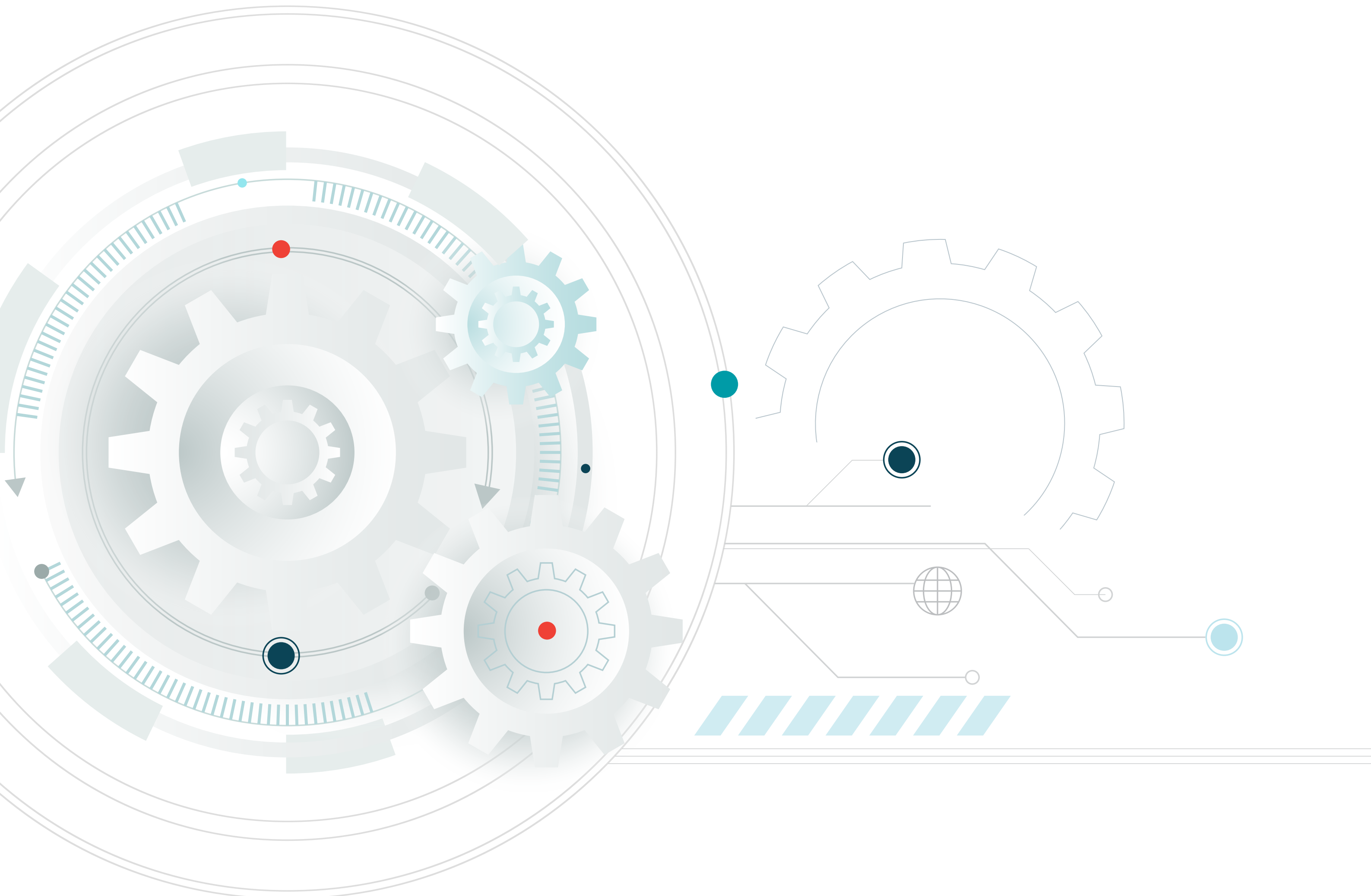
adapt IT



INTEGRATED ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE

2021

CONTENTS

NAVIGATION TOOLKIT

Reference marker for additional information on the website, **www.adaptit.com**

Reference marker for additional information in the **Integrated Annual Report**

Reference marker for additional information in this **Sustainability Report**

ABOUT THE INTEGRATED ANNUAL REPORT

Adapt IT Holdings Limited ("Adapt IT", "the company" or "the group") presents its 2021 Integrated Annual Report, which provides an overview of its strategy, risks and opportunities, governance and performance for the year ended 30 June 2021, and how these factors create value for stakeholders over the short, medium, and long term.

SCOPE AND BOUNDARY

The Adapt IT Integrated Annual Report for the period from 1 July 2020 to 30 June 2021 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 report is read in conjunction with the information available on the Adapt IT website (www.adaptit.com).

The Integrated Annual Report is the primary report in a suite of publications that caters for the needs of our stakeholders.

Stakeholders are also referred to the Sustainability Report on the website (www.adaptit.com), covering Adapt IT's social, economic and environmental impacts and how these contribute to sustainability.

This report has been prepared in compliance with applicable legislative reporting requirements, including principally the International Financial Reporting Standards (IFRS), the Companies Act of South Africa and the Listings Requirements of the Johannesburg Stock Exchange, the JSE Limited (JSE) (JSE Listings Requirements).

In drafting the report, Adapt IT has also been guided by the fundamental concepts and guiding principles of the International Integrated Reporting (IR) Framework issued by the International Reporting Council (IRC), as well as the principles of the King IV™ Report on Corporate Governance (King IV™), both of which Adapt IT remains committed to adopting.

Stakeholders are also referred to the King IV™ Application Register on the website (www.adaptit.com).

MATERIALITY

Adapt IT's material issues are those that matter most to its key stakeholders and that have an impact on the ability to create value. An issue is considered to be material if it has the potential to substantially impact on the company's commercial viability, its social relevance and the quality of relationships with its stakeholders. The material issues are informed by the economic, social and environmental context in which the company operates. These issues encompass the risks and opportunities associated with strategic priorities (see pages 16 to 19) that impact the company's ability to realise its strategy.

How material issues were determined:

- Engaged with external and internal stakeholders to focus on the opportunities and threats encountered by Adapt IT.
- Developed a list of material issues, supplemented by a review of emerging risks and strategic priorities.
- Assessed where there was alignment across the divisions.
- Engaged with internal stakeholders to test the completeness of the list of material issues.
- Developed a final list of material issues in consultation with the Executive Committee.
- The list has been reviewed and approved by the Audit and Risk Committee as well as the Social and Ethics Committee.

The risk management process adopted involves:

- Identifying and understanding business strategy and activities.
- Methodically identifying the risks surrounding Adapt IT's business strategy and activities.
- Setting tolerance levels and assessing the impact and likelihood of the events occurring to establish the inherent risk.
- Assigning owners to the risks, identifying current controls and rating the effectiveness thereof.
- Identifying and implementing additional controls to reduce residual risks to an acceptable level.
- Reporting and monitoring the effectiveness of the risk management approach and controls identified.

ASSURANCE

Adapt IT has adopted a combined assurance framework that the board of directors (board) believes is appropriate with respect to Adapt IT's stage of development, as well as its strategy. This framework is overseen by the Audit and Risk Committee and involves obtaining assurance from executive and senior management, internal assurance providers and external assurance providers on risk areas identified.

As part of the adoption of Adapt IT's assurance framework, the following specific external assurances were obtained:

Business process	Nature of assurance	Status	Provider
Financial/operational			
Annual financial statements	External assurance	Assured	KPMG
Internal audit	Internal assurance (outsourced)	Assured	PricewaterhouseCoopers (PwC)
Empowerment			
Broad-Based Black Economic Empowerment (B-BBEE)	Black Economic Empowerment (BEE) Scorecard	In place	Empowerlogic (Pty) Ltd
Ethics			
Whistleblowing hotline	External assurance	In place	KPMG
Anti-Bribery and Corruption Policy	Internal assurance	In place	Compliance Manager

BOARD APPROVAL

Adapt IT's board acknowledges responsibility for ensuring the integrity of the Integrated Annual Report. Following collective assessment, the Audit and Risk Committee, responsible for oversight of the Integrated Annual Report, recommended approval of the report by the board.

In the board's opinion, the Integrated Annual Report provides a fair and balanced representation of the integrated performance of the company and addresses all material issues and presents the integrated performance of Adapt IT, fairly and without prejudice. The board accordingly approved the 2021 Integrated Annual Report on 27 September 2021 for release to shareholders.

Craig Chambers
Independent Non-executive Chairman

Tiffany Dunsdon
Chief Executive Officer

Nombali Mbambo
Chief Financial Officer

About the Integrated Annual Report

ABOUT ADAPT IT

GROUP STRUCTURE

ADAPT IT HOLDINGS LIMITED (JSE LISTED)

- SOUTH AFRICA
  - Adapt IT (Pty) Ltd
  - Micros South Africa (Pty) Ltd
  - Adapt IT Consulting (Pty) Ltd
  - CQS Confirmations (Pty) Ltd
- PAN AFRICA*
  - Adapt IT Solutions Ltd (Kenya)
  - Adapt IT Botswana (Pty) Ltd**
  - Adapt IT Nigeria Ltd
  - Adapt IT International Ltd (Mauritius)
- EUROPE
  - Adapt IT Europe Ltd (Ireland)
- ASIA PACIFIC
  - Adapt IT Australasia (Pty) Ltd (Australia)
  - Adapt IT Australasia Ltd (New Zealand)
  - Adapt IT Solutions Pte Ltd (Singapore)
- UNITED STATES OF AMERICA
  - LGR Analytics Inc (USA)

* *Across this Integrated Annual Report, Pan Africa references Adapt IT's African countries of operation outside of South Africa as well as describing a target region in which Adapt IT wishes to gain further exposure. References to Pan Africa are not limited to Kenya, Botswana, Nigeria or Mauritius, although legal operating entities have been established in these jurisdictions. See note 35 for the full list of African countries from which revenue is currently derived, based on where the customers are located.*

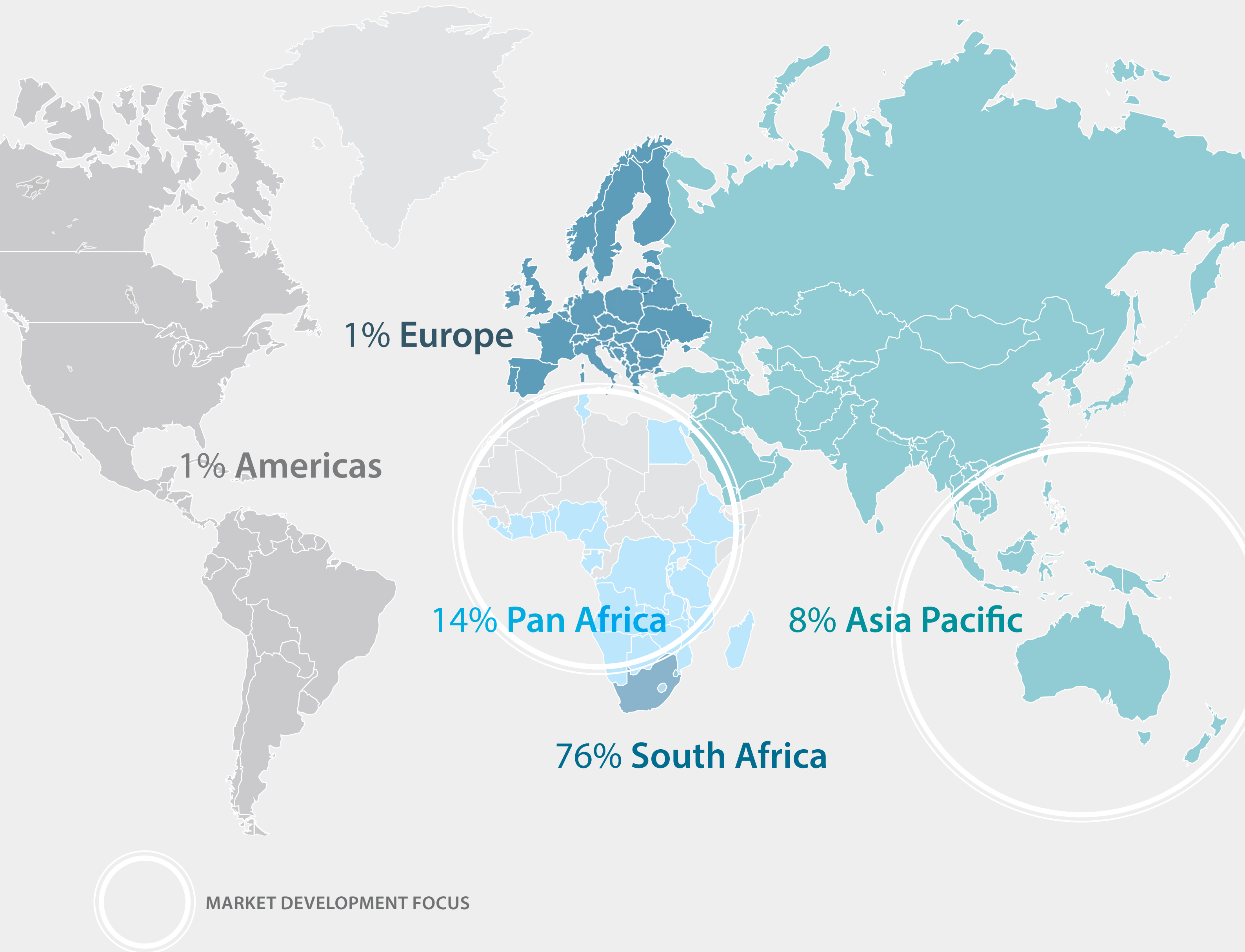
** *95% owned by Adapt IT Holdings Limited.*

All other entities are wholly-owned subsidiaries of Adapt IT Holdings Limited.

About the Integrated Annual Report

REVENUE BY GEOGRAPHY

Adapt IT aims to grow its business, people and solutions to enable its clients and investors to **Achieve more.**



About the Integrated Annual Report

WHAT ADAPT IT DOES

Adapt IT provides leading, specialised software and digitally-led business solutions that assist clients across the targeted industries to **Achieve more** by improving their customer experience, core business operations, business administration, enterprise resource planning and public service delivery.

Adapt IT has deep sector knowledge and experience predominantly in the education, manufacturing, financial services, energy, communications and hospitality industries. There are additionally a number of products and solutions that are relevant to multiple industry sectors, further extending the company's capability to add value to more clients.

Adapt IT is headquartered in Johannesburg, South Africa, with regional offices in Durban and Cape Town and satellite offices elsewhere in the country. The primary focus is on the Pan African market – with a presence established in Mauritius, Botswana, Kenya and Nigeria. A secondary focus is on the Asia Pacific market, with a presence in Australia, New Zealand and Singapore. Adapt IT has a presence in Ireland to service customers in Europe.

CLIENT SECTORS

EDUCATION

- Universities
- Private colleges
- Technical and vocational educational and training organisations
- Corporates
- Public sector

MANUFACTURING

- Resources and utilities
- Sugar producers and industry bodies
- Manufacturing
- Agri-processing
- Security industry

FINANCIAL SERVICES

- Corporates
- Professional audit and accounting firms
- Professional legal firms
- Public sector

ENERGY

- Oil majors
- Downstream oil and gas
- Mining and chemicals
- Transportation and storage
- FMCG retail and wholesale

COMMUNICATIONS

- Mobile network operators
- Technology service providers
- Regulatory authorities
- Law enforcement agencies
- Large corporates

HOSPITALITY

- Food and beverage
- Hotel industry
- Retail

NUMBER OF EMPLOYEES **1 079**

NUMBER OF COUNTRIES IN WHICH WE SERVE CUSTOMERS **55**

NUMBER OF CUSTOMERS AROUND THE WORLD **10 000+**

BUSINESS PARTNERS: ORACLE GOLD, MICROSOFT GOLD, SAP™, IBM™

About the Integrated Annual Report

PURPOSE, PERSONALITY, VALUES AND CULTURE

PURPOSE

A provider of leading specialised software and digitally-led business solutions that assist clients across targeted industries to **Achieve more** by improving their:

- Customer experience
- Core business operations
- Business administration
- Enterprise resource planning
- Public service delivery

PERSONALITY

Leading. Professional. Experts.

VALUES

- Respect
- Honesty
- Responsibility
- Accountability

THE CULTURE WE EMBRACE

RESPECT

- Embrace and value the diversity of our cultures, skills, experience and individual contributions
- Listen sincerely and actively, and communicate without raising our voices or using offensive language
- Arrive on time for all our engagements with colleagues, customers and partners
- Take care of company property, and enable a clean and considerate office space

HONESTY

- Are ethical, truthful and transparent in all that we do
- Build trust through constructive feedback within all our teams
- Do what is right in all circumstances even when no one is watching
- Acknowledge our mistakes without fear or prejudice

RESPONSIBILITY

- Build synergies and relationships to the benefit of the organisation
- Continuously innovate, creating efficiencies in our internal processes and product development
- Are customer-centric, delivering superior quality through high performance
- Are socially responsible by contributing to the wellbeing and upliftment of our communities

ACCOUNTABILITY

- Deliver on the commitments made to our colleagues, customers and partners
- Take ownership by always driving the next steps to achieve a successful outcome
- Complete our assigned tasks timeously
- Are adaptable to changes, and open to doing things differently

Creating Value

BUSINESS MODEL

INPUTS

INTELLECTUAL CAPITAL

- Highly qualified technology professionals
- Vertical market expertise
- Goodwill
- Brands and intellectual property (IP)
- Innovation and research
- Clearly defined strategy
- Learning and skills development

HUMAN CAPITAL

- Entrepreneurial and skilled leadership team
- Highly qualified technology professionals in South Africa, Mauritius, Australia, Botswana, Singapore, Ireland, Kenya, Nigeria and New Zealand
- Skilled integrated sales capacity and channel partners
- B-BBEE status and ownership
- Effective performance evaluation

SOCIAL AND RELATIONSHIP CAPITAL

- Long term customer relationships
- Value-adding partnerships
- Ecosystem relationships with Original Software Manufacturers (OSMs)
- Investor and stakeholder engagement
- Community investment and development
- Skills and enterprise development
- Preferential procurement

FINANCIAL CAPITAL

- Shareholder and debt funding
- Retained profit used for growth
- Effective working capital management
- Capital allocation

MANUFACTURED CAPITAL

- Regional campuses and sales presences in Africa, Ireland, Australia, New Zealand and Singapore
- Online platforms
- Enabling built and online corporate environments
- Industry-specific IP development

NATURAL CAPITAL

- Low materials consumption in operations
- Emissions, effluent and waste managed through group sustainability initiatives
- Energy efficient workplace

VALUE CREATION

VISION

To be a leader in specialised software and digitally-led business solutions.

PURPOSE

Growing our business, people and solutions to enable our clients and investors to **Achieve more.**

SECTOR FOCUS

EDUCATION

MANUFACTURING

FINANCIAL SERVICES

ENERGY

COMMUNICATIONS

HOSPITALITY

Consult on user needs and process requirements using deep vertical industry expertise and IT skills	Develop or customise software products to meet customer needs (own IP +3IP) Cloud platform	Implement and integrate IP upgrades	Continuous support, services and maintenance (SLA)
CONSULTING FEES	INITIAL LICENCE FEES ANNUAL LICENCE FEES SOFTWARE AS A SERVICE (SAAS) FEES	PROJECT FEES	ANNUAL MAINTENANCE AND SUPPORT FEES

Diversified sustainable revenue model with annuity income of approximately 66%.

Highly successful remote support model provides significant operating leverage benefits.

OUTPUTS

SOFTWARE AND PRODUCTS

A wide range of flagship products and software is available from the group and delivered to clients in various locations across the world. For further information on the list of software and products, visit www.adaptit.com.

SOLUTIONS AND SERVICES

Front Office

- Mobile point-of-sale platforms
- Student self service and e-learning platforms
- Corporate customer self service platforms
- Advanced analytics platforms

Middle Office

- Integrated logistics and laboratory information management solutions
- Permit to work and energy isolation management solutions
- Advanced planning, transport and distribution solutions
- Terminal automation solutions
- Turn key oil and gas management solutions
- Integrated operations management platforms
- Hotel operations and distribution platforms

Back Office

- Automated support and maintenance solutions
- Human Capital Management (HCM) and payroll outsourcing solutions
- Automated financial reporting solutions
- Tax practice management solutions
- Secretarial process management solutions
- Timetabling and rostering solutions
- Telecommunications and Technology Expense Management (TEM) solution
- Enterprise performance management solutions (EPM)

Enterprise Resource Planning (ERP) Solutions

- SAP™ ERP solutions
- Microsoft Enterprise Resource Planning (ERP) solutions
- Oracle ERP solutions
- Sugar industry specific ERP solutions

OUTCOMES

INTELLECTUAL CAPITAL

- Goodwill
- Brands and IP
- Innovative solutions

HUMAN CAPITAL

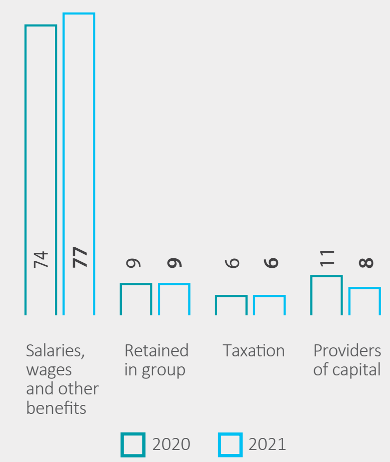
- Leadership and managerial expertise
- Highly motivated employees
- Employee retention improved
- Skilled organisation with Adapt IT Values central to all operations
- Competency development

SOCIAL AND RELATIONSHIP CAPITAL

- Long term customer relationships
- Established investor relations
- Community investment and involvement
- B-BBEE status and ownership
- Contribution to local economy
- Improvement to clients' business efficiencies

WEALTH CREATED AND DISTRIBUTED

(%)



MANUFACTURED CAPITAL

- IP
- Platform for integration of acquisitions

NATURAL CAPITAL

- Reduced emissions through creation of regional campuses
- Employee travel reduced through regional office creation in all areas of operations
- Energy efficient workplace

SOFTWARE DEVELOPMENT CAPABILITY IN SOUTH AFRICA

Adapt IT has internal software development capabilities that have been augmented through acquisitions to serve clients in an integrated approach. These capabilities are located predominantly at the Johannesburg campus, with a regional presence in Durban and Cape Town, and smaller teams in other international offices.

INTEGRATION OF SOFTWARE CAPABILITY

Adapt IT integrates the businesses it acquires to enable and encourage collaboration and to further enhance the cross selling of software solutions, operational efficiencies and innovative abilities across the organisation (see additional information on acquisitions on page 27).

The integrated shared services* function allows for cross divisional governance and oversight of sales, market positioning, finance and client support. Financial consolidation allows for a direct line of sight and the ability to have a centralised treasury function.

** Shared services functions are defined as financial management, human capital management, legal and commercial, strategy, marketing, Information and Communications Technology (ICT) support and facilities management.*

LOCATION OF MARKET DEVELOPMENT CAPABILITIES

Adapt IT's capabilities in the Pan Africa, Asia Pacific and European markets enable market development and expansion within those regions, with project delivery being supported from South Africa where the majority of the software development capabilities exist.

Adapt IT's locally-based personnel across these markets is advantageous in building and maintaining key relationships (see page 3 of the Integrated Annual Report for the map indicating revenue by geography and the location of Adapt IT's market development focus).

Creating Value

DIVERSIFICATION CREATES SUSTAINABILITY

Adapt IT provides mission critical specialised software and digitally-led business solutions primarily across six vertical markets.

DIVERSIFICATION AT ADAPT IT IS APPROACHED AT VARIOUS LEVELS:

SKILLS DIVERSIFICATION

Adapt IT specialises its skills across the various communities of practice including software developers, industry consultants, support and maintenance consultants, sales and the multiple support capabilities by driving the respective skills development including training and mentoring. Adapt IT has embedded recruitment key performance indicators (KPIs) to ensure race, and gender diversification and ensures it attracts technology specialists having international expertise, single market expertise, specialised skills, as required for the markets in which it operates.

PRODUCT DIVERSIFICATION

Continuous innovation in building new or adapting technologies and solutions for clients to ensure that the solutions offered exceed their expectations. It further enables delivery on Adapt IT's value proposition to assist clients across the targeted industries to **Achieve more** by improving their:

- Customer experience
- Core business operations
- Business administration
- Enterprise resource planning
- Public service delivery

CLIENT DIVERSIFICATION

Client diversification is pursued through winning new customers in both new products and services as well as into new regions or markets. Adapt IT has over 10 000 customers in 55 countries where it focuses on the six sectors of Education, Manufacturing, Financial Services, Energy, Communications and Hospitality.

GEOGRAPHIC DIVERSIFICATION

Adapt IT has selected specific markets for diversification where it has realised success, these being the Pan African and Asia Pacific markets.

ACQUISITIONS

Acquisitions made historically have been fundamental to the diversification of the group by adding businesses in new vertical industries with skills, products, clients and new geographies, where these cannot be added rapidly through organic efforts. These businesses typically have their own software IP and access to markets and enable enhanced cross selling.

Creating Value

STAKEHOLDER ENGAGEMENT

Adapt IT is aware that its activities 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, long term and mutually beneficial relationships with all of its stakeholder groups.

Initiatives to this end include:

- An investor relations programme
- An annual employee engagement survey
- An annual customer satisfaction survey
- User group events hosted during the financial year, by the Education and Financial Services divisions, for the benefit of their customers

Furthermore, stakeholders are encouraged to engage with management using email channels and the website, www.adaptit.com. To define its stakeholders, Adapt IT used the definition by the Global Reporting Initiative (GRI) as a guideline. It states:

"Stakeholders are defined as entities or individuals that can reasonably be expected to be significantly affected by the reporting organisation's activities, products, or services; or whose actions can reasonably be expected to affect the ability of the organisation to implement its strategies or achieve its objectives." (Consolidated Set of GRI Sustainability Reporting Standards, 2018).

With that as a guideline, the following stakeholders have been identified:

- Shareholders and the investment community
- Employees
- Customers
- Government
- JSE and other regulatory authorities
- Financial institutions and funders
- Communities
- Suppliers and partners

SHAREHOLDERS AND THE INVESTMENT COMMUNITY

Adapt IT pursues engagement opportunities that continue to cultivate a relationship of trust with shareholders, investors and analysts through transparent communication of operations, strategies and overall performance.

NATURE OF ENGAGEMENT

- Interim and annual reports
- Corporate website
- Investor day events
- Results announcements and presentations
- Feedback emails
- Annual general meeting (AGM)
- Shareholder meetings

Areas of focus	Strategic response
SUSTAINABLE REVENUE AND PROFIT GROWTH	• Development, roll out and monitoring of a robust integrated enterprise-wide strategy • Shareholder value creation through the implementation of linked organic and acquisitive growth strategy • Effective integration of acquired companies to maximise synergies • Improvement of value propositions to the respective target markets • Sustainable growth through diversified product offerings and markets • Regional diversification into Pan African, Asia Pacific and other target markets • Strengthening of divisional sales structures and processes • Leveraging and strengthening group-wide support structures to enable growth, extract profit and drive operating efficiencies • The Long Term Incentive (LTI) Plan and other remuneration and reward structures serve to align management's interests with those of shareholders • Management endeavours to lead by example, and through a defined behaviour charter and various policies instil good corporate governance practices throughout the business
CAPITAL ALLOCATION	• Debt management is a priority • Application of capital into value accretive acquisitions • Maintenance and enhancement of software IP – funding internal research and ongoing product development to sustain and grow existing businesses • Funding infrastructure capital requirements; recurring infrastructure maintenance capital costs are not significant
SUCCESSION PLANNING FOR LEADERSHIP	• Ongoing review of the succession plan as recommended by the Nominations Committee
MACRO-ECONOMIC AND SOCIO-ECONOMIC CONSIDERATIONS	• Pursuit of sustainable operations, social investment and adherence to corporate governance standards

Creating Value

STAKEHOLDER ENGAGEMENT CONTINUED

EMPLOYEES

Adapt IT appreciates the pivotal role its employees play in its ongoing operations – with an employee complement of 1 079, it is able to access markets beyond South Africa. Adapt IT employees are professional, enthusiastic and demonstrate the highest level of integrity, respect and teamwork. They are an important pillar without which Adapt IT would not be able to deliver on its goals. As such, it is incumbent on Adapt IT to maintain an open and mutually beneficial relationship with its employees.

NATURE OF ENGAGEMENT

- HCM policy engagement sessions
- Chief Executive Officer (CEO) webinars
- Employee training
- One-on-one sessions with line managers
- Interim and full year performance reviews
- Adapt IT social events
- Monthly communication sessions
- Interim and full year results presentations
- Group communication
- Performance reviews and development discussions
- Core values and behaviour charter
- Open-door policy
- Quarterly newsletters and Intranet
- Employee engagement survey

Areas of focus	Strategic response
TRANSFORMATION	• Social and Ethics Committee's commitment to implementing B-BBEE Codes of Good Practice
PROVISION OF GAINFUL EMPLOYMENT	• Affording employment security and creating opportunities for economic participation and empowerment
FAIR LABOUR PRACTICES	• Open communication around fair management practices together with alignment to group-wide policies
CAREER DEVELOPMENT	• Enabling continuous personal development and career progression through the performance review process and training • Collaborating towards a high performance culture of which employees can be proud to be part of
COMPETITIVE REMUNERATION AND BENEFITS PACKAGES	• Equitable remuneration and performance recognition • Job benchmarking and grading exercise to ensure parity between remuneration of employees of same skill/function level, across divisions
SKILLS SHORTAGES	• Adapt IT offers competitive salaries in order to attract and retain talent • Structured graduate and youth employment programmes
HEALTH AND SAFETY	• Adoption of Safety, Health, Environment and Quality (SHEQ) policy • The Employee Wellness Programme (EWP) offers confidential advice and support in wellness matters such as health, financial, psychological and legal
A HEALTHY AND ATTRACTIVE WORKING ENVIRONMENT	• The Adapt IT working environment is healthy and attractive, designed to encourage collaboration • Strict Covid-19 safety protocols are in place
ETHICS AND VALUES	• Continuous ethics and values programmes supported by policies and behavioural charters
TRAINING AND SKILLS DEVELOPMENT	• Adapt IT provides internal training as well as studying assistance to employees

CUSTOMERS

Adapt IT provides specialised software to over 10 000 customers in 55 countries. It is through these partnerships with its customers, by understanding and serving their needs, that Adapt IT is able to sustain revenue generation and growth. Adapt IT maintains constant communication with customers so that it is able to solve their problems and enable them to realise more value in their operations.

