 653)	(94 420 867)
Repayment of vendor loans		–	(439 174)	–	–
Net cash flows from/(utilised in) financing activities		96 636 086	38 255 596	(18 492 964)	10 474 976
Net increase in cash resources		47 934 675	12 299 254	41 367	53 829
Exchange differences on translation		817 407	756 253	–	–
Cash and cash equivalents at beginning of year		28 972 286	15 916 779	88 076	34 247
Cash and cash equivalents at end of year	14	77 724 368	28 972 286	129 443	88 076

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Attributable to equity holders of the parent									
GROUP	Share capital R	Share premium R	Other capital reserves R	Equity compensation reserve R	Revaluation reserve R	Foreign currency translation reserve R	Retained earnings R	Attributable to equity holders of the parent R	Non-controlling interests R	Total R
Balance at 30 June 2014	11 150	23 925 590	51 055 840	–	1 601 938	1 889 265	106 616 844	185 100 627	–	185 100 627
Total comprehensive income for the year	–	–	–	–	1 942 462	529 847	52 678 575	55 150 884	–	55 150 884
Profit for the year	–	–	–	–	–	–	52 678 575	52 678 575	–	52 678 575
Other comprehensive income for the year	–	–	–	–	1 942 462	529 847	–	2 472 309	–	2 472 309
Share-based payments	–	–	–	530 517	–	–	–	530 517	–	530 517
Purchase consideration adjustment	–	–	(9 405 171)	–	–	–	9 405 171	–	–	–
Issue of shares for business combination	1 159	63 054 685	(15 055 840)	–	–	–	–	48 000 004	–	48 000 004
Shares issued during the year	611	41 839 388	–	–	–	–	–	41 839 999	–	41 839 999
Dividend paid	–	–	–	–	–	–	(9 528 391)	(9 528 391)	–	(9 528 391)
Balance at 30 June 2015	12 920	128 819 663	26 594 829	530 517	3 544 400	2 419 112	159 172 199	321 093 640	–	321 093 640
Total comprehensive income for the year	–	–	–	–	–	789 408	78 357 135	79 146 543	2 599 737	81 746 280
Profit for the year	–	–	–	–	–	–	78 357 135	78 357 135	2 599 737	80 956 872
Other comprehensive income for the year	–	–	–	–	–	789 408	–	789 408	–	789 408
Non controlling interest arising on the acquisition of subsidiaries	–	–	–	–	–	–	–	–	7 557 668	7 557 668
Share-based payments (note 17)	–	–	–	5 194 300	–	–	–	5 194 300	–	5 194 300
Purchase consideration adjustment	–	–	4 265 625	–	–	–	(4 265 625)	–	–	–
Issue of shares for business combination	1 067	69 795 171	(12 860 454)	–	–	–	–	56 935 784	–	56 935 784
Shares issued during the year	19	2 216 432	–	–	–	–	–	2 216 451	–	2 216 451
Shares to be issued (note 22.2)	–	–	16 574 504	–	–	–	–	16 574 504	–	16 574 504
Dividends paid	–	–	–	–	–	–	(14 481 191)	(14 481 191)	(4 149 480)	(18 630 671)
Balance at 30 June 2016	14 006	200 831 266	34 574 504	5 724 817	3 544 400	3 208 520	218 782 518	466 680 031	6 007 925	472 687 956

Refer to note 15 for detail on share capital movement.

COMPANY	Share capital R	Share premium R	Other capital reserves R	Retained earnings R	Total equity R
Balance at 30 June 2014	11 150	19 210 578	15 055 840	(9 694 265)	24 583 303
Total comprehensive income for the year	–	–	–	722 792	722 792
Issue of shares	1 770	104 894 073	(15 055 840)	–	89 840 003
Shares to be issued	–	–	12 860 454	–	12 860 454
Dividend paid	–	–	–	(9 528 391)	(9 528 391)
Balance at 30 June 2015	12 920	124 104 651	12 860 454	(18 499 864)	118 478 161
Total comprehensive profit for the year	–	–	–	33 566 635	33 566 635
Issue of shares	1 086	72 011 603	(12 860 454)	–	59 152 235
Shares to be issued	–	–	34 574 504	–	34 574 504
Dividend paid	–	–	–	(14 481 191)	(14 481 191)
Balance at 30 June 2016	14 006	196 116 254	34 574 504	585 580	231 290 344

Refer to note 15 for detail on share capital movement.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1. ACCOUNTING POLICIES

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

The financial statements and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the listing requirements of the JSE and the requirements of the Companies Act, 2008. The financial statements have been prepared under the historical cost method, except for certain financial instruments at fair value and property measured at fair value. These accounting policies have been consistently applied to all the years presented, except for the Standards and Interpretations which became effective during the current financial year which are disclosed in note 1.26 to the financial statements.

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

1.1. BASIS OF CONSOLIDATION

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

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

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

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

The company accounts for its investments in subsidiaries at cost.

1.2 BUSINESS COMBINATIONS AND GOODWILL

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

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

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

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

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.

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

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

1.3 INTEREST IN EQUITY ACCOUNTED INVESTMENT

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

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

1.4 FOREIGN CURRENCY TRANSACTIONS

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

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

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

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1. ACCOUNTING POLICIES continued

1.5 REVENUE

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

Revenue comprises the invoiced value of information technology services provided and technology and product sales, including completed service provided not yet invoiced, but excluding value added taxation. The various stages 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 statements of financial position. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

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

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

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

1.6 COST OF SALES

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

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

1.7 BORROWING COSTS

Borrowing costs 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.

1.8 TAXATION

Current income taxation

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

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

Deferred taxation

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

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

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

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

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

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

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

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

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

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

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

Value added taxation (VAT)

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

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

Dividend tax

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1. ACCOUNTING POLICIES continued

1.9 EMPLOYEE BENEFITS

Short-term benefits

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

Post-retirement benefits

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

1.10 EARNINGS PER SHARE (EPS)

Basic EPS

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

Diluted EPS

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

Headline EPS

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

1.11 PROPERTY AND EQUIPMENT

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

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

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

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

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

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.

1.12 INTANGIBLE ASSETS

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

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

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

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

Trademarks

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

Amortisation 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 inhouse developed software are expensed in the period in which they are incurred.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1. ACCOUNTING POLICIES continued

1.12 INTANGIBLE ASSETS continued

Other software

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

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

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

Customer relationships

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

Category	Useful life
Customer relationships	7 to 10 years

Research expenditure

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

1.13 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

1.14 LEASES

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

Finance leases

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

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

Operating leases

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

1.15 FINANCIAL INSTRUMENTS

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

Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivables

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

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

Cash and cash equivalents

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

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

Accounts receivables

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

1.16 IMPAIRMENT OF FINANCIAL ASSETS

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1. ACCOUNTING POLICIES continued

1.16 IMPAIRMENT OF FINANCIAL ASSETS continued

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

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

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

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

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

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

1.17 FINANCIAL LIABILITIES

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

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

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

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

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

Loans and borrowings

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

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

1.18 DERECOGNITION OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

1.19 OFFSETTING OF FINANCIAL INSTRUMENTS

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

1.20 SHARE ISSUE COSTS

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

1.21 SHARE-BASED PAYMENTS

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

1.22 TREASURY SHARES

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

1.23 DIVIDENDS

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

1.24 PROVISIONS

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1. ACCOUNTING POLICIES continued

1.25 KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Accrued revenue

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

Deferred taxation

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

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

Owner-occupied property

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

Useful lives and residual values

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

Intangible assets are amortised over the useful lives 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.

1.26 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the following amended IFRS effective as of 1 July 2015:

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

1.27 NEW OR REVISED IFRS STANDARDS AND INTERPRETATIONS

Standards issued but not yet effective up to the date of issuance of the group and company 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.

New International Financial Reporting Standards

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

Amended International Accounting Standards

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

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

Amendments to IFRS 10 Consolidated Financial Statements – effective annual periods beginning on or after 1 January 2016

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations – effective annual periods beginning on or after 1 January 2016

Amendments to IFRS 12 Disclosure of Interests in Other Entities – effective annual periods beginning on or after 1 January 2016

Amendments to IAS 1 Presentation of Financial Statements – effective annual periods beginning on or after 1 January 2016

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

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

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – effective annual periods beginning on or after 1 January 2016

Amendments to IAS 27 Equity Method in Separate Financial Statements – effective annual periods beginning on or after 1 January 2016

Amendments to IAS 28 – Application of the Investment Entities Exceptions – effective annual periods beginning on or after 1 January 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

	Group 2016 R	Group 2015* R	Company 2016 R	Company 2015 R
2. REVENUE				
Services rendered	637 198 370	517 932 548	–	–
Sale of goods	158 980 039	57 391 320	–	–
Turnover	796 178 409	575 323 868	–	–
Finance income	7 159 425	2 725 227	1 209	–
Sundry revenue	–	–	5 000 000	7 267 700
Dividends received	–	–	32 000 000	–
	803 337 834	578 049 095	37 001 209	7 267 700
3. PROFIT BEFORE TAXATION				
Profit before taxation is stated after:				
Income				
Foreign exchange profit	5 295 601	1 774 132	17 087	–
Bad debts recovered	395 517	146 236	–	–
Profit on sale of property and equipment	98 589	39 449	–	–
Dividend received from subsidiary	–	–	32 000 000	–
Finance income	7 159 425	2 725 227	1 209	–
Imputed interest	2 068 025	1 706 684	–	–
Other interest received	310 971	89 443	1 209	–
Interest on cash and cash equivalents	1 436 261	929 100	–	–
Interest received from CQS Investment Holdings (Pty) Ltd	3 344 168	–	–	–
Expenditure				
Depreciation	6 696 901	5 215 483	–	–
Finance costs	22 297 839	11 247 056	–	2 641
– Borrowings	15 376 527	4 425 757	–	2 641
– Financial liabilities (imputed)	6 921 312	6 821 299	–	–
Foreign exchange loss	1 138 668	2 221 189	–	–
Amortisation of intangible assets	22 053 795	10 669 396	–	–
Staff costs	384 778 665	313 414 083	–	3 123 267
– Salaries and wages	348 966 011	285 559 104	–	1 157 433
– Retirement costs	623 937	6 276 146	–	63 513
– Commission	4 674 216	2 422 984	–	–
– Bonus and performance related payments	30 514 501	19 155 849	–	1 902 321
Share-based payment expense	5 194 300	530 517	–	–
Operating lease charges				
– Property	16 653 684	11 252 702	–	–
Provision for impairment of trade and other receivables	3 993 217	1 101 476	–	–

** Restated for measurement period adjustment, refer to note 32.*

	Group 2016 R	Group 2015 R	Company 2016 R	Company 2015 R
4. DIRECTORS' EMOLUMENTS				
Directors and past executive directors				
In connection with the affairs of the group	7 041 627	5 752 914	7 041 627	5 752 914
Salary and medical aid				
– S Shabalala	2 086 616	1 856 748	2 086 616	1 856 748
– T Dunsdon	1 961 213	1 656 901	1 961 213	1 656 901
Retirement				
– S Shabalala	23 005	153 367	23 005	153 367
– T Dunsdon	–	21 815	–	21 815
Bonus and performance-related payments				
– S Shabalala	1 812 827	1 297 733	1 812 827	1 297 733
– T Dunsdon	1 157 966	766 350	1 157 966	766 350
Directors and past non-executive directors				
For attending meetings	840 400	727 180	840 400	727 180
C Chambers	292 600	266 000	292 600	266 000
B Ntuli	182 600	166 000	182 600	166 000
O Fortuin	182 600	166 000	182 600	166 000
C Koffman*	182 600	65 547	182 600	65 547
T Dingaan**	–	63 633	–	63 633
	7 882 027	6 480 094	7 882 027	6 480 094

* *Appointed on 9 February 2015*

** *Resigned on 18 November 2014*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

	Group 2016 R	Group 2015* R	Company 2016 R	Company 2015 R
5. INCOME TAX EXPENSE				
South African normal tax				
Current tax				
– Current year	45 193 887	26 744 512	52 861	117 648
– Prior year under/(over) provision	717 319	(1 898 931)	(85 291)	795
Deferred tax				
– Current year	(9 103 768)	(2 286 696)	521 719	289 417
– Prior year under provision	1 960 054	237 079	–	–
	38 767 492	22 795 964	489 289	407 860
Foreign tax				
– Current year	3 507 640	2 671 655	–	–
– Prior year over provision	(345 414)	–	–	–
	3 162 226	2 671 655	–	–
Tax for the year	41 929 718	25 467 619	489 289	407 860

	%	%	%	%
Effective rate of taxation**				
South African normal tax rate	28,0	28,0	28,0	28,0
Ajusted for:				
– Permanent differences	4,4	5,9	(26,3)	8,0
– Prior year under/(over) provision in current and foreign tax	0,3	(2,4)	(0,3)	0,1
– Prior year under provision in deferred tax	1,6	0,3	–	–
– Withholding tax paid	3,1	2,9	–	–
– Withholding tax credits	(2,3)	(2,1)	–	–
– Unprovided tax losses	–	0,1	–	–
– Different tax rates	(0,5)	–	–	–
Effective rate of taxation	34,6	32,7	1,4	36,1
Effective rate of taxation on profit including equity accounted investment	34,5	32,7		

* *Restated for measurement period adjustment, refer to note 32.*

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

No assessed losses were brought forward and used in the current year to reduce taxable profits (2015: R5 300 957).

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 R78 357 135 (2015: R52 678 575) and the weighted average number of ordinary shares in issue during the year of 136 016 313 (2015: 124 427 314).The calculation of diluted earnings per share is based on the profit of R78 357 135 (2015: R52 678 575) and the weighted average number of diluted ordinary shares in issue during the year of 141 751 697 (2015: 127 460 251).

		Group 2016	Group 2015*
Reconciliation between earnings and headline earnings			
Earnings attributable to equity holders of the parent		78 357 135	52 678 575
Adjusted for:			
– Profit on sale of property and equipment (refer note 3)		(98 589)	(39 449)
Headline earnings		78 258 546	52 639 126
Basic earnings per share	(cents)	57,61	42,34
Headline earnings per share	(cents)	57,54	42,31
Diluted basic earnings per share	(cents)	55,28	41,33
Diluted headline earnings per share	(cents)	55,21	41,30

** Restated for measurement period adjustment, refer to note 32.*

6.2 DIVIDENDS PER SHARE

		Group 2016	Group 2015*
Dividends per share	(cents)	10,90	8,23

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

7. PROPERTY AND EQUIPMENT

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

7. PROPERTY AND EQUIPMENT CONTINUED

	Leasehold improve-ments R	Office equipment R	Motor vehicles R	Total R
GROUP 2016				
Carrying amount at beginning of year				
– Cost or valuation	4 280 179	696 492	143 455	45 584 162
– Accumulated depreciation	(1 747 167)	(390 759)	(86 000)	(13 878 234)
Carrying amount at beginning of year	2 533 012	305 733	57 455	31 705 928
Current year movements				
– Additions	726 169	516 814	720 976	7 934 021
– Acquisition of subsidiary	–	480 380	–	4 433 013
– Disposals	–	(2 533)	–	(79 361)
– Cost	–	(19 000)	(201 500)	(1 950 665)
– Accumulated depreciation	–	16 467	201 500	1 871 304
– Transfers	–	9 502	–	–
– Cost	–	20 152	–	(301 046)
– Accumulated depreciation	–	(10 650)	–	301 046
– Depreciation	(937 365)	(276 870)	(21 368)	(6 696 901)
– Foreign exchange adjustments	14 843	52	14 125	69 844
– Cost	15 901	–	15 570	105 869
– Accumulated depreciation	(1 058)	52	(1 445)	(36 025)
Carrying amount at end of year	2 336 659	1 033 078	771 188	37 366 544
Made up as follows:				
– Cost or valuation	5 022 249	1 694 838	678 501	55 805 354
– Accumulated depreciation	(2 685 590)	(661 760)	92 687	(18 438 810)
Carrying amount at end of year	2 336 659	1 033 078	771 188	37 366 544

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7. PROPERTY AND EQUIPMENT CONTINUED

	Owner-occupied property – land and buildings R	Computer hardware R	Furniture and fittings R	Telephone equipment R
GROUP 2015				
Carrying amount at beginning of year				
– Cost or valuation	20 147 122	9 595 790	5 868 113	2 398 233
– Accumulated depreciation	(1 150 614)	(5 179 254)	(1 872 671)	(2 059 278)
Carrying amount at beginning of year	18 996 508	4 416 536	3 995 442	338 955
Current year movements				
– Additions	–	2 754 001	613 612	176 291
– Revaluation	1 406 984	–	–	–
– Acquisition of subsidiary	–	265 257	180 400	–
– Disposals	–	(28 075)	–	–
– Cost	–	(2 642 589)	(732)	–
– Accumulated depreciation	–	2 614 514	732	–
– Transfers	–	(20 057)	–	–
– Cost	–	(110 940)	(168 836)	–
– Accumulated depreciation	–	90 883	168 836	–
– Depreciation	(303 492)	(2 774 251)	(898 466)	(298 405)
– Foreign exchange adjustments	–	(7 837)	(3 675)	–
– Cost	–	(14 710)	(3 960)	–
– Accumulated depreciation	–	6 873	285	–
Carrying amount at end of year	20 100 000	4 605 574	3 887 313	216 841
Made up as follows:				
– Cost or valuation	21 554 106	9 846 809	6 488 597	2 574 524
– Accumulated depreciation	(1 454 106)	(5 241 235)	(2 601 284)	(2 357 683)
Carrying amount at end of year	20 100 000	4 605 574	3 887 313	216 841

7. PROPERTY AND EQUIPMENT CONTINUED

	Leasehold improve-ments R	Office equipment R	Motor vehicles R	Total R
GROUP 2015				
Carrying amount at beginning of year				
– Cost or valuation	3 658 613	556 220	105 557	42 329 648
– Accumulated depreciation	(947 098)	(264 025)	(105 557)	(11 578 497)
Carrying amount at beginning of year	2 711 515	292 195	–	30 751 151
Current year movements				
– Additions	626 837	93 402	58 514	4 322 657
– Revaluation	–	–	–	1 406 984
– Acquisition of subsidiary	3 607	14 070	16 792	480 126
– Disposals	–	–	–	(28 075)
– Cost	(8 671)	–	(33 445)	(2 685 437)
– Accumulated depreciation	8 671	–	33 445	2 657 362
– Transfers	–	20 057	–	–
– Cost	–	32 800	–	(246 976)
– Accumulated depreciation	–	(12 743)	–	246 976
– Depreciation	(808 953)	(113 991)	(17 925)	(5 215 483)
– Foreign exchange adjustments	6	–	74	(11 432)
– Cost	(207)	–	(3 963)	(22 840)
– Accumulated depreciation	213	–	4 037	11 408
Carrying amount at end of year	2 533 012	305 733	57 455	31 705 928
Made up as follows:				
– Cost or valuation	4 280 179	696 492	143 455	45 584 162
– Accumulated depreciation	(1 747 167)	(390 759)	(86 000)	(13 878 234)
Carrying amount at end of year	2 533 012	305 733	57 455	31 705 928

Movable assets of CQS have been pledged as security for the Sanlam Capital Markets Limited debt (refer note 18).

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

The assumptions used were based on current market conditions.

	June 2016 %	June 2015 %
Yield	10,0	10,0

The land is described as:

Erf 1488 Monument Park, Registration Division JR, Province of Gauteng: measuring 5 090 square metres. The property was purchased at a cost of R4 348 450. Additions and improvements since the date of acquisition amount to R6 559 799 (2015: R6 559 799).

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

Had land and buildings been measured using the cost model instead of at fair value, the carrying amount would be R16 329 880 (2015: R16 585 238).