NATURE OF ENGAGEMENT

- Account management meetings and visits
- Leadership customer roadshows
- Contract negotiations
- Media press releases
- Service management reports
- Call centre support
- Social media interactions
- Solution and service updates and launches
- Corporate website and brochures
- Tradeshows, exhibitions and conferences
- Annual customer satisfaction surveys
- Key account managers

Areas of focus	Strategic response
CUSTOMER VALUE CREATION	• Providing industry-specific innovative solutions that assists clients in improving operations and interaction with their customers, addressing their administrative needs and providing value-add service
COMPETITIVE PRICING	• Adapt IT's integrated service offering lends affordability to solutions
SERVICE DELIVERY	• Delivery of high quality services and solutions • Expert customer support • Continuous training of employees for better solution delivery and support
ANTI-COMPETITIVE BEHAVIOUR	• Adherence to Ethics and Code of Conduct policies that do not condone anti-competitive behaviour
USER GROUP EVENTS	• The Education and Financial Services divisions host user groups as engagement opportunities to network, benchmark and share ideas and experiences
REMOTE WORK SUPPORT	• Engaging customers on the transition to remote services and other digital solutions during Covid-19

GOVERNMENT

The government is a stakeholder group that is able to permit Adapt IT to operate or deny it the ability to do so as it provides licences to operate and a clear and supportive regulatory environment. The company ensures that it remains a going concern by complying with the requirements of legislation, guidelines, procedures and policies. It also maintains good standing through transparent and open communication, as well as proactive action towards making an impact.

NATURE OF ENGAGEMENT

- Written correspondence
- Collaborative forums

Areas of focus	Strategic response
STATUTORY AND LEGAL COMPLIANCE	• Compliance with applicable legislation, guidelines, procedures and policies • Fair and sustainable business practices • Regular and transparent communication of information • Full contribution to the fiscus through taxation and levies
CONTRIBUTION TO SHAPING INDUSTRY POLICY	• Proactive consulting and contribution as required • Job creation and retention • Contributions to the Public Private Growth Initiative (PPGI), an ongoing initiative that seeks to contribute towards the ICT sector growth

Creating Value

STAKEHOLDER ENGAGEMENT CONTINUED

JSE AND OTHER REGULATORY BODIES

As a company listed on the JSE, Adapt IT is required to meet certain regulations, and maintain proactive ongoing communication with various regulatory bodies. Adapt IT communicates and consults with the following bodies to ensure compliance and support in implementing best practice: IRC, Institute of Directors Southern Africa (IoDSA), the GRI, and Sustainability Accounting Standards Board (SASB).

NATURE OF ENGAGEMENT

- Written correspondence
- Business associations
- Meetings
- Interim and annual reports
- External and internal audits
- Presentations

Areas of focus	Strategic response
STATUTORY AND LEGAL COMPLIANCE	• Strict adherence to the prescripts of the JSE and various related laws
DISCLOSURE	• Complete transparency and disclosure in line with regulations
ADHERENCE TO THE BEST PRACTICE GUIDELINES	• Compliance with requirements and guidelines of international best practice such as The Companies Act of South Africa, IFRS, JSE Listings Requirements, King IV™, GRI and IRC

FINANCIAL INSTITUTIONS AND FUNDERS

In order to maintain good relationships with financial partners, Adapt IT has been diligent in its management of finances, from the management of cash and debt to related risk.

NATURE OF ENGAGEMENT

- Meetings and CEO events
- Interim and annual reports
- Written correspondence
- Financial and cash flow analyses

Areas of focus	Strategic response
RELATIONSHIP MANAGEMENT ENGAGEMENT	• Meetings and correspondence with financial partners
PRUDENT FINANCIAL MANAGEMENT	• Adapt IT has a highly qualified finance team entrusted by the company to ensure good financial decision making and financial discipline • Risk management structures that are aligned to best practice
MACRO-ECONOMIC CONCERNS	• Agile and responsive strategies are in place to address changes in the macro-economic environment • Focus on integration initiatives that will maximise divisional synergies
DISCLOSURE OF FINANCIAL AND RELATED INFORMATION	• Interim and annual reports are made available to financial partners • Specific reports and analyses are provided to funders
LIQUIDITY	• Adoption of a prudent cash management approach • Accurate forecasting and monitoring through various committees and forums
MANAGEMENT OF RISK AND RELATED EXPOSURE	• The board defines the policies related to risk management and risk tolerance levels • Continuous monitoring of financial position against pre-defined tolerance levels
RISK TOLERANCE AND COVENANTS	• The Audit and Risk Committee, together with financial partners, define risk tolerance ratios and monitor covenants • Continuous monitoring of risk tolerance ratios allows for the indentification of risks
EXTERNAL ASSURANCE PROVIDERS	• External assurance providers are actively engaged

COMMUNITIES

Adapt IT embraces its responsibility to make a positive contribution to local communities and proactively seeks out opportunities to contribute in the communities in which it operates. Adapt IT values the relationships that have been cultivated through engagements. One such engagement has led to an ongoing relationship with the Adopt-a-School Foundation, targeting technology education in disadvantaged communities.

NATURE OF ENGAGEMENT

- Meetings
- Corporate Social Investment (CSI) initiatives
- Media releases

Areas of focus	Strategic response
GOOD CORPORATE CITIZENSHIP	• Provision of employment opportunities within communities • Proactive contribution to communities' IT educational needs • Participation in the Youth Employment Services (YES) programme – an initiative aimed at youth employment and skill development
CSI INITIATIVES	• The Adopt-a-School initiative is targeted at facilitating technology education in disadvantaged communities • During the 2021 financial year, Adapt IT further responded to the impact of Covid-19 by adopting Mzomhle Senior Secondary School as a beneficiary of its upliftment programme. The programme focuses on providing educators with laptops, offering leadership development in Basic Computer Literacy and providing support to Grade 12 learners on e-learning. Furthermore, learners have been provided with tablets pre-loaded with offline material, used by learners as a critical resource. The support provided to educators and learners ensures that learning continues remotely to allow for catching-up and enables preparation for examinations. The company's comprehensive approach to CSI initiatives is detailed in the Sustainability Report. https://www.adaptit.com/hubfs/Sustainability/Adapt%20IT%20Sustainability%20Report%202021.pdf
SUSTAINABLE BUSINESS PRACTICES	• Commitment to monitoring operations to ensure harm is not done to communities within which Adapt IT operates

SUPPLIERS AND PARTNERS

Adapt IT seeks partnerships that enable it to provide solutions of superior quality to its customers; partnerships that provide access to superior technologies in support of those solutions. It is therefore important that suppliers and solution partners have a clear understanding of Adapt IT's plans and goals, achieved through frequent and mutually beneficial communication. These partnerships include the Oracle Gold, Microsoft Gold, SAP™ Silver, IBM™ Business partnerships and the new Moodle Certified Partner status.

NATURE OF ENGAGEMENT

- Relationship management meetings and visits
- Performance audits and reports
- Technology conferences
- Supplier days
- Technology certifications
- Contract negotiations

Areas of focus	Strategic response
CONTINUED GROWTH AND MEANINGFUL RELATIONSHIPS	• Management of long term relationships with partners for sustained growth • Efficient payment cycles for suppliers
COLLABORATION	• Continuous assessment for better collaboration to enable constantly evolving solutions
SUPPORTIVE PROCUREMENT PRACTICES	• Preferential procurement in line with B-BBEE Codes of Good Practice recommendations • Adapt IT's landlord for the Johannesburg campus meets the preferential procurement requirements
SUPPLIER VETTING	• Implementing enhanced review of suppliers to ensure that ethics are maintained and the Adapt IT brand is protected

Creating Value

MANAGING MATERIAL ISSUES

Adapt IT operates in a fast changing environment that continually presents management with a multitude of risks, which cannot be avoided or ignored. An effective and efficient risk management process is in place that allows the capturing of opportunities and provides mitigation against adverse events, where possible.

The Adapt IT Enterprise Risk Management framework provides a methodology to achieve this by providing guidance to implement a consistent, efficient, and economical approach to identify, evaluate and respond to key risks that may impact business objectives. The framework is based on the principles embodied in the Enterprise Risk Management Framework published by the Committee of Sponsoring Organisations (COSO) of the Treadway Commission, the International Standard on Risk Management (ISO 31000) and King IV™.

All relevant internal, industry and macro-economic factors are evaluated. The needs, expectations and concerns of the stakeholder groups that are most likely to influence Adapt IT's ability to create sustainable value – notably customers, suppliers, employees, shareholders and providers of financial capital – are central to determining the material issues. Despite the ongoing risks and challenges faced, as was significantly tested through the various peaks and ongoing impact of the Covid-19 pandemic, the business remains resilient and sustainable.

In the review for the 2021 financial year, the directors have reviewed the material issues and confirm that they are relevant.

In this report, opportunities and mitigating actions are presented for each material issue to indicate how Adapt IT is using its competitive advantage and specific strategies to manage the impacts of the material issues on value creation.

Navigating a tough trading environment

Overview	Risk
The year under review was met with continued difficult and depressed market conditions in South Africa. The economic and political uncertainty was exacerbated by the continuous Covid-19 worldwide pandemic. South Africa remains Adapt IT's main market, which accounts for 76% of Adapt IT's revenue (2020: 73%). Management's diversification strategy continued to prove itself in the financial year through the ability to absorb the impact of the economy on some divisions, and with positive results in others.	The continuous challenging economic conditions together with the waves of infection from the Covid-19 pandemic, impacted organic revenue growth. Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) margin of 18% (2020: 20%) was achieved in the year under review. Acquisitive growth remained on hold for this financial period.

Adapt IT's response

Adapt IT continued to focus on operational improvements and on diversifying its product, client and geographic revenue spread. Both focus areas present opportunities for the company.

- Adapt IT continues to employ strategies to develop all divisions to become more skilled at growing organically, together with diversification in geography, customer portfolio and foreign currency revenue.
- Operational focus during the year under review consolidated the significant cost cutting in divisions that were most impacted by the Covid-19 pandemic and these all performed well with significantly improved EBITDA margins. The long term nature of the economic challenges do however identify new areas of the business that require strategic and cost reviews and these were then attended to. All divisions continue to drive efficiency projects.
- Improving sales remains a focus.

Continuous monitoring of strategy implementation is undertaken across the business, to drive towards the financial ambition and the vision within the group (see page 22).

Managing the Covid-19 impact

Overview	Risk
Adapt IT is affected by regulations regarding the management of pandemics such as Covid-19, including all economic decisions and lockdown regulations. Adapt IT has a responsibility to navigate the Covid-19 landscape in a responsible way to continue adding value to clients, ensuring that operations continue, that employees are safe and that their jobs are protected as far as possible.	The continuously changing Covid-19 landscape and the governments' responses regarding economic activity create a complex operating environment due to Adapt IT's diversified market sector approach. The regulations and lockdown requirements impact the ability of the divisions to generate revenue depending on the restrictions put in place. The negative economic impact on the market also impacts consumer demand for Adapt IT solutions.

Adapt IT's response

Adapt IT retains a Response Plan, led by the CEO, to manage the Covid-19 risks and potential impact on the business.

The Response Plan has a separate Project Management Office that oversees the key response streams. The project streams have representatives across each Adapt IT division and bi-weekly status and progress updates are made and communicated to the group Executive Committee.

The project streams cover the following areas:

- **Finance Tracking:** The focus of the stream is to monitor any declining revenues and to identify cost cutting initiatives to put in place as well as monitor spend across Adapt IT.
- **Risk Monitoring:** The area of responsibility for this stream is to constantly monitor all operational and client risks and, where possible, identify mitigating actions that can be put in place.
- **Operations:** The main focus of this stream is to ensure that all operational issues are addressed and that the operational activities can go ahead unhindered.
- **Employee Engagement:** The stream drives employee engagement and communication with the key activities reiterating communication from the company, tracking team engagement and the overall ability for divisions to continue delivering to customers.
- **Customer Engagement:** The focus of the stream is to manage customer expectations and concerns, especially aligned to the Covid-19 landscape and impact on delivery.
- **Innovation and Response Hub:** This stream drives the innovative response required to navigate the Covid-19 landscape changes and market requirements. The stream is responsible for identifying strategies to outperform competitors, areas of investment required for recovery, potential customer behaviour changes as well as general opportunities that should be earmarked for future investment.

Retaining top talent

Overview	Risk
Attracting and retaining the most highly skilled individuals in the Software and Services sector is a challenge for businesses in South Africa. Adapt IT's sustainability depends predominantly on its ability to continue to attract technology skills. Successful implementation of the Adapt IT strategy requires continuity and stability in the workforce, prompting a focus on retaining key team members in an environment in which skilled employees are in demand.	The shortage of deep Software and Services Sector skills remains a market challenge and risk to Adapt IT. This is particularly due to the fierce competition for skills in the sector.

Adapt IT's response

The upliftment of Adapt IT's HCM and recruitment capability has yielded significant improvements and remains focused on improving the ability to attract and retain top talent. Key actions taken include:

- Continuously improving the revised recruitment model: dedicated on site recruitment process outsourcing model
- Annual independent employee engagement surveys
- Continuous improvement of group-wide HCM policies
- Robust remuneration benchmarking conducted annually using data from PwC's REMchannel salary benchmarking tool
- Continuous improvement of learnership, internship and apprenticeship programmes to bring new capacity and skills into the business
- Management development and skills development programmes, with both formal and on-the-job mentorship, which assist in developing the necessary skills
- Formal succession initiatives

The positive impact of these initiatives reflects in responses to recruitment drives as well as employee satisfaction. Employee engagement levels have improved significantly with results exceeding market benchmarks.

Creating Value

MANAGING MATERIAL ISSUES CONTINUED

Managing acquisition integration

Overview	Risk
Adapt IT integrates the businesses it acquires to enable and encourage collaboration and to enhance cross selling of software solutions, operational efficiencies and innovation. These integrated shared services functions (integration of systems capability for shared services see page 25) allow for access and visibility of sales, market positioning, finance and client support. Financial consolidation allows for a direct line of sight and the ability to have a centralised treasury function and resource management. Adapt IT remains focused on ensuring that previously acquired entities achieve successful integration.	Unsuccessful integration of acquisitions compromises Adapt IT and erodes the expected return on investment.

Adapt IT's response

Adapt IT has developed (and continues to enhance) an effective integration strategy for acquired businesses.

A formal integration methodology involves the Commercial, HCM, Finance, Marketing, Strategy and divisional representatives who are responsible for planning and tracking the integration process, milestones and finalisation.

Integration processes are focused on maintaining good employee morale, a high performance culture and business success. Adapt IT targets acquisitions only within the strategic vision, and will resume this aspect of the strategy in the near future.

Need for a high-performance culture

Overview	Risk
A high performance culture is a prerequisite to achieving the strategic goals and targets that Adapt IT has set.	Without a high performance culture, Adapt IT risks not achieving the growth targets that it has set.

Adapt IT's response

Adapt IT continues developing the building blocks of a high-performance organisation by having a clear strategic vision, communicating the shared values system, linking remuneration to performance, configuring organisational agility and seeking to continuously improve performance measurement and recognition.

A high-performance culture is also enabled through:

- Strategy sessions, robust budget and forecasting sessions
- Performance management
- Monitoring of key performance indicators
- Performance-based incentives
- Setting a high-performance culture at the top of the organisation
- An executive remuneration model focused on pay for performance

Corporate activity

Overview	Risk
Adapt IT has been subject to multiple offers to acquire all or part of the shareholding.	There is a risk that the corporate activity could disturb operations and result in loss of skills and clients. There was also a risk that shareholders may not have been adequately protected in these processes.

Adapt IT's response

Adapt IT appointed an Independent board to deal with the two offers received. This has enabled the executive directors to focus on the operations. Further the following actions have been taken:

- Appointment of specialised advisors and service providers to assist as required.
- Continuous communication with key clients and employees.

Non-compliance with legislation in operating environments

Overview	Risk
Adapt IT has ongoing obligations to comply with legislation in the environments in which it operates. Risks relate to geographic diversification, which increases the number of jurisdictions in which Adapt IT must comply, as well as regular changes to standards and regulations. These include JSE Listings Requirements; King IV™; B-BBEE regulation; Protection of Personal Information Act (POPIA); General Data Protection Regulation (GDPR); and Anti-bribery and Anti-corruption regulation (ABAC). Adapt IT also complies with foreign legislation (Mauritius, Asia Pacific, Ireland, Botswana, Kenya and Nigeria).	The rapid and constant change of regulatory requirements means an ongoing need to stay abreast of changes and to ensure governance and compliance standards are met. This is particularly complex given Adapt IT's increasingly multinational nature.

Adapt IT's response

Adapt IT takes the following actions to ensure governance and compliance requirements are met:

- Ongoing engagement with external and internal auditors to ensure internal control compliance
- Ongoing counsel from internal and external legal advisors
- Third party service providers provide visibility and guidance on changes related to JSE Listings Requirements, King IV™, B-BBEE legislation, POPIA, GDPR and ABAC
- Third party service providers provide visibility and guidance on foreign legislation (Mauritius, Asia Pacific, Ireland, Botswana, Kenya and Nigeria)
- In the period under review, a POPIA/Data Privacy final implementation project was completed to ensure compliance
- There is ongoing engagement at the different layers of assurance (audit, JSE Sponsor, Company Secretary and legal) to supplement knowledge
- Additional skills were recruited to focus on the regulatory and compliance agenda

Cyber security

Overview	Risk
Adapt IT is focused on reinforcing cyber security protection and governance across the organisation in order to reduce the level of risk exposure and to address any vulnerables that arise.	The company is constantly exposed to cyber security risks including the risks of data leaks and information breaches.

Adapt IT's response

Adapt IT places significant focus on customer privacy and data security risks, resulting in an approach that is continuously reviewed and enhanced. A consolidated and standardised strategy is implemented across Adapt IT's landscape, including the monitoring and proactive identification of data security risks.

During the 2021 financial year, the IT Steering Committee (ITSC) drove several projects reducing information security risks to a successful conclusion, including:

- Device encryption across the company's server and laptop landscape, ensuring that information assets remain secure.
- The improvement of the password policy with the aim of reducing the number of interactions with passwords across the organisation; including employee self-service password management.
- Multi-factor authentication was rolled out across the Office365 environment. In addition, the legacy connection and mail forwarding functions were disabled across the platform to further reduce the risk of information loss.
- Further integrations between HCM system and Active Directory were built, thus ensuring the joiners and leavers process was tightly integrated and that accounts are immediately suspended upon termination of employment.
- All "trusted" email senders, referred to as "whitelisted senders", coming through Adapt IT's Mimecast platform were reviewed. The organisation's whitelist senders were greatly reduced, placing further emphasis on best practice.

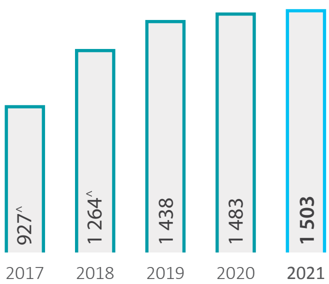
Creating Value

FINANCIAL HIGHLIGHTS

Net gearing	**17%, down from 45%**
Cash generated from operations up 39%	**R382 million**
Cash conversion ratio	**2,25 times**

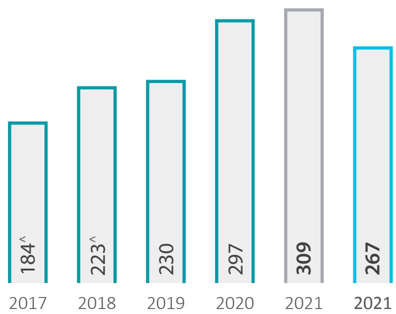
		2021	2020	% Change
Revenue	(R'000)	**1 503 378**	1 483 347	1
Annuity revenue	(%)	**66**	62	6
EBITDA before corporate activity costs and bonus provision	(R'000)	**308 551**	297 264	4
EBITDA	(R'000)	**267 437**	297 264	(10)
Operating profit	(R'000)	**169 880**	197 187	(14)
EBITDA margin before corporate activity costs and bonus provision	(%)	**20,52**	20,04	2
EBITDA margin	(%)	**17,79**	20,04	(11)
Operating profit margin	(%)	**11,30**	13,29	(15)
Basic earnings per share	(cents)	**50,34**	51,47	(2)
Headline earnings per share	(cents)	**56,21**	66,88	(16)
Normalised headline earnings per share	(cents)	**81,61**	77,03	6
Return on equity	(%)	**8,92**	9,92	(10)
Total equity	(R'000)	**802 924**	746 494	8
Liquidity ratio	(times)	**1,01**	1,53	(34)
Net gearing	(%)	**17,25**	45,21	(62)
Cash generated from operations	(R'000)	**381 560**	274 361	39
Cash conversion ratio	(times)	**2,25**	1,39	62

REVENUE
Rm



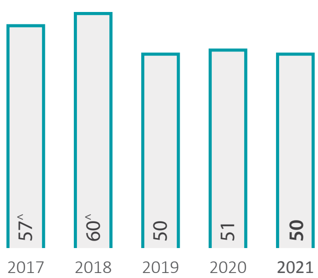
^ *From continuing operations*

EBITDA
Rm



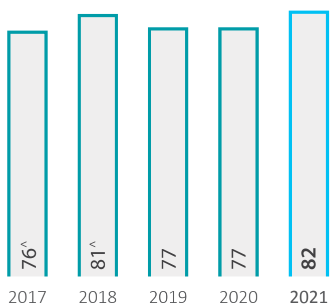
^ *From continuing operations*
Before corporate activity costs and bonus provision
After corporate activity costs and bonus provision

BASIC EARNINGS PER SHARE
cents



^ *From continuing operations*

NORMALISED HEADLINE EARNINGS PER SHARE
cents



^ *From continuing operations*

Creating Value

NON-FINANCIAL HIGHLIGHTS

TRANSFORMATION

Maintained Level 1 B-BBEE contributor rating. Over 86% of new hires were EE candidates

COVID-19 RESPONSE

Employee safety focus

Continuous service to customers
Customer satisfaction survey implemented and achieved an average score of 80% across the group

Excellent response from Adapt IT employees with productivity increased

Cloud adoption strategy accelerated

PEOPLE

A Relief Fund was created to support all employees impacted by team rightsizing. The group executives pledged 10% of their salaries for a period of six months and employees committed over R2,5 million to the pool through cost reductions of their salaries, leave forfeitures and cash donations

Employee – engagement scores and retention above benchmark level

INVESTORS

Stakeholder engagement – enhanced dialogue with institutional shareholders

Environmental, Social and Governance
Adapt IT is aware of the heightened importance of governance, social and environmental issues. The company continues to make efforts to address all three areas

REVENUE DIVERSIFICATION AND GEOGRAPHIC REACH

Sustained diversification of revenue by **geography ~ 24% foreign revenue**

PAN AFRICAN PRESENCE
Market share gained in **Kenya**

Won targeted **new clients**

GLOBAL PRESENCE
Australia, New Zealand and **Singapore** expansion

Strengthened relationships with OSMs and strategic channel partners including Moodle, AWS, Thomson Reuters, Baikingu, WestPay and ParTech

SUSTAINABILITY

Virtualisation of operations proved the ultimate business continuity test

Continuous innovation of products and solutions to align with customer needs and technological advancements

Review and enhancement of the risk management framework and register

Cost reduction undertaken to improve margins, manage Covid-19 impact and ensure a structure that is fit for the future. A significant focus was placed on the Hospitality division, resulting in an approximate cost reduction of 20%

Creating Value

VISION

The vision defines a very clear message about what the business Adapt IT wants to be and provides all employees with a sense of purpose. The vision is not only about revenue and profit targets, but places equal emphasis on customer success, environmental, social and governance (ESG) matters that affect people as well as society at large. A large component of Adapt IT people are millennials who have the view that purpose should be at the very centre of a company's operations. Attracting and retaining the best talent thus requires a clear expression of purpose and assigning high value to ESG components, whilst still striving to attain ambitious growth targets and profits.

BUILDING BLOCKS OF ADAPT IT'S VISION

ORGANISATIONAL STRUCTURE, GOVERNANCE AND RISK CONTROLS

- A global business with
  - A South African head office
  - Strategic regional offices
- Centralised risk management
- Leading governance and controls

OPERATIONAL AND TECHNOLOGY INFRASTRUCTURE

- Shared services
  - Finance
  - Commercial and legal
  - Strategic sales and marketing
  - Group strategy
  - Human capital management
  - Integration management
  - Risk management
- Customer experience monitoring
- Technology
  - Integrated systems

FINANCIAL AMBITION

- Revenue growth
  - Organic growth targets to beat market performance
  - Acquisitive growth targets to complement organic growth
- Profitable growth
  - EBITDA growth and margin targets
  - Normalised headline earnings per share (NHEPS) growth target
- High cash conversion
  - Cash conversion targets
- Appropriate gearing levels
  - Targeted debt to equity ratios
- Sustainable value growth
  - Improved return on invested capital (ROIC)
  - Targeted increase in intrinsic value

CORE BUSINESS PROCESSES AND CAPABILITIES

- Software sales
- Technology innovation
- Software development
- Software support
- Industry specific IP development
- Industry consulting
- Digitally-led business consulting
- Software enabled business process outsourcing

The vision emphasises the Adapt IT value proposition and highlights where its key strengths and capabilities lie. Adapt IT is a company focused on providing leading specialised software and digitally-led business solutions that assists clients, across the targeted industries, to **Achieve more** by improving their:

| CUSTOMER EXPERIENCE | CORE BUSINESS OPERATIONS | BUSINESS ADMINISTRATION | ENTERPRISE RESOURCE PLANNING | | PUBLIC SERVICE DELIVERY |

MARKETS AND REGIONAL STRUCTURES

- Pan African market
  - Southern African Development Community (SADC) Countries
  - East Africa
  - West Africa
- International market
  - Australia
  - New Zealand
  - Singapore
  - Ireland

CLIENTS AND CHANNELS

- Primary specialised industries
  - Education
  - Telecommunications
  - Finance professionals
  - Hospitality
  - Energy and natural resources
  - Financial services
- Targeted large accounts
  - Private sector
  - Public sector

PEOPLE AND CULTURE

- A caring organisation
- Reflective of country demographics
- Experts in our respective markets
- Delivery focused and responsive
- Values-based culture
  - Respect
  - Honesty
  - Responsibility
  - Accountability

CONTRIBUTION TO COMMUNITIES

- Employee development
  - Further education sponsorship
- Employment creation
  - Employment of local professionals
  - Youth Employment Services (YES) programme
- Social impact in communities
  - Prioritising Maths, Science and ICT education

Creating Value

STRATEGIC FOCUS

Adapt IT's strategy is to create sustainable long term shareholder value by providing specialised software and digitally-led business solutions that assist clients, across the targeted industries, to **Achieve more** by improving their customer experience, core business operations, business administration, enterprise resource planning and public service delivery.

An annual strategic review process to facilitate medium and long term growth is conducted to further enhance the divisional strategy alignment, financial sustainability, market share growth, good corporate citizenship and integration throughout the Adapt IT business. Covid-19 continues to highlight business sustainability as a priority for businesses across the globe. The effects of the pandemic will be felt well into the future and as such Adapt IT will continue to focus on maintaining appropriate mitigation measures and incorporating these into strategic initiatives.

The following priorities were identified as key focus areas:

PRIORITY 1:

GENERATE ABOVE-INDUSTRY ORGANIC GROWTH

Adapt IT remains committed to generating above-industry organic growth through augmented sales efforts, and to this end, group-wide and divisional sales structures and processes continue to be fortified.

As a leader in specialised software and digitally-led business solutions, sales capability is central to the business reaching its organic growth targets. Adapt IT must be equipped with the required operating and sales processes, culture and delivery channels to ensure effective client delivery through a strengthened sales function.

Adapt IT's IP is a source of competitive advantage and continued efforts to develop innovative, value adding solutions will enable growth both within and outside of the existing customer base. Strategic partnerships with select organisations continue to be a source of enhancement and diversification in the group's offering.

Adapt IT keeps up with market demands and industry trends by enhancing its products and incorporating leading-edge technology, such as Cloud, Artificial Intelligence (AI), Internet of Things (IoT), Mobility and Analytics.

PRIORITY 2:

DEVELOP STRATEGIC VALUE-ADDING CAPABILITY

Adapt IT continues to identify opportunities in the services and consulting segment of the ICT market and in the Financial Services sector that would enable the group to keep delivering innovative solutions aligned to customer needs and the changing market landscape.

The market landscape continues to integrate, with corporate services companies diversifying to offer complementary solutions. The software and services sector is fast changing relative to other sectors and for this reason Adapt IT will continue to focus more on building digitally-led business solutions. This will enable Adapt IT to further extend multiple touch points with its existing customer base and to defend key accounts by being more strategic and value adding.

Adapt IT is committed to continuing its investment in improving transformation and diversity through a multitude of initiatives embedded within the group.

PRIORITY 3:

PURSUE GEOGRAPHIC DIVERSIFICATION

Geographic diversification is an imperative part of the Adapt IT strategy and will continue to be in the long term, with two regions currently holding priority for market development:

Pan Africa

The current Pan African footprint includes Botswana, Kenya, Nigeria and Mauritius. Fortifying business development capabilities within the Pan African market will underpin further success in the region and will be supported by the delivery teams that are predominantly based in South Africa. Central to this will be to grow market share in South Africa. Focus has been on organic growth measures during the financial year. In addition, Adapt IT's portfolio of products and solutions that are industry agnostic has grown and provides for an improved growth platform for the rest of Africa.

Asia Pacific

The group has focused on opportunities that have been identified in the greater Asia Pacific region, in the form of key customers for solutions and services within targeted sectors. Strategic support continues to be availed to regional operations from project delivery and business development perspectives, thereby deriving value from the group's sector focused expertise. Adapt IT's enlarged footprint in the region has increased opportunities to cross-sell existing Adapt IT products and solutions into a market in which a local presence is already established.

PRIORITY 4:

CAPITAL ALLOCATION

Adapt IT has prioritised capital allocation towards the reduction of debt. This has enabled Adapt IT to return to the pursuit of strategic investments that will improve organic growth, enhance existing solutions and capabilities and support market expansion, to improve shareholder returns. A pipeline of strategic acquisitions is being built for the renewal of the group's acquisition strategy.