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FOR THE YEAR ENDED 30 JUNE 2016

	Customer relationships R	Inhouse developed software R	Acquired computer software R	Trademarks R	Licence acquired R	Total R
8. INTANGIBLE ASSETS						
GROUP 2016						
Carrying amount at beginning of year						
– Cost or valuation	74 979 000	14 366 878	6 439 591	36 058	7 467 967	103 289 494
– Accumulated amortisation	(6 248 250)	(1 360 698)	(5 380 965)	(17 661)	(4 050 163)	(17 057 737)
Carrying amount at beginning of year	68 730 750	13 006 180	1 058 626	18 397	3 417 804	86 231 757
Current year movements						
– Additions	–	8 378	2 536 182	–	–	2 544 560
– Acquisition of subsidiary	69 173 990	34 134 286	46 605	–	–	103 354 881
– Disposals	–	–	–	–	–	–
– Cost	–	193 730	(193 730)	–	–	–
– Accumulated amortisation	–	(193 730)	193 730	–	–	–
– Amortisation	(12 497 751)	(6 408 883)	(1 619 347)	(8 805)	(1 519 009)	(22 053 795)
– Foreign exchange adjustments	–	(44 757)	–	(1 208)	–	(45 965)
– Cost	–	190 105	–	–	–	190 105
– Accumulated amortisation	–	(234 862)	–	(1 208)	–	(236 070)
Carrying amount at end of year	125 406 989	40 695 204	2 022 066	8 384	1 898 795	170 031 438
Made up as follows:						
– Cost or valuation	144 152 990	48 893 377	8 828 648	36 058	7 467 967	209 379 040
– Accumulated amortisation	(18 746 001)	(8 198 173)	(6 806 582)	(27 674)	(5 569 172)	(39 347 602)
Carrying amount at end of year	125 406 989	40 695 204	2 022 066	8 384	1 898 795	170 031 438

8. INTANGIBLE ASSETS CONTINUED

GROUP 2015*

	Customer relationships R	Inhouse developed software R	Acquired computer software R	Trademarks R	Licence acquired R	Total R
Carrying amount at beginning of year						
– Cost or valuation	–	6 380 310	570 930	27 610	8 190 438	15 169 288
– Accumulated amortisation	–	(4 169 396)	(172 189)	(14 154)	(2 490 516)	(6 846 255)
Carrying amount at beginning of year	–	2 210 914	398 741	13 456	5 699 922	8 323 033
Current year movements						
– Additions	–	4 913 983	794 446	8 448	367 076	6 083 953
– Acquisition of subsidiary	74 979 000	7 730 131	7	–	–	82 709 138
– Disposals	–	–	–	–	–	–
– Cost	–	(428 703)	–	–	–	(428 703)
– Accumulated amortisation	–	428 703	–	–	–	428 703
– Transfers	–	–	1 016 911	–	(1 016 911)	–
– Cost	–	(4 038 738)	5 128 285	–	(1 089 547)	–
– Accumulated amortisation	–	4 038 738	(4 111 374)	–	72 636	–
– Amortisation	(6 248 250)	(1 687 805)	(1 097 402)	(3 656)	(1 632 283)	(10 669 396)
– Foreign exchange adjustments	–	(161 043)	(54 077)	149	–	(214 971)
– Cost	–	(190 105)	(54 077)	–	–	(244 182)
– Accumulated amortisation	–	29 062	–	149	–	29 211
Carrying amount at end of year	68 730 750	13 006 180	1 058 626	18 397	3 417 804	86 231 757
Made up as follows:						
– Cost or valuation	74 979 000	14 366 878	6 439 591	36 058	7 467 967	103 289 494
– Accumulated amortisation	(6 248 250)	(1 360 698)	(5 380 965)	(17 661)	(4 050 163)	(17 057 737)
Carrying amount at end of year	68 730 750	13 006 180	1 058 626	18 397	3 417 804	86 231 757

** Restated for measurement period adjustment, refer to note 32.*

Customer relationships relates to amounts allocated to customer relationships at date of acquisition with estimated useful lives of between five and nine years (2015: 10 years).

Inhouse developed software relates mainly to inhouse accounting packages, energy software products and a student management system with estimated remaining useful lives of between one and seven years (2015: one and three years).

The licences acquired are SAP licenses being amortised over the five year licence term (2015: five years).

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	Group 2016 R	Group 2015* R
9. GOODWILL		
Carrying amount at beginning of the year	276 525 230	133 486 825
Acquisition of AspiviaUnison companies	–	143 038 405
Acquisition of CQS (note 22.1)	195 989 913	–
Carrying amount at end of year	472 515 143	276 525 230
Comprising:		
Cost	472 515 143	276 525 230
Goodwill is allocated as follows:		
– Adapt IT (Pty) Ltd	276 525 230	25 598 845
– ApplyIT (Pty) Ltd	–	58 709
– Swicon360 (Pty) Ltd	–	12 352 476
– Aquilon companies	–	95 476 795
– AspiviaUnison companies	–	143 038 405
– CQS	195 989 913	–
For more detail on investments, refer to note 10.		
Total	472 515 143	276 525 230

** Restated for measurement period adjustment, refer to note 32.*

On 1 July 2015, ApplyIT (Pty) Ltd, Swicon360 (Pty) Ltd, Swicon360 HCM Spectrum (Pty) Ltd, ITS Evula (Pty) Ltd, Aquilon (Pty) Ltd, Aquilon Evolution Holdings (Pty) Ltd, Aquilon Evolution Consulting (Pty) Ltd, AspiviaUnison (Pty) Ltd, Unison Communications Holdings (Pty) Ltd, Unison Communications (Pty) Ltd and Aspivia (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.

Accordingly, the goodwill of ApplyIT (Pty) Ltd, Swicon360 (Pty) Ltd, Aquilon companies and AspiviaUnison companies was transferred to Adapt IT (Pty) Ltd.

The group tests goodwill annually for impairment. As at 30 June 2016, 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 12% (2015: 11%) (weighted average cost of capital); and
– Projected cash flows for the five years based on a 5% (2015: 5%) growth rate.

	Company Effective holding 2016 %	Company Effective holding 2015 %	Company Effective holding 2016 R	Company Effective holding 2015 R
10. INTEREST IN SUBSIDIARIES AND SHARE TRUST				
Incorporated in South Africa				
Adapt IT (Pty) Ltd	100	100	48 115 401	48 111 713
ApplyIT (Pty) Ltd*	–	100	–	3 688
Adapt IT Holdings Limited Share Incentive Trust	**	**	–	–
Incorporated in Mauritius				
Adapt IT International Ltd	100	100	–	–
			48 115 401	48 115 401

* *Amalgamated into Adapt IT (Pty) Ltd on 1 July 2015 (refer note 9).*

** *100% consolidation.*

	Company 2016 R	Company 2015 R
Adapt IT (Pty) Ltd		
Shares at cost	48 115 401	48 111 713
Amounts due from/(owing to) subsidiary	183 719 243	70 141 692
	231 834 644	118 253 405
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
Loan to subsidiary	–	1 357 848
	–	1 361 536
Adapt IT Holdings Limited Share Incentive Trust		
Loan to Trust	32 158	32 158
	32 158	32 158
The indebtedness of the Trust comes about as a result of interest earned on financial assistance in respect of share options.		
The loan is unsecured and no interest is charged. The loan has no set terms of repayment.		
Total shares at cost	48 115 401	48 115 401
Net amount owing from subsidiaries	183 751 401	71 531 698
– Loans to subsidiaries/Trust	183 751 401	71 531 698
Total interest	231 866 802	119 647 099

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

Refer to note 27 for details of transactions between related parties.

Loans receivable not past due, nor impaired amount to R183 751 401 (2015: R71 531 698).

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FOR THE YEAR ENDED 30 JUNE 2016

	Group Effective holding 2016 %	Group Effective holding 2015 %
11. EQUITY ACCOUNTED INVESTMENT		
Incorporated in South Africa		
Uyandiswa Project Management Services (Pty) Ltd	49	49

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

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

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

	2016 R	2015 R
Statement of profit or loss and other comprehensive income at 49%		
Revenue	18 000 638	7 328 422
Profit from operations before interest and tax	2 214 487	249 322
Net interest received	60 916	57 951
Income tax expense	(639 308)	(139 073)
Profit for the year representing total comprehensive income	1 636 095	168 200
Balance at 30 June 2015	168 200	–
Equity accounted investment	1 804 295	168 200
Statement of financial position at 100%		
Non-current assets	518 524	486 512
Current assets	8 473 755	4 995 950
Non-current liabilities	–	(5 264)
Current liabilities	(5 056 178)	(4 880 065)
Net assets	3 936 101	597 133

Current liabilities include a loan from Adapt IT (Pty) Ltd of R2 447 070 at 30 June 2016. Refer to note 13.

Current assets at 30 June 2015 included a loan to Adapt IT (Pty) Ltd of R2 081 644. Refer to note 18.

	Group 2016 R	Group 2015* R	Company 2016 R	Company 2015 R
12. DEFERRED TAXATION				
The major components of the deferred taxation balance are as follows:				
Deferred taxation asset				
Temporary differences to be offset against future income:				
Leave pay, bonus and other provisions	18 656 521	8 151 629	29 120	538 613
Deferred revenue	9 927 236	8 190 901	–	–
Estimated tax losses	545 307	–	–	–
Imputed interest	24 341	38 113	–	–
Other	591 227	359 685	–	–
	29 744 632	16 740 328	29 120	538 613
Deferred taxation liability				
Prepaid expenditure	(1 546 001)	(1 117 490)	(45 998)	(33 772)
Revenue received in advance	(2 777 288)	(206 900)	–	–
Improvements to owner-occupied property	(361 910)	(283 213)	–	–
Property and equipment	(1 796 827)	(1 820 034)	–	–
Business combination on intangible asset	(44 635 385)	(21 100 442)	–	–
	(51 117 411)	(24 528 079)	(45 998)	(33 772)
Comprising:				
Deferred taxation asset	23 603 353	13 415 879	–	504 841
Deferred taxation liability	(44 976 132)	(21 203 630)	(16 878)	–
	(21 372 779)	(7 787 751)	(16 878)	504 841
Reconciliation of deferred taxation:				
Balance at beginning of year	(7 787 751)	12 395 158	504 841	794 258
Movements during the period attributable to:				
– Business combination on intangible asset	(28 318 358)	(23 149 280)	–	–
– Charge to profit and loss	9 103 768	2 286 696	(521 719)	(289 417)
– Prior year under provision	(1 960 054)	(237 079)	–	–
– Revaluation of property	–	535 478	–	–
– Foreign currency differences	(51 878)	–	–	–
– Acquisition of subsidiary	7 641 494	381 276	–	–
Balance at end of year	(21 372 779)	(7 787 751)	(16 878)	504 841

** Restated for measurement period adjustment, refer to note 32.*

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	Group 2016 R	Group 2015 R	Company 2016 R	Company 2015 R
13. TRADE AND OTHER RECEIVABLES				
Trade receivables	156 456 914	101 653 877	–	613 776
Other receivables	6 147 420	5 822 048	–	119 401
Prepaid expenses	10 268 450	6 262 945	217 335	157 588
VAT	420 683	–	–	–
Loan to Uyandiswa Project Management Services (Pty) Ltd	2 447 070	–	–	–
	175 740 537	113 738 870	217 335	890 765
Provision for impairment	(5 140 249)	(1 627 212)	–	–
	170 600 288	112 111 658	217 335	890 765
The movement in provision for impairment:				
Balance at beginning of year	1 627 212	1 045 636	–	–
Charge for the year	3 993 217	1 101 476	–	–
Recovered for the year	(395 517)	(146 236)	–	–
Amounts written-off	(1 064 965)	(507 829)	–	–
Foreign exchange movement	–	351	–	–
Acquisition of subsidiary	980 302	133 814	–	–
Balance at end of year	5 140 249	1 627 212	–	–

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

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

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 2016 R	Group 2015 R	Company 2016 R	Company 2015 R
14. CASH AND CASH EQUIVALENTS				
Bank balances	12 825 725	17 600 252	129 443	88 076
Cash on deposit	27 189 956	11 300 253	–	–
Foreign currency	37 680 496	51 736	–	–
Petty cash	28 191	20 045	–	–
Net cash and cash equivalents at year-end	77 724 368	28 972 286	129 443	88 076

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

	Group 2016 R	Group 2015 R	Company 2016 R	Company 2015 R
15. SHARE CAPITAL				
Authorised				
200 000 000 ordinary shares at 0.01 cent each	20 000	20 000	20 000	20 000
Issued				
140 061 814 (2015: 129 201 421) ordinary shares of 0,01 cent each	14 006	12 920	14 006	12 920

	Number of shares 2016	Number of shares 2015
Reconciliation of the number of ordinary shares in issue		
Ordinary shares in issue:		
Balance at beginning of year	129 201 421	111 499 091
Issue of shares for business combinations	10 673 980	11 594 301
Issue of shares for cash	186 413	6 108 029
Balance at end of the year	140 061 814	129 201 421

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

	Group 2016 R	Group 2015 R	Company 2016 R	Company 2015 R
16. SHARE PREMIUM				
Balance at beginning of year	128 819 663	23 925 590	124 104 651	19 210 578
On shares allotted during the year for business combination	69 795 171	63 054 685	69 795 171	63 054 685
On shares allotted during the year	2 216 432	41 839 388	2 216 432	41 839 388
Balance at end of year	200 831 266	128 819 663	196 116 254	124 104 651

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17. EQUITY COMPENSATION RESERVE

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

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

The unit price is equal to the share price at date of the offer. If performance conditions are met, the units vest in tranches on or after the dates set out below.

The units lapse three years after issue date.

– 50% after one year
– 50% after two years

	Group 2016 R	Group 2015 R
Equity compensation reserve		
Balance at beginning of year	530 517	–
Total expense recognised arising from share-based payment	5 194 300	530 517
Balance at end of year	5 724 817	530 517

	Number of shares (number of share units)	Weighted average strike price of share units (cents)
Reconciliation of incentive units		
Granted during the 30 June 2015 year:		
Outstanding at beginning of year	2 226 386	901
Issued during year	255 663	901
Lapsed during the year	–	
Exercised during the year	–	
Outstanding at end of year	2 482 049	901
Exercisable at end of year	1 241 025	901

Basis of valuation		
Fair value was determined by using the Binomial model. The following inputs were used:		
Unit price	(cents)	901
Strike price	(cents)	901
Expected volatility	(%)	29,4
Expected dividend yield	(%)	1,0
Weighted fair value of options issued	(cents)	232
Expiry date from issue	(years)	3

17. EQUITY COMPENSATION RESERVE CONTINUED

		Number of shares (number of share units)	Weighted average strike price of share units (cents)
Reconciliation of share units			
Granted during the 30 June 2016 year and outstanding at the end of the year		1 333 194	1 125
Number of share units exercisable			
– after one year		666 597	
– after two years		666 597	
in total in a maximum of three years		1 333 194	
Basis of valuation			
Fair value was determined by using the Binomial model. The following inputs were used:			
Unit price	(cents)	1 125	
Strike price	(cents)	1 125	
Expected volatility	(%)	34,5	
Expected dividend yield	(%)	0,8	
Weighted fair value of options issued	(cents)	272	
Expiry date from issue	(years)	3	

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	Group 2016 R	Group 2015 R
18. INTEREST-BEARING BORROWINGS		
Non-current borrowings	145 790 502	8 521 023
Investec Private Bank Limited	124 989 158	8 521 023
Sanlam Capital Markets Limited	20 801 344	–
Current borrowings	19 373 829	15 822 036
Investec Private Bank Limited	1 182 349	8 740 392
Uyandiswa Project Management Services (Pty) Ltd	–	2 081 644
Chrysalis Capital Fund (Pty) Ltd	–	5 000 000
Sanlam Capital Markets Limited	18 191 480	–
Total	165 164 331	24 343 059

Name of entity	Maturity	Interest rate 2016 %	Interest rate 2015 %
Investec Private Bank Limited	30 June 2020	9,50 to 10,71	9,75
Chrysalis Capital Fund (Pty) Ltd	31 July 2015	–	14,75
Uyandiswa Project Management Services (Pty) Ltd	On demand	–	6,30
Sanlam Capital Markets Limited	28 February 2018	9,22	–

Investec Private Bank Limited

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

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

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

CQS Investment Holdings (Pty) Ltd has a loan with Sanlam Capital Markets Limited. The interest is charged at a fixed rate of 9,22% over a five year loan period.

The loan is repayable in variable bi-annual instalments ending 28 February 2018. The loan is secured by a pledge of issued share capital, a cession of trade receivables and a notarial bond over all moveable assets of CQS Investment Holdings (Pty) Ltd.

	Group 2016 R	Group 2015 R	Company 2016 R	Company 2015 R
19. TRADE AND OTHER PAYABLES				
Trade payables	59 518 861	8 646 503	243 605	305 726
Accruals	28 722 427	14 862 891	36 563	64 500
VAT	5 713 624	3 195 335	698 060	383 999
Other payables	11 596 943	6 909 904	–	–
	105 551 855	33 614 633	978 228	754 225
Trade payables are non-interest-bearing and are normally settled on 30 day terms.				
Accruals, VAT and other payables are non-interest-bearing and are normally settled between 30 days and 60 days.				
20. PROVISIONS				
Leave pay				
Carrying value at beginning of year	7 992 802	5 867 433	–	299 981
Provision raised during the year	18 155 473	10 461 010	–	–
Provision utilised/paid during the year	(14 614 579)	(9 997 268)	–	(299 981)
Acquisition of subsidiary	2 798 853	1 672 509	–	–
Foreign exchange movement	160 037	(10 882)	–	–
Carrying value at end of year	14 492 586	7 992 802	–	–
The leave pay provision is calculated using the total cost of employment multiplied by the leave days outstanding at year-end. The expected release date of leave pay benefits is within the subsequent year.				
Bonus				
Carrying value at beginning of year	18 473 244	13 456 265	1 859 116	2 598 104
Prior year under provision	137 657	142 083	–	43 205
Provision raised during the year	30 376 844	19 013 766	–	1 859 116
Provision utilised/paid during the year	(24 216 830)	(14 131 752)	(1 859 116)	(2 641 309)
Acquisition of subsidiary	3 674 572	–	–	–
Foreign exchange movement	(437)	(7 118)	–	–
Carrying value at end of year	28 445 050	18 473 244	–	1 859 116
The bonus provision is based on the results of the group and the related performance evaluation of the employees.				
Total	42 937 636	26 466 046	–	1 859 116

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	Group 2016 R	Group 2015* R	Company 2016 R	Company 2015 R
21. NOTES TO THE STATEMENTS OF CASH FLOW				
21.1 CASH GENERATED FROM/(UTILISED IN) OPERATIONS				
Profit before taxation	122 886 590	78 146 194	34 055 924	1 130 652
Adjustments for:				
Depreciation and amortisation	28 750 696	15 884 879	–	–
Net profit on disposal of property and equipment	(98 589)	(39 449)	–	–
Finance income (note 3)	(5 091 400)	(1 018 543)	(1 209)	–
Finance costs (note 3)	22 297 839	11 247 056	–	2 641
Dividend received	–	–	(32 000 000)	–
Share of profits of equity accounted investments	(1 636 095)	(168 200)	–	–
Share-based payment expense	5 194 300	530 517	–	–
Increase/(decrease) in provisions	9 998 165	3 969 839	(1 859 116)	(1 038 969)
Working capital changes:				
(Increase)/decrease in trade and other receivables	(21 785 562)	(2 794 629)	673 430	(715 982)
Increase/(decrease) in trade and other payables	17 669 279	(183 502)	224 003	(109 898)
Decrease in deferred income	(4 582 961)	(187 093)	–	–
	173 602 262	105 387 069	1 093 032	(731 556)
21.2 TAXATION PAID				
Charge to the statement of profit or loss and other comprehensive income	41 929 718	25 467 619	489 289	407 860
Adjustment for deferred taxation	7 143 714	2 049 617	(521 719)	(289 417)
Acquisition of subsidiary	13 637 935	7 057 216	–	–
Movement in taxation balance	(7 681 688)	9 616 856	111 149	40 116
	55 029 679	44 191 308	78 719	158 559

* *Restated for measurement period adjustment, refer to note 32.*

22. BUSINESS COMBINATIONS

22.1 ACQUISITION OF SUBSIDIARY

On 31 December 2015, the group acquired the entire issued share capital of CQS Investment Holdings (Pty) Ltd and its subsidiaries (CQS). CQS is South African registered.

With over 20 years in business and approximately 4 000 clients, CQS is a value added distributor of a combination of its own and third party (being CaseWare, ACL and Confirmations.com) Intellectual Property software solutions for audit, data analytics, controls monitoring, risk management and financial reporting to financial professionals, corporates and the public sector. CQS, which has the reputation of being a leader in this niche market, also services clients in Nigeria, Kenya, Zambia, Tanzania, Botswana and Zimbabwe through a direct and a distributor network.

The total purchase consideration of R216 815 000 consists of R159 879 215 in cash, funded from borrowings, paid on 14 December 2015 and R56 935 785 in shares issued on 18 December 2015.

The fair value of the net liabilities acquired amounted to R18 390 749 and non controlling interest in equity amounted to R7 557 668, resulting in goodwill of R195 989 913 at acquisition. The purchase consideration paid for the combination effectively included amounts in relation to the benefit of the expected synergies, revenue growth, new market penetration and future market development.

The acquisition, which is in line with Adapt IT's strategy of targeted acquisitive growth,will augment the group's Financial Services and public sector markets' representation by providing diversification into the auditing and accounting professions and will enhance its technology diversification.

22. BUSINESS COMBINATIONS CONTINUED

22.1 ACQUISITION OF SUBSIDIARY CONTINUED

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

	Fair value recognised on acquisition R'000
Assets	
Property and equipment	4 291 989
Intangible assets	89 298 605
Asset held for sale	9 733 141
Trade and other receivables	35 509 158
Cash and cash equivalents	31 352 776
Total assets	170 185 669
Liabilities	
Shareholders loan	46 773 504
Long term portion of interest-bearing borrowings	37 820 625
Current portion of interest-bearing borrowings	8 581 011
Deferred tax liability	17 349 066
Trade and other payables	64 360 360
Current tax payable	13 691 852
Total liabilities	188 576 418
Total identifiable net liabilities	(18 390 749)
Non controlling interest	(7 557 668)
Goodwill arising on acquisition	195 989 913
Fair value of consideration payable	170 041 496
Fair value of consideration paid:	
Cash paid	159 879 215
Shares issued in December 2015	56 935 785
Shareholders loan settled	(46 773 504)
Fair value of consideration paid	170 041 496
Cash outflow on acquisition:	
Net cash acquired with the subsidiary	31 352 776
Cash paid	(159 879 215)
Net cash outflow on acquisition	(128 526 439)

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

From the date of acquisition, CQS has contributed R32 933 773 to the profit after tax of the group.