PRIORITY 5:

ENHANCE ORGANISATIONAL CULTURE

Adapt IT employees play a pivotal role in the group's success and with an employee complement of 1 079, the organisation continues to be focused on enhancing its organisational culture across all operations. Employee engagement is measured every year through a survey and there was a sustained improvement in engagement in the year to 30 June 2021.

A strategic priority for Adapt IT continues to be to embed its values-based culture across the organisation through initiatives such as behaviour charters, employee surveys and improved communications. The group contributes towards making a substantial difference through upskilling and empowering individuals, both internally and within broader communities. Adapt IT's employees remain a key focus area, with an emphasis placed on empowerment through education and structured bursary frameworks that can aid them to further their studies.

Employee wellbeing is the foundation upon which the Adapt IT culture is built and its importance has become even more evident during the Covid-19 pandemic. Maintaining employee wellbeing throughout the group is a responsibility that is shared by all employees. Additional support services geared towards mental health and effective financial management are available to all employees.

PRIORITY 6:

IMPROVE OPERATING STRUCTURE AND EFFICIENCY

As a growing technology company, Adapt IT aims to enhance its effectiveness, which entails improvement in governance, transformation, efficiencies and shared services capabilities to support the delivery of value-adding solutions to the markets served.

Adapt IT is committed to continuing its investment in improving transformation and diversity through a multitude of initiatives embedded within the group. It intends to maintain its transformation status through the continuous upskilling of employees and prioritising training focused on management development, technical skills and personal development. Hiring skilled individuals aligned to Adapt IT's transformation requirements further progresses the group's transformation for long term sustainability.

As a leading technology company, Adapt IT continuously challenges its ways of working by identifying and implementing efficiency initiatives across the divisions.

ACQUISITION HISTORY

KEY COMPANY MILESTONES

Revenue

R1.5 billion

Percentage of Pan African revenue

14%

Percentage of other International revenue

10%

Integrated business model

Achieve more.

OCT 2007
InfoWave merges with Adapt IT creating a software business.

OCT 2008
Adapt IT, specialising in software for the manufacturing sector, moves to the main board of the JSE.

AUG 2009
Education specialisation through the acquisition of Integrated Tertiary Software (ITS) – a leader in tertiary education ERP systems expanding the company into Europe and Asia Pacific.

OCT 2012
The Swicon360 acquisition extends the manufacturing offering with SAP™ HCM Business Process Outsourcing.

OCT 2013
Energy sector entry through the Aquilon acquisition expands Adapt IT into Africa's growing energy sector, serving major oil companies.

SEPT 2014
Telecommunications intelligence management software added through the AspiviaUnison acquisition.

JAN 2016
Financial Services Sector is entered through the acquisition of CQS.

AUG 2016
EasyRoster acquisition expands the Manufacturing division offering with rostering optimisation software services to staffing solutions business.

JULY 2017
Micros South Africa, a leader in hospitality software, is acquired by Adapt IT.

JUNE 2018
LGR Telecommunications, provider of end-to-end data warehouse and business intelligence systems with presence in Africa and Australia, is acquired.

JAN 2019
Conor, specialist in high-performance telco and mobile financial service solutions to extend the Telecommunications division service offering, is acquired.

MAR 2019
Wisenet, a provider of SaaS Learning Relationship Management Platform in the Asia Pacific education sector, is acquired.

Performance

CHAIRMAN'S REPORT

"It would not be possible to report the results achieved were it not for our dedicated employees. To everyone at Adapt IT, thank you for your tremendous efforts in serving our clients throughout the protracted Covid-19 pandemic and beyond. Our business continuity plans have proven to be robust but the determined and optimistic spirit of our people has shone through as the defining characteristic and ultimate success factor."

Craig Chambers

Independent Non-executive Chairman

OVERVIEW OF PERFORMANCE

I am pleased to report sound operating results in the face of a very challenging 2021 financial year impacted throughout by the global Covid-19 pandemic, which exacerbated already tough trading conditions in South Africa, our primary market. The diversification of the group provided a high degree of resilience.

The response of our people through the protracted challenges remained excellent, with high engagement and productivity being evident through remote working, which has cemented the digitisation of our business and ability to operate remotely.

The key focus on managing the impact of Covid-19 on the business was continuing to ensure employee safety, providing continuous service to our clients, supporting those clients who were hardest hit by the pandemic, and managing our own cash flow stringently to ensure no liquidity squeeze.

Adapt IT continues to position itself as a reliable, capable and relevant ICT provider, delivering specialised software and digitally-led business solutions across the Education, Manufacturing, Energy, Financial Services, Communications and Hospitality sectors. The group currently employs 1 079 professionals (2020: 1 117) serving more than 10 000 clients that are operational across 55 countries.

Revenue increased by 1% to R1,5 billion, all from organic growth. Foreign revenue was 24% and annuity income was 66% (2020: 62%).

Growth in EBITDA, before corporate activity costs relating to the Huge Group and Volaris offers, and bonus provision, was 4% at a healthy and slightly improved EBITDA margin of 21% (2020: 20%).

Cash generation was strong, with R382 million generated from operations (2020: R274 million).

Basic earnings per share was down by 2% (2020: up 2%) after the corporate activity costs.

The net gearing ratio declined by 62% year on year to 17% (2020: 45%). Our strong cash generation has demonstrated Adapt IT's ability to service its debt.

The company is the subject of corporate activity, which precludes the consideration of a dividend.

TRANSFORMATION MILESTONE MAINTAINED

Adapt IT achieved a Level 1 B-BBEE rating in September 2020 and maintained this in September 2021. This is the result of a consistent and conscious drive to embed transformation at every level in the business. This is part of our organisational values, but we also know we cannot do business in South Africa, our largest geography in terms of revenue at 76% (2020: 73%), without true transformation. Likewise, in the remaining geographies in which Adapt IT operates, we strive to ensure that our people are well versed in the requirements of each country to ensure inclusivity and diversity, and at the same time creating sustainability.

CORPORATE ACTIVITIES

Two corporate activities took place in the period.

The Huge Group made an unsolicited share swap offer to all Adapt IT shareholders. The take up by shareholders was 1,9%.

The Volaris Group made a cash offer of R7,00 per share with a continuation alternative by way of a scheme of arrangement, which received an 87% shareholder vote in favour thereof. The conditions precedent to the implementaton of this transaction, the most significant of which is approval by the Competition Commission, are underway and anticipated to be fulfilled by the end of the 2021 calendar year, which if met would result in the delisting of Adapt IT Holdings Limited.

GOVERNANCE AND SUSTAINABILITY

In our integrated annual reports, we continuously strive to improve feedback to stakeholders on how Adapt IT approaches and thinks about sustainability. A comprehensive and separate Sustainability Report is available on the website, www.adaptit.com. The sustainability information was compiled with reference to the Global Reporting Initiative (GRI) Standards with the aim of being in accordance with the "core" option and using the Sustainability Accounting Standards board (SASB) standards.

In the report Adapt IT explores the impact that it has across a wide range of areas: economic, people, transformation, social responsibility, environmental management and systemic consideration from technology disruptions, and strives to show how Adapt IT approaches sustainability to ensure it remains a good corporate citizen.

The Governance Report contains feedback from the various board sub-committees of which Adapt IT has four, namely the Audit and Risk, Nominations, Remuneration and Social and Ethics Committees respectively. The roles and responsibilities of the committees, their respective members as well as the overall importance Adapt IT places on governance is well documented. This report can be found on pages 53 to 63.

CEO AND BOARD OF DIRECTORS

In May 2021 allegations regarding the former CEO, Sbu Shabalala, were widely publicised in the media. The CEO was granted a three month leave of absence and the company appointed expert legal advisors to conduct an independent investigation and advise the board of the appropriate response to the matter. Sbu Shabalala resigned on 6 August 2021.

Pursuant to the resignation of Sbu Shabalala, Tiffany Dunsdon was appointed as CEO on 6 September 2021. Tony Vicente was appointed as Chief Operating Officer on 6 September 2021.

The board has strong diversity reflected in terms of age, gender, race, tenure and capability. The value each board member brings to the group, together with resume information, can be found on pages 54 to 55. The board fulfils its fiduciary duties effectively. We do not interfere with the management of the group, but do oversee that the strategic mandate of growth and returns is responsibly pursued by management.

ANNUAL GENERAL MEETING

The company is seeking dispensation from the JSE and the Companies Tribunal for the annual general meeting (AGM) to be held in quarter one of 2022. Shareholders will be notified of the AGM date in due course.

Should you require interaction with Adapt IT outside of the AGM please visit the Investor Dashboard on the website, www.adaptit.com, for contact details through which meetings can be arranged.

THE ADAPT IT JOURNEY

Over the last decade, Adapt IT has transformed successfully from being a small software business to a leading specialised software and digitally-led business solutions provider in a journey that has progressed steadily, sustainably and globally. The group is now in a good position to capitalise on organic growth opportunities.

Similarly, the group's cautious expansion into Africa has been prescient, given the further slowdown in South Africa. This has resulted in improved growth prospects in the countries of operation. The bedding down of acquisitions in Asia Pacific whilst simultaneously strengthening the Education offering in this geography has positioned Adapt IT for further growth. As a board, we strive to ensure that Adapt IT is consistent in pursuit of its strategy through this negative market cycle and it is this relentless pursuit that underpins the market position in our areas and countries of operation.

THANK YOU AND APPRECIATION

It would not be possible to report the results achieved were it not for our dedicated employees. To everyone at Adapt IT, thank you for your tremendous efforts in serving our clients throughout the protracted Covid-19 pandemic and beyond. Our business continuity plans have proven to be robust but the determined and optimistic spirit of our people has shone through as the defining characteristic and ultimate success factor.

To my fellow board members, thank you for the additional time and focus, especially in respect of the Independent board process and deliberations.

To all clients, partners, suppliers and shareholders, thank you for your continued support. We appreciate our constructive relationships with you, which underpin our mutual success.

This may be the end of an era as a listed company, but we are hopeful that Adapt IT will continue to grow and prosper for the long term and make a significant contribution to the clients and economies it serves. We sincerely thank everyone who has contributed to the journey thus far.

Craig Chambers
Independent Non-executive Chairman

27 September 2021

Performance

CHIEF EXECUTIVE OFFICER'S REPORT

"Change is inevitable and learning to embrace it rather than resist it, is critical to survival and success. We strive to maintain an open mindset and introspect to keep learning and re-evaluating what we do, to make it better, remaining agile and flexible in our decision making to respond and adjust to an ever changing world."

Tiffany Dunsdon
Chief Executive Officer

BUSINESS PERFORMANCE

The performance of the business continued to be impacted by the global pandemic and macroeconomic challenges that persisted throughout the financial year. The Adapt IT revenue model of focusing on annuity revenue, which is now 66% of total revenue, together with the diversification of the business and actions of management to prepare for the challenges, underpinned the resilience shown by the business during this period.

Revenue increased by 1% to R1,5 billion. Geographic diversification reduced slightly, with revenue mix being 76% from the South African market and 24% from foreign markets (2020: 27%).

Whilst revenue growth was muted, we maintained our focus on operating efficiency. These efforts resulted in growth in EBITDA from operations (before bonus provision and corporate activity costs) increasing by 4% to R309 million. We were able to pay partial short term incentives and guaranteed pay increments in terms of the remuneration policy. Our operating results were pleasing under the circumstances.

After bonus provision and corporate activity costs, EBITDA declined to R267 million, representing an EBITDA margin of 18% (2020: 20%), while operating margin was 11% (2020: 13%) for the period.

The group's focus on working capital management, cash preservation and liquidity led to improved cash generation for the period, with R382 million (2020: R274 million) generated by operations. This was driven by a sharpened focus on debtors' management and credit control within all divisions. This focus will continue into the future.

Due to the net borrowing position and reduced share price, acquisitions were suspended in March 2020 in favour of reducing debt.

The net gearing ratio declined to 17% (2020: 45%), with excess cash retained to insulate against liquidity risk. The strong cash generation achieved during the reporting period demonstrated Adapt IT's continued ability to service debt despite a period of unprecedented economic weakness.

The group's summary results are contained in the Chief Financial Officer's Report on pages 34 to 37.

COVID-19 UPDATE

The global pandemic gained momentum and became far more protracted than anticipated, with ever worsening waves. Thankfully, medical science responded, with numerous vaccine options being available sooner than originally expected and these are being rolled out globally. It is apparent we will have to find a "Covid normal" way forward where we learn to live with the virus as we do with other communicable diseases.

The impact on the way we work and live has been enormous. Our movements and our in-person social connections have been curtailed. Necessity and technology have enabled new ways of working, demonstrating the art of the possible. Fortunately, Adapt IT could virtualise almost immediately and so provide continuous service to customers. Our business continuity plans have been stress tested and proven robust.

Some of the industries we serve had to shut down repeatedly, or operate remotely to service customers. Fortunately, most Adapt IT divisions did not experience major business disruptions during lockdown, except for the deferral of planned onsite project delivery and some projects.

A detailed report on the impact of the pandemic on Adapt IT employees can be found in the Sustainability Report.

Adapt IT's Cloud-enabled solutions proved to be of significance in the virtualisation of business processes and in providing business continuity. These solutions enabled teams to support customers as they strived to limit the disruptions to their businesses during the lockdown periods. As these solutions became even more widely used, the need for innovation and cyber security increased further, which resulted in more opportunities for organisations such as Adapt IT.

The Education and Financial Services divisions saw increased sales activity as customers sought to limit disruptions in their processes, and further strengthened key relationships with strategic partners and customers. These divisions maintained excellent customer retention levels, while implementing new solutions, which included eLearning and CaseWare Cloud, amongst others.

The key focus areas of managing the impact of Covid-19 on the business were ensuring employee safety, providing continuous service to customers, supporting customers who were hardest hit by the pandemic, and managing cash flow stringently to avoid liquidity challenges.

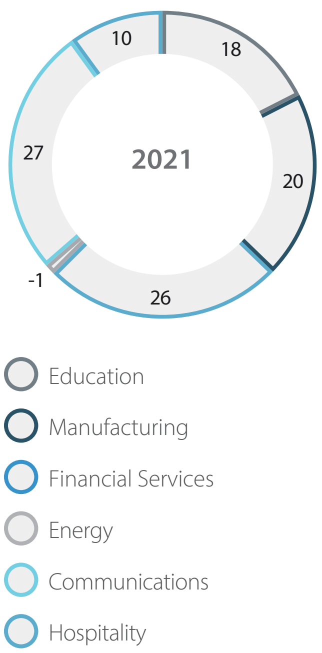
The division most impacted by Covid-19 in the past year was the Energy division, which experienced a 46% decrease in revenue due to project volume declines, cancellations, and delays. The EBITDA margin was -4% (2020: 12%) and contributed 4% to total revenue. There is continued focus on the recovery of this division and the sales pipeline is improving. The carrying value of goodwill related to this unit was, however, impaired by 8% being R6,5 million, based on our annual impairment testing. The Hospitality division continued to see a 3% reduction in revenue but an increase in profitability due to restructuring in the prior period.

DIVISIONAL CONTRIBUTION

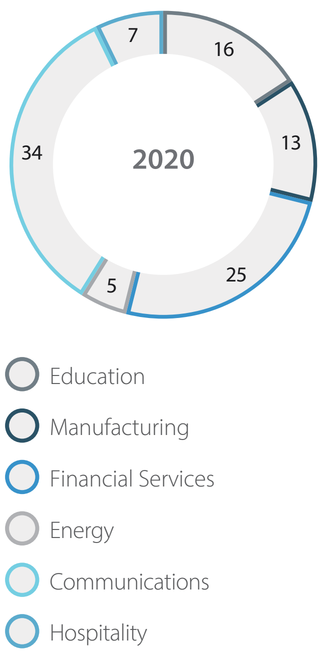
Given the Covid-19 pandemic and difficult economic climate locally and abroad, focus remained on managing the business through the pandemic with utmost attention given to efficiencies, working capital management, cash preservation and liquidity. As mentioned, most divisions did not experience major business disruptions during lockdown and were able to grow or maintain their contribution to the group's performance, showing great resilience.

The EBITDA contribution by segment is depicted below.

EBITDA CONTRIBUTION (%)



EBITDA CONTRIBUTION (%)



Performance

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

ADAPT IT STRATEGIC PRIORITIES

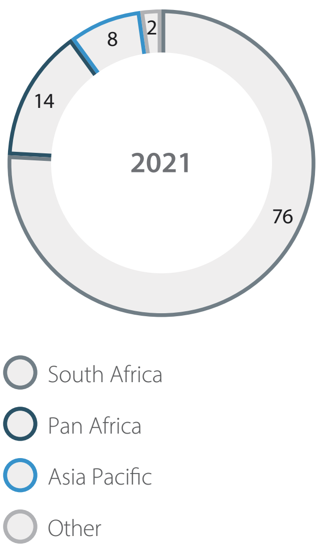
Adapt IT continuously reviews its strategic priorities to further leverage its leading position as a specialised software and digitally-led business solutions company, its strong customer relationships and geographic footprint ensures future sustainability. The company's diversification not only in products, but also in terms of services and specialisation into targeted sectors, remains a key focus.

Our strategic priorities are to:

Priority 1:	Priority 2:	Priority 3:
Generate above-industry organic growth	**Develop strategic solutions capability**	**Pursue geographic diversification**
• Enhance sales processes and culture • Innovate on own IP	• Develop digitally-led value adding capabilities and solutions	• Further grow Pan Africa and Asia Pacific markets
Priority 4:	**Priority 5:**	**Priority 6:**
Capital allocation	**Enhance organisational culture**	**Improve operating structure and efficiency**
• Reduce debt • Pursue strategic investments • Increased return on invested capital (ROIC)	• Enhance organisational culture and collaboration • Continue to empower employees	• Enhance governance and integration collaboration capabilities • Drive transformation, diversity and skills upliftment

The group executive team is focused on delivering on these strategic priorities and believes that the combination of these factors will create a sustainable competitive advantage for the group.

REVENUE BY GEOGRAPHY (%)



CIVIL UNREST

In the week of 12 July 2021, the country faced extreme civil unrest, which attempted to threaten our democracy. South Africans united and stood fast against this assault and prevailed. However, the events took a serious emotional toll on the worst affected areas, predominantly KwaZulu-Natal, and our teams in that province. Fortunately, security and supply chains were restored quickly, and the enormous goodwill of peace loving and law abiding people who volunteered to protect their neighbourhoods and property and to clean up demonstrated the nation's resilience. These events also showed we have to protect the democratic freedoms we value and that the deep inequalities in the country require serious efforts to redress. Unemployment and poverty remain major challenges and all of our society must do more to relieve this unsustainable state. Adapt IT is investing in many programmes to provide access to education, internships, learnerships, bursaries, graduate programmes, skills upliftment, job opportunities, employment equity, remuneration fairness, management programmes and advancement, enterprise and supplier development programmes and social economic development investment.

TRANSFORMATION WITHIN ADAPT IT

Adapt IT achieved its target of B-BBEE Level 1 rating for the first time, effective 29 September 2020. We have retained our Level 1 Contributor status for the year ended 30 June 2021. Our commitment to implementing and maintaining a transformed environment that invests in the betterment of previously disadvantaged groups remains resolute. Empowerment is a strategic imperative and a vital component of the continued sustainability of Adapt IT's operations in South Africa. The company made improvements in skills development and maintained full recognition for preferential procurement, enterprise and supplier development practices, as well as socioeconomic development initiatives.

Refer to details in the Sustainability Report.

OUTLOOK

The impacts of Covid-19 will continue and Adapt IT's executive management continues not only to mitigate its adverse effects, but to pursue growth and opportunities. The company continues to focus its efforts on extending the current solution offerings more broadly, enhancing new sales initiatives and carefully expanding the Pan Africa and Asia Pacific strategy, while ensuring prudent capital allocation and cost containment, amongst other initiatives.

CORPORATE ACTIVITY

Eight months ago two corporate activities commenced.

The Huge Group general offer of a share swap culminated with 1,9% of Adapt IT shareholders accepting it. The Huge Group has since divested of these shares.

The Volaris Group all cash offer or continuation option in a delisted business received an 87% shareholder vote in favour, and is in the final stages of regulatory approval and fulfilment of remaining conditions precedent.

If the Volaris deal becomes unconditional, this will likely be our last report to shareholders as a listed business. It is in a sense the end of an era and we should mark it with pride at what has been built. From humble beginnings of small entrepreneurial businesses, a successful R1,5 billion revenue business has resulted, which is well recognised in South Africa and which exports world class software to 55 other countries. We recognise and pay tribute to all who have contributed to this journey, too many people to mention, but each of you will know the part you played and we thank you.

While it marks the end of an era, it also heralds a new and exciting one. We will likely join a very successful group of software businesses. We have lots to learn and improvements to make. I have no doubt we will make the most of all that the new shareholders and colleagues have to offer us in our next growth and development phase.

Change is inevitable and learning to embrace it rather than resist it is critical to survival and success. We strive to maintain an open mindset and introspect to keep learning and re-evaluating what we do, to make it better, remaining agile and flexible in our decision making to respond and adjust to an ever changing world.

I am filled with gratitude that we have a resilient business and wonderful people. Collectively, we have all the ingredients we need to build a very bright future.

APPRECIATION

We recognise of the enormous commitment of our people who kept delivering to our customers throughout all of the challenges, with optimism and determination to succeed. I extend my sincere gratitude to them.

I extend my sincere thanks to our customers for their ongoing support and for entrusting Adapt IT with key aspects of their businesses. Adapt IT's goal has always been to add value to customers' businesses for the long term, and through close collaboration with customers, we were able to achieve that under trying conditions.

To the leadership and management teams within Adapt IT, I value the hard work and focus you have put in throughout another particularly challenging year. Your ability to steer your teams through the challenges and distractions that Adapt IT faced during the financial year has been invaluable.

Our non-executive directors were placed under additional duties to consider the two corporate activities as an Independent Board. They invested a significant amount of additional time and attention to protect and maximise Adapt IT shareholder value. We thank them sincerely for this.

Tiffany Dunsdon
Chief Executive Officer

27 September 2021

Performance

CHIEF FINANCIAL OFFICER'S REPORT

"The robust performance delivered during continued challenging market conditions, strong cash generation and an improved net gearing ratio, create a strong platform for future growth."

Nombali Mbambo
Chief Financial Officer

FINANCIAL PERFORMANCE

Revenue increased by 1% to R1,503 billion (2020: R1,483 billion) and the five year compound annual growth rate for revenue was 9%. Annuity revenue remains healthy at 66% (2020: 62%).

Revenue growth has been impacted by the continued Covid-19 pandemic, related regulations and lockdown restrictions. While most Adapt IT divisions did not experience major business disruptions during lockdown, some were more affected than others, with project delays and the inability of personnel to be onsite negatively affecting revenue in these divisions.

EBITDA before corporate activity costs and bonus provision increased by 4% to R309 million, representing an improved operational performance on a comparable basis to the previous reporting period (2020: R297 million). EBITDA before corporate activity costs and bonus provision represents an improved EBITDA margin of 21% (2020: 20%).

The restructuring of certain divisions in the prior period through operational efficiency projects, which were precipitated by permanent changes to the market, has delivered increased profitability off lower revenue bases and the divisions are now stable and poised for growth.

EBITDA, after corporate activity costs and bonus provision, was R267 million, representing an EBITDA margin of 18%.

Corporate activity costs of R11 million (2020: Rnil), were recognised during the reporting period.

A net foreign exchange loss of R16 million (2020: R11 million net gain) was recognised, resulting in a negative year-on-year movement of R27 million. The foreign currency exposure at year end was R36 million (2020: R44 million) and is set out in note 32.4 on page 149. This is due to the strengthening Rand as at 30 June 2021. Refer to note 1.4 on page 96 for the applicable exchange rates.

The allowance for expected credit losses increased by R15 million, mainly from trade receivables, notwithstanding that average debtors' days outstanding improved to 56 days (2020: 63 days).

Total finance costs were R61 million (2020: R85 million). Finance costs on bank borrowings decreased by 41% from R49 million to R29 million.

Imputed interest on financial liabilities arising from the deferred portions of the purchase considerations for Wisenet was R0.3 million (2020: R3 million).

The effective tax rate remained unchanged at 38% (2020: 38%) mainly due to foreign withholding taxes, together with corporate activity costs and the impairment of goodwill being of a capital nature.

Amortisation of intangible assets acquired arising from the allocation of the purchase considerations for acquisitions to separable intangible assets, being primarily customer relationships and internally developed software, decreased to R40 million (2020: R44 million).

Basic earnings per share (EPS) decreased by 2% to 50,34 cents and Normalised HEPS increased by 6% to 81,61 cents.

CASH FLOW, LIQUIDITY AND BORROWINGS

CASH GENERATION

Cash generated from operations after working capital changes was R382 million (2020: R274 million), representing a 39% increase. This was primarily due to concerted efforts to continuously improve working capital management. The cash conversion ratio improved to 2,25 times (2020: 1,39 times).

BORROWINGS

Interest-bearing borrowings decreased by R329 million to R193 million (2020: R521 million). Net interest-bearing borrowings after deducting cash balances decreased by R198 million to R139 million (2020: R337 million), representing a 59% reduction. Debt service was R117 million, including R89 million in capital repayments on borrowings.

The debt covenants relating to the Standard Bank of South Africa borrowings were all met with sufficient headroom.

NET GEARING

The net gearing ratio as at 30 June 2021 was 17% and represents a significant reduction from 45% in the prior period. Adapt IT continues to prioritise the reduction of net interest bearing debt and targets to maintain net gearing below 50%.

OPERATIONAL PERFORMANCE

REVENUE DIVERSIFICATION

Revenue is well diversified across six sectors and various geographies monitored in the operating divisions of Adapt IT. This diversification has served Adapt IT well as some divisions have outperformed while others have found it difficult during the reporting period. The latter are the segments with more project-based revenue, which have suffered as a result of longer lead times.

The operating divisions are driven and reported in segments, namely Education, Manufacturing, Financial Services, Energy, Communications and Hospitality.

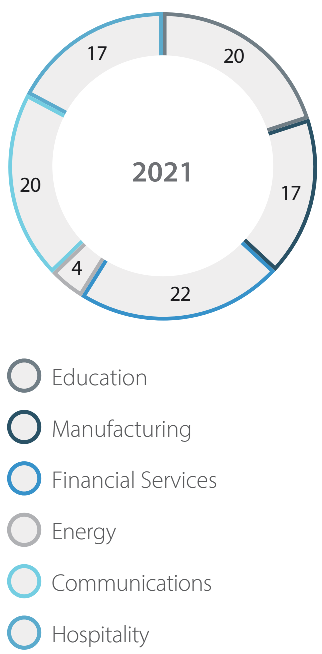
- The Education division delivered excellent revenue growth of 27% compared to the prior period. This was driven primarily by increased demand for eLearning solutions. The division contributed 20% to total revenue and delivered an EBITDA margin of 17% (2020: 20%).
- The Manufacturing division delivered revenue similar to the prior period. However, it has significantly improved its EBITDA margin to 23% (2020: 16%) as a result of improved operational efficiencies. The division contributed 17% to total revenue.
- The Financial Services division achieved revenue growth of 7%, contributing 22% to total revenue, with an EBITDA margin of 23% (2020: 24%).
- The Energy division experienced a decrease in revenue of 46%, contributing just 4% to total revenue. This is mainly due to the decrease in project-based revenue as a result of projects being postponed or cancelled and the inability of Adapt IT's personnel to be onsite, all of which negatively impacted this division and resulted in a slow recovery being experienced. The EBITDA margin was -4% (2020: 12%), with further operational efficiency projects currently underway. Business development capability will be maintained to drive the sales pipeline.
- The Communications division's revenue declined by 3% due to attrition in this team impacting on project delivery. It achieved an EBITDA margin of 26% (2020: 34%) and contributed 20% to total revenue.
- The Hospitality division was impacted by the measures implemented by government in response to the Covid-19 pandemic in this industry and consequently revenue declined by 3%. EBITDA margin improved considerably to 11% (2020: 8%) due to the operational efficiencies put in place by the company in response to the Covid-19 pandemic. The division contributed 17% to total revenue.

The segmental analysis of revenue is provided in note 35 on page 152, and shown graphically below, demonstrating a good balance and spread of risk, and illustrating the impact of Adapt IT's diversification strategy, which ensures resilience and sustainability through negative market cycles.

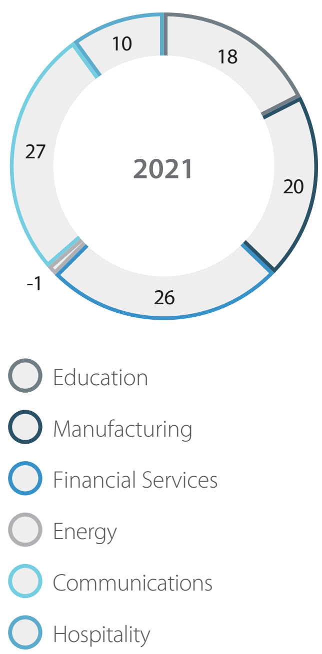
Foreign markets represent 24% of revenue (2020: 27%). Software and services delivered to 38 other African countries represent 14% of revenue (2020: 16%) while Asia Pacific, Europe and the Americas contribute 10% (2020: 11%) to revenue.

Diversification by geography and growing hard currency revenue streams in a conservative manner are key factors in diversifying market risk and continue to remain a strategic focus.

REVENUE CONTRIBUTION BY SEGMENT (%)



EBITDA CONTRIBUTION BY SEGMENT (%)



Performance

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

FINANCIAL POSITION

Total equity increased to R803 million (2020: R746 million), primarily as a result of the increase in retained earnings from profit for the year of R69 million (2020: R71 million), offset by the foreign currency translation loss of R16 million (2020: R21 million gain).

The board's approach remains prudent, resulting in a decision not to declare a dividend.

Stated capital was R248 million as at 30 June 2021, with the movement during the period relating to the cancellation of treasury shares. Adapt IT held 7,6 million treasury shares at the start of the financial year, of which 7,1 million were cancelled in June 2021, resulting in 0,5 million shares (0,4%) being held in treasury at year end.

Goodwill, representing the portion of the consideration paid for acquisitions relating to the benefit of the expected synergies, revenue growth, new market penetration and future market development, decreased to R688 million (2020: R705 million). This was due to the impairment of the Aquilon cash generating unit (CGU) by R6,5 million, and an unrealised foreign exchange loss of R10 million (2020: R17 million gain) from translation of the functional currency to the reporting currency, mainly relating to the goodwill of LGR Australia and Wisenet Australia's CGU.

Impairment testing was performed by comparing the recoverable amount of each CGU to the carrying value of the unit. Sensitivity analysis was further applied to the test and all CGUs had sufficient headroom, barring the Aquilon CGU as a result of project delays and the uncertainties on adjudication delays impacting project revenue in the current economic climate. Consequently, an impairment of R6,5 million was recognised in profit or loss. Refer to note 10 on page 116 for further details.

Intangible assets mainly arising from the allocation of purchase consideration to intangible assets at acquisition, being internally generated software and customer relationships decreased by R53 million to R194 million (2020: R247 million), relating mainly to amortisation. Refer to note 8 on page 112 for further details. An unrealised foreign exchange loss of R8 million arose from the translation of the functional currency to the reporting currency on the intangible assets in Mauritius and Singapore.

Property and equipment decreased to R95 million (2020: R108 million) due to depreciation. Total capital commitments of R36 million (2020: R23 million), disclosed in note 28 on page 143 are to be financed through internal cash resources and relate primarily to additional computer equipment.

Right-of-use assets of R236 million (2020: R240 million) represent the right to use the underlying assets in relation to those leases defined under IFRS 16 and lease liabilities of R302 million, similar to the prior reporting period, represent the obligation to make lease payments.

Finance lease receivables of R36 million relate to finance lease arrangements with Micros customers for IT equipment and inventory comprised R17 million of finished goods held at year end (2020: R32 million). Inventory was well managed despite the volatility in the Hospitality segment due to government lockdown regulations in response to Covid-19.

Trade and other receivables decreased to R244 million (2020: R285 million) largely due to the intensified focus on collections.

Consequently, the average debtors' days outstanding at the end of the year improved to 56 days (2020: 63 days). The ageing of trade receivables is provided in note 32.1 on page 147 together with a comparison of the prior year. Management believes that the allowance for expected credit losses is adequate. Contract assets amounted to R49 million as at 30 June 2021. Refer to note 17 on page 128 for a detailed breakdown of contract assets and allowance for expected credit losses.

Contract liabilities increased to R133 million (2020: R132 million). These relate mainly to the Education and Hospitality segments, where revenue in respect of licence fees and product maintenance and support is received annually in advance at the beginning of each calendar year. Furthermore, there are certain project revenues, including other licence and support revenues, received in advance across the segments. Refer to note 26 on page 141 for a detailed breakdown.

Leave pay accrual and provisions increased by R34 million from R23 million to R58 million. This was mainly due to an increase in the bonus provision during the current financial year, as bonuses were not awarded in the previous reporting period.

Financial liabilities decreased by R15 million from R25 million to R10 million, mainly due to the settlement of the final EasyRoster profit warranty. Adapt IT acquired the going concern and intellectual property of Wisenet for a minimum consideration of R54 million plus a contingent earn out consideration for performance to the end of December 2021, the fair value of which is estimated at R10 million (2020: R6 million). The loss arising on remeasurement and consequent recognition of financial liabilities was R4 million during the reporting period.

FINANCIAL CONTROLS AND RISK MANAGEMENT

The combined assurance model including the internal control framework detailing financial controls, has been approved by the Audit and Risk Committee Report. The financial risk management is covered on page 78.

ACCOUNTING POLICIES

The adoption of new or revised accounting standards, interpretations and amendments have been described in note 1.8 on page 98. The other accounting policies 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.

GOING CONCERN ASSERTION

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

CONCLUSION

Adapt IT's diversification strategy continues to prove its resilience through the ability to absorb the impact of challenging trading conditions, exacerbated by the global pandemic.

Focus remains on continuing to manage the impact of Covid-19 with great agility and to position the business sustainably, thus ensuring that Adapt IT continues to be stable and able to trade through the next uncertain chapter as the effects of the pandemic continue to unfold.

The robust performance delivered during continued challenging market conditions, strong cash generation and an improved net gearing ratio, create a strong platform for future growth.

Nombali Mbambo
Chief Financial Officer

27 September 2021

Performance

SEGMENTAL PERFORMANCE

EDUCATION

WHAT WE DO

Adapt IT Education is a Microsoft and Oracle partner that provides the education sector with specific Enterprise Resource Planning (ERP) solutions. From enquiry through to registration, the division assists students, institutional administrators, lecturers and management to effectively manage the entire student lifecycle through customised solutions.

FINANCIAL CONTRIBUTION

	2021 %	2020 %
Percentage of revenue	**20**	16
Percentage of EBITDA	**18**	16
EBITDA margin	**17**	20

HIGHLIGHTS

- Significant client and project wins
- Adapt IT Moodle partnership growth
- I-Scan Asset Verification system added to existing solutions portfolio

FLAGSHIP SOFTWARE

- ITS Integrator
- CELCAT Timetabler
- ICAS® Integrated Campus Administrative System
- Wisenet LRM
- Moodle LMS

SERVICES

- ITS Integrator Support
- Implementation, Customisation, Development and Integration
- Automated Exam and Class Timetabling
- Training and Consulting
- Learning Relationship Management Platform

HISTORY – EDUCATION

1986
The Integrated Tertiary Software (ITS) business was founded.

2003
ITS established a presence in Ireland, where it supports three of Ireland's seven public universities.

2008
Established an Asia Pacific presence.

2009
The ITS group was acquired by Adapt IT.

2012
Entered into an agreement to distribute CELCAT Timetabling. Acquired SMSS Limited (Artena), and thereafter Meta Office Limited (Take 2).

2018
Acquired ICAS® to service local private higher education institutions.

2019
Acquired Wisenet to focus on Cloud based technologies as well as delivering ICT solutions as SaaS.

2020
Obtained Moodle Certified Partner status.

BACKGROUND

The Adapt IT Education division provides solutions to higher education institutions worldwide. The division's operations date back 35 years, and it currently services more than 800 customers in Africa, Europe and Asia Pacific. The flagship product is the ERP software solution used by educational institutions for the optimisation of core processes including applications to study, registrations, study periods, examination scheduling and graduations.

In South Africa, the software supports the Department of Higher Education and Training's (DHET) statutory reporting requirements, with integration into agencies such as the DHET and National Student Financial Aid Scheme (NSFAS). The Adapt IT Education division uses its understanding of the challenges faced by the education sector to design, develop, implement and maintain value-adding software products and services.

GROWTH AND STRATEGY UPDATE

The division's growth strategy is anchored on customer centricity. This is evidenced by the adoption of Agile Methodology and DevOps for rapid development and deployment. Focus on innovation through the Digital Research and Innovation unit enables Adapt IT to effectively respond to the opportunities presented by, *inter alia,* fourth industrial revolution (4IR) as evident across developments in areas such as Chatbots, Big Data/Analytics, Artificial Intelligence, and Biometric Technology.

Moodle LMS certification for Adapt IT is further affirmation of the deep sector knowledge and experience that Adapt IT possesses. The company is able to support digital teaching and learning, not only in the public and private higher education, but in the corporate sector as well.

In addition to fulfilling changing needs of its existing clients, the division is central in executing Adapt IT's Pan African strategy. Support from the offices in Botswana, Kenya and Mauritius will further enable Adapt IT's plans to service the African continent.

Adapt IT Education continues to look into strategic partnerships with institutions of higher learning, centered on collaboration to co-create commercially viable solutions for the sector.

During the period under review, Adapt IT:

- Continued to develop its product roadmap and the division was able to assist many customers with digital and online teaching capabilities required during the Covid-19 pandemic. The Chatbox functionality and Cloud solutions that the division has within its portfolio further aided this transition.

PROSPECTS

The division remains bullish on its prospects. The business possesses unparalleled experience exceeding 35 years in higher education. Certification of Adapt IT by Moodle enables Adapt IT to provide a 360-degree view of the student lifecycle combining administration and digital teaching and learning. Significant wins have been secured and delivered in this area.

The education portfolio of products enables Adapt IT to support students from enquiry, application, registration, fund administration, accommodation management, digital/online teaching and learning, examination, graduation and alumni management.

The division executes these processes in public and private institutions of higher learning, as well as within the corporate sector, particularly within those companies which have a significant training portfolio.

Adapt IT is confident that its education solutions are responsive to the needs of its customers, especially during the changing requirements as a result of the Covid-19 pandemic.

Performance

SEGMENTAL PERFORMANCE CONTINUED

MANUFACTURING

WHAT WE DO

The division is a provider of specialised software products for sugar producers, agri-processors, security providers, energy and natural resources and other heavy industry. The software products are serviced by industry subject matter experts.

FINANCIAL CONTRIBUTION

	2021 %	2020 %
Percentage of revenue	17	17
Percentage of EBITDA	20	13
EBITDA margin	23	16

HIGHLIGHTS

- Increased focus on manufacturing sector
- Good growth in workforce management domain
- Extension into Middle East petrochemical sector
- Australasia market growth

FLAGSHIP SOFTWARE

- Sugar Industry ERP Solution
- Sugar Industry LIMS Solution – CaneLab
- Weighbridge Automation – ScaleABILITY
- Operational Risk Management – OpSUITE (including IntelliPERMIT)
- Shift Roster Software – EasyRoster
- Expense Management
- Enterprise Performance Management

SERVICES

- Business Advisory
- Software Development, Implementations, Systems Integration
- Sustainability Reporting
- ERP Support

1996
Outsourced a major sugar company's applications to form the sugar industry software business.

2001
Successful implementation of ERP at Africa's largest sugar mill, outside of South Africa.

2003
CaneLab integrated weighbridge automation, cane testing and factory laboratory system was released.

2005
Entered the mining and metals sector with IntelliPERMIT.

2009
First Australian deal was secured with an international mining company, leading to sustained growth in this market.

2009
Entered electricity generation sector.

2011
Three eThekwini-based businesses consolidated into new offices in La Lucia, KwaZulu-Natal.

2013
Aladdin Warehouse Management System (WMS) implemented at a major sugar company's new distribution centre in Pietermaritzburg, KwaZulu-Natal.

2016
Acquired EasyRoster workforce optimisation business.

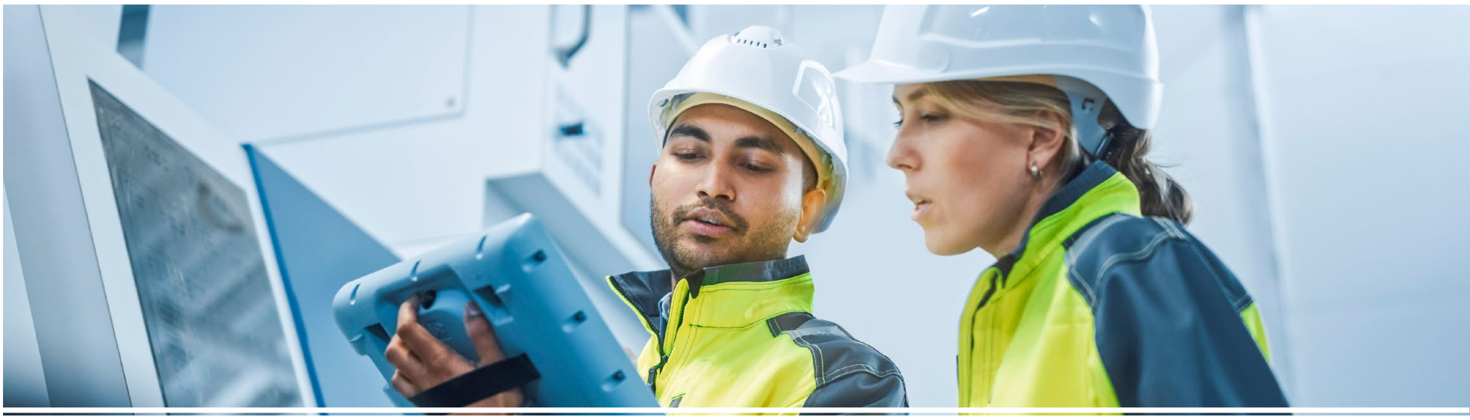
2017
Deployed IntelliPERMIT in Canada.

HISTORY – MANUFACTURING

2018
IntelliPERMIT implemented at the top three iron ore mining companies in Australia.

2019
Released ScaleABILITY product for automated weighbridge.

2020
First oil and gas sector implementation of IntelliPERMIT.



BACKGROUND

The Adapt IT Manufacturing division develops software solutions for the manufacturing, agri-processing, security and energy and natural resources sectors, servicing clients in 27 countries. The division comprises of businesses with over 25 years of experience. It designs and builds solutions that address sector challenges ranging from the coordination of centralised procurement and inventory management to the controlled payment of cane growers, optimisation of security guard rosters, and solutions managing the safety of nuclear power plant refueling shutdowns.

GROWTH AND STRATEGY UPDATE

While project activities in the sugar and agri-processing sectors have decreased due to adverse market conditions, the EasyRoster product line proved to be resilient and achieved good growth despite the challenges experienced by the security services sector. Growth will continue to come primarily from the operational risk management set of solutions in addition to the Cloud enablement of the software solutions being offered to the security industry. The new wins in the Middle East are significant and will fuel continuous growth.

PROSPECTS

The opportunities within the sectors in which the division operates remain limited as a result of the challenging market conditions, specifically with the impact of Covid-19. These, however, present further opportunities to target new market sectors and new clients.

Strategic initiatives for the year ahead include:

- Targeting agri-processing clients that could benefit from the existing product and solution portfolio.
- Strengthening the channel partnership with Real Talk Systems in Canada to secure additional opportunities.
- Successful delivery of Middle East opportunities.
- The migration to the new Cloud based version of EasyRoster is a priority for the division to protect and grow the product line.
- The division's annuity revenue streams remain the basis for the resilience of this business, and it is in the process of implementing an upgraded and certified quality management system in order to ensure that it can continue to provide reliable and excellent service to its customers.
- Demand for the division's operational risk management solutions remains robust – particularly in Australia, where it continues to win new business.

Performance

SEGMENTAL PERFORMANCE CONTINUED

FINANCIAL SERVICES

WHAT WE DO

The division's tools and systems empower finance and legal professionals to drive efficiency by automating tedious assurance and reporting processes.

FINANCIAL CONTRIBUTION

	2021 %	2020 %
Percentage of revenue	22	20
Percentage of EBITDA	26	25
EBITDA margin	23	24

HIGHLIGHTS

- Secured alliance with Thomson Reuters to expand the division's offering to include legal and regulatory solutions
- Launch of CaseWare IDEA standalone analytics offering, which is able to integrate with Probe to provide the automation of report and testing scenarios around material transactions
- Introduction of new Cloud based subscription pricing options for both the CloudTax and CloudSec platforms
- Launch of virtual roadshows to ensure continuous interaction with the market
- Integration of Probe and CaseWare IDEA

FLAGSHIP SOFTWARE

- CaseWare Working Papers
- TaxWare
- Secware
- Probe Audit Working Papers
- Audit International
- Confirmation

SERVICES

Software implementation services in support of:

- Audit
- Financial Reporting
- Practice Management
- Tax and Secretarial Solutions
- Bank Confirmations
- Legal

HISTORY – FINANCIAL SERVICES

1995
CQS signed first four clients.

1996
CQS launched first Financial Statements template for Generally Accepted Accounting Principles (GAAP).

1996
CQS granted sole distribution rights for CaseWare.

2005
CQS launched automated IFRS Financial Statements.

2006
CQS integrated with South African Revenue Services (SARS) e-filing system.

2009
CQS signed its 10 000th user.

2012
Confirmation.com SA launched.

2014
CQS acquired PROBE.

CQS launched CaseWare Cloud.

2016
CQS became an Adapt IT company.

2017
CaseWare Africa leveraged Adapt IT African presence through existing partner channels and invested in a direct model in Kenya, Botswana, Mauritius and Nigeria.

2018
CaseWare Africa signed first public sector client in Kenya.

2019
25 000 desk top users; 7 500 Cloud users.

2019
South African public sector market reach expanded with Modified Cash Offering for National and Provincial Departments.

2019
CaseWare Africa signed Memorandum of Understanding (MOU) with Mauritius Institute of Professional Accountants (MIPA).

2020
Cloud offering expanded to include Annual Returns for Corporations and Individuals and seamless integration to online accounting solutions.

2020
Cloud Assurance engagements launched.

2020
Launched Interim Reporting solution for listed entities.

2021
Alliance with Thomson Reuters established.

BACKGROUND

The Adapt IT Financial Services division provides a range of software solutions that automate financial statement and assurance engagements, streamline tax management processes, and enable simplified time and billing management in addition to taking care of company secretarial duties. The division serves approximately 4 500 audit and accounting firms, government entities, municipalities and large companies across Africa. The business dates back to 1995.

Adapt IT is the authorised distributor for CaseWare International, the global provider of auditing and financial software, serving more than 25 000 users across Africa.

GROWTH AND STRATEGY UPDATE

The auditing and accounting profession is experiencing unprecedented change, particularly in relation to technologies such as advanced analytics, robotics, process automation and emerging innovations. As a result, the division is focused on:

- Cloud based integrated offerings that leverage big data and automate production, enabling clients to free up time for value-added services and enabling consolidated oversight;
- Data-driven solutions enabling clients to have analytics embedded throughout financial management and audit processes;
- Collaboration with industry bodies, regulators, and professional institutes across Southern Africa and the African continent to support digital transformation initiatives where appropriate, as well as the ongoing evolution in compliance and regulation; and
- Automated International Public Sector Accounting Standards (IPSAS) solutions for cash and accrual basis of reporting.

The division has established an alliance with Thomson Reuters to expand the existing product and solution offering with legal-specific solutions to leverage legal, tax, global trade software, regulatory intelligence and compliance solutions.

PROSPECTS

The division envisages growth in:

- Pan Africa (including South Africa)
  - Expanding services across regional financial professionals' networks
  - Expanding services to small and medium-sized financial services practices through partnerships with institutes
  - Expanding within the public sector
  - Expanding services to encompass legal firms
- South Africa
  - Expanding into provincial and national government departments
- Integration of analytics capabilities into all audit offerings

Performance

SEGMENTAL PERFORMANCE CONTINUED

ENERGY

WHAT WE DO

The division has deep sector expertise in providing niche solutions and services within oil and gas and complex supply chain industries. It has a proven track record in large scale SAP™, ORTEC and supply chain solution implementations and is the lead terminal automation software provider and implementer in Africa.

FINANCIAL CONTRIBUTION

	2021 %	2020 %
Percentage of revenue	4	8
Percentage of EBITDA	(1)	5
EBITDA margin	(4)	12

HIGHLIGHTS

- The division's partnership with global supply chain software leaders in SAP™, FuelFacs+ and Ortec continues to strengthen
- Extended and enhanced SAP™ solutions and downstream oil and gas sector offering to the market
- Diversified into new territories and penetrated adjacent market and customer segments

FLAGSHIP SOFTWARE

- SAP™ Oil-in-One
- SAP™ HCM Spectrum
- SAP™ B1PL
- TechnipFMC FUEL-FACS+
- ARMS (Adapt IT Remote Management System)
- ORTEC Inventory Routing (OIR)
- ORTEC Warehouse Management (O4S)

SERVICES

- Supply Chain Optimisation Technology and Innovation
- Supply Chain and Operational Advisory
- SAP™ IS-OIL Services and Integration
- SAP™ Services and Support
- Terminal Automation Management and Services Support
- Transportation and Distribution Management
- Fuel Retail Network Services and Support
- Industry Solution Development, Deployment and Integration
- Business Process Outsourcing (BPO)

2011
Authorised Technical Representative for FUEL-FACs+ Terminal Automation Solution (TAS) in Southern Africa.

2012
SAP™ Human Capital SaaS Cloud business process outsourcing business, Swicon360, acquired.

2013
Terminal Solutions Global Support Hub established in Mauritius. Adapt IT Remote Management System (ARMS) implemented for global fuel retailer.

2014
SAP™ Africa Partner of the Year in "Managed Cloud-as-a-Service" category. First SAP™ certified Oil and Gas Template Solution (Oil-in-One) in Africa.

2015
Digital and mobility concept deployed at a major fuel retailer.

2016
Global SAP™ Quality Award for the Fast-start Category for Oil and Gas Template. Successful completion of global FuelFacs deployment programme for an Oil Major.

2017
Successfully deployed SAP™ Oil and Gas Solution to South African based oil client.

2018
Developed SAP™ IoT Fuel Retail Solution with SAP™ Leonardo.

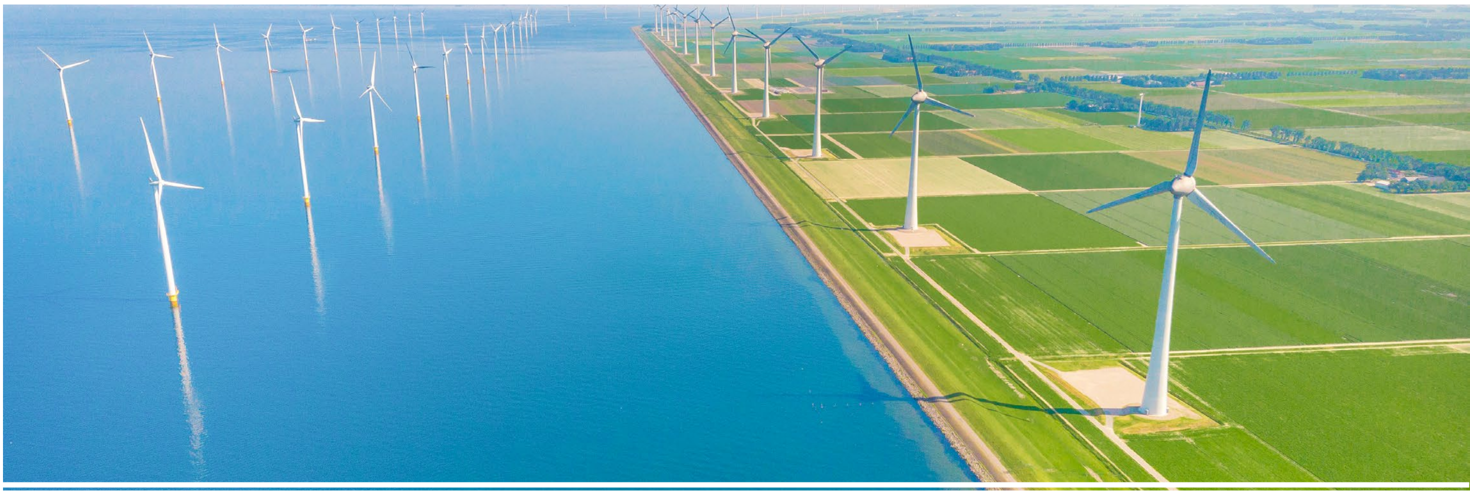
2019
Greenfields implementation of FUEL-FACs+ TAS for storage and bunkering for a major oil tanking company.

2020
Implementation of full integrated FUEL-FACs+ TAS for Oil Major in Southern Africa.

HISTORY – ENERGY

2020
Full spectrum SAP™ Partner in Africa. Launch of specialised SAP™ solutions into Africa market.

2020
Named Africa Partner for ORTEC GMBH, a global leader in supply chain optimisation. Successful implementation and support of ORTEC Integrated Warehouse Management Solution for the largest bottler in Africa.



BACKGROUND

Adapt IT Energy designs, implements and supports SAP™, ORTEC and leading supply chain solutions within the oil and gas sector, in Africa and globally. The division provides innovation and digitisation across the oil and gas supply chain, with solutions for companies operating refineries, bulk fuel distribution and storage, warehousing, retail and commercial operations.

GROWTH AND STRATEGY UPDATE

The division diversified into new geographies and client segments with a focus on cross-selling opportunities and leveraging the Adapt IT group client base. The market focus is on SADC, East and West Africa.

The partnership with ORTEC and SAP™ has enhanced the division's profile and appeal as an African software distributor, creating offerings into the extended supply chain value chain.

In the current climate with a constrained project pipeline, the profitability of the division was impacted. The outcome of a business review necessitated the implementation of an operational efficiency exercise. Continued investment and the development of the leadership, sales and delivery teams remain priorities.

PROSPECTS

The division is focused on entrenching its reputation of its oil and gas supply chain specialisation.

The growth prospects are anticipated through:

- Penetration of new markets and regions on the African continent
- Extending the niche and specialised offering
- Strengthening its partnership with SAP™ and ORTEC
- Enhanced oil and gas sector supply chain value chain specialisation
- Solidifying Adapt IT as a leading software and solutions provider in the oil and gas sector

Performance

SEGMENTAL PERFORMANCE CONTINUED

COMMUNICATIONS

WHAT WE DO

Adapt IT Communications offers products and solutions across a Mobile Network Operator (MNO) Core Network, from Next-Gen Value Added Services (VAS) through to Data Analytics and IoT Management. The division's solutions offer a high return on investment through neatly packaged, scalable, resilient, carrier grade and fully integrated software suites. The solutions are Cloud and security ready, dynamic and flexible, and provide actionable intelligence to grow clients' market share.

FINANCIAL CONTRIBUTION

	2021 %	2020 %
Percentage of revenue	**20**	21
Percentage of EBITDA	**27**	34
EBITDA margin	**26**	34

HIGHLIGHTS

- Assisted clients in rapid response to requirements in Covid-19 pandemic

FLAGSHIP SOFTWARE

- Customer Experience and Mobility Platform
  - Enabling Self-Service and Self-Care Platform
  - Corporate Carrier Self Service (CCSS)
- Advanced Telecommunications Analytics
  - CDR Live
- v.Services
  - Next-Gen Value Added Services (VAS), Multi-VAS and Omni-Channel Secure Integration Layer
- Multi-Opco High Volume Extract Transform Load (ETL) Platform
  - VISION Law Enforcement Agencies (LEA) and Regulatory Application
- FINTECH
  - Mobile Money, KYC
- Telecommunications Expense Management
- Telecommunications Fraud Management
- EPM Solutions
- TEM Solutions

SERVICES

- SaaS
- APN-as-a-Service
- Analytics-as-a-Service
- Telecommunication and TEM
- Customer Experience (CX) and Self-Service Advisory
- Enterprise Data Services and Connectivity
- EPM solutions

HISTORY – COMMUNICATIONS

2014
Joined Adapt IT with 18 years of TEM experience in the corporate and large enterprise market. Uniquely positioned to leverage focused corporate and enterprise self-service driven expense management offering.

2016
Telecommunications division formed with focus on solutions and the Mobile Network Operator market.

2018
Acquired the CDRlive "Advanced Telecommunications Analytics" platform and extended Pan Africa and Asia Pacific footprint.

2019
Acquired Conor, adding V-Services Multi-VAS platform to the product portfolio and extended reach into the critical core systems area of Mobile Network Operations.

2020/1
Assisted clients in rapid response to requirements in Covid-19 pandemic.

2020
Won customers in new territories: Kenya, Togo, Namibia and Madagascar.

BACKGROUND

Adapt IT Communications division is an advanced telecommunications solutions provider with 20 years of experience. The division understands and is able to enhance and anticipate clients' business needs through the provision of specialist proprietary software and value-added services to the telecommunications industry. It has a footprint in Africa, Australia and South America.

The division's products and solutions are offered across Mobile Network Operator's Core Networks and range from Next-Gen VAS through to Enterprise Performance Management (EPM), Data Analytics, Internet of Things (IoT) Management, Customer Experience and Self Service as well as Mobility. These solutions offer a high return on investment through neatly packaged, scalable, resilient, carrier grade and fully integrated software suites.

The platforms are Cloud ready, use Application Programming Interface (API) integration and can be deployed within any hardware environment – streamlining and accelerating integration within even diverse network architectures.

Branded self-service and self-care capabilities extend the division's Customer Experience competencies into the Mobile Network Operator's corporate and enterprise end users, servicing over 1 500 corporate customers across multiple industry sectors.

GROWTH AND STRATEGY UPDATE

A combination of two client trends provides growth opportunities for the division:

- Digitisation dominates this sector, with technologies including Customer Experience, Self-Service/Self-Care, Know-Your-Customer, Artificial Intelligence and Augmented Reality all being considered necessities.
- Margin and cash flow pressures across the industry mean business leaders are pursuing monetisation of both existing as well as future assets.

This means that value-added services, efficiently and effectively implemented, are considered key to any carrier's future sustainability.

Clients are pursuing only Cloud based or Cloud ready platforms, secure and enabled with analytics, IoT and fintech technologies, seen as future revenue growth areas, including solutions supporting 5G. All of the division's platforms are Cloud enabled, support the latest security protocols and data sharing. The solutions also provide multiple opportunities for monetisation through IoT as well as fintech offerings.

PROSPECTS

In the medium term, the division sees growth in:

- Expanding on customer experience and advanced analytics offerings.
- Using its capabilities and data management experience to enhance its position in the remote-working and IoT space.
- Expanding the fintech competency to maximise Mobile Money and Mobile Wallet.
- Further expanding sales into regions across Africa and Asia Pacific.
- Expanding and broadening the capabilities of its EPM offering and enhancing its ability to offer pre-built industry specific solutions.

Performance

SEGMENTAL PERFORMANCE CONTINUED

HOSPITALITY

WHAT WE DO

The Hospitality division has 23 years of experience in the hospitality, retail, and food and beverage industries. Throughout this period, Adapt IT has been the market leader in enabling the hospitality sector and in delivering best of breed technology.

FINANCIAL CONTRIBUTION

	2021* %	2020 %
Percentage of revenue	17	18
Percentage of EBITDA	10	7
EBITDA margin	11	8

HIGHLIGHTS

- Support provided to clients negatively impacted by the pandemic
- Addition of a loyalty solution tailored to the hospitality and wellness industries
- Cloud-based retail management solution, Baikingu incorporated into the portfolio
- WestPay, a full-service fintech payment solution is now part of the offering
- Drive-Thru hardware capability added

SERVICES

- Consulting
- Project Management
- Implementation Services
- Hosting and Database Services
- Application Services
- 24/7 Support
- E-commerce Platform Solutions

FLAGSHIP SOFTWARE

- Oracle Hospitality Simphony
- Oracle Hospitality RES
- Oracle Hospitality Opera Property Management
- Oracle Hospitality Cloud – Opera Cloud
- Micros SA SaaS – Oracle Hospitality Simphony, Reporting and Analytics, Inventory, Labour, Gifts and Loyalty

HISTORY – HOSPITALITY

1997
Founded as Micros South Africa (Pty) Ltd.

2001
Merged with Fidelio South Africa to form Micros Fidelio South Africa (Pty) Ltd.

2015
Micros South Africa was a distributor of Micros Inc. until 2015, then transitioned to Oracle. Recognised as a Hospitality Gold Partner after the acquisition of Micros Inc. by Oracle.