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

Acquisition related costs of R2 685 563 have been expensed and are included in administrative, selling and other costs on the statement of profit or loss and other comprehensive income.

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22. BUSINESS COMBINATIONS CONTINUED

22.2 ACQUISITION OF SUBSIDIARIES

On 1 January 2016, the group acquired the entire share capital of Meta Office Limited (Meta Office) and Multimatics (Pty) Ltd (Multimatics), for a purchase consideration of R3 416 388 and R7 000 000 respectively. Meta Office is a New Zealand registered company and Multimatics is a South African registered.

The acquisition of Meta Office extends the product set for the higher education segment and geographic reach of Adapt IT in foreign markets.

Multimatics specialises in business intelligence solutions relating to telecommunications.

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

	Fair value recognised on acquisition R
Assets	
Property and equipment	141 025
Intangible assets	14 056 276
Trade and other receivables	1 193 910
Current tax receivable	53 917
Cash and cash equivalents	1 152 122
Total assets	16 597 250
Liabilities	
Deferred taxation	3 327 798
Trade and other payables	887 269
Deferred income	2 029 442
Provisions	30 790
Total liabilities	6 275 299
Total identifiable net assets	10 321 951
Cash paid	6 916 389
Fair value at acquisition of cash paid on 1 April 2016	3 405 562
Fair value of consideration payable	10 321 951
Cash outflow on acquisition:	
Net cash acquired with the subsidiaries	1 152 122
Cash paid	(10 416 388)
Net cash outflow on acquisition	(9 264 266)

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

From the date of acquisition, Meta Office and Multimatics have contributed R1 064 460 to the profit after tax of the group.

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

Acquisition related costs of R292 768 have been expensed and are included in administrative, selling and other costs on the statement of profit or loss and other comprehensive income.

22. BUSINESS COMBINATIONS CONTINUED

22.3 ACQUISITION OF SUBSIDIARY

On 1 September 2014, the group acquired the entire issued share capital of AspiviaUnison (Pty) Ltd and its subsidiaries (AspiviaUnison).

Ths AspiviaUnison companies are South African registered. On 1 July 2015 the companies were amalgamated into Adapt IT (Pty) Ltd.

AspiviaUnison is a cloud telecommunications intelligence and management solutions provider. With over 14 years' experience in the field of telecommunications management within Southern Africa. AspiviaUnison provides Telecommunications Lifecycle Management (TLM), Telecommunications Management Services (TMS) and Mobile Device Spend Management (MDSM) software solutions. The products of AspiviaUnison comprise several crucial forward-looking telecommunications intelligence services that provide business intelligence on telecommunications billing information for a more uniform and understandable billing, integration of billing data with enabling technologies and understanding and control of mobile device spend.

The purchase consideration consists of R36 000 000 in cash paid on 5 November 2014 and R36 000 000 in cash paid on 3 March 2015 with a further contingent consideration of a maximum amount of R128 000 000, which is contingent upon the achievement by AspiviaUnison of the following performance warranties over 28 months (Performance Warranties):

- R29 427 000 profit after tax for the period 1 September 2014 to 30 June 2015 (1st Performance Warranty period);
- R40 100 000 profit after tax for the period 1 July 2015 to 30 June 2016 (2nd Performance Warranty period); and
- R21 100 000 profit after tax for the period 1 July 2016 to 31 December 2016 (3rd Performance Warranty period).

The maximum amount of R128 000 000 (contingent earn-out portion) are payable as follows:

- R48 000 000 shares were issued in December 2014, pledged to Adapt IT (Pty) Ltd as security for performance as against the Performance Warranties, and vests unconditionally upon achievement of at least R54 400 000 cumulative profit after tax; and
- subject and pro rata to achievement of the Performance Warranties, up to a further R80 000 000 which is payable 60% in cash and 40% by the issue of further shares:
- in respect of achievement in aggregate of the Performance Warranties in respect of the 1st and 2nd Performance Warranty Periods, and up to 15% advance achievement of the Performance Warranties in respect of the 3rd Performance Warranty Period, if any, by the later of 30 September 2016 and the final determination of any dispute which may arise in the determination of the profit after tax pertaining to the profit warranties; and
- in respect of achievement in aggregate of the outstanding Performance Warranties as at the end of the 3rd Performance Warranty Period, if any, by the later of 31 March 2017, or the final determination of any dispute which may arise in the determination of the profit after tax, to the extent that the contingent earn-out portion has not already been paid.

The number of shares to be issued, in each applicable instance thereof, shall be calculated by dividing the corresponding amount of the relevant contingent earn-out portion by the weighted average traded price of Adapt IT shares for a period of 30 trading days prior to the relevant date as specified in the agreement.

On 29 February 2016, AspiviaUnison achieved a cumulative profit after tax of greater than R54 411 000, resulting in R48 000 000 shares issued in December 2014, became unconditional and the pledge to Adapt IT (Pty) Ltd cancelled accordingly.

The 2016 profit after tax as measured in accordance with the agreement, exceeded the profit warranty, such that R41 436 268 vested at 30 June 2016.

A total of 1 346 426 shares will be issued at 1231 cents per share (R16 574 504) and a cash payment of R24 861 764 on 31 August 2016.

The latest financial projections for AspiviaUnison indicates that the 2017 profit warranties will be achieved.

The fair value of the net liabilities acquired amounted to R39 364 460, resulting in goodwill of R143 038 405 at acquisition. The purchase consideration paid for the combination effectively included amounts in relation to the benefit of the expected synergies, revenue growth, new market penetration and future market development.

AspiviaUnison added another significant pillar to Adapt IT's growing vertical software solutions set.The acquisition, which was in line with Adapt IT's strategy of targeted acquisitive growth, enabled the Adapt IT group to further diversify and bolster its customer base, especially in the Financial Services Industry (FSI) and the wider Private and targeted Public Sector markets.

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22. BUSINESS COMBINATIONS CONTINUED

22.3 ACQUISITION OF SUBSIDIARY CONTINUED

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

	Fair value recognised on acquisition R
Assets	
Property and equipment	335 036
Intangible assets	82 709 138
Trade and other receivables	11 620 276
Cash and cash equivalents	2 393 971
Total assets	97 058 421
Liabilities	
Current portion of non-interest-bearing borrowings (previous shareholders)	439 174
Current portion of interest-bearing borrowings	20 194 026
Deferred taxation	22 768 004
Trade and other payables	6 013 657
Provisions	1 221 884
Current tax payable	7 057 216
Total liabilities	57 693 961
Total identifiable net liabilities	39 364 460
Goodwill arising on acquisition	143 038 405
Fair value of consideration payable:	182 402 865
Cash paid	36 000 000
Shares issued in December 2014	48 000 000
Fair value at acquisition of cash paid on 3 March 2015	34 356 846
Fair value of contingent purchase consideration owing in respect of acquisition and settled through issue of shares and cash when relevant warranties have been fulfilled*	64 046 019
Fair value of consideration payable	182 402 865
Cash outflow on acquisition:	
Net cash acquired with the subsidiary	2 393 971
Cash paid	(72 000 000)
Net cash outflow on acquisition	(69 606 029)

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

** The fair value of contingent purchase consideration financial liability as at 30 June 2015, after recognising a charge of R6 821 299 to finance costs, was R69 224 164 relating to non-current financial liabilities.*

From the date of acquisition, AspiviaUnison has contributed R68 357 234 (10 month period in 2015: R24 320 445) to the profit after tax of the group.

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

Goodwill recognised is not deductible for tax purposes.

Acquisition related costs of R4 131 022 were expensed in the prior year and were included in administrative, selling and other costs on the statement of profit or loss and other comprehensive income.

22. BUSINESS COMBINATIONS CONTINUED

22.4 ACQUISITION OF SUBSIDIARY

On 1 March 2015, the group acquired the entire share capital of Student Management Software Solutions Limited (SMSS). SMSS is a New Zealand registered company.

SMSS has been actively involved in the education sector in New Zealand since 2003. SMSS brings a wealth of experience to the Adapt IT fold and a host of new business opportunities.

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

	Fair value recognised on acquisition R
Assets	
Property and equipment	145 090
Trade and other receivables	6 429 778
Cash and cash equivalents	5 869 965
Total assets	12 444 833
Liabilities	
Trade and other payables	11 852 859
Provisions	450 625
Total liabilities	12 303 484
Total identifiable net assets	141 349
Fair value of consideration transferred	141 349
Cash outflow on acquisition:	
Net cash acquired with the subsidiary	5 869 965
Cash paid	(141 349)
Net cash inflow on acquisition	5 728 616

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

From the date of acquisition, SMSS has contributed R1 508 770 (six month period in 2015: R461 994) to the profit after tax of the group.

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

Acquisition related costs of R937 904 were expensed in the prior year and were included in administrative, selling and other costs on the statement of profit or loss and other comprehensive income.

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	Group 2016 R	Group 2015 R
23. COMMITMENTS		
23.1 PROPERTY OPERATING LEASE COMMITMENTS		
No later than one year	15 098 835	9 680 745
Later than one year and no later than five years	25 019 064	27 937 012
	40 117 899	37 617 757

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.

	Group 2016 R	Group 2015 R
23.2 CAPITAL COMMITMENTS		
Authorised and contracted	750 000	248 858
Authorised but not contracted	12 334 182	8 864 260
	13 084 182	9 113 118

Capital commitments will be funded from cash resources.

	Group 2016 R	Group 2015 R	Company 2016 R	Company 2015 R
24. CONTINGENT LIABILITIES				
Bank guarantees	318 693	902 017	–	541 699

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

25. 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.

26. PENSION FUND AND RISK BENEFIT INFORMATION

Adapt IT (Pty) Ltd established the Adapt IT Pension Fund on 1 July 1996 and moved to the Alexander Forbes Umbrella Fund in September 2011. The Fund is a defined contribution pension fund under the Alexander Forbes Umbrella Fund which is governed by the Pension Funds Act, 1956.

On 1 June 2015 Adapt IT (Pty) Ltd gave three months notice for termination of the fund in order to allow flexibility in retirement funding options to the employees. The notice period ended on 31 August 2015.

The Financial Services Board has appointed a liquidator and the process in underway.

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.

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

Refer to note 3 for details of the retirement costs.