2016
Micros acquired Cash Bases.

2017
Micros acquired by Adapt IT.

2019
Concluded an agreement with Oracle for hosting rights until December 2024.

2020
Hospitality industry in South Africa closed for several months due to Covid-19 regulations, resulting in rightsizing to be fit for the future.

2021
Baikingu, WestPay and TNG added to the existing product and solution portfolio.

BACKGROUND

Adapt IT's Hospitality division offers digitally-led business solutions to clients in the hospitality industry that improves their service, controls, efficiency and profitability.

The division was created through the acquisition of Micros South Africa (Micros), which specialises in the resale, support, and deployment of software and hardware products. The division complements these services with its rapidly growing Cloud solutions and the provision of professional services for the industry.

GROWTH AND STRATEGY UPDATE

The presence of online aggregators is significantly changing the way the consumer buys from food and beverage establishments, and as a result, the sector faces increasing pressure to be present online. This makes Cloud based technologies a key factor in most customers' buying decisions for food and beverages as well as for hotels.

The division has offered clients its Cloud offering for the food and beverage sector since 2003, starting with reporting and analytics and growing its offering in line with its clients' needs to include point of sale, inventory management, labour management and loyalty solutions.

The industry in South Africa shut down due to Covid-19 which caused immense financial pressure on clients and consequently on the division. Significant cost cutting and reorganisation has taken place to ensure the division's sustainability and positioning it to recover its financial performance as lockdown regulations allow the industry to progress back to normal trade.

The division has included additional capabilities and solutions into its portfolio which allows for a more holistic offering. The solutions are more tailored to clients' needs and allows for effective operations even in uncertain times:

- TNG is a customer loyalty product tailored to the hospitality and wellness industries. It facilitates cashless payments, smart reservations and can be linked to advanced loyalty functions.
- Baikingu is a Cloud based retail management system that enables a unified commerce experience through the effective management of stock, purchases, central pricing and labour.
- WestPay is a full-service fintech payment solution that supports pay-at-table, pay-at-counter and pay-at-scooter payments.

PROSPECTS

The division sees future growth in:

- Conversion of on-premise customers to Cloud
- Opportunity in the SME retail sector with a new Cloud based retail platform
- Online integrations using the Cloud based integration platform
- The Drive-Thru hardware ensures a more holistic customer offering

Performance

FIVE YEAR REVIEW

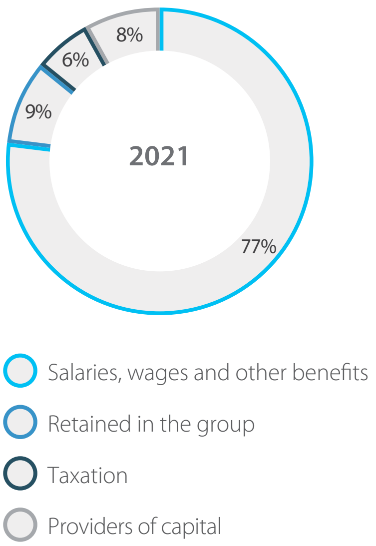
		30 June 2021	30 June 2020	30 June 2019*	30 June 2018*	30 June 2017
OPERATING RESULTS						
Revenue	(R'000)	**1 503 378**	1 483 347	1 438 138	1 332 849	993 671
EBITDA	(R'000)	**267 437**	297 264	229 573	260 242	194 326
Operating profit	(R'000)	**169 880**	197 187	163 376	207 945	150 983
Profit for the year	(R'000)	**69 019**	70 792	75 030	122 149	92 546
Profit attributable to equity holders of the parent	(R'000)	**69 103**	70 653	73 976	114 558	88 133
Headline earnings	(R'000)	**77 157**	91 807	82 701	97 723	88 150
Normalised headline earnings	(R'000)	**112 018**	105 740	113 459	130 409	118 461
Cash generated from operations	(R'000)	**381 560**	274 361	178 688	259 995	139 325
FINANCIAL POSITION						
Total equity	(R'000)	**802 924**	746 494	677 686	747 457	668 537
Total assets	(R'000)	**1 714 330**	1 937 818	1 645 018	1 386 733	1 086 447
Total current assets	(R'000)	**442 649**	589 797	456 425	376 032	355 666
Total liabilities	(R'000)	**911 406**	1 191 323	967 332	639 276	417 910
Total current liabilities	(R'000)	**440 199**	385 284	862 104	352 496	224 733
FINANCIAL RATIOS						
EBITDA margin	(%)	**17,79**	20,04	15,96	19,53	19,56
Operating profit margin	(%)	**11,30**	13,29	11,36	15,60	15,19
Return on invested capital (ROIC)	(%)	**8,36**	9,39	9,31	16,34	16,15
Return on equity	(%)	**8,92**	9,92	10,38	16,18	15,45
Return on assets	(%)	**3,78**	3,94	4,88	9,26	8,59
Interest-bearing liabilities less cash to equity (net gearing ratio)	(%)	**17,25**	45,21	65,60	17,51	15,47
Average debtors days	(days)	**55,67**	63,48	71,42	68,45	71,76
Solvency ratio	(times)	**1,88**	1,63	1,70	2,17	2,60
Liquidity ratio	(times)	**1,01**	1,53	0,53	0,40	1,58
Cash conversion ratio	(times)	**2,25**	1,39	1,09	1,25	0,92
Number of permanent employees	(number)	**1 079**	1 117	1 088	943	670
SHARE PERFORMANCE						
Number of shares in issue at year end	('000)	**137 762**	144 887	152 513	160 540	153 597
Number of treasury shares held at year end	('000)	**500**	7 626	15 251	8 189	–
Number of shares, net of treasury shares, in issue at year end	('000)	**137 262**	137 262	137 262	152 351	153 597
Basic earnings per share	(cents)	**50,34**	51,47	50,42	72,77	58,74
Diluted earnings per share	(cents)	**50,34**	51,47	50,42	72,77	58,74
Headline earnings per share	(cents)	**56,21**	66,88	56,36	62,08	58,76
Diluted headline earnings per share	(cents)	**56,21**	66,88	56,36	62,08	58,75
Normalised headline earnings per share	(cents)	**81,61**	77,03	77,33	82,84	78,96
Net asset value per share**	(cents)	**584,96**	543,85	493,72	490,61	435,25
Tangible net asset value per share**	(cents)	**14,66**	(98,69)	(128,16)	50,02	68,51
Closing share price at year end	(cents)	**640**	158	568	900	968
Dividend per share (paid)	(cents)	**–**	–	17,10	13,70	13,40

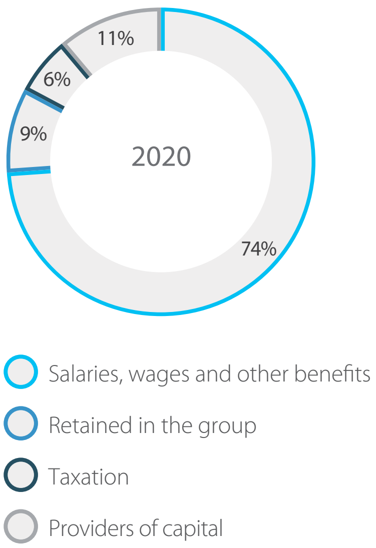
** Restated.*
*** Based on issued shares, net of treasury shares, held at year end.*

Performance

VALUE ADDED STATEMENT

	Consolidated 2021 R'000	%	Consolidated 2020 R'000	%
Revenue	**1 503 378**		1 483 347	
Less:				
Net cost of products and services	**(718 123)**		(675 179)	
Value added	**785 255**		808 168	
Wealth created	**785 255**		808 168	
Applied to:				
Employees				
Salaries, wages and other benefits	**607 374**	**77,4**	602 298	74,5
Providers of capital	**60 856**	**7,7**	84 699	10,5
Interest on borrowings	**60 856**	**7,7**	84 699	10,5
Dividends to shareholders	**–**	**–**	–	–
Government				
Taxation	**47 922**	**6,1**	50 519	6,3
Income taxation: normal and deferred	**42 040**	**5,3**	44 029	5,5
Skills development levies	**5 882**	**0,8**	6 490	0,8
Retained in the group	**69 103**	**8,8**	70 652	8,7
Wealth distributed	**785 255**	**100,0**	808 168	100,0





Governance Report

THE BOARD OF DIRECTORS

THE BOARD

The board is responsible for determining the strategic direction of Adapt IT and exercising prudent control over the group and its affairs. The board and the individual directors will, at all times, act in the best interest of Adapt IT and adhere to all relevant legal standards of conduct.

BOARD COMMITTEES

The board has appointed four permanent sub-committees to assist it in fulfilling its governance role. The roles and responsibilities of the committees are presented below, together with the members of the respective committees.

Executive Directors	Independent Non-executive Directors
S Shabalala (CEO) N Mbambo (CFO) T Dunsdon (CCO) T Vicente (CSO)	C Chambers O Fortuin C Koffman Z Nyanga

Audit and Risk Committee	Remuneration Committee	Nominations Committee	Social and Ethics Committee
Fulfils a vital role in corporate governance and is in place to ensure, among other things, the integrity of integrated reporting and internal financial controls, identify and manage financial risks and monitor the financial sustainability of the group.	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.	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 in line with the Diversity Policy.	Accountable for ensuring the existence of an ethical and responsible relationship, between Adapt IT and the society in which it operates, through a code of ethics.
Z Nyanga (Chairperson) C Koffman O Fortuin S Shabalala (CEO) – Attendee N Mbambo (CFO) – Attendee T Dunsdon (CCO) – Attendee	C Koffman (Chairperson) C Chambers Z Nyanga S Shabalala (CEO) – Attendee N Mbambo (CFO) – Attendee T Dunsdon (CCO) – Attendee	C Chambers (Chairperson) C Koffman Z Nyanga S Shabalala (CEO) – Attendee N Mbambo (CFO) – Attendee T Dunsdon (CCO) – Attendee	O Fortuin (Chairperson) C Koffman Z Nyanga T Dunsdon (CCO) S Shabalala (CEO) – Attendee N Mbambo (CFO) – Attendee

Governance Report

THE BOARD OF DIRECTORS CONTINUED

NON-EXECUTIVE DIRECTORS

Craig Chambers

CFA, PDM, BCom

Independent Non-executive Chairman

Appointed to the board 3 May 2011

Chairperson of the board, Remuneration Committee and Nominations Committee

Craig is a certified Chartered Financial Analyst (CFA), 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 in asset management for 22 years, with five years at Standard Corporate and Merchant Bank (SCMB) Asset Management as a small cap Unit Trust Manager. He is currently a senior professional at Old Mutual Investment Group. Craig was appointed Independent Non-executive Chairman at Adapt IT Holdings Limited in October 2012.

Value to the board

His extensive experience in financial markets and strong financial background enables Craig not only to lead the board in an outstanding manner, but also to provide guidance to members on financial information and aspects to consider especially when acquisitions are being considered.

The board of directors has the necessary skills to function effectively. None of the non-executive board members have previously worked, audited or been an audit partner for Adapt IT.

Oliver Fortuin

MBA (Open University in UK)

Completed the Harvard University Senior Executive Leadership Programme

Lead Independent Non-executive Director

Appointed to the board 8 February 2013

Social and Ethics Committee and Audit and Risk Committee

Oliver has in excess of 30 years' senior leadership experience in leading various local and multinational organisations in the ICT industry, and across several verticals including the Public Sector, Telecommunications, Financial Services, and Retail sectors. Oliver is highly skilled and experienced in managing and leading senior leadership teams across various disciplines including sales, pre-sales, services, marketing, channel development, finance, human resources and operations.

Oliver started his career as a Systems Engineer for a leading global ICT organisation. He quickly rose through the ranks and during his career has held several senior management and leadership roles, both in the capacity of Managing Director and Chief Executive Officer for several leading global organisations in the ICT sector prior to joining SEACOM in January 2021. Oliver is also co-founder of a startup ICT company where he led and managed the end to end operations. Over the years, Oliver has served in the capacity of executive and Non-executive director for multiple organisations. Oliver has worked extensively across the African continent, Middle East, United States of America and Asia.

Value to the board

Having a person with close to three decades of experience in the ICT sector is a huge advantage to the board. Oliver gained this experience working in large, global, reputable ICT firms and his deep expertise assists fellow board members to understand the nuances of the sector. His African and global expertise are also exceptionally valuable.

Catherine Koffman

BA, LLB, LLM, Admitted Attorney

Independent Non-executive Director

Appointed to the board 9 February 2015

Remuneration Committee, Nominations Committee, Social and Ethics Committee and Audit and Risk Committee

Catherine is a qualified admitted attorney, with more than 20 years' experience in the legal, commercial and financial services sectors. She is recognised for her extensive infrastructure investment banking expertise across numerous sectors and has been intimately involved in a number of "firsts" and landmark infrastructure project finance transactions. Following a fulfilling career in structured finance advisory at Arthur Andersen, Catherine joined Nedbank in 2004 in the Nedbank Capital (Nedbank Corporate and Investment Bank) Infrastructure and Telecommunications Project Finance team. As the first female in this role in a commercial bank in South Africa, Catherine's mandate included determining and executing the group's infrastructure growth strategy for South Africa and the rest of Africa.

Catherine has either initiated or been called upon to participate in thought leadership design thinking relating to project pipeline development and policy changes. She assumes responsibility on various boards of directors, steering committees and industry working groups focused on enabling change to stimulate economic growth and development.

She joined the Development Bank of Southern Africa (DBSA) on 1 February 2021 as Group Executive of Project Preparation. She is responsible for leading, managing and directing the strategic and operational objectives of the Project Preparation function of the DBSA to develop a bankable pipeline of infrastructure projects intended to stimulate economic growth and reduce infrastructure backlog in both South Africa and Sub-Saharan Africa.

Value to the board

Catherine's strong background in law and Technology Media and Telecommunications (TMT) infrastructure funding across Africa ensures that Adapt IT maintains high risk awareness. Catherine approaches board matters in a comprehensive way and is involved across all committees where her sharp mind and attention to detail is appreciated.

EXECUTIVE DIRECTORS

Zizipho Nyanga

CA(SA), GEDP

Independent Non-executive Director

Appointed to the board 27 May 2019

Remuneration Committee, Nominations Committee, Social and Ethics Committee and Audit and Risk Committee

Zizipho has over 16 years' experience in external audit, development finance, financial and risk management in fast-paced organisations. She holds a BCom Accounting from the (former) University of Transkei and a Higher Diploma in Accounting from the University of the Witwatersrand. She completed her articles at Ernst & Young (EY) and later joined various companies such as Kagiso Media, the Industrial Development Corporation and Old Mutual, where she was appointed as CEO of Masisizane Fund until 30 April 2020. She joined Ubank as Chief Entrepreneur Officer in September 2020.

Zizipho completed a Global Executive Development Programme with the Gordon Institute of Business Science with distinction in 2018.

Value to the board

Zizipho's background spans entrepreneurial beginnings to becoming the CEO of Old Mutual's Masisizane Fund, allowing her passion for entrepreneurial development to continue. Her experience and solid financial and business background, together with extensive knowledge on governance and her fresh perspective, is extremely valuable to the board.

Tiffany Dunsdon

CA(SA)

Chief Executive Officer

Appointed to the board 18 April 2002

Tiffany is a Chartered Accountant who qualified with Deloitte and is registered in South Africa, Australia and New Zealand. She was involved with several major business re-engineering and IT outsourcing projects as a consultant to British Airways in the United Kingdom where she entered the ICT sector. 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 Chief Commercial Officer and Director of Adapt IT Holdings Limited after the merger of InfoWave Holdings and Adapt IT (Pty) Ltd in 2007. She is also Managing Director of a number of international operations, and is based in Perth, Australia. Tiffany was appointed as Adapt IT Holdings Limited Interim CEO in May 2021 and was permanently appointed CEO in September 2021.

Nombali Mbambo

CA(SA)

Chief Financial Officer

Appointed to the board 18 August 2016

Nombali was appointed as CFO and Director of Adapt IT Holdings Limited in 2016. She is a Chartered Accountant who completed articles with EY and thereafter joined Alexander Forbes as an accounting specialist. Nombali then joined Absa Capital, rising from managing a special purpose vehicle for debt capital market backed corporate finance to originating, structuring and executing corporate loans through the loan capital markets. She then moved to strategic roles at Unilever, initially serving as the Risk and Audit Manager for the Africa region, and subsequently as the Finance Business Partner for the Foods Division prior to joining Adapt IT.

Tony Vicente

CA(SA)

Chief Operating Officer

Appointed to the board 10 May 2021

Tony was appointed as the Chief Strategy Officer of Adapt IT (Pty) Ltd in September 2018. Tony is a Chartered Accountant with over 30 years of work experience. Prior to Adapt IT, Tony was a Partner at KPMG for 20 years. During this time, he led a country practice (Mozambique), built and led the Management Consulting services group in South Africa and was a member of the KPMG Global Management Consulting Leadership team.

Additionally, he represented high growth markets countries in the KPMG Global Management Consulting Capabilities Steerco, having previously led the Europe, Middle East and Africa Strategy and Operations services line. His experience includes strategy, cost optimisation and multidisciplinary project direction in a broad range of business advisory services across multiple industries. Tony was appointed as Director of Adapt IT Holdings Limited in May 2021. In September 2021 Tony's role changed from Chief Strategy Officer to Chief Operating Officer.

Sibusiso (Sbu) Shabalala

BCom

Chief Executive Officer

Appointed to the board 5 December 2007

Resigned from the board 6 August 2021

Sbu attained a Bachelor of Commerce degree and a postgraduate diploma in Financial Information Systems. With over 25 years' IT experience, Sbu joined the group where he gained project management expertise in the implementation of Oracle applications with operations in various African countries. He founded Adapt IT 16 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 JSE and had been CEO and Director of Adapt IT Holdings Limited since January 2008 until his resignation in August 2021.

Governance Report

GOVERNANCE APPROACH

Adapt IT's approach to governance is underpinned by its values of respect, honesty, responsibility and accountability. The group remains committed to the highest standards of governance, ethics and integrity.

In the challenging year under review, the board has remained focused on Adapt IT's vision to be a leading provider of specialised software and digitally-led business solutions.

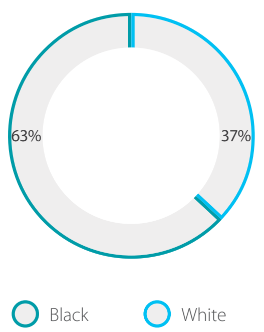
In this, the board continues to provide effective leadership, premised on the belief that governance remains the foundation for ensuring Adapt IT's long term success and sustainability. The board pays close attention to cementing appropriate governance processes and frameworks, which ensure that the company is compliant with the regulatory environment that governs the business landscape, including the application of King IV™, the JSE Listings Requirements, the Companies Act, and other applicable legislation.

The board has continued to provide leadership in respect of Adapt IT's response to Covid-19, and both the board and its sub-committees acknowledge that this pandemic has and will continue to test the company's resilience, and understands it has an ongoing and critical role to play in directing and overseeing Adapt IT's plans in relation to Covid-19 and in supporting executive leadership. It also has a role to play in ensuring that Adapt IT emerges fortified and pushes forward into a new era of resilience and opportunity to the benefit of all stakeholders.

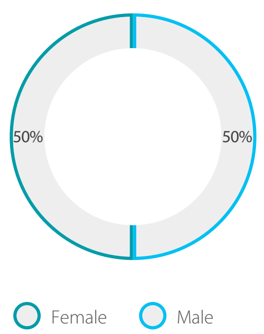
BOARD DIVERSITY

The company has always prided itself on a strong and diverse board. Board diversity in all forms – race, gender, nationality, business acumen, skills and experience – continues to drive board succession planning as Adapt IT considers the attributes required to steer the company forward.

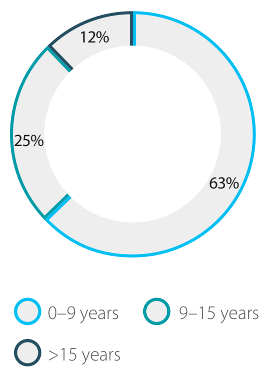
TRANSFORMATION



GENDER



TENURE



Governance Report

GOVERNANCE FRAMEWORK

The board takes ultimate responsibility for Adapt IT's adherence to sound corporate governance standards and is fully committed to the promotion of good corporate governance, which is considered pivotal to the sustainable growth of the business.

The Governance Framework is encompassed in the board Charter, duly aligned with King IV™. Compliance with the board Charter is reviewed annually to enhance the Governance Framework.

Anti-bribery and anti-corruption

The law has a significant role to play in the fight to combat bribery and corruption. Adapt IT, therefore, has an ongoing programme to follow international best practice and complies with various laws, including the Prevention and Combating of Corrupt Activities Act, The Prevention of Organised Crime Act, the United Kingdom Bribery Act, and the Foreign Corrupt Practices Act. Adapt IT has various anti-bribery and anti-corruption policies that provide guidance to staff, customers and other stakeholders on anti-bribery and anti-corruption practices. The company has also employed tools where staff and the public at large can report fraud, corruption and unethical behavior.

Data protection

Adapt IT recognises that data protection laws, like the General Data Protect Regulation (GDPR) and the Protection of Personal Information Act (POPIA) that became effective 1 July 2021, apply to the various relationships the company has with its stakeholders. The company generally performs the role of a processor, with its customers as the controllers. There are also various instances where Adapt IT is the responsible party. Adapt IT takes its obligations under data protection laws seriously regardless of the role the company is performing and the relationship it has with its stakeholders. The company respects privacy and protects the personal data processed, continuously balancing the commercial need to process personal data with the legal requirements to protect it. Adapt IT continually strives to meet its regulatory obligations. The data protection statement, Adapt IT's Privacy Policy and Promotion of Access to Information Act (PAIA) Manual are available at www.adaptit.com.

JSE Listings Requirements

As a listed company, Adapt IT must comply with the JSE Listings Requirements. The company appreciates the importance of these requirements, including compliance with King IV™, the requirements of which are mandatory. Adapt IT, therefore, not only complies with the requirements, but also commits to disclosing the company's application of King IV™ annually in its various reports, such as the Integrated Annual Report.

IFRS

In addition to Adapt IT's general governance, the company is diligent in establishing, maintaining and auditing its financial accounting policies. The company always wants to ensure consistency with the requirements of IFRS and that it reports its results with objectivity and the highest degree of integrity. Adapt IT is committed to providing financial information that is transparent, timely, complete, relevant and accurate.

KING IV™

King IV™ was released on 1 November 2016, and advocates an outcomes-based approach, defining corporate governance as the exercise of ethical and effective leadership by the governing body (board) towards the achievement of the following governance outcomes:

- Ethical culture
- Good performance
- Effective control
- Legitimacy

The board is continuing on a journey to further enhance its corporate governance practices and the year under review saw a continued focus on embedding the King IV™ principles throughout the organisation.

Board meetings

In line with the formally adopted terms of reference aligned to Principle 8 of King IV™, the board meets formally four times per year and reviews strategy, operational performance, capital expenditure, risk management, internal controls, communications and other material aspects pertaining to Adapt IT's business. Additional *ad hoc* meetings are held to deliberate on various matters of substance, when necessary.

During the year under review, the board held two *ad hoc* meetings in response to the corporate activity and CEO matter, in addition to the four formal meetings.

The board remains committed to driving outcomes that support the company's vision to be a leading provider of specialised software and digitally-led business solutions. Details on board and committee attendance have been included in the Governance Report on page 59.

Board independence

The company has a unitary board with a majority of non-executive directors. All non-executive directors are independent. The board views the objective judgement of directors as an essential attribute. The company's Memorandum of Incorporation (MOI) incorporates and entrenches the conflict of interest procedures and requirements of section 75 of the Companies Act. The independence of non-executive directors is further advocated for in the board Charter, duly aligned to King IV™ requirements.

Governance Report

GOVERNANCE FRAMEWORK CONTINUED

Composition of board of directors

The board regularly considers whether its size, diversity and demographics make it effective by setting the direction and approving the processes for it to attain the appropriate balance of knowledge, skills, experience, diversity and independence to discharge its governance role and responsibilities objectively and effectively. It further ensures that it is large enough to incorporate a variety of perspectives and skills, and gender diversity to represent the best interests of Adapt IT as a whole rather than of individual shareholders or interest groups.

In accordance with Principle 7 of King IV™, the board is therefore deemed to be suitably constituted and comprises a balance of four independent non-executive directors and four executive directors, with all of the non-executive directors being independent. The Chairman of the board and the Lead Independent director of the board are independent non-executive directors.

In line with best practice, the roles of the Chairman and the CEO are separate, 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 board is satisfied that there have been no material instances of non-compliance with King IV™ or the JSE Listings Requirements during the reporting period.

The quorum for board meetings is a majority of directors, as provided for in the Adapt IT board Charter and in line with Principle 7 of King IV™

If a non-executive director has served on the board of a company for a period longer than nine years, the board conducts an assessment on an annual basis to conclude whether the director exercises objective judgment and that there is no interest, position, association or relationship that is likely to influence unduly or cause bias in decision-making.

The board has considered the independence of the Chairman of the board, appointed to the board in May 2011 serving as independent non-executive Chairman. Having awareness of the interests, positions, associations and relationships of the non-executive Chairman, the Board has concluded that he is not unduly influenced or biased in his decision-making with regard to the group and accordingly, continues to categorise him as independent. The board will conduct an assessment on an annual basis to satisfy itself on the independence of the Chairman. No change to the chairmanship is considered at this time pending the outcome of corporate activity currently in progress.

The board is satisfied that the composition of the board is in line with the King IV™ recommendations, that the governing body comprises the appropriate balance of knowledge, skills, experience, and is fully compliant with the board diversity policy.

In accordance with the MOI, one third of the non-executive directors are required to retire at each annual general meeting. The directors to retire in every year shall be those who have been longest in office since their last election. A retiring director shall be eligible for re-election. Appointment to the board is made in a formal, objective and transparent manner in accordance with the Nominations Committee terms of reference, as managed by the Nominations Committee on behalf of the board.

Non-executive directors retiring by rotation and standing for re-election are Craig Chambers and Zizipho Nyanga

(see pages 54 and 55 for resumes of relevant directors).

Accountability

The board takes overall responsibility for Adapt IT's success and is responsible for approving the strategic direction of Adapt IT's business, as set out in the board Charter. The board conducts its business in the best interest of the company and ensures that Adapt IT performs in the interests of its broader stakeholder group, including present and future investors in Adapt IT, its customers and clients, business partners, employees and the societies in which it operates.

Board charter and responsibilities

The general powers of the board and the directors are conferred in the company's MOI.

The terms of reference for the board are set out in the board Charter, comply with King IV™ and set out the powers and authority of the board.

The Charter sets out clear guidelines on the roles, responsibilities of the functions and powers of individual directors and the officials and executives of the company. The Charter further provides an overview of policies and practices of the board in respect of matters such as corporate governance, trading by directors in the securities of the company, declarations and conflicts of interest, board meeting documentation and procedures, composition of the board and the nomination, appointment, induction, training and evaluation of directors and members of board committees. There is balance of power and authority at board level, to ensure that no one director has unfettered powers of decision-making.

The performance of the board is evaluated against the guidelines set out in the work plan of the Charter.

The board further has a fiduciary duty to act in good faith, with due care, skill and diligence, and in the best interest of the company.

The powers and responsibilities of the board include the following:

- retaining full effective control and providing ethical leadership in the best interest of the company;
- informing and setting the strategic direction of the Adapt IT business;
- 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;
- ensuring that strategy, risk, performance and sustainability are effectively integrated and balanced;
- reviewing the implementation of the strategic plan;
- reserving specific powers to itself and delegating other matters to key senior management;
- monitoring performance through various board committees; and
- monitoring compliance with all relevant laws, regulations and codes of business practice and ensuring that Adapt IT communicates effectively with its stakeholders.

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.

Board and sub-committee meeting attendance

	Board	Audit and Risk Committee	Remuneration Committee	Nominations Committee	Social and Ethics Committee
Meetings held	6	4	2	1	2
C Chambers	6*		2	1^	
O Fortuin	6**	4			2^
C Koffman	5	3	2^	1	2
Z Nyanga	5	4^	2	0	1
S Shabalala#	5				
T Dunsdon	6				2
N Mbambo	6				
T Vicente*^	1				

* *Chairman of board*
** *Lead Independent director*
^ *Chairperson of committee*
\# *Resigned 6 August 2021*
*^ *Appointed 10 May 2021*

Delegation of authority

The board has delegated authority for specific matters to a number of well-structured board committees that have formal terms of reference and report to the board on a regular basis.

Board sub-committees

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 IV™ guidelines:

- Audit and Risk Committee
- Remuneration Committee
- Nominations Committee
- Social and Ethics Committee

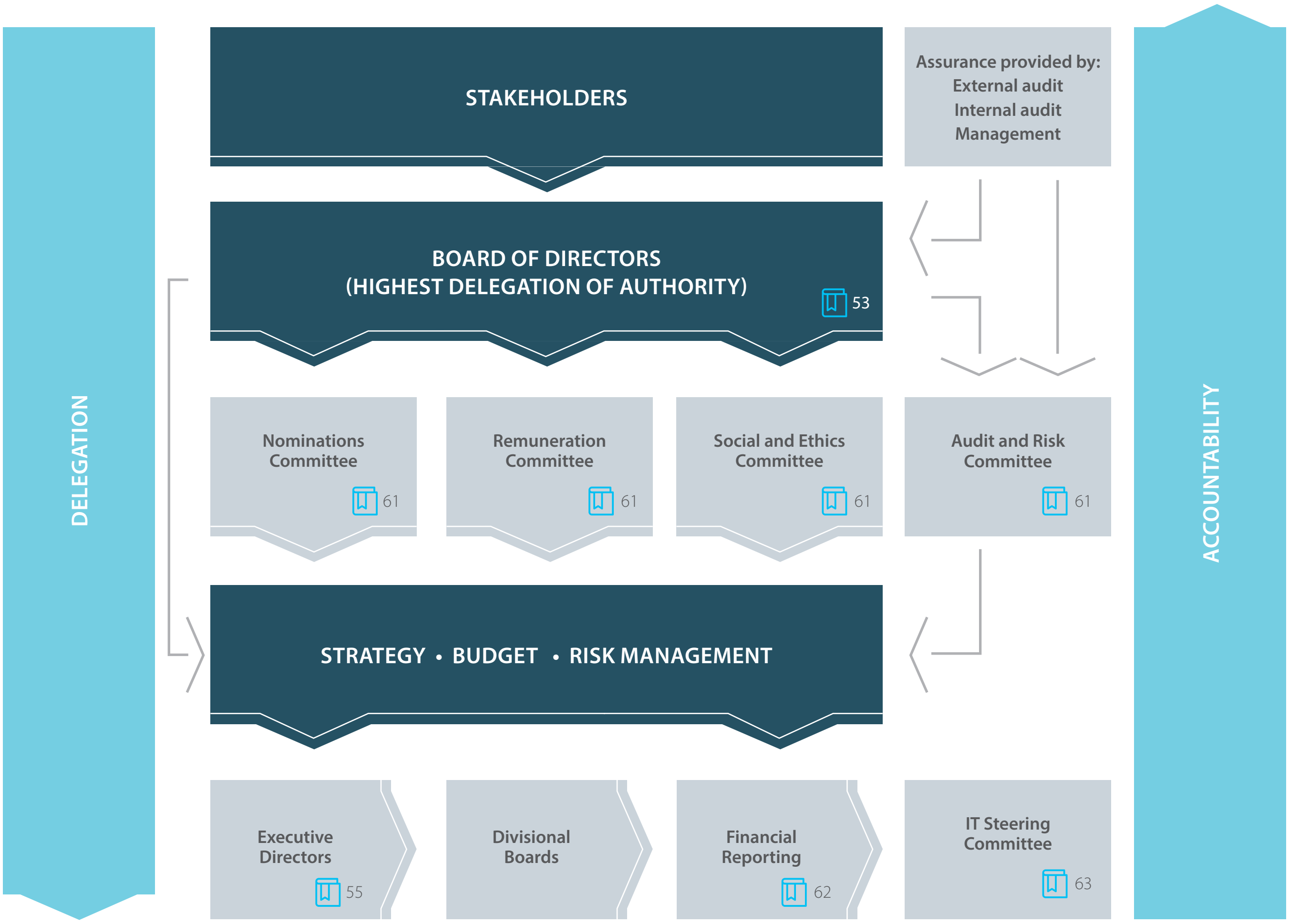
The Audit and Risk Committee members were formally appointed in terms of the Companies Act at the AGM held on 27 November 2020.