27. RELATED PARTY TRANSACTIONS

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

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

	Company Effective holding 2016 %	Company Effective holding 2015 %
Related party relationship:		
Incorporated in South Africa		
Adapt IT (Pty) Ltd	100	100
ApplyIT (Pty) Ltd*	–	100
Adapt IT Holdings Limited Share Incentive Trust	**	**
Incorporated in Mauritius		
Adapt IT International Limited	100	100

* *Amalgamated into Adapt IT (Pty) Ltd on 1 July 2015 (refer note 9).*
** *100% consolidation.*

	2016 R	2015 R
Loan		
Loans from the company to (refer note 10):		
ApplyIT (Pty) Ltd	–	1 357 848
Adapt IT Holdings Share Incentive Trust	32 158	32 158
Adapt IT (Pty) Ltd	183 719 243	70 141 692
The loans are unsecured and no interest is charged. The loans have no set terms of repayment.		
Trade and other receivables		
Aquilon Evolution Consulting (Pty) Ltd	–	613 776
Trade and other receivables are non-interest-bearing and are generally on 30 day terms.		
For the year ended 30 June 2016, the group has not recorded any impairment of trade and other receivables relating to amounts owed by related parties (2015: Rnil). This assessment is undertaken each financial year through 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	3 333 333	1 618 840
Aquilon Evolution Consulting (Pty) Ltd	–	538 400
AspiviaUnison (Pty) Ltd	–	5 000 000
CQS Technology Holdings (Pty) Ltd	1 666 667	–

Management fees are charged to operating subsidiaries in order to recover management time and effort.

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

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	Group 2016 R	Group 2015 R	Company 2016 R	Company 2015 R
28. FINANCIAL RISK MANAGEMENT				
Categories of financial instruments				
Financial assets				
Loans and receivables	247 903 973	141 083 944	184 098 179	72 510 539
Financial liabilities				
Other financial liabilities measured at amortised cost	324 479 095	123 986 521	280 168	370 226
Reconciliation to statements of financial position				
Amounts owing from subsidiaries	–	–	183 751 401	71 531 698
Trade and other receivables net of provision for impairment	170 179 605	112 111 658	217 335	890 765
Cash and cash equivalents	77 724 368	28 972 286	129 443	88 076
Loans and receivables	247 903 973	141 083 944	184 098 179	72 510 539
Trade and other payables	99 838 231	30 419 298	280 168	370 226
Financial liabilities	59 476 533	69 224 164	–	–
Interest-bearing borrowings	165 164 331	24 343 059	–	–
Other financial liabilities measured at amortised cost	324 479 095	123 986 521	280 168	370 226

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

At 30 June 2016 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.

28. FINANCIAL RISK MANAGEMENT CONTINUED

28.1 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 2016 R	Group 2015 R
Not past due or impaired	56 349 482	58 840 634
Past due by 31-60 days but not impaired	66 537 699	20 205 821
Past due by 61-90 days but not impaired	8 814 942	12 228 294
Past due over 90 days but not impaired	25 761 962	14 573 963
Total trade and other not impaired	157 464 085	105 848 712

The carrying amount of the trade receivables impaired is R5 140 249 (2015: R1 627 212).

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

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28. FINANCIAL RISK MANAGEMENT CONTINUED

28.2 LIQUIDITY RISK

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

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

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

	On demand R	Within one year R	One to five years R	Greater than five years R	Total R
GROUP					
2016					
Interest-bearing borrowings	9 720 618	9 653 211	145 790 502	–	165 164 331
Financial liabilities	24 861 764	23 138 239	–	–	48 000 003
Accounts payable	–	99 838 231	–	–	99 838 231
Total	34 582 382	132 629 681	145 790 502	–	313 002 565
2015					
Interest-bearing borrowings	2 081 644	13 740 392	8 521 023	–	24 343 059
Financial liabilities	–	–	48 000 000	–	48 000 000
Accounts payable	–	30 419 298	–	–	30 419 298
Total	2 081 644	44 159 690	56 521 023	–	102 762 357
COMPANY					
2016					
Accounts payable	–	280 168	–	–	280 168
Total	–	280 168	–	–	280 168
2015					
Accounts payable	–	370 226	–	–	370 226
Total	–	370 226	–	–	370 226

28.3 MARKET RISK MANAGEMENT

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

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

Foreign currency risk management

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

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

Most transactions are Rand-based with a limited exposure to other currencies, mainly US Dollars, Australian Dollars and British Pounds resulting in a foreign exchange profit for the year of R4 156 933 (2015: profit of R447 057).

28. FINANCIAL RISK MANAGEMENT CONTINUED

28.3 MARKET RISK MANAGEMENT CONTINUED

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

	2016 Foreign amount	2016 R	2015 Foreign amount	2015 R
US Dollar	1 562 831	23 191 212	246 272	3 017 783
New Zealand Dollar	312	3 146	53	421
Australian Dollar	439 193	4 828 019	65 898	618 483
Euro	(108 361)	(1 782 751)	257	3 520
British Pounds	–	–	29 592	572 309
Singapore Dollar	389	4 092	389	3 386
Canadian Dollar	220	2 408	220	2 075
Botswana Pula	493	631	873	1 022
Rwanda Franc	114 903	2 157	–	–
Indian Rupee	16 180	3 394	16 180	2 979
UAE Dirham	740	2 867	740	2 369
Ghanaian Cedi	802	2 898	181	503
Ugandan Shilling	48 000	206	48 000	177
Syrian Pound	300	20	300	17
Malawian Kwacha	–	–	8 000	599
Zambian Kwacha	51	73	5	8
Total		26 258 372		4 225 651

Foreign currency sensitivity

The group's exchange rate exposure relates mainly to the US Dollar and Australian Dollar. The following details the group's sensitivity to a 14,0% (2015: 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% (2015: 14,0%). This is reflective of the currency risk exposure throughout the year.

	2016 R	2015 R
Sensitivity analysis If the foreign currency rates had been 14,0% (2015: 14,0%) higher/lower and all other variables held constant, the group's profit for the year (before tax) would increase/decrease by	3 676 172	591 591
Interest rate risk management Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's exposure to the risk of changes in market interest rates relates primarily to the group's long-term debt obligations with variable interest rates. **Interest rate sensitivity** The sensitivity analysis below has been determined based on the exposure of cash and cash equivalents and the interest bearing loans to interest rates. A 100 basis point increase or decrease has been used. **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	1 506 910	645 949

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

29. 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 interest-bearing liabilities divided by total equity. The group's policy is to keep the gearing ratio below 50%.

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

		2016	2015
Gearing ratio	(%)	34,9	7,6

30. EVENTS AFTER THE REPORTING DATE

On 1 July 2016, Student Management Software Solutions Limited and Meta Office Limited were amalgamated into Adapt IT Australasia Limited in accordance with the provision of Section 222(1) of the New Zealand Companies Act 1993. These companies are New Zealand registered.

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.

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

31. SEGMENT ANALYSIS

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.

Management does not monitor assets and liabilities by segment.

The following tables present turnover and profit information (after Shared Services cost allocation) regarding the group's operating segments for the year ended 30 June 2016 and 30 June 2015 respectively:

	Education R	Manufacturing R	Financial Services R	Energy R	Other R	Total R
2016						
Turnover	170 806 274	242 200 530	223 249 140	159 922 465	–	796 178 409
Segment profit/(loss) from operations	29 809 003	37 651 833	34 232 099	37 857 837	(3 161 863)	136 388 909
Operating profit margin (%)	17	16	15	24		17
2015*						
Turnover	155 955 376	215 421 755	94 774 959	109 171 778	–	575 323 868
Segment profit/(loss) from operations	27 049 586	27 865 151	14 241 624	24 282 145	(6 938 683)	86 499 823
Operating profit margin (%)	17	13	15	22		15

* *Restated for measurement period adjustment, refer to note 32.*

31. SEGMENT ANALYSIS CONTINUED

The following table presents turnover by geographic area of the group's operating segments as at 30 June 2016 and 30 June 2015:

	Education R	Manufacturing R	Financial Services R	Energy R	Other R	Total R
2016						
Turnover from external customers by geographic area*	170 806 274	242 200 530	223 249 140	159 922 465	–	796 178 409
South Africa	114 182 877	191 991 807	188 157 940	83 416 883	–	577 749 507
African Countries**	25 216 549	34 995 812	32 807 301	12 983 498	–	106 003 160
United Kingdom	–	–	–	649 115	–	649 115
Europe	9 695 431	–	5 240	5 393 355	–	15 094 026
Asia	–	–	–	3 756 326	–	3 756 326
North America	–	391 196	2 278 659	47 900 209	–	50 570 064
South America	–	–	–	4 415 985	–	4 415 985
Australasia	21 711 417	14 821 715	–	1 407 094	–	37 940 226
2015						
Turnover from external customers by geographic area*	155 955 376	215 421 755	94 774 959	109 171 778	–	575 323 868
South Africa	116 058 874	170 620 007	94 612 107	63 526 746	–	444 817 734
African Countries**	20 552 340	35 435 433	162 852	587 464	–	56 738 089
United Kingdom	–	–	–	276 012	–	276 012
Europe	4 424 093	–	–	1 402 054	–	5 826 147
Asia	–	–	–	1 201 899	–	1 201 899
North America	–	2 234 809	–	39 825 530	–	42 060 339
South America	–	–	–	1 578 613	–	1 578 613
Australasia	14 920 069	7 131 506	–	773 460	–	22 825 035

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

32. MEASUREMENT PERIOD ADJUSTMENT

In the business combination of AspiviaUnison (Pty) Ltd (refer to note 22.3), no fair value was placed on intangible assets as the valuation of these assets had not been completed as at 30 June 2015.

The valuation of these assets, namely Customer Relationship and Internally Generated Software, has subsequently been finalised. The 30 June 2015 comparative information has not been restated retrospectively in this regard, to increase the value of intangible assets acquired to R82 676 000, and to increase the related deferred tax liability to R23 149 280, both offset by a decrease in goodwill of R59 526 720.