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

Governance Report

GOVERNANCE STRUCTURE

A complete governance structure with a functional board and committees necessary for delegation and accountability form the basis of Adapt IT. The Adapt IT corporate governance structure is represented in the diagram below:



Board and committee evaluation

In line with Principle 9 of King IV™, the board and individual directors' performance is assessed annually in terms of the board Charter, through a formal process of detailed evaluation questionnaires.

The assessment includes the Chairperson, the board as a whole as well as the board committees, including committee members, in order to evaluate their effectiveness and performance.

Statucor (Pty) Ltd (Statucor) conducted the board evaluation in September 2021 and the appraisals concluded that the board and its committees were found to have operated and functioned effectively. The evaluation further indicated that the board displays confidence in its ability to function well as the strategic leadership body of the company. This confidence manifests further in the individual members' rating of their own knowledge, skills and characteristics. The composition of the board and the collective skills and wisdom of its members contributes to its agility and efficacy from a governance perspective, while at the same time ensuring strong support for the strategy and of the company.

Out of the areas assessed, "Knowledge and Skills", "Board Independence", "Board Composition and Performance", "Oversight and Responsibilities of the Board", "Sub-Committees" Recruitment, Induction and Training, "Board Meetings", "Strategy and Company Performance", "Ethics and Reputation", "Information Technology" and "Compliance with Laws and Regulations", there are no significant areas of concern, merely focus on continuous improvement.

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.

The board is responsible for determining Adapt IT's strategic direction and exercising prudent control over the company and its affairs. The board and the individual directors will, at all times, act in the best interest of Adapt IT and adhere to all relevant legal standards of conduct.

Audit and Risk Committee

The Audit and Risk Committee operates under formally adopted terms of reference aligned with Principle 15 of King IV™, 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.

The committee discharges its responsibility by evaluating the operations and findings of both internal and external audit and by assessing the appropriateness and adequacy of the accounting procedures and the systems of internal financial and operational control. The committee is accountable for the process of risk management and internal control systems and for reviewing the effectiveness thereof. It is also responsible for establishing risk and control policies and ensuring these are communicated throughout the Adapt IT business.

In accordance with the committee's charter, the committee consists of no less than three independent non-executive directors, one of whom is the Chairperson of the committee. The Chairperson of the committee is not the Chairman of the board. The CEO, CFO, internal auditors and external auditors are required to attend the committee meetings but do not vote at meetings of the committee. Other board members also have the right of attendance only. Adapt IT's internal auditors and external auditors have unfettered access to members of the committee and the CEO.

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

In terms of section 94 of the Companies Act of South Africa, a public company must elect an audit committee at each AGM. It will be proposed in the notice of AGM for the forthcoming AGM of the company that Catherine Koffman, Oliver Fortuin and Zizipho Nyanga be re-appointed as members of the committee, until the next AGM.

Remuneration Committee

In line with Principle 14 of King IV™, the Remuneration Committee is responsible for establishing a formal and transparent procedure for developing a policy for executive directors' remuneration and performance measurement 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 CEO (by invitation), is responsible for recommending to the board, on an annual basis, the remuneration packages of the executive directors.

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

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 in line with the Diversity Policy.

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 appointments, monitors the leadership needs of the board and recommends procedures for annual director performance evaluations. It ensures that board candidates have sufficient time to devote to board duties, and that appointees receive formal letters of appointment and additional communication detailing duties and time commitments, together with induction plans.

The 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 committee meets at least once a year, consists of independent non-executive directors and is chaired by the Chairman of the board, an independent non-executive director.

The committee also regularly reviews board and committee succession to ensure the right skills, continuity and experience for the future.

The induction and ongoing training and development of directors is conducted through the formal processes adopted through the Nominations process that has been established as recommended by the Nominations Committee and approved by the board as per the recommendations of King IV™.

Social and Ethics Committee

In line with Principle 2 of King IV™, the Social and Ethics Committee is accountable for ensuring the existence of an ethical and responsible relationship, between Adapt IT and the society in which it operates, through a code of ethics.

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

In addition, the committee 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 equitable representation at all levels in the workplace. The committee addresses training and development, a safe and healthy workplace and employee wellbeing.

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

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

Governance Report

GOVERNANCE STRUCTURE CONTINUED

Whistleblower channels

Adapt IT has an independent ethics whistleblower hotline and online reporting tool that allows the reporting of information that can identify risks for investigation, prevent financial losses and facilitate the development of controls that will aid in the detection and prevention of fraud, corruption and unethical behaviour. This is done through a confidential conduit to assist employees in reporting sensitive information without fear of retribution. Significant cases are tabled at every Social and Ethics Committee meeting where these cases are reviewed, and best course of action agreed.

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. During the year under review, the committee comprised the CEO, CFO, CCO, Chief Strategy Officer and divisional executives.

Management reporting

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

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

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, including changes in legislation.

The Company Secretary function is outsourced to Statucor, as approved by the board. Statucor's client base includes listed and non-listed entities whom it advises in accordance with the Companies Act of South Africa No. 71 of 2008 (Companies Act of South Africa), as well as the provisions of the South African Corporate Business Administration publication 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 IV™. 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.

Dealing in company shares

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

All dealings in shares of Adapt IT Holdings Limited by company directors and the Company Secretary are reported to the company within three business days thereof and announced on the JSE Stock Exchange News Service (SENS) within 24 hours of receipt of notification. 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 regular basis. Adapt IT's investor information is posted on the website, www.adaptit.com.

Transparent communication and engagement with stakeholders is vital to ensure that the principles on stakeholder management expressed in King IV™ are adopted. The company regularly communicates its strategy, performance and vision to shareholders during results presentations. Management engages with investors and shareholders in one-on-one meetings on request. During the reporting period, the CCO and CFO were tasked to be the spokespersons in the above instances.

It is Adapt IT's policy to pursue regular dialogue with institutional investors, engaging constructively within the frameworks provided by statutory and regulatory environments regarding the dissemination of information. This helps ensure a fair and accurate representation of the group and its performance. Merchantec Capital (Pty) Ltd acts as Adapt IT's Sponsor in compliance with the JSE Listings Requirements.

The company's annual general meeting provides an important platform for engagement with shareholders and offers them the opportunity to participate in discussions relating to the company.

Internal audit

Adapt IT acknowledges the importance of an independent 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 PwC.

Internal audit is mandated by, and functions in terms of an Audit and Risk Committee approved charter which describes its purpose, authority and responsibilities. The internal audit function performs independent evaluations of the adequacy and effectiveness of internal controls, financial reporting, information systems and operations.

The Audit and Risk Committee approves the annual audit plan and monitors the scope and effectiveness of the internal audit function. Internal audit provides reports to the Audit and Risk Committee on the progress against the approved audit plan, results of the audits and action plans to address findings.

The internal audit function is independent of all other organisational functions, reports directly to the Audit and Risk Committee and has free and unrestricted access to all areas within the Adapt IT business, including management, employees, activities, locations and information. The Chief Internal Auditor has direct access to the Audit and Risk Committee through the Chairperson and attends all committee meetings to discuss any significant matters arising from activities.

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.

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.
- Providing a source of information, as appropriate, regarding instances of fraud, corruption, unethical behaviour and irregularities.

The internal audit focus for the 2021 financial year was collaboration with management, other internal assurance providers and Adapt IT's external auditor to ensure optimal coverage of the key risks and minimal duplication of effort. The purpose of this collaboration is aligned with the combined assurance framework and policy, as approved by the Audit and Risk Committee.

IT governance

In line with Principle 12 of King IV™, the board recognises that IT is an integral part of conducting business at Adapt IT, as IT is fundamental to the support, sustainability and growth of the organisation. IT serves all aspects, components and processes in the organisation and is therefore not only an operational enabler for Adapt IT, but a strategic business asset which can be leveraged to create opportunities and to gain competitive advantage.

The board is cognisant of the fact that as much as IT is a strategic asset within Adapt IT, it also presents the organisation with significant risk. The IT risks are governed and controlled to support Adapt IT's strategic objectives. Consistent with King IV™, technology and information governance forms part of the governance structures and the board has deemed it appropriate to delegate this function to the Audit and Risk Committee. However, the responsibility of IT governance ultimately resides with the board.

IT is implemented based on the following model:

- the business applications and IT infrastructure being centralised as far as is possible;
- an IT Steering Committee, comprised of the CEO, key senior management and technical specialists, oversees the IT strategy and its implementation;
- the IT Steering Committee reports to the Audit and Risk Committee; and
- the IT Steering Committee is responsible for ensuring that IT is managed within a defined framework that takes into account, *inter alia*:
  - IT standards;
  - international Cyber Security Frameworks;
  - legal requirements such as the Electronic Communications and Transactions Act, the PAIA, the Regulation of Interception of Communications Act and the POPIA;
  - internal policies defining application and use of IT resources;
  - stricter controls when new businesses are acquired, requiring new businesses to comply with Adapt IT standards both locally and internationally;
  - overall IT spend and allocation of investment; and
  - IT risk.

Remuneration Report

REMUNERATION REPORT

"We remain committed to our intended purpose which is to drive a performance culture aligned with company strategic objectives and long term value creation for shareholders."

Catherine Koffman
Chairperson, Remuneration Committee

On behalf of the board of directors and the Remuneration Committee (committee), the Remuneration Report (the report) for the period ended 30 June 2021 is presented in the requisite parts. The committee is tasked by the board to independently oversee the implementation of the Remuneration Policy that promotes the achievement of strategic objectives and promotes individual performance. The committee also makes recommendations to the board to ensure that the group remunerates all employees, executive and non-executive directors fairly and responsibly.

In line with King IV™ recommended practice, and in accordance with the JSE Listings Requirements, the report has been segregated into:

- Part 1: Background Statement – which sets out the principles of the decisions taken by the Remuneration Committee throughout the year and what the strategy will be going forward.
- Part 2: Remuneration Policy (the policy) – an overview of the policy, setting out the remuneration principles that are in place. A brief overview of the policy is provided as it applies to all employees and an in-depth overview of the policy as it applies to executive management and non-executive directors.
- Part 3: Implementation Report – which sets out how the policy was implemented during the 2021 financial year and includes the King IV™ recommended single figure format disclosure for emoluments.

PART 1: BACKGROUND STATEMENT

Adapt IT's Remuneration Policy aims to create transparent alignment of sustainable corporate performance, long term value creation for shareholders and alignment with implementing and rewarding a high-performance culture. This requires a balancing act of connecting at times divergent interests between stakeholders and becomes more challenging against the economic impacts of a continuing global pandemic.

It seems a consistent theme in recent years to state that the market has been challenging and unfortunately there is no current escape from that backdrop. The pandemic has continued to hit the globe with new waves of infection, the South African economy remains depressed, Adapt IT's main market, and the recent social unrest was devastating not only on an economic level but also on an employee wellness level. There is a significant Adapt IT presence in KwaZulu-Natal where employees were significantly affected. Overlaying all this is the exogenous event of the corporate activity that had a significant bearing on the focus of the leadership over this period. Overall, the financial year completed will have been the most difficult year in history for Adapt IT employees.

The Remuneration Policy, which was completely revised in the prior year for implementation in 2021, was rolled out successfully and careful monitoring has been in place to ensure that it achieves the goal of motivating and retaining, over a medium to long term period, the Adapt IT executive team while aligning their interests with those of shareholders.

The challenge of attracting and retaining talent is a tireless and necessary objective of the committee, equalled by the aspiration to ensure an alignment of long term incentives being realised on successful achievement of group strategy and value creation for shareholders.

Following the internal approval and subsequent Shareholder vote of support for the revised Remuneration Policy, the redesigned Short Term Incentive (STI) and Long Term Incentive (LTI), in the form of the Value Appreciation Rights Plan (VARP) were rolled out in conjunction with the Minimum Shareholding Requirement (MSR).

FACTORS INFLUENCING REMUNERATION

The impact of the continuous Covid-19 pandemic, social unrest and the continued depressed South African economy brought unprecedented challenges for all stakeholders: shareholders, executives who worked relentlessly, the board navigating the company's course during the crisis and all employees and the communities in which they live. In addition, Adapt IT was also required to navigate the multiple corporate activitys and the former CEO matter which was in the public domain.

Moreover, the requirement of having to make further limited necessary retrenchments in certain areas of the business was unavoidable. These retrenchments were not material and amounted to 40 employees in the 2021 financial year.

There remain certain industries that have been affected to a greater extent by the current circumstances and for which Adapt IT is required to review its offering, skills and scale to restore these affected divisions to growth and profitability.

SHAREHOLDER VOTING AND ENGAGEMENT

Following the remuneration voting outcomes at the previous AGM (Remuneration Policy – 99,75% in favour and Implementation Report – 99,91% in favour), the Remuneration Policy was rolled out.

Parts 2 and 3 of the report are subject to separate non-binding advisory votes by shareholders at Adapt IT's AGM annually. In the event that 25% or more of the shareholders vote against either or both the Remuneration Policy or the Implementation Report, Adapt IT will include a note in its SENS announcement for the AGM, inviting dissenting shareholders to engage with the group on their reasons for voting against either or both of these resolution, but will in any event engage with all-dissenting shareholders on the outcome of the vote and their collective concerns.

The results of the next shareholder engagement, and the committee's response to shareholder concerns, if any, will be published in the Remuneration Report for the next financial year.

KEY AREAS OF FOCUS DURING FY21 AND FUTURE FOCUS AREAS

The committee focused on the following matters during FY21:

- The roll out of the redesigned STI
- The roll out of the Value Appreciation Rights Plan (VARP)
- The roll out of the Minimum Shareholding Requirement (MSR)
- Monitoring the performance of the Group
- Monitoring the Executive and Employee wellness

The committee's focus areas for FY22 are:

Continuing with the objective of motivating and retaining the leadership and talent at Adapt IT through:

- Continuous monitoring of the implementation of the adopted policies;
- maintaining a fair and responsible pay framework; and
- supporting Adapt IT through the expected changes resulting from the envisaged corporate activity and leadership changes.

We remain committed to our intended purpose which is to drive a performance culture aligned with company strategic objectives and long term value creation for shareholders.

REMUNERATION GOVERNANCE

Committee composition and meetings

The committee is tasked to ensure the alignment of remuneration with the interests of shareholders. The committee operates under terms of reference (as set out on page 61) which are reviewed annually, approved by the board and encompass the provisions of the Companies Act of South Africa and the requirements of King IV™. The composition of and attendance at meetings of the committee is set out in the Governance Report on page 59. Executives are invited to attend part of the meeting to report on performance and implementation matters for the workforce, however they are not present when their own remuneration is discussed. The committee members and chairperson attend the AGM and are available to address any questions from shareholders.

APPROVAL

The committee has satisfied itself that the policy, as detailed in the 2020 Remuneration Report was complied with, and that there were no substantial deviations from the policy during the year. The board has subsequently approved this Remuneration Report.

Signed on behalf of the Remuneration Committee

Catherine Koffman
Chairperson, Remuneration Committee

Remuneration Report

REMUNERATION REPORT CONTINUED

PART 2: OVERVIEW OF THE REMUNERATION POLICY

REMUNERATION PHILOSOPHY

Adapt IT's Remuneration Policy supports the business strategy to create sustainable value for stakeholders both in the short and the long term through the implementation of a high performance culture. To enable Adapt IT to continue to attract, retain and motivate high performing talent, market related pay, of which a high proportion is performance based, is necessary. Remuneration is the largest component of Adapt IT's costs and ensuring the best return on the remuneration expense is essential.

The policy is reviewed annually, with an extensive review having taken place in FY20. No changes are proposed to this policy. Below is an overview of each of the elements of remuneration, followed by a detailed discussion of the key design principles of each of the elements of remuneration, with a particular focus on the performance measures applicable to executives.

Some of the internal factors that influence remuneration are:

- internal parity, which Adapt IT is always striving for as an acquisitive business, with ongoing alignment required to achieve internal fairness in remuneration;
- performance, which is the key determinant of remuneration as it affects promotion into senior roles and reward in those roles; and
- fair and responsible executive remuneration in the context of overall employee remuneration.

Some of the external factors that influence remuneration are:

- external parity, primarily assessed through market benchmarks, incorporated through the use of independent and credible remuneration survey data; and
- competition for scarce skills.

Elements of remuneration

Element	Component	Eligibility	Details/policy	Link to company strategy
Total guaranteed pay (TGP)	**Salary**	All employees	• Adapt IT benchmarks to the 50th percentile of market pay with pay scales lying between 80 – 120% of the 50th percentile, with some exceptions made for retention of very scarce skills and exceptionally high performers. • Takes into account performance, seniority and increase levels across the group.	Appropriate salary levels to attract and retain the appropriate calibre of talent.
	Benefits	All employees	The details of Adapt IT's benefits policy are set out below.	Offering appropriate benefits is essential in attracting and retaining key individuals.
Variable pay	**STI**	Most employees	• Bottom up, based on a *pro forma*, calculated as a market related percentage of annual pay. • *Pro forma* modified according to role of employee. • Element of company performance for all employees, meaning a self-funding element and a focus on company level performance, balanced with line of sight and controllable measures.	Through cascading down the company strategy into personal scorecards, corporate scorecards and divisional scorecards, and introducing these as modifiers within the STI formula, each employee has a link to strategy through their pay and is motivated to deliver in relation to targets which are relevant to them. The incorporation of a company score, which incorporates organic EBITDA growth, EBITDA margin growth and a cash conversion ratio in the design of the STI as strategic focus areas which influence pay in an appropriate manner.

Element	Component	Eligibility	Details/policy	Link to company strategy
	LTI	Paterson D Upper and above (senior management and upwards) and key talent at other grades at the discretion of the committee	• Consists of a VARP, in terms of which award value is linked to intrinsic value based on growth over the performance period, and performance relative to relevant performance conditions over the same period. • "intrinsic value" = *EBITDA x EBITDA multiple* (5x) less net debt*	Through the use of 100% performance linked long term incentive awards, participating employees are motivated to deliver on long term strategic priorities which ultimately translate to shareholder value creation, such as normalised headline earnings per share (NHEPS) growth and return on invested capital (ROIC). Through the link to intrinsic value, participants are encouraged to grow EBITDA over the long term, complementing the use of EBITDA in the short term incentive, whilst effectively managing net debt during the same period, to maximise returns. Through settlement in equity, combined with the requirement for executives to hold shares towards the achievement of a minimum shareholding requirement, the design of the incentive seeks to ensure executives act with shareholders' best interests at heart, and are fully motivated to safeguard and grow shareholder value.
	Sales Incentives	Sales staff	Commission based structures designed per specific role/division.	Rewarding for performance determined against commission based structures.

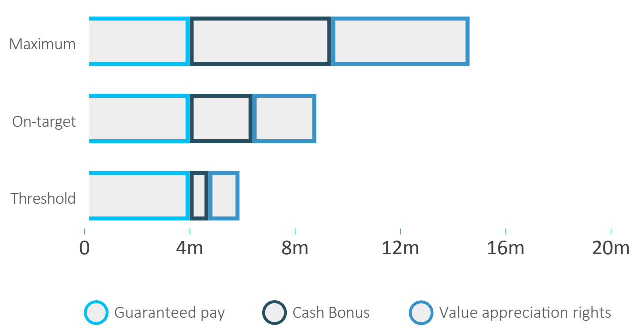
PACKAGE STRUCTURE

The package design for employees comprises TGP and variable pay either in the form of an STI or as sales commission. Executive pay comprises three elements namely TGP, STI and LTI.

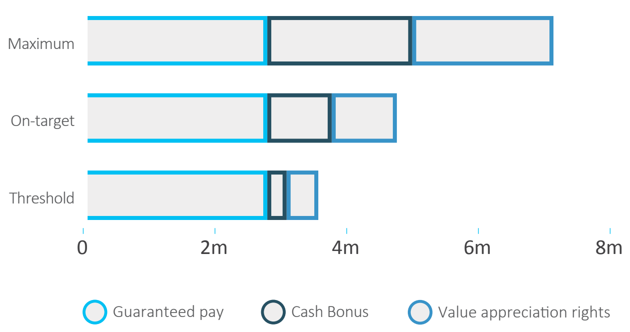
REMUNERATION OUTCOMES UNDER VARIOUS PERFORMANCE SCENARIOS

Set out below were the various potential remuneration outcomes for the executive directors for 2021, under threshold, target and stretch/ maximum performance.

CHIEF EXECUTIVE OFFICER



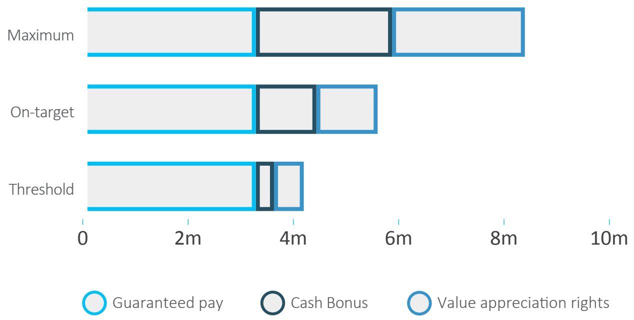
CHIEF FINANCIAL OFFICER



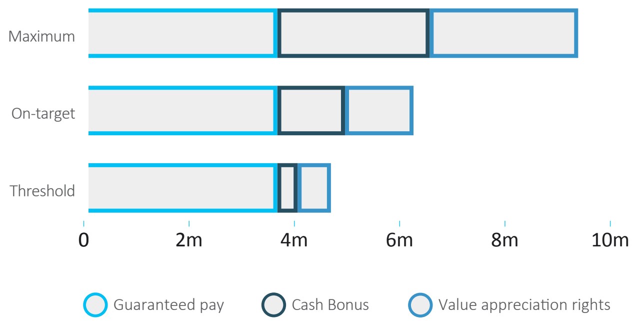
Remuneration Report

REMUNERATION REPORT CONTINUED

CHIEF COMMERCIAL OFFICER



GROUP EXECUTIVE – CHIEF STRATEGY AND PEOPLE OFFICER



TOTAL GUARANTEED PAY

TGP is based on a total cost to company, consisting of a basic salary and benefits.

Market benchmarks, sourced predominantly from PwC REMChannel, taking cognisance of specific skills requirements and benchmarks for similar roles (revenue, profit and number of staff reporting, consequence of error etc.) and of other similar sized companies listed on the JSE, are used. Adapt IT benchmarks against the 50th percentile, with discretion to take account of the range of experience and performance in each role. A key retention risk is to ensure remuneration of executives TGP is comparable to market, or risk of attrition of key management required to realise the group's performance objectives.

VARIABLE PAY

Variable pay comprises a short term element for all employees who are subject thereto and a long term element for executives. The new STI and LTI structures in the form of a bottom up multiplicative short term incentive and VARP, were implemented respectively.

A sales commission scheme, linked to driving organic growth and cross selling, is another key aspect of variable pay for sales executives and managers who are on risk-based packages.

Malus and clawback principles are incorporated in the variable pay structures should events such as fraud, misconduct or misrepresentation or related actions occur.

STI – BOTTOM UP MULTIPLICATIVE SHORT TERM INCENTIVE

Purpose and description

The STI is a bottom up multiplicative plan with the primary purposes of:

- ensuring transparent remuneration of all participants through a documented and measurable incentive;
- entrenching a remuneration philosophy of pay for performance which motivates participants towards the achievement of stretch performance targets resulting in increased variable pay; and
- driving and rewarding superior individual and company performance which, in turn, helps Adapt IT achieve its long term strategy and performance targets, ensuring line of sight between business and performance and incentives paid.

Design features:

- A *pro forma* STI is determined with reference to the employee's TGP and an on target percentage relevant to the employee's grade. The *pro forma* STI will be modified based on different modifiers, depending on grade level.
- At the group executive director level, the company performance and corporate performance will be the only modifiers.
- The corporate performance metrics include non-financial performance measures which currently include strategic growth objectives, operational efficiency objectives, transformation targets, customer experience targets, employer of choice targets and risk management. These are reviewed and updated on an annual basis.
- At below group executive levels, as appropriate, a personal modifier and a divisional modifier as well as the company performance modifier are used to modify the *pro forma* STI.
- If the threshold performance is not achieved in any of the focus areas (company, personal, divisional and corporate as applicable), no bonus will be paid out to the employee.
- In this manner, there is an element of self-funding inherent in the design.

Eligibility	All employees, save those who earn sales commission.
On target STI percentages	The on target percentages used are informed by market benchmarks, company affordability and is driven by the grade of a participant:

Grade	On target STI %
F2	60%
F1	50%
EU	35%
EL	20%
DU	15%
DL	15%
C	10%
B	8%
A	8%

Calculation of STI

Group executive:

Formula:
Participant's final STI = TGP x on target STI percentage x Corporate Score (0% – 150%) x Company Score (0% – 150%).

Shared services:

Formula:
Participant's final STI = TGP x on target STI percentage x Personal Score (0% – 150%) x Company Score (0% – 150%).

Divisional executives and other employees:

Formula:
Participant's final STI = TGP x on target STI percentage x Personal Score (0% – 130%) x Divisional Score (0% – 130%) x Company Score (0% – 130%).

The maximum combined modifier applicable is 225% of the *pro forma* STI, achievable only where stretch performance in every focus area is achieved.

Performance conditions

The following proposed performance conditions, weightings and targets for FY21 are set out below, and take into account the current market conditions.

	Weighting	Threshold	Target	Stretch
1. EBITDA	33,33%	CPI + GDP	CPI + GDP + a spread 2%	CPI + GDP + a spread 4%
2. EBITDA margin	33,33%	Dependent on historical performance and set as a percentage of for instance, a three year average (e.g. 90% for threshold, 100% for target and 110% for stretch). The appropriate % will depend on how much variance has been noted in the last three or so years.		
3. EBITDA to cash conversion	33,33%	85% – 90% conversion rate	90% – 95% conversion rate	>95% or more conversion rate

Transition measure

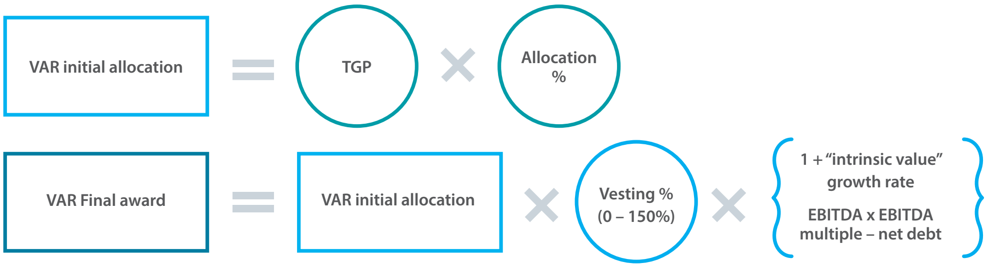
In the initial years the Remuneration Committee may, if required, increase the EBITDA pre-STI growth targets to enable the funding of STI.

Remuneration Report

REMUNERATION REPORT CONTINUED

LTI – VARP

Following the shareholder support, the VARP was implemented. A key consideration for long term incentives that was re-affirmed with the introduction of the VARP, is that equity based long-term incentive schemes are the most effective way to align the interests of executives and shareholders. Thus the new VARP is an equity settled plan that links participant's award value to Adapt IT's intrinsic value growth and the achievement of performance conditions over a three year period. Vesting occurs in year three.



A market related percentage of TGP is allocated to participants, and for vesting to occur, suitably stretching performance conditions must be met. The allocation value will be adjusted by the performance vesting percentage and the change in intrinsic value, and will be settled in equity through the use of market purchased shares in order to limit dilution to shareholders.

Applicable performance conditions will be linked to factors enhancing shareholder value and which require strong levels of overall corporate performance.

Description of LTI	On the award date, participants are awarded a cash allocation based on a market related on target percentage specific to their Paterson grade. At the vesting date, the achievement of the performance conditions is assessed, and the value of the initial cash allocation is adjusted by the performance outcome (between 100 – 150%), and then further adjusted by the change in intrinsic value growth. Intrinsic value is determined as EBITDA x EBITDA multiple* (5x) less net debt. The EBITDA multiple remains fixed for the duration of the performance period, thus rewarding growth in EBITDA and reduction of net debt as the key intrinsic value growth factors. The purpose of a VARP is to incentivise eligible participants to drive particular financial measures linked to value creation (e.g. earnings and debt management), to encourage a long term focus on sustainable growth. The VARP will also enable Adapt IT to attract and retain suitably skilled and competent talent required to grow and build the business, and retain key talent already in employ.
Eligibility	Annual awards are made to executives and senior management. Awards may also be made to high performers, identified key talent and critical skills in lower grades.
Vesting period	The performance awards will be made subject to performance conditions and continued employment with Adapt IT over a 3 year period.
Allocation levels/ calculations	VAR initial allocation = TGP x Paterson grade allocation % VAR final award value = VAR initial allocation x Performance Vesting % (0 – 150%) x (1+ EBITDA x EBITDA multiple (5x) – net debt)* Performance vesting percentages – below threshold 0%, threshold 30%, target 100%, stretch 150% Final award value is settled in shares which are market purchased. *calculated over the vesting period*

Allocation percentages

The allocation percentages are a function of the participants grade and are informed by market benchmarks and company.

Grade	On target STI %
F2	60%
F1	50%
EU	35%
EL	25%
D	15%

Performance period, measures, weightings and targets

The performance conditions will be measured over a three year period.

New financial performance conditions and targets can be set every year for each allocation to ensure alignment with business strategy. Performance conditions are linked to factors enhancing shareholder value and which require strong levels of overall corporate performance.

The following performance measures were applicable for FY21 allocations, which take into account the current market conditions:

	Weighting	Threshold	Target	Stretch
Return on invested capital (ROIC)	50%	Average ROIC over award period = FY20 ROIC + 1,5%	Average ROIC over award period = FY20 ROIC + 2,25%	Average ROIC over award period = FY20 ROIC + 3%
NHEPS growth	50%	CPI + GDP	CPI + GDP + 2%	CPI + GDP + 4%

An average increase in ROIC over ROIC achieved for FY20 (ROIC was 8.58 % after all amortisation and impairments of intangibles, including purchase price allocation and after IFRS 16).

The performance metrics will be assessed annually taking into account the actual ROIC being achieved to ensure it represents a fair set of performance measures for each LTI award.

ROIC definition and formula:

ROIC is a capital efficiency measure that calculates how efficiently a company allocates its controllable capital to profitable investments. It therefore effectively provides an indicator of a company's quality of earnings with reference to the risk categorisation of the company's underlying asset portfolio.

The formula to calculate ROIC (annually) is widely presented as follows:

Net profit after tax (NOPAT)[1]/Average invested capital[2]

[1] *NOPAT is quantified as earnings before interest but after tax [i.e. EBIT x (1 – effective tax rate)].*

[2] *Average invested capital is quantified as the sum of the following parts: average of - debt + shareholders equity less cash.*

In general terms ROIC performance is usually assessed with reference to a company's weighted average cost of capital (WACC) which represents the sum of a company's weighted (after tax) cost of debt and the company's weighted cost of equity. Cost of equity is usually determined with reference to a risk free rate and a company's equity risk premium.

The group recognises the need to produce a ROIC that exceeds its WACC. The group's immediate focus is to drive organic growth and profitability and reduce debt. Therefore, following the initial introduction and implementation of the LTI Plan, the objective is to migrate the ROIC performance measures to a WACC plus spread in subsequent VAR allocations. At inception, the metrics to be used as a threshold, target or a stretch outcome are based on an average ROIC to exceed the FY20 starting ROIC. This provides an objective mechanism to motivate the improvement of ROIC, whilst not rendering the LTI valueless to participants from the start.

Settlement

The VARP will be equity settled in order to create alignment with shareholders.

To minimise dilution, the company will purchase from the market the shares required to settle the LTI.

Remuneration Report

REMUNERATION REPORT CONTINUED

EMPLOYMENT CONTRACTS

The executives during the FY21 period were:

1. Sbu Shabalala – resigned as CEO on 6 August 2021;
2. Tiffany Dunsdon – appointed as CCO on 1 October 2018 (employed at Adapt IT from March 2002), interim CEO from 10 May 2021 and CEO from 6 September 2021;
3. Nombali Mbambo – appointed as CFO on 18 August 2016; and
4. Tony Vicente – appointed as Chief Strategy Officer on 1 September 2018, appointed as an executive director on 10 May 2021 and COO from 6 September 2021.

The above executives are subject to three months' notice of termination of employment.

MINIMUM SHAREHOLDING REQUIREMENT POLICY

As part of Adapt IT's focus on aligning the interests of executives with those of shareholders, an MSR policy has been introduced concurrently with the LTI model. The policy will require share ownership by executives and create an environment where participants of an LTI retain shares post vesting. It is anticipated that the following targets will be applied to executives, with a period of five years from introduction of the MSR (alternatively the date of appointment, whichever is later), to comply:

Executive	Minimum shareholding requirement
CEO	250% of TGP
CFO	100% of TGP
Executive Directors	100% of TGP

NON-EXECUTIVE DIRECTOR FEES

On an annual basis, the committee reviews the level of fees paid to non-executive directors. The recommendations are submitted to the board for consideration and the shareholders at the AGM approve the fees in advance of the following year. A market survey referencing fees paid by comparable listed companies is utilised to determine the remuneration levels.

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

Non-executive directors' fees are benchmarked across three levels, namely Chairman, Lead Independent Director (LID) and general non-executive director. The Chairman and non-executive directors' fees are referenced to the median and upper quartile of the small cap Technology sector of the JSE. LID fees are referenced to the lower and median quartile for all JSE sectors.

The fees for Chairman, LID and non-executive directors for the current financial year were doubled as approved by shareholders, to take account of the additional time spent on the corporate activitys. It is proposed to increase the base fees by 5% for the for the coming year.

FAIR AND RESPONSIBLE PAY

The overall Remuneration Policy is designed to ensure fair and responsible remuneration for executive management in the context of overall employee remuneration as it is market related (benchmarked) and has a significant component that is performance based. Job grading is undertaken and pay is targeted at 80-120% of the market benchmark, set at the 50th percentile. All staff outside of those bands are carefully scrutinised. All jobs are graded using the Paterson Scale and associated market pay benchmarks, using the same independent remuneration consultants for all levels. Where discrepancies are identified, plans are put in place to address these through adjustments over a reasonable timeframe.

PART 3: REMUNERATION IMPLEMENTATION REPORT

This section explains how the Remuneration Policy was implemented in the reporting year, and the resulting payments each of the members of executive management received (backward looking).

The following matters are covered:

1. TGP adjustments
2. STI outcomes
3. LTI outcomes
4. LTIs awarded
5. There are three tables that are included in the Implementation Report – following King IV™ recommended guidance:
   a. the single figure total remuneration table;
   b. the table of unvested awards; and
   c. the cash value of awards from variable incentive schemes settled in the year.
6. Non-executive director fees paid

TGP ADJUSTMENTS

Given the economic environment that Adapt IT was facing one year ago in light of Covid-19, the decision was made that TGP adjustments will be limited to a very small number of employees (not executives) requiring market benchmark related adjustments.

The CFO's annual TGP was reviewed as from 1 January 2021 from R2 794 110 to R3 073 521. The CFO's salary required an adjustment to ensure alignment and parity within the job grade. A slight adjustment was effected two years ago, but since no salary adjustments were made for all employees in FY20, the salary gap for this role was not addressed. To address this disparity, a salary adjustment of approximately 10% increase from January was applied.

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

The tables below depict a breakdown of the annual remuneration of the executive directors for the respective years ended. T Vicente was appointed to the board on the 10 May 2021 and was previously considered to be a prescribed officer of Adapt IT Holdings Limited as defined in the Companies Act of South Africa.

	Total guaranteed R	STI (Bonus) R	LTI R	Less portion of voluntary sacrifices* R	Total R
June 2021*					
S Shabalala**	**3 989 208**	**–**	**–**	**(132 973)**	**3 856 235**
T Dunsdon	**3 693 669**	**800 000**	**–**	**(139 207)**	**4 354 462**
N Mbambo	**2 933 817**	**725 000**	**–**	**(93 138)**	**3 565 679**
T Vicente	**3 675 000**	**800 000**	**–**	**(183 750)**	**4 291 250**
Total	**14 291 694**	**2 325 000**	**–**	**(549 068)**	**16 067 626**
June 2020					
S Shabalala**	3 989 209	–	–	(66 487)	3 922 722
T Dunsdon	3 347 974	–	–	(28 192)	3 319 782
N Mbambo	2 794 110	–	–	(46 568)	2 747 542
T Vicente	3 675 000	–	–	–	3 675 000
Total	13 806 293	–	–	(141 247)	13 665 046

* *The executives and non-executives agreed to a 10% voluntary salary sacrifices taken over six months (over individually selected periods up to December 2020).*

** *Resigned 6 August 2021.*

Remuneration Report

REMUNERATION REPORT CONTINUED

STI OUTCOMES FOR FY21

The outcomes of the STI allocation were founded on the following financial metric achievements:

- EBITDA growth pre-STI and corporate activity costs for the year ended 30 June 2021 – 5%
- EBITDA margin percentage pre-STI for the year ended 30 June 2021 – 20,81%
- Cash conversion for the year ended 30 June 2021 – 218%

This resulted in the company factor amounting to 67%

The following was the evaluation of the Corporate factor – non-financial metrics:

The year end results achieved against the specific targets amounts to a final Corporate Score of 101% illustrated below:

Strategic Metric	Current Performance	Key Supporting Evidence
Strategic Growth	Threshold Target Stretch	• Drove multiple green-shoots programs • New Thomson Reuters product range focused • New retail POS solution in Hospitality together with other new hospitality products
Operational Efficiency	Threshold Target Stretch	• Significant improvement in Manufacturing profitability • Significant improvement and turnaround in Hospitality • Restructuring of Telecommunications Division • Progress with Energy restructuring
Transformation	Threshold Target Stretch	• Maintained a level 1 rating for B-BBEE
Customer Experience	Threshold Target Stretch	• The Customer Satisfaction survey result was an overall positive score of 80%
Employer of Choice	Threshold Target Stretch	• The annualised Adapt IT Attrition Rate was a very encouraging low 11% • The employee engagement score is better than benchmark. Engaged and fully engaged employees amount to 83%
Risk Management	Threshold Target Stretch	• The risk register recorded no brand damaging incidents other than the CEO matter • The CEO matter has been appropriately handled by the board

Key Performance Indicators	Weighting	Rating	Allocation	Result	Score
1. Strategic Growth	**20%**	**Threshold**	**30% x 20%**	**6%**	
2. Operational Efficiency	**15%**	**Stretch**	**150% x 15%**	**23%**	
3. Transformation	**15%**	**Target**	**100% x 15%**	**15%**	
4. Customer Experience	**15%**	**Target**	**100% x 15%**	**15%**	**101%**
5. Employer of Choice	**15%**	**Stretch**	**150% x 15%**	**23%**	
6. Risk Management	**20%**	**Target**	**100% x 20%**	**20%**	

The award of STI to the Group Executive was calculated as follows:

Group Executive title	Group Executive	Group executive score	Company score	Target bonus amount Rand	Bonus calculation Rand	Final bonus allocated Rand	% Bonus allocated
Chief Executive Officer	**Sbu Shabalala**	–	–	2 393 525	–*	–	–
Chief Commercial Officer	**Tiffany Dunsdon**	1,01	0,67	1 150 108	774 405	800 000	70
Chief Financial Officer	**Nombali Mbambo**	1,01	0,67	1 074 500	723 496	725 000	67
Chief Strategy Officer	**Tony Vicente**	1,01	0,67	1 286 250	866 074	800 000	62
Total				**5 904 383**	**2 363 975**	**2 325 000**	**39**

** CEO resigned 6 August 2021.*

LTIS VESTING DURING FY21

No LTIs relating to the former scheme vested for FY21 as the performance hurdles were not met.

Refer to the notes to the annual financial statements, note 21 on page 132, for full details of share appreciation rights issued, vested, forfeited and lapsed.

Refer to the Directors' Statutory Report on page 82 for directors' interests in the company and interests of directors in contracts.

LTIS AWARDED DURING FY21

The following awards were made with a vesting date 30 June 2023:

First name	Surname	VARP award
Group executive		
Sbu	Shabalala	**2 393 525**
Tiffany	Dunsdon	**1 300 000**
Nombali	Mbambo	**1 300 000**
Tony	Vicente	**1 300 000**
Other executives		
13 Executives		**9 590 000**
Total awards to currently employed executives		**15 883 525**

NON-EXECUTIVE DIRECTORS' FEES

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

	2021 R	Portion of voluntary sacrifices* 2021 R	2021 Net total paid R	2021 Corporate activity accrual^ R	2021 Total R	2020 Total R
C Chambers	**446 098**	**(14 870)**	**431 228**	**223 050**	**654 278**	438 663
O Fortuin	**374 899**	**(12 497)**	**362 402**	**151 850**	**514 252**	348 786
C Koffman	**303 700**	**(10 123)**	**293 577**	**151 850**	**445 427**	298 636
Z Nyanga	**303 700**	**(10 123)**	**293 577**	**151 850**	**445 427**	298 636
B Ntuli#	–	–	–	–	–	119 310
Total	**1 428 397**	**(47 613)**	**1 380 784**	**678 600**	**2 059 384**	**1 504 031**

** The earnings reflected for 2020 and 2021 is after 10% voluntary salary sacrifices taken as from 1 May 2020 due to Covid-19.*

^ Once off fees for non-executive directors' services rendered in relation to the Huge Offer and Volaris Offer (corporate activity) as approved by Shareholders in June 2021.

 # Bongiwe Ntuli retired from the board on 22 November 2019.

As with the group executives, the non-executive directors took a voluntary 10% pay cut for a six month period upon the advent of the Covid-19 pandemic.

APPROVAL

The committee together with the board approved this report on 27 September 2021.

On behalf of the Remuneration Committee

Catherine Koffman
Chairperson, Remuneration Committee

27 September 2021

Audit and Risk Committee Report

AUDIT AND RISK COMMITTEE REPORT

"The global pandemic has continued to significantly test our risk management processes and the Adapt IT business remains resilient and sustainable."

Zizipho Nyanga
Chairperson, Audit and Risk Committee

The Audit and Risk Committee is constituted as a statutory committee in terms of the Companies Act of South Africa and operates as a committee of the board in line with the board approved mandate and terms of reference as set out in its Charter.

The committee's formal terms of reference contained in the Charter are reviewed annually in line with best practice and to conform with King IV™ and the Companies Act of South Africa. The committee has conducted its affairs in compliance with these terms, as approved by the board. The activities of the committee are set out in an annual work plan.

FUNCTIONS OF THE AUDIT AND RISK COMMITTEE

The functions of the committee are primarily to assist the board in overseeing the:

- quality and integrity of integrated reporting and interim reporting;
- appointment, reappointment and removal of the external auditor considering qualifications and independence;
- scope and effectiveness of the external audit function and negotiating the fees to be paid to the auditor and the auditor's terms of engagement;
- nature and extent of non-audit services provided to Adapt IT by the external auditor;
- effectiveness of internal controls and the internal audit function;
- compliance with legal and regulatory requirements, to the extent it may have an impact on financial statements;
- monitoring of risk management, review of reports and making recommendations to the board; and
- reporting to the board and shareholders on how it has discharged its duties.

COMPOSITION AND FREQUENCY OF MEETINGS

The committee 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.

During the reporting period four meetings were held, attendance of the meetings by committee members is reflected on page 59, and the committee reported on its findings to the board after each formal meeting.

EXTERNAL AUDITOR RE-APPOINTMENT AND INDEPENDENCE

The committee has carried out an assessment to assure itself that the group external auditor is independent of the company, as required by Section 94(8) of the Companies Act of South Africa and the guidance contained in King IV™. This assessment includes consideration of the:

- internal independence processes within the external audit firm;
- periodic internal quality reviews, as well as those conducted by the Independent Regulatory Board for Auditors (IRBA); and
- rotation of the group audit partner and key component audit partners at least every five years.

As a result of the assessment, the committee is satisfied that the group external auditor is independent of Adapt IT, has demonstrated the requisite institutional knowledge, expertise and experience and that their independence has not been impacted by tenure.

The committee, in consultation with executive management, reviewed and approved the engagement letter terms, audit plan, non-audit services and audit fees in respect of the 2021 financial year.

A policy that governs non-audit services that can be provided by external auditors and the pre-approval process for these services is in place. The committee assessed that the scope of non-audit services provided by KPMG during the 2021 financial year, individually and in aggregate, are in compliance with the policy.

During the year under review, the committee met with the group external auditors without management being present and met with management without the group external auditor being present. No issues of any significance were raised by either the group external auditor or management at these meetings.

The committee was provided with the information in paragraph 22.15(h) of the JSE Listings Requirements by KPMG. The information was used by the committee to assess the suitability for appointment of both KPMG as the external auditor and Giuseppina Aldrighetti as the designated audit partner.

The committee has nominated and recommended to shareholders the re-election of KPMG at the forthcoming AGM, as the external audit firm and Giuseppina Aldrighetti as the designated auditor responsible for performing the functions of auditor, for the 2022 financial year. The audit firm and designated auditor are on the JSE list of accredited auditors and advisors.

INTERNAL AUDIT AND COMBINED ASSURANCE

The committee has assessed that the internal audit function possesses the appropriate expertise and experience to carry out its responsibilities and has satisfied itself of the objectivity and performance of the internal audit function, including the authority within Adapt IT to enable it to discharge its duties, in line with the internal audit charter approved by the board.

The annual internal audit plan and fees were reviewed and approved by the committee.

The committee is responsible for monitoring the appropriateness of Adapt IT's combined assurance model in line with the combined assurance framework and policy, which aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers on the risk areas identified.

The committee has held separate meetings with management, internal and external auditors to discuss any reserved matters and has also overseen the co-operation between the internal and external auditors, in line with the combined assurance framework and policy, and is the link between the board and these functions.

FINANCIAL STATEMENTS AND ACCOUNTING PRACTISES

The committee has reviewed the accounting policies and the financial statements of the company and the group and is satisfied that they are appropriate and comply with IFRS and the requirements of the Companies Act.

A process has been established to receive and deal appropriately with any concerns and complaints relating to the reporting practices of the company. No matters of significance have been raised in the 2021 financial year.

Based on the information provided by management and discussions held with external auditors on the results of their audit, the committee is of the opinion that the internal financial controls are effective and form a basis for the preparation of reliable financial statements.

CEO AND CFO RESPONSIBILITY STATEMENT

The committee evaluated Adapt IT's assessment of the CEO and CFO responsibility statement on the consolidated financial statements and internal financial controls as required by new JSE Listings Requirements. The committee received an update on the implementation process delivered in phases, including scoping and materiality assessment, compilation of risk and control matrices covering business processes that have an impact on financial reporting, the review and testing of key controls, consideration of findings identified by internal audit and the final year end sign off by all the relevant control owners.

Internal control deficiencies, not considered material for the preparation of financial statements, were identified, which have been communicated to the committee and external auditors. Mitigating controls were provided by management together with the remediation plan developed to address these control deficiencies, with remedial actions planned to be completed in stages.

The committee is satisfied that none of these deficiencies had a material effect for the purposes of the preparation and presentation of the financial statements for the year under review.

GOING CONCERN

The committee has reviewed a documented assessment, prepared by management, which includes key assumptions including the economic environment, financial position, and the solvency and liquidity position, on the going concern status of Adapt IT. The board's statement on the going concern status of Adapt IT, as supported by the committee, is disclosed in the directors' responsibility and approval statement of the annual financial statements.

EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION

The committee has satisfied itself that the CFO has the appropriate expertise and experience. The committee has considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the finance function. The committee has confirmed that the company has, with consideration to all entities included in the consolidated group IFRS financial statements, established appropriate financial reporting procedures and that those procedures are operating to ensure that it has access to all financial information of the group, to allow the group to effectively prepare and report on the financial statements.

SIGNIFICANT MATTERS CONSIDERED IN THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The committee has considered the qualitative and quantitative information presented in the statement of financial position and other items that require significant judgement, as detailed in the notes to the annual financial statements. The committee is satisfied that areas that require significant judgement have been highlighted as key audit matters in the Independent Auditors report on the audit of the consolidated annual financial statements for the year ended 30 June 2021, on page 84.

Audit and Risk Committee Report

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Following discussions and a review of the reports from management and the external auditor, the committee was satisfied that there was no material breakdown in the internal financial controls and the consolidated annual financial statements appropriately address the critical judgements and key estimates pertaining to the key audit matters, in respect of both amounts and disclosure.

The committee considered the impact of the findings from the JSE Report Back on proactive monitoring of financial statements in 2020 and the Combined Findings of the JSE proactive monitoring of financial statements: Reviews done 2011 to 2019. Having given due consideration, together with external auditors, to prior reporting and best practice, the committee is satisfied that these matters were adequately addressed.

The committee noted that the external auditor has concluded that the consolidated and separate annual financial statements were presented fairly in all material respects.

APPROACH TO GOVERNANCE OF RISK

The board is ultimately responsible for the governance of risk, provides the direction on risk management philosophy, and approves the risk appetite and tolerance levels, ensuring that the risks are managed within these levels. The board has mandated the committee to monitor and oversee risk management and to consider opportunities as appropriate, within the ambit of its terms of reference and the Enterprise Risk Management framework.

RISK MANAGEMENT

Adapt IT continued to follow a risk management approach to strategy implementation and focused on identifying what could go wrong, evaluating the risks to be mitigated and implementing strategies to address those risks.

The risk management process assisted Adapt IT to identify and address the risks faced by the business and in so doing has increased the likelihood of successfully achieving the business objectives.

This risk management process facilitated proactive identification, measurement and monitoring of risks and opportunities and involved:

- identifying and understanding business strategy and activities;
- methodically identifying the risks surrounding the business strategy and activities;
- setting tolerance levels and assessing the impact and likelihood of the events occurring to establish the inherent risk;
- assigning owners to the risks and identifying current controls, rating the effectiveness thereof;
- identifying and implementing additional controls to reduce residual risks to an acceptable level; and
- reporting and continuous monitoring of the effectiveness of the risk management approach and controls identified.

The process of risk management has improved decision-making, planning and prioritisation, enabled allocation of resources, improved the anticipation of what can go wrong, minimised the number of unforeseen circumstances, and significantly improved the probability of delivering on Adapt IT's business strategy. The global pandemic has continued to significantly test our risk management processes and the Adapt IT business remains resilient and sustainable.

The key inherent risks were identified as follows:

1. **Economic risk:** organic revenue growth and maintaining profitability given a tough trading environment
2. **Investment risk:** managing acquisition integration
3. **Human capital risk:** attracting and retaining top talent given ICT skills shortage
4. **Information security risks:** reinforcing cyber security protection and information governance
5. **Operational risk:** need for a high-performance culture
6. **Governance and compliance risk:** non-compliance with legislation in the environments in which the group operates
7. **Corporate activity:** multiple offers to acquire all or part of the shareholding

These risks, and associated opportunities, are discussed on pages 16 to 19 of this report.

The impact of the continuously changing Covid-19 global pandemic landscape continues to be managed with board oversight through a specific CEO led Covid-19 Response Plan, including a specific risk management plan.

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

The combined assurance provided by internal and external assurance providers as well as management, in line with the combined assurance framework and policy, has been sufficient to satisfy the committee that significant risk areas within Adapt IT have been adequately addressed and suitable controls exist to mitigate and reduce the likely impact of those significant risks faced by the business.

APPROVAL OF INTEGRATED ANNUAL REPORT

The committee reviewed this Integrated Annual Report for the year ended 30 June 2021 and recommended it to the board for approval.

CONCLUSION

The committee is satisfied that it has discharged its duties in terms of reference and mandate.

Zizipho Nyanga
Chairperson, Audit and Risk Committee

27 September 2021

Annual Financial Statements

DIRECTORS' RESPONSIBILITIES AND APPROVAL

as at 30 June 2021

The directors are required by the Companies Act of South Africa, No 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements of Adapt IT Holdings Limited and its subsidiaries and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company and the group as at the end of the financial year and the results of their operations and cash flows for the year ended 30 June 2021, in conformity with IFRS, the JSE Listings Requirements and the Companies Act of South Africa, No 71 of 2008. The external auditors are engaged to express an independent opinion on the financial statements.

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

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

The directors are satisfied that the company has complied with and operates in conformity with:

- The provisions of the Companies Act of South Africa, No 71. of 2008 and any other applicable laws relating to its incorporation; and
- The company's MOI and other relevant constitutional documents.

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 82 to 154, were approved by the board on 27 September 2021 and were signed on its behalf by:

Craig Chambers
Independent non-executive Chairman

Tiffany Dunsdon
Chief Executive Officer

27 September 2021
Johannesburg

CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

for the year ended 30 June 2021

The Chief Executive Officer and Chief Financial Officer of Adapt IT Holdings Limited, hereby confirm that:

- the annual financial statements of Adapt IT Holdings Limited and its subsidiaries set out on pages 82 to 154, fairly present in all material respects the financial position, financial performance and cash flows of the company and the group in terms of IFRS;
- no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to Adapt IT Holdings Limited and its subsidiaries have been provided to effectively prepare the financial statements; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King IV Report on Corporate Governance™ for South Africa 2016. Where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

Tiffany Dunsdon
Chief Executive Officer

Nombali Mbambo
Chief Financial Officer

Johannesburg
27 September 2021

PREPARER OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2021

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

Nombali Mbambo CA(SA)
Chief Financial Officer

Johannesburg
27 September 2021

CERTIFICATE OF THE COMPANY SECRETARY

for the year ended 30 June 2021

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

Statucor (Pty) Ltd
Company Secretary

Johannesburg
27 September 2021

Annual Financial Statements

DIRECTORS' STATUTORY REPORT

for the year ended 30 June 2021

NATURE OF THE BUSINESS

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

FINANCIAL RESULTS

The net profit attributable to shareholders of the company for the year ended 30 June 2021 amounted to R69 103 325 (2020: R70 652 503). This translates into basic earnings per share of 50,34 cents (2020: 51,47 cents) and headline earnings per share of 56,21 cents (2020: 66,88 cents) based on the weighted average number of shares in issue during the year.

REVIEW OF OPERATIONS

Commentary on operations and the impact of the global Covid-19 pandemic is provided under the CEO report on page 30 and segment analysis on page 152.

EVENTS AFTER THE REPORTING DATE

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

NO DIVIDEND

The board has prioritised the reduction of borrowings and has remained prudent in preserving cash during these unprecedented times, resulting in the payment of dividends being suspended in the prior year. Furthermore, the corporate activity in progress with the Volaris Group precludes a dividend, or would be adjusted for distributions and dividends, thus no dividend has been declared.

SHARE CAPITAL AND TREASURY SHARES

During the current year, the issued ordinary share capital of the company reduced by 7 125 657 shares to 137 761 839 (2020: 144 887 497) shares as a result of the company cancelling treasury shares held. The 7 125 657 cancelled shares have been delisted and returned to authorised but unissued share capital.

The remaining 500 000 treasury shares held by the group at 30 June 2021 (2020: 7 625 657), result in a reduction of issued share capital in the current year to 137 261 839 shares (2020: 137 261 839 shares). The board intends to cancel these shares in June 2022.

INVESTMENTS IN SUBSIDIARIES

Details of the subsidiaries appear in note 11 and note 36 to the annual financial statements. Aggregate profit before tax from subsidiaries for the year ended 30 June 2021 amounted to R126 435 867 (2020: R119 153 230).

DIRECTORATE

Full details of the current board of directors appear on pages 54 and 55. In terms of the company's MOI, 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, Craig Chambers and Zizipho Nyanga retire at the next AGM and offer themselves for re-election.

DIRECTORS' INTEREST IN SHARES

At 30 June 2021, the directors held interests in the company as follows:

Executive directors	**2021 Direct beneficial**	**%**	2020 Direct beneficial	%	**2021 Indirect beneficial**	**%**	2020 Indirect beneficial	%
S Shabalala*	**14 316 646**	**10**	14 316 646	10	**–**	**–**	–	–
T Dunsdon	**1 900 000**	**1**	1 900 000	1	**2 600 000**	**2**	2 600 000	2
N Mbambo	**318 115**	**–**	318 115	-	**–**	**–**	–	–
T Vicente**	**650 000**	**1**	–	–	**–**	**–**	–	–
Total	**17 184 761**	**12**	16 534 761	11	**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.

* *S Shabalala resigned on 6 August 2021.*

** *T Vicente held 650 000 shares at 30 June 2020.*

PLEDGED SECURITIES

At 30 June 2021, the following director has pledged securities as collateral for loan facility:

	Financial obligation			Security/Guarantee/Collateral	
Director	**Nature**	**Term**	**Amount**	**Ordinary number of shares**	**Value of shares***
S Shabalala	**Asset finance**	**Four years**	**R89 million**	**14 316 646**	**R91 626 534**

** The value of the shares pledged is at 30 June 2021 closing price of 640 cents.*

No other directors have pledged shares as security/guarantee/collateral during the course of the reporting period or at the present date. Should securities be pledged the necessary announcement will be made to the market.

INTEREST OF DIRECTORS IN CONTRACTS

Mshengu Property Holdings Pty Ltd (MPH), where Sbu Shabalala is a director, is the landlord of the Johannesburg campus. Mr Shabalala recused himself from deliberations or dealings concerning the Johannesburg campus. Refer to related party note 31 on page 144 for further details.

The directors, apart from Mr Shabalala, have certified that they have no interest in any transaction of material significance, which affected the business of the group, with the company or any of its subsidiaries. Accordingly, no conflict of interest, with regard to these directors' interests in contracts exists.

There have been no material changes to the above since 30 June 2021 up to the date of this Integrated Annual Report.

FINANCIAL ASSISTANCE TO RELATED COMPANIES

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

GOING CONCERN

The group's current assets as at 30 June 2021 exceed the current liabilities and there are no liquidity challenges or shortfalls. The group is able to meet its liabilities in the ordinary course of business. The board is not aware of any events or conditions that may indicate that the group's continuance as a going concern may be questionable.

The business has remained resilient throughout the Covid-19 pandemic. The going concern assumption remains valid.

CORPORATE ACTIVITY

Two corporate activities took place in the period.

The Huge Group made an unsolicited share swap offer to all Adapt IT shareholders. The take up by shareholders was 1,9%.

The Volaris Group made a cash offer of R7,00 per share with a continuation alternative by way of a scheme of arrangement, which received an 87% shareholder vote in favour thereof. The conditions precedent to the implementation of this transaction, the most significant of which is approval by the Competition Commission, are underway and anticipated to be fulfilled by the end of the 2021 calendar year, which if fulfilled would result in the delisting of Adapt IT Holdings Limited.

SPECIAL RESOLUTIONS PASSED BY THE COMPANY

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

- Increase the directors' fees, as tabled;
- Repurchase a maximum of 20% of the company's shares, valid until the next AGM; and
- Provide financial assistance to subsidiaries in the form of inter company loans and guarantees of their debts as and when appropriate in the course of business.