The effect on the business combination is as follows:

	As originally reported R	Measurement period adjustment R	Restated amount R
Assets			
Property and equipment	335 036	–	335 036
Intangible assets	33 138	82 676 000	82 709 138
Deferred taxation	381 276	(381 276)	–
Trade and other receivable	11 620 276	–	11 620 276
Cash and cash equivalents	2 393 971	–	2 393 971
Total assets	14 763 697	82 294 724	97 058 421
Liabilities			
Current portion of non-interest-bearing borrowings (previous shareholders)	439 174	–	439 174
Current portion of interest-bearing borrowings	20 194 026	–	20 194 026
Trade and other payables	6 013 657	–	6 013 657
Provisions	1 221 884	–	1 221 884
Current tax payable	7 057 216	–	7 057 216
Deferred tax liability	–	22 768 004	22 768 004
Total liabilities	34 925 957	22 768 004	57 693 961
Total identifiable net assets	(20 162 260)	59 526 720	39 364 460
Goodwill arising on acquisition	202 565 125	(59 526 720)	143 038 405
Fair value of consideration payable:	182 402 865	–	182 402 865
Cash paid	36 000 000	–	36 000 000
Shares issued in December 2014	48 000 000	–	48 000 000
Fair value at acquisition of cash paid on 3 March 2015	34 356 846	–	34 356 846
Fair value of contingent purchase consideration owing in respect of acquisition and settled through issue of shares and cash when relevant warranties have been fulfilled (non-current financial liabilities)	64 046 019	–	64 046 019
Fair value of consideration payable	182 402 865	–	182 402 865

32. MEASUREMENT PERIOD ADJUSTMENT CONTINUED

The effect on the 30 June 2015 group results is as follows:

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		As disclosed R'000	Adjustment R'000	Restated R'000
Revenue		578 049 095	–	578 049 095
Turnover		575 323 868	–	575 323 868
Cost of sales		(299 108 714)	–	(299 108 714)
Gross profit		276 215 154	–	276 215 154
Administrative, selling and other costs		(182 398 053)	(7 317 278)	(189 715 331)
Profit from operations		93 817 101	(7 317 278)	86 499 823
Finance income		2 725 227	–	2 725 227
Finance costs		(11 247 056)	–	(11 247 056)
Share of profits of equity accounted investment after tax		168 200	–	168 200
Profit before taxation		85 463 472	(7 317 278)	78 146 194
Income tax expense		(27 516 457)	2 048 838	(25 467 619)
Profit for the period		57 947 015	(5 268 440)	52 678 575
Other comprehensive income				
Items that will not be reclassified to profit and loss		1 942 462	–	1 942 462
Revaluation of land and building		1 406 984	–	1 406 984
Income tax effect		535 478	–	535 478
Items that may be reclassified subsequently to profit and loss		529 847	–	529 847
Exchange differences arising from translation of foreign operations		529 847	–	529 847
Total comprehensive income		60 419 324	(5 268 440)	55 150 884
Headline earnings:				
Profit attributable to ordinary shareholders		57 947 015	(5 268 440)	52 678 575
Profit on sale of property and equipment		(39 449)	–	(39 449)
Headline earnings		57 907 566	(5 268 440)	52 639 126
Number of ordinary shares in issue	(000)	129 201 421	129 201 421	129 201 421
Weighted average number of ordinary shares in issue	(000)	124 427 313	124 427 313	124 427 313
Diluted average number of ordinary shares in issue	(000)	127 460 251	127 460 251	127 460 251
Basic earnings per share	(cents)	46,57	(4,23)	42,34
Headline earnings per share	(cents)	46,54	(4,23)	42,31
Diluted basic earnings per share	(cents)	45,46	(4,13)	41,33
Diluted headline earnings per share	(cents)	45,43	(4,13)	41,30

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

32. MEASUREMENT PERIOD ADJUSTMENT CONTINUED

	As disclosed R'000	Adjustment R'000	Restated R'000
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Non-current assets	392 214 992	15 832 002	408 046 994
Property and equipment	31 705 928	–	31 705 928
Intangible assets	10 873 035	75 358 722	86 231 757
Goodwill	336 051 950	(59 526 720)	276 525 230
Equity accounted investment	168 200	–	168 200
Deferred taxation asset	13 415 879	–	13 415 879
Current assets	153 804 606	–	153 804 606
Trade and other receivables	112 111 658	–	112 111 658
Current tax receivable	12 720 662	–	12 720 662
Cash and cash equivalents	28 972 286	–	28 972 286
Total assets	546 019 598	15 832 002	561 851 600
EQUITY AND LIABILITIES			
Equity	326 362 080	(5 268 440)	321 093 640
Share capital	12 920	–	12 920
Share premium	128 819 663	–	128 819 663
Other capital reserves	26 594 829	–	26 594 829
Equity compensation reserve	530 517	–	530 517
Foreign currency translation reserve	2 419 112	–	2 419 112
Revaluation reserve	3 544 400	–	3 544 400
Retained earnings	164 440 639	(5 268 440)	159 172 199
Non-current liabilities	77 848 375	21 100 442	98 948 817
Interest-bearing borrowings	8 521 023		8 521 023
Financial liabilities	69 224 164		69 224 164
Deferred taxation liability	103 188	21 100 442	21 203 630
Current liabilities	141 809 143	–	141 809 143
Trade and other payables	33 614 633	–	33 614 633
Provisions	26 466 046	–	26 466 046
Deferred income	65 287 590	–	65 287 590
Current tax payable	618 838	–	618 838
Current portion of interest-bearing borrowings	15 822 036	–	15 822 036
Total equity and liabilities	546 019 598	15 832 002	561 851 600

SHARES AND SHAREHOLDERS

		2016	2015
PERFORMANCE ON THE JSE LIMITED			
Total number of shares traded	('000)	51 279	37 933
Total number of shares traded as a percentage of total issue shares (liquidity)	(%)	37	29
Total value of shares traded	(R'000)	606 889	312 449
Prices:			
Closing	(cents)	1242	842
High	(cents)	1450	1095
Low	(cents)	800	582
SPREAD (NUMBER OF SHAREHOLDERS)			
Up to 10 000 shares		4 830	3 003
10 001 to 100 000 shares		688	551
100 001 to 200 000 shares		40	37
Over 200 000 shares		86	79
		5 644	3 670

	Number	%	Shares	%
SHAREHOLDER DISTRIBUTION				
Public	5 568	99	96 676 843	69
Non-public	71	1	22 010 374	16
Directors	4	0	21 022 597	15
Associates of directors	1	0	352 000	0
	5 644	100	140 061 814	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 2016.

	%	Shares
Sibusiso Shabalala	10	14 316 646

SHAREHOLDERS' DIARY

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

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

NOTICE OF ANNUAL GENERAL MEETING

ADAPT IT HOLDINGS LIMITED

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

NOTICE OF THE 17TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

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

Notice is hereby given that the 17th annual general meeting of shareholders of Adapt IT will be held on Friday, 25 November 2016 at 09:00 at the company's offices at 5 Rydall Vale Office Park, Rydall Vale Crescent, La Lucia Ridge, KwaZulu-Natal, for the purpose of considering, and, if deemed fit, passing, with or without modification, the resolutions set out hereafter.

The Board of Directors of the company ("the Board") has determined that, in terms of section 62(3)(a), as read with section 59 of the Companies Act, No 71 of 2008, as amended, the record date for the purposes of determining which shareholders of the company are entitled to participate in and vote at the annual general meeting is Friday, 18 November 2016. Accordingly, the last date to trade in order to be registered in the register of shareholders of the company and therefore be eligible to participate in and vote at the annual general meeting is Tuesday, 15 November 2016.

1. SPECIAL RESOLUTIONS

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

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

Resolved as a special resolution that, unless otherwise determined by the company in general meeting, the following annual fees payable by the company to its non-executive directors for their service as directors, with effect from 1 July 2016, are approved:

	Fee for the year ended 30 June 2016 R	Proposed fee for the year ending 30 June 2017 R
Chairman	292 600	351 120
Director	182 600	219 120

Explanation

Section 66(9) of the Companies Act, No 71 of 2008, as amended ("Companies Act") requires that a company may pay remuneration to its directors for their services as directors only in accordance with a special resolution approved by the shareholders within the previous two years. The reason for, and effect of, special resolution number 1 is to grant the company the authority to pay fees to its non-executive directors for their services as directors. The non-executive directors' fees are aligned with similar sized companies listed on the JSE.

NOTICE OF ANNUAL GENERAL MEETING continued

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

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

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

- the acquisition of the ordinary shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the 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 in any one financial year may not exceed 20% (twenty percent) of the company's issued ordinary share capital;
- the company may only effect the repurchase once a resolution has been passed by the Board confirming that the Board has authorised the repurchase, that the company has passed the solvency and liquidity test ("test") and that since the test was done there have been no material changes to the financial position of the group;
- the company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements; and
- an announcement will be published once the company has cumulatively repurchased 3% (three percent) of the number of the ordinary shares in issue at the time this general authority is granted ("initial number"), and for each 3% (three percent) in aggregate of the initial number acquired thereafter.

Explanation

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

1.2.1 OTHER DISCLOSURE IN TERMS OF SECTION 11.26 OF THE JSE LISTINGS REQUIREMENTS

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

Share capital of the company	page 87 and
Major shareholders of the company	page 109

1.2.2 MATERIAL CHANGE

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

1.2.3 DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on pages 8 and 9 of the integrated annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 2 and certify that to the best of their knowledge and belief there are no facts in relation to special resolution number 2 that have been omitted which would make any statement in relation to special resolution number 2 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 2 together with this notice contains all information required by law and the JSE Listings Requirements in relation to special resolution number 2.

1.2.4 ADEQUACY OF WORKING CAPITAL

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

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

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

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

Explanation

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

2. ORDINARY RESOLUTIONS

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

2.1 ORDINARY RESOLUTION NUMBER 1 – FINANCIAL STATEMENTS

To receive, consider and adopt the consolidated audited annual financial statements of the company for the year ended 30 June 2016, incorporating the reports of the auditors, the directors, the Audit and Risk Committee, and the Social and Ethics Committee, which will be presented to shareholders as required in terms of section 30(3)(d) of the Companies Act.

Note: The annual financial statements appear on pages 47 to 108 of the integrated annual report of which this notice forms part.

NOTICE OF ANNUAL GENERAL MEETING continued

2.2 ORDINARY RESOLUTION NUMBER 2 – RE-ELECTION OF MR O FORTUIN AS A DIRECTOR

To re-elect, Mr O Fortuin as a director of the company who, in terms of Article 24.7.1 of the company's Memorandum of Incorporation, retires by rotation at this annual general meeting but, being eligible to do so, offers himself for re-election.

Note: The curriculum vitae of Mr O Fortuin is provided on page 8 of the integrated annual report.

2.3 ORDINARY RESOLUTION NUMBER 3 – RE-ELECTION OF MS C KOFFMAN AS A DIRECTOR

To re-elect, Ms C Koffman as a director of the company who, in terms of Article 24.7.1 of the company's Memorandum of Incorporation, retires by rotation at this annual general meeting but, being eligible to do so, offers herself for re-election.

Note: The curriculum vitae of Ms C Koffman is provided on page 8 of the integrated annual report.

2.4 ORDINARY RESOLUTION NUMBER 4 – APPOINTMENT OF MS N MBAMBO AS A DIRECTOR

To elect, Ms N Mbambo in terms of Article 24.2 of the company's Memorandum of Incorporation as Chief Financial Officer of the company effective 18 August 2016.