Nombali Mbambo
Chief Financial Officer

Johannesburg, 27 September 2021

Annual Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Adapt IT Holdings Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

We have audited the consolidated and separate financial statements of Adapt IT Holdings Limited (the Group and Company) set out on pages 88 to 154, which comprise the statements of financial position as at 30 June 2021, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes to the statements of cashflows and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Adapt IT Holdings Limited as at 30 June 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in respect of the separate financial statements.

Valuation of goodwill, right-of-use assets and intangible assets applicable to the consolidated financial statements

Refer to notes 8, 9 and 10 to the consolidated financial statements

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
As at 30 June 2021, goodwill, right-of-use assets and intangible assets of R688.5 million, R236.2 million and R194.3 million respectively were recognised in the consolidated statement of financial position. These balances collectively represent 65% of the Group's total assets.
As required by IAS 36 – Impairment of Assets ("IAS 36"), the directors perform annual impairment assessments to test the recoverability of the carrying values of goodwill, and perform impairment assessments on right-of-use assets and intangible assets when an impairment indicator is identified.
These impairment assessments are performed using discounted cash flow models to determine value-in-use of the cash generating units ("CGU's"). There are a number of key assumptions made in determining the inputs into these models which include:

expected future cash flows;
growth rates; and
the discount rate applied to the expected future cash flows.

As at 30 June 2021, a goodwill impairment charge of R6.5 million was recognised in respect to the Energy CGU.
Given the significance of goodwill, right-of-use assets and intangible assets to the consolidated financial statements and the judgements required in determining the key assumptions used in the discounted cash flow model, this was considered to be a key audit matter.
</td><td>
We performed the following audit procedures:

Evaluated the completeness of asset level impairment indicators identified through inquiries of management, review of minutes, and assessing consistency with other areas of audit work.
Evaluated whether the goodwill had been allocated:

to the appropriate level of CGU or group of CGUs and to those CGUs/groups of CGUs expected to benefit from the synergies of the business combination from which it arose; and
on a consistent basis with the prior period.

Critically evaluated whether the discounted cash flow model used by the directors to calculate the value in use of each CGU complied with the requirements of IAS 36.
Evaluated the future projected cash flows for each CGU to determine whether they are reasonable and supportable given the current macro-economic climate and expected future performance of each cash generating unit, including consideration of the continued impact of Covid-19 on the cash generating unit where applicable.
Compared the projected cash flows, including assumptions relating to profit growth and terminal growth rates, against historical performance to test the accuracy of the directors' projections.
Challenged the assumptions used by the directors in their value in use calculations by assessing the reasonableness of the:

assumptions relating to revenue and EBITDA growth based on our knowledge of the Group and the industries in which it operates;
terminal growth rates in relation to external market data; and
discount rates applied by independently calculating the rates, with assistance from KPMG valuation specialists.

Performed sensitivity analyses on key assumptions to assess the impact on the value-in-use calculations, with specific attention to the Aquilon cash-generating unit where the headroom is limited; and
Evaluated the adequacy of the disclosures made by the directors in the consolidated financial statements in accordance with IAS 36.

</td></tr>
</table>

Annual Financial Statements

INDEPENDENT AUDITOR'S REPORT CONTINUED

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Adapt IT Holdings Limited Integrated Annual Report for the year ended 30 June 2021", which includes the Audit and Risk Committee Report, Directors' Statutory Report, and the Certificate of the Company Secretary as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

KPMG Inc.
Registered Auditor

Per G Aldrighetti
Chartered Accountant (SA)
Registered Auditor
Director

27 September 2021

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

Annual Financial Statements

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2021

	Notes	Consolidated 2021 R	Consolidated 2020 R	Company 2021 R	Company 2020 R
Revenue	2	**1 503 377 886**	1 483 346 995	**3 800 000**	3 800 100
Cost of sales		**(631 402 543)**	(661 285 411)	**–**	–
Gross profit		**871 975 343**	822 061 584	**3 800 000**	3 800 100
Administrative, selling and other costs	3	**(680 961 451)**	(601 497 016)	**(15 377 385)**	(4 344 300)
Impairment loss on trade receivables, contract assets and finance lease receivables	3	**(14 633 617)**	(1 243 380)	**–**	–
Impairment of non-current assets	3	**(6 500 000)**	(22 134 216)	**–**	–
Profit/(loss) from operations	3	**169 880 275**	197 186 972	**(11 577 385)**	(544 200)
Finance income	3	**2 034 488**	2 332 399	**1 634 356**	2 334 560
Finance costs	3	**(60 856 281)**	(84 698 847)	**–**	(20 565)
Profit/(loss) before tax	3	**111 058 482**	114 820 524	**(9 943 029)**	1 769 795
Income tax expense	5	**(42 039 569)**	(44 028 610)	**(461 555)**	(1 103 594)
Profit/(loss) for the year		**69 018 913**	70 791 914	**(10 404 584)**	666 201
Attributable to:					
Equity holders of the parent		**69 103 325**	70 652 503	**(10 404 584)**	666 201
Non-controlling interests		**(84 412)**	139 411	**–**	–
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit and loss		**(15 829 753)**	21 337 395	**–**	–
Exchange (loss)/gain arising from translation of foreign operations		**(15 829 753)**	21 337 395	**–**	–
Total comprehensive income/(loss)		**53 189 160**	92 129 309	**(10 404 584)**	666 201
Attributable to:					
Equity holders of the parent		**53 273 572**	91 989 898	**(10 404 584)**	666 201
Non-controlling interests		**(84 412)**	139 411	**–**	–
Basic earnings per share (cents)	6	**50,34**	51,47		
Diluted earnings per share (cents)	6	**50,34**	51,47		

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2021

	Notes	Consolidated 30 June 2021 R	Consolidated 30 June 2020 R	Company 30 June 2021 R	Company 30 June 2020 R
ASSETS					
Non-current assets		**1 271 680 802**	1 338 521 178	**166 367 175**	171 806 594
Property and equipment	7	**94 693 607**	108 422 774	**–**	–
Intangible assets	8	**194 305 589**	246 896 147	**–**	–
Right-of-use assets	9	**236 204 836**	239 839 938	**–**	–
Goodwill	10	**688 449 588**	705 099 424	**–**	–
Interest in subsidiaries and share trust	11	**–**	–	**147 869 830**	147 869 830
Amounts owing by subsidiaries	11	**–**	–	**18 455 821**	23 936 764
Finance lease receivables	12	**25 981 463**	22 993 060	**–**	–
Loans receivable	13	**651 617**	500 000	**–**	–
Other financial assets	29	**3 029 077**	–	**–**	–
Deferred taxation asset	14	**28 365 025**	14 769 835	**41 524**	–
Current assets		**442 649 116**	589 796 586	**98 298 401**	140 222 401
Inventories	15	**17 228 122**	31 685 937	**–**	–
Trade and other receivables	16	**244 463 816**	285 280 103	**511 582**	168 524
Contract assets	17	**48 578 606**	37 259 177	**–**	–
Amounts owing by subsidiaries	11	**–**	–	**97 250 587**	139 468 173
Current tax receivable		**34 134 398**	40 566 298	**100 355**	–
Finance lease receivables	12	**10 232 492**	9 900 352	**–**	–
Loans receivable	13	**441 667**	541 667	**–**	–
Cash and cash equivalents	D	**87 570 015**	184 563 052	**435 877**	585 704
Non-current assets classified as held for sale	18	**–**	9 500 000	**–**	–
Total assets		**1 714 329 918**	1 937 817 764	**264 665 576**	312 028 995
EQUITY AND LIABILITIES					
Equity					
Stated capital	19	**248 137 441**	248 138 154	**248 090 659**	289 423 273
Treasury shares	20	**(50)**	(763)	**–**	–
Equity compensation reserve	21	**3 240 000**	17 988 406	**–**	17 988 406
Business combination reserves		**(15 664 396)**	(15 664 396)	**–**	–
Foreign currency translation reserve		**8 596 792**	24 426 545	**–**	–
Retained earnings		**558 804 667**	471 712 936	**10 526 767**	2 942 945
Attributable to equity holders of the parent		**803 114 454**	746 600 882	**258 617 426**	310 354 624
Non-controlling interests		**(190 944)**	(106 532)	**–**	–
Total equity		**802 923 510**	746 494 350	**258 617 426**	310 354 624
Non-current liabilities		**471 207 297**	806 039 423	**–**	6 869
Interest-bearing borrowings	22	**169 456 939**	486 932 556	**–**	–
Financial liabilities	23	**–**	6 279 638	**–**	–
Lease liabilities	24	**273 767 939**	276 207 597	**–**	–
Deferred taxation liability	14	**27 982 419**	36 619 632	**–**	6 869
Current liabilities		**440 199 111**	385 283 991	**6 048 150**	1 667 502
Trade and other payables	25	**154 837 352**	141 570 638	**6 048 150**	1 232 186
Contract liabilities	26	**132 742 692**	131 518 788	**–**	–
Leave pay and provisions	27	**57 560 689**	23 433 873	**–**	–
Current tax payable		**788 064**	10 656 094	**–**	435 316
Current portion of interest-bearing borrowings	22	**23 062 240**	34 145 448	**–**	–
Current portion of financial liabilities	23	**9 658 870**	18 469 219	**–**	–
Curent portion of lease liabilities	24	**28 436 501**	25 489 931	**–**	–
Bank overdraft	D	**33 112 703**	–	**–**	–
Total liabilities		**911 406 408**	1 191 323 414	**6 048 150**	1 674 371
Total equity and liabilities		**1 714 329 918**	1 937 817 764	**264 665 576**	312 028 995

Annual Financial Statements

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2021

Consolidated	Attributable to equity holders of the parent Share capital R	Treasury shares R	Share premium R	Stated capital R
Balance as at 1 July 2019	15 251	(1 525)	248 123 665	–
Total comprehensive income for the year	–	–	–	–
Profit for the year	–	–	–	–
Other comprehensive income for the year	–	–	–	–
Share capital conversion to no par value shares	(15 251)	–	(248 123 665)	248 138 916
Cancellation of shares	–	762	–	(762)
Balance as at 30 June 2020	–	(763)	–	248 138 154
Total comprehensive income for the year	**–**	**–**	**–**	**–**
Profit for the year	**–**	**–**	**–**	**–**
Other comprehensive income for the year	**–**	**–**	**–**	**–**
Reclassification of lapsed share-based reserve*	**–**	**–**	**–**	**–**
Share-based payment expense	**–**	**–**	**–**	**–**
Cancellation of shares	**–**	**713**	**–**	**(713)**
Balance as at 30 June 2021	**–**	**(50)**	**–**	**248 137 441**

** The Adapt IT Holdings Limited Executive Share Incentive plan, implemented in 2015, lapsed in August 2020 and was cancelled (refer to note 21).*

Refer to note 19 for detail on share capital movement.

Company	Share capital R	Share premium R	Stated capital R	Equity compensation reserve R
Balance as at 30 June 2019	15 251	337 305 365	–	17 988 406
Total comprehensive income for the year	–	–	–	–
Share capital conversion to no par value shares	(15 251)	(337 305 365)	337 320 616	–
Cancellation of shares	–	–	(47 897 343)	–
Balance as at 30 June 2020	–	–	289 423 273	17 988 406
Total comprehensive loss for the year	**–**	**–**	**–**	**–**
Reclassification of lapsed share-based reserve*	**–**	**–**	**–**	**(17 988 406)**
Cancellation of shares	**–**	**–**	**(41 332 614)**	**–**
Balance as at 30 June 2021	**–**	**–**	**248 090 659**	**–**

** The Adapt IT Holdings Limited Executive Share Incentive plan, implemented in 2015, lapsed in August 2020 and was cancelled (refer to note 21).*

Refer to note 19 for detail on share capital movement.

Attributable to equity holders of the parent						
Equity compensation reserve R	Foreign currency translation reserve R	Business combination reserves R	Retained earnings R	Attributable to equity holders of the parent R	Non-controlling interests R	Total equity R
17 988 406	3 089 150	(15 664 396)	401 060 433	654 610 984	(245 943)	654 365 041
–	21 337 395	–	70 652 503	91 989 898	139 411	92 129 309
–	–	–	70 652 503	70 652 503	139 411	70 791 914
–	21 337 395	–	–	21 337 395	–	21 337 395
–	–	–	–	–	–	–
–	–	–	–	–	–	–
17 988 406	24 426 545	(15 664 396)	471 712 936	746 600 882	(106 532)	746 494 350
–	**(15 829 753)**	**–**	**69 103 325**	**53 273 572**	**(84 412)**	**53 189 160**
–	**–**	**–**	**69 103 325**	**69 103 325**	**(84 412)**	**69 018 913**
–	**(15 829 753)**	**–**	**–**	**(15 829 753)**	**–**	**(15 829 753)**
(17 988 406)	**–**	**–**	**17 988 406**	**–**	**–**	**–**
3 240 000	**–**	**–**	**–**	**3 240 000**	**–**	**3 240 000**
–	**–**	**–**	**–**	**–**	**–**	**–**
3 240 000	**8 596 792**	**(15 664 396)**	**558 804 667**	**803 114 454**	**(190 944)**	**802 923 510**

Retained earnings R	Total equity R
2 276 744	357 585 766
666 201	666 201
–	–
–	(47 897 343)
2 942 945	310 354 624
(10 404 584)	**(10 404 584)**
17 988 406	**–**
–	**(41 332 614)**
10 526 767	**258 617 426**

Annual Financial Statements

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2021

	Notes	Consolidated 2021 R	Consolidated 2020 R	Company 2021 R	Company 2020 R
OPERATING ACTIVITIES					
Operating cash flow	A	**297 527 100**	305 383 086	**(1 627 113)**	(512 142)
Working capital inflow/(outflow)	B	**84 033 113**	(31 021 826)	**4 472 906**	(114 175)
Cash generated from operations		**381 560 213**	274 361 260	**2 845 793**	(626 317)
Finance income		**2 034 488**	2 332 399	**–**	–
Finance costs		**(59 177 437)**	(79 980 139)	**–**	(20 565)
Tax paid	C	**(66 952 685)**	(55 582 586)	**(1 045 619)**	(1 046 612)
Net cash flows from operating activities		**257 464 579**	141 130 934	**1 800 174**	(1 693 494)
INVESTING ACTIVITIES					
Property and equipment acquired	7	**(10 525 551)**	(10 405 108)	**–**	–
Intangible assets acquired and developed	8	**(8 865 646)**	(6 203 946)	**–**	–
Proceeds on disposal of property and equipment		**798 669**	1 744 805	**–**	–
Receipts from loans receivable		**600 000**	5 458 333	**–**	–
Settlement of contingent purchase considerations		**(13 619 121)**	(13 299 800)	**–**	–
Proceeds on disposal of asset held for sale	18	**9 425 000**	–	**–**	–
Loan advanced	13	**(651 617)**	–	**–**	–
Other financial assets acquired	29	**(3 029 077)**	–	**–**	–
Increase in investment in subsidiary		**–**	–	**–**	(100)
Net cash utilised in investment activities		**(25 867 343)**	(22 705 716)	**–**	(100)
FINANCING ACTIVITIES					
Proceeds from borrowings		**204 022 506**	150 604 747	**–**	–
Repayment of borrowings		**(533 565 067)**	(131 697 578)	**–**	–
Payment of lease liabilities		**(26 356 398)**	(18 449 880)	**–**	–
Settlement of acquired contingent purchase consideration relating to subsequent fair value changes		**1 943 808**	1 225 607	**–**	–
Proceeds from amounts owing by subsidiary		**–**	–	**7 115 299**	–
Funding advanced to subsidiary		**–**	–	**(9 065 300)**	–
Decrease in amounts owing by subsidiaries		**–**	–	**–**	1 840 130
Net cash flows from financing activities		**(353 955 151)**	1 682 896	**(1 950 001)**	1 840 130
Net (decrease)/increase in cash resources		**(122 357 915)**	120 108 114	**(149 827)**	146 536
Exchange (loss)/gain on translation of cash		**(7 747 825)**	6 049 455	**–**	–
Cash and cash equivalents at beginning of year		**184 563 052**	58 405 483	**585 704**	439 168
Cash and cash equivalents at end of year	D	**54 457 312**	184 563 052	**435 877**	585 704

NOTES TO THE STATEMENTS OF CASH FLOWS

for the year ended 30 June 2021

		Consolidated 2021 R	Consolidated 2020 R	Company 2021 R	Company 2020 R
A.	**OPERATING CASH FLOW**				
	Profit/(loss) before tax	**111 058 482**	114 820 524	**(9 943 029)**	1 769 795
	Adjustments for:				
	Depreciation and amortisation	**74 424 252**	81 062 756	**–**	–
	Depreciation of right-of-use assets	**30 211 293**	28 120 437	**–**	–
	Unrealised foreign exchange losses	**8 922 831**	2 073 637	**–**	–
	Expenses settled by subsidiary on behalf of company	**–**	–	**9 950 272**	–
	Finance income (refer note 3)	**(2 034 488)**	(2 332 399)	**(1 634 356)**	(2 334 560)
	Finance costs (refer note 3)	**60 856 281**	84 698 847	**–**	20 565
	Share-based payment expense	**3 240 000**	–	**–**	–
	Dividend received	**–**	–	**–**	(100)
	Write off of amounts owing by Share Incentive Trust	**–**	–	**–**	32 158
	Net loss/(profit) on disposal of property and equipment	**482 434**	(5 999)	**–**	–
	Scrapping of intangible assets (refer note 3)	**1 196 609**	3 238 902	**–**	–
	Impairment of intangible assets (refer note 3)	**–**	5 934 216	**–**	–
	Inventory write-off (refer note 3)	**–**	7 391 961	**–**	–
	Provision for inventory obsolescence (refer note 3)	**4 426 461**	–	**–**	–
	Impairment of goodwill (refer note 3)	**6 500 000**	16 200 000	**–**	–
	Subsequent remeasurement of contingent liabilities (refer note 3)	**4 305 020**	(22 016 764)	**–**	–
	Impairment/(reversal) of asset held for sale (refer note 18)	**75 000**	(1 673 913)	**–**	–
	Transaction costs related to borrowings	**142 418**	142 418	**–**	–
	Gain on modification of lease liabilities (refer note 3)	**(225 461)**	(906 863)	**–**	–
	Loss on modification of finance lease receivables (refer note 3)	**–**	1 415 366	**–**	–
	Finance lease receivable profit	**(6 054 032)**	(12 780 040)	**–**	–
		297 527 100	305 383 086	**(1 627 113)**	(512 142)
B.	**WORKING CAPITAL INFLOW/(OUTFLOW)**				
	Decrease/(increase) in inventory	**10 031 354**	(10 200 364)	**–**	–
	Decrease/(increase) in trade and other receivables, including contract assets	**15 695 295**	11 150 790	**(343 058)**	15 074
	Increase/(decrease) in trade and other payables	**12 840 558**	(28 967 248)	**4 815 964**	(129 249)
	Increase in contract liabilities	**1 223 904**	23 775 115	**–**	–
	Finance lease receivable receipts	**10 115 186**	9 549 225	**–**	–
	Increase/(decrease) in leave pay and provisions	**34 126 816**	(36 329 344)	**–**	–
		84 033 113	(31 021 826)	**4 472 906**	(114 175)
C.	**TAX PAID**				
	Charge to the statement of profit or loss and other comprehensive income	**42 039 569**	44 028 610	**461 555**	1 103 594
	Adjustment for deferred taxation	**21 966 901**	(5 448 036)	**48 393**	(111 534)
	Foreign exchange adjustments	**(489 915)**	1 560 128	**–**	–
	Movement in tax balance	**3 436 130**	15 441 884	**535 671**	54 552
		66 952 685	55 582 586	**1 045 619**	1 046 612

Annual Financial Statements

NOTES TO THE STATEMENTS OF CASH FLOWS CONTINUED

for the year ended 30 June 2021

	Consolidated 2021 R	Consolidated 2020 R	Company 2021 R	Company 2020 R
D. CASH AND CASH EQUIVALENTS				
Bank balances	**76 567 832**	166 753 938	**435 877**	585 704
Bank overdraft	**(33 112 703)**	–	**–**	–
Cash on deposit	**4 090 300**	11 375 272	**–**	–
Foreign currency	**6 881 094**	6 368 276	**–**	–
Petty cash	**30 789**	65 566	**–**	–
Net cash and cash equivalents at year end	**54 457 312**	184 563 052	**435 877**	585 704
Current assets	**87 570 015**	184 563 052	**435 877**	585 704
Current liabilities	**(33 112 703)**	–	**–**	–
	54 457 312	184 563 052	**435 877**	585 704

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.

Adapt IT (Pty) Ltd has concluded and agreement with The Standard Bank of South Africa Limited for the provision of a bank overdraft facility of R40 000 000 which is subject to annual review and the amount owing is payable on demand.

The overdraft facility is secured by cession of all trade receivables of Adapt IT Holdings Limited, Adapt IT (Pty) Ltd, Micros South Africa (Pty) Ltd, CQS Confirmations (Pty) Ltd and Adapt IT Consulting (Pty) Ltd.

Adapt IT Holdings Limited, Adapt IT (Pty) Ltd, Micros South Africa (Pty) Ltd and CQS Confirmations (Pty) Ltd bank balances totalling R22 665 083 (2020: R111 521 845) have been ceded as security for The Standard Bank of South Africa Limited debt (note 22).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2021

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

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

The separate and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited and the requirements of the Companies Act. The separate and consolidated financial statements were authorised for issue by the board on 27 September 2021 and released on 28 September 2021. The financial statements have been prepared under the historical cost method, except for certain financial instruments and properties 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 1.8 to the financial statements.

The financial information is presented in the consolidated financial statements for the parent company Adapt IT Holdings Limited, together with its subsidiaries.

The financial information presented in the company financial statements comprises that of the parent company, Adapt IT Holdings Limited.

1.2 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

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. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated.

None of the investments in subsidiaries are listed. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Where considered necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies in line with those of the group.

Any subsequent changes to the group's ownership interests in subsidiaries are accounted for as equity transactions and are accumulated in the business combination reserve.

Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying value recognised in profit or loss. The fair value is the initial carrying value for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

1.3 BUSINESS COMBINATIONS

Acquisitions of subsidiaries (entities acquired) and businesses (assets and liabilities acquired) 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. Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net fair value of the 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. Non-controlling interests at acquisition date are determined as the non-controlling shareholders' proportionate share of the fair value of the net assets of the subsidiary acquired. Acquisition-related costs are recognised in profit or loss as incurred.

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.

Contingent consideration in a business combination is included in the cost of a business combination at fair value on the date of acquisition. The classification of the arrangement into debt or equity will dictate the subsequent accounting. If the arrangement is classified as debt the amount will have to be remeasured at each reporting period with changes being recognised in profit or loss. Changes in the fair value of a contingent consideration that has been classified as equity are not recognised and settlement is accounted for within equity.

When the accounting for a business combination can only be determined provisionally at the date of reporting, provisional values are used. These provisional values are adjusted once the initial accounting has been completed, which must be within 12 months of the date of acquisition, by retrospectively adjusting the fair values of the net assets acquired and goodwill.

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

1. ACCOUNTING POLICIES CONTINUED

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.

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 the weighted average exchange rate for the year. The exchange differences arising on the translation are recognised in other comprehensive income and accumulated in equity in the foreign currency translation reserve.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within other costs.

The following foreign currency exchange rates were used to prepare the 30 June consolidated financial statements:

	Average rate		Closing rate	
	2021	2020	**2021**	2020
US Dollar/Rand	**15.415**	15.678	**14.310**	17.360
Australian Dollar/Rand	**11.487**	10.493	**10.725**	11.961
Euro/Rand	**18.366**	17.334	**16.960**	19.504
New Zealand Dollar/Rand	**10.692**	9.952	**9.985**	11.187
Singapore Dollar/Rand	**11.436**	11.315	**10.637**	12.449
Botswana Pula/Rand	**1.383**	1.401	**1.319**	1.472
Kenyan Shilling/Rand	**0.140**	0.149	**0.132**	0.161
Nigerian Naira/Rand	**0.039**	0.042	**0.035**	0.045

On disposal of a foreign operation, the cumulative amount in the foreign currency translation reserve relating to that particular foreign operation is reclassified to profit or loss.

1.5 DIVIDENDS

Dividends payable 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.

Dividends paid are classified as a component of cash flows from operating activities in order to assist users to determine the ability of the group to pay dividends out of operating cash flows.

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.

When inventories are sold, the carrying amount of those inventories are recognised as cost of sales in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1. ACCOUNTING POLICIES CONTINUED

1.7 FINANCIAL INSTRUMENTS

Financial instruments are initially recognised when the group becomes a party to the contractual terms of the instrument.

Financial assets
Financial assets are presented as non-current assets, except for those with maturities within 12 months from the statement of financial position date, which are classified as current assets.

The group classifies its financial assets into the category discussed below:

Amortised cost
These assets arise principally from the provision of goods and services to customers, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The group calculates its allowance for credit losses based on expected credit losses (ECLs). To calculate ECLs, the group segments financial assets by customer type i.e. corporate, parastatal/government and SME.

Impairment provisions for trade receivables and contract assets are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables and contract assets. Trade receivables are written off against the associated provision where there is no realistic prospect of future recovery and all methods of collections including legal interventions have been exhausted.

The group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the group may also consider a financial asset to be in default when internal or external information indicates that the group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the group. Refer to note 32.1 credit risk for management's processes for assessing such default. The inputs used in the calculation of the ECLs are based on various relevant published indices.

The group has elected the general approach for measuring the loss allowance for finance lease receivables due to there being a significant financing component on these financial assets. Stage 1 includes finance lease receivables that have not had a significant increase in credit risk. All finance lease receivables which are current and until 30 days past due date of contractual terms are included in stage 1. Stage 2 includes finance lease receivables that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment risk since initial recognition or that have low credit risk at the reporting date. Stage 2 includes the finance lease receivables which are 31 days to 89 days past due date. The group considers finance lease receivables in default when contractual payments are 90 days past due.

The group's financial assets measured at amortised cost comprise trade and other receivables, contract assets, finance lease receivables, loan receivables and cash and cash equivalents in the consolidated statement of financial position.

In the company, related party loans include loans between the parent and a subsidiary (i.e. intragroup loans). The following types of arrangements exist within the company:

- Loans advanced on an interest rate that is considered arm's length and repayable on a specified date (term loan); and
- Loans advanced on an interest-free basis that are payable on demand.

These loans are within the scope of IFRS 9. All related party loans are held with the objective of collecting their contractual cash flow under a "hold to collect" business model and consequently classified at amortised cost. Intercompany positions eliminate in the consolidated financial statements.

Simplifications from IFRS 9's general 3 stage impairment model are available for trade receivables, contract assets or lease receivables, but these do not apply to intercompany loans. The general model was therefore applied to calculate the expected credit loss on related party loans within the company.

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

1. ACCOUNTING POLICIES CONTINUED

1.7 FINANCIAL INSTRUMENTS CONTINUED

Judgements and estimates

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation. The group considers all reasonable and supportable information available to management at year end. Such information may be evaluated on an individual basis, a portfolio basis or a portion of a portfolio in determining the requisite expected credit loss. Management has adopted a multifactor and holistic analysis which considers both qualitative and quantitative information as criteria for the recognition of lifetime ECLs.

Financial liabilities

Financial liabilities are classified and measured at amortised cost or fair value through profit or loss depending on the nature of the instrument.

Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

1.8 ADOPTION OF NEW AND REVISED STANDARDS

New and amended IFRS Standards that are effective for the current year

The following new standards and interpretations that were applicable were adopted during the year.

Standards, interpretations and amendments	Effective for annual periods commencing on or after
Conceptual Framework for Financial Reporting	1 January 2020
IFRS 3 Definition of a Business – amendments	1 January 2020
IAS 1 and IAS 8 Definition of Material – amendments	1 January 2020

These standards and interpretations have had no material financial impact on the reported results in the period. There were other amendments issued by the IASB which came into effect for the current financial period which were not applicable to the group.

1.9 NEW OR REVISED IFRS STANDARDS

The following standards, interpretations and amendments to standards applicable to the group were in issue but not yet effective:

Standards, interpretations and amendments	Effective for annual periods commencing on or after
Interest Rate Benchmark Reform Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	1 January 2021
Covid-19-Related Rent Concessions beyond 30 June 2021 – amendment to IFRS 16	1 April 2021
Reference to the Conceptual Framework – amendments to IFRS 3	1 January 2022
Property, Plant and Equipment: Proceeds before intended use – amendments to IAS 16	1 January 2022
Classification of liabilities as current or non-current – amendments to IAS 1	1 January 2023
Disclosure of Accounting Policy – amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimate – amendments to IAS 8	1 January 2023
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – amendments to IAS 12 Income Taxes	1 January 2023

Management has considered all standards, interpretations and amendments to standards that are in issue but not yet effective and anticipates that the above-mentioned items in future periods will have no material financial impact on the financial statements of the group and will only result in additional disclosure requirements. These statements, interpretations and amendments to standards will be adopted in the respective financial year in which the effective date falls.

2. REVENUE

Accounting policy

Revenue from contracts with customers

The group derives revenue from offering multiple services to customers. Certain service offerings are highly interdependent and interrelated as the customer cannot use one aspect without the other services/resources for their benefit and the benefit of the total service offering is only realised when certain service offerings are combined.

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the group expects to be entitled in exchange for those goods or services. The group has generally concluded that it is the principal in its revenue arrangements and recognises revenue on the gross basis, except where the group is acting in the capacity of an agent, in which case, revenue is recognised on the net basis.

Revenue is derived from fees charged to customers for the following service offerings:

- Software licences;
- Subscriptions;
- Software installation, implementation and development;
- Maintenance and support services;
- Services such as project consulting and training;
- Hardware sales; and
- Other revenue from goods and services.

The group does not encounter any revenue reversal due to returns, refunds, rebates and other similar obligations.

All invoices are due and payable within payment terms of 30 to 120 days, therefore the group has elected to apply the practical expedient as there are no significant financing components.

Revenue stream	Performance obligation	Timing	Measurement	Judgement
Software licences	Software licence revenue represents fees earned from the sale or licensing of software to customers. Software licence revenue includes revenue from the sale of standard software products and customised software developed in-house and/or at client's premises. Licence revenue may also include access to updates and/or upgrades throughout the contract period. Where the group sells on-premise software licences with the right to updates and such updates are critical to the functionality of the software, the group concluded that these arrangements consist of one performance obligation. The group acts a principal in certain contracts and as an agent in others depending on the nature and scope of the contract. In concluding that the group is a principal in the contract, management