Note: The curriculum vitae of Ms N Mbambo is provided on page 9 of the integrated annual report.

2.5 ORDINARY RESOLUTION NUMBER 5 – RE-APPOINTMENT OF MS B NTULI TO THE AUDIT AND RISK COMMITTEE

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

2.6 ORDINARY RESOLUTION NUMBER 6 – RE-APPOINTMENT OF MR O FORTUIN TO THE AUDIT AND RISK COMMITTEE

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

2.7 ORDINARY RESOLUTION NUMBER 7 – RE-APPOINTMENT OF MS C KOFFMAN TO THE AUDIT AND RISK COMMITTEE

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

2.8 ORDINARY RESOLUTION NUMBER 8 – RE-APPOINTMENT OF THE INDEPENDENT REGISTERED AUDITOR

Pursuant to the requirements of section 90(1) read with section 61(8) of the Companies Act, and as nominated by the company's Audit and Risk Committee, to confirm the re-appointment of Deloitte & Touche as independent auditors of the company for the financial year ending 30 June 2017, with S Munro being the individual registered auditor who has undertaken the audit of the company for the ensuing financial year and to authorise the Audit and Risk Committee to determine the auditor's remuneration.

2.9 ORDINARY RESOLUTION NUMBER 9 – ENDORSEMENT OF THE REMUNERATION POLICY

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

Note: King III recommends that the company's Remuneration Policy be tabled to shareholders for a non-binding advisory vote at each annual general meeting.

2.10 ORDINARY RESOLUTION NUMBER 10 – APPROVAL TO ISSUE ORDINARY SHARES, AND TO SELL TREASURY SHARES, FOR CASH

Resolved that the directors of the company and/or any of its subsidiaries from time to time be and are hereby authorised, by way of a general authority, to:

2.10.1 Issue all or any of the authorised but unissued ordinary shares in the capital of the company, or to allot, issue and grant options to subscribe for, all or any of the authorised but unissued ordinary shares in the capital of the company; and/or

2.10.2 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, the Memorandum of Incorporation of the company and its subsidiaries and the JSE Listings Requirements from time to time.

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

- the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue may only be made to "public shareholders" as defined in the JSE Listings Requirements and not to related parties;
- the number of ordinary shares issued for cash shall not in any one financial year in the aggregate exceed 15% (fifteen percent) of the number of issued ordinary shares. The securities which are the subject of a general issue for cash may not exceed 15% (fifteen percent) of the number of listed securities, excluding treasury shares, as at the date of this notice, being 21 009 272 securities. Any securities issued under this authorisation during the period of 15 (fifteen) months from the date that this authorisation will be deducted from the aforementioned 21 009 272 listed securities. In the event of a sub-division or a consolidation during the period contemplated above the authority will be adjusted to represent the same allocation ratio;
- this general authority will be valid until the earlier of the company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given;
- an announcement giving full details, including the number of securities issued, the average discount to the weighted average traded price of the securities over 30 (thirty) business days prior to the date that the issue is agreed in writing between the issuer and the parties subscribing for the securities, and in respect of options and convertible securities, the effects of the issue on the statement of financial position, net asset value per share, net tangible asset value per share, the statement of profit or loss and other comprehensive income, earnings per share and headline earnings per share and, if applicable, diluted earnings and headline earnings per share, or in respect of an issue of shares, an explanation, including supporting documents (if any), of the intended use of the funds will be published when the company has issued securities representing, on a cumulative basis within the earlier of the company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given, 5% (five percent) or more of the number of securities in issue prior to the issue;
- in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE Limited of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities; and
- whenever the company wishes to use ordinary shares, held as treasury shares by a subsidiary of the company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares.

2.11 ORDINARY RESOLUTION NUMBER 11 – SIGNATURE OF DOCUMENTS

Resolved that each director of the company be and is hereby individually authorised to sign all such documents and do all such things as may be necessary for or incidental to the implementation of those resolutions to be proposed at the annual general meeting convened to consider the resolutions which are passed, in the case of ordinary resolutions, or are passed and registered by the Companies and Intellectual Property Commission, in the case of special resolutions.

3. OTHER BUSINESS

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

NOTICE OF ANNUAL GENERAL MEETING continued

INFORMATION SCHEDULE

RECORD DATE

The record date for the purpose of determining which shareholders are entitled to participate in, and vote at, the annual general meeting is Friday, 18 November 2016. Accordingly, the last date to trade in order to be registered in the register of shareholders of the company and therefore be eligible to participate in and vote at the annual general meeting is Tuesday, 15 November 2016.

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 AGM	4 November 2016
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	15 November 2016
Record date for purposed of determining which shareholders are entitled to participate in and vote at the AGM	18 November 2016
Last day to lodge forms of proxy	23 November 2016 at 09:00
Date of the AGM	25 November 2016 at 09:00

PROXIES/REPRESENTATION AT THE MEETING

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

A proxy form is enclosed with this notice. Duly completed proxy forms must be returned to the transfer secretaries, Computershare Investor Services Proprietary Limited (PO Box 61051, Marshalltown, 2107 or 70 Marshall Street, Johannesburg, 2001) by no later than 09:00 on Wednesday, 23 November 2016.

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

IDENTIFICATION

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

ACTION TO TAKE

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

By order of the Board

Statucor (Pty) Ltd
Company Secretary

17 August 2016
Durban

FORM OF PROXY

ADAPT IT HOLDINGS LIMITED

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

For use only by ordinary shareholders who:

- Hold ordinary shares in certificated form ("certificated ordinary shareholders"); or
- Have dematerialised their ordinary shares ("dematerialised ordinary shareholders") and are registered with own-name registration,

at the 17th annual general meeting of shareholders of the company to be held at 09:00 on Friday, 25 November 2016 at 5 Rydall Vale Office Park, Rydall Vale Crescent, La Lucia Ridge, KwaZulu-Natal, and any adjournment thereof.

Dematerialised ordinary shareholders holding ordinary shares other than with own-name registration who wish to attend the annual general meeting must inform their Central Securities Depository Participant (CSDP) or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the relevant Letter of Representation to attend the annual general meeting in person or by proxy and vote. If they do not wish to attend the annual general meeting in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. These ordinary shareholders must not use this form of proxy.

Name of beneficial shareholder

Name of registered shareholder

Address

Telephone work Telephone home Cell:

being the holder/custodian of ordinary shares in the company, hereby appoint (see note):

1. or failing him/her,

2. or failing him/her,

3. the Chairperson of the meeting,

as my/our proxy to attend and act for me/us on my/our behalf at the annual general meeting of the company convened for purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat ("resolutions") and at each postponement or adjournment thereof and to vote for and/or against such resolutions, and/or abstain from voting, in respect of the ordinary shares in the issued share capital of the company registered in my/our name/s in accordance with the following instructions:

		Number of ordinary shares		
Special resolutions	Agenda item	For	Against	Abstain
Special resolution 1	Approval of non-executive directors' fees			
Special resolution 2	General approval to acquire own shares			
Special resolution 3	Loans or other financial assistance to directors and related companies			
Ordinary resolutions	Agenda item	For	Against	Abstain
Ordinary resolution 1	To receive, consider and adopt the annual financial statements of the company and group for the financial year ended 30 June 2016			
Ordinary resolution 2	Re-election of director – Mr O Fortuin			
Ordinary resolution 3	Re-election of director – Ms C Koffman			
Ordinary resolution 4	Appointment of director – Ms N Mbambo			
Ordinary resolution 5	Re-appointment of Ms B Ntuli to the Audit and Risk Committee			
Ordinary resolution 6	Re-appointment of Mr O Fortuin to the Audit and Risk Committee			
Ordinary resolution 7	Re-appointment of Ms C Koffman to the Audit and Risk Committee			
Ordinary resolution 8	Re-appointment of the Independent Registered Auditor			
Ordinary resolution 9	Endorsement of the remuneration policy			
Ordinary resolution 10	Approval to issue ordinary shares, and to sell treasury shares, for cash			
Ordinary resolution 11	Signature of documents			

Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable.

A member entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend and act in his stead. A proxy so appointed need not be a member of the company.

Signed at on this day of 2016

Signature

Assisted by (if applicable)

NOTES TO THE FORM OF PROXY

1. Summary of Rights Contained in Section 58 of the Companies Act In terms of section 58 of the Companies Act:
   - a shareholder may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders meeting on behalf of such shareholder;
   - a proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy;
   - irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder;
   - any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
   - if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the company; and
   - a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise (see note 7).
2. The form of proxy must only be used by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
3. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the general meeting must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
4. A shareholder entitled to attend and vote at the general meeting may insert the name of a proxy or the names of two alternate proxies of the shareholder's choice in the space provided, with or without deleting "the Chairperson of the general meeting". The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of such proxy(ies) whose names follow.
5. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
6. A vote given in terms of an instrument of proxy shall be valid in relation to the general meeting, notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries not less than 48 (forty eight) hours before the commencement of the general meeting.
7. If a shareholder does not indicate on this form of proxy that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the general meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.
8. The Chairperson of the general meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
9. A shareholder's authorisation to the proxy including the Chairperson of the general meeting, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the general meeting.
10. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
11. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company's transfer secretaries or is waived by the Chairperson of the general meeting.
12. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the company.
13. Where there are joint holders of shares:
    - any one holder may sign the form of proxy;
    - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
14. Forms of proxy should be lodged with or mailed to Computershare Investor Services Proprietary Limited:

    Hand deliveries to:
    Computershare Investor Services Proprietary Limited 70 Marshall Street, Johannesburg, 2001

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

    to be received by no later than 09:00 on Wednesday, 23 November 2016 (or 48 hours before any adjournment of the annual general meeting, which date, if necessary, will be notified on SENS).
15. 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

DIRECTORS
Craig Chambers* *(Chairman)*
Sbu Shabalala *(Chief Executive Officer)*
Tiffany Dunsdon *(Commercial Director)*
Nombali Mbambo *(Chief Financial Officer)*
Bongiwe Ntuli*
Catherine Koffman*
Oliver Fortuin*
* *Independent non-executive director*

TRANSFER SECRETARY
Computershare Investor Services (Pty) Ltd
PO Box 61051, Marshalltown, 2107
T +27 (0) 11 370 5000
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Deloitte & Touche

SPONSOR
Merchantec Capital
2nd Floor, North Block
Hyde Park Corner Office Towers
Corner 6th Road and Jan Smuts Avenue
Hyde Park
Johannesburg
2196

CORPORATE BANKERS
The Standard Bank of South Africa Limited
ABSA Bank

LEGAL REPRESENTATIVES
Shepstone & Wylie
Read Hope Phillips Thomas Cadman Incorporated
Garlicke & Bousfield
Michalsons
Eversheds

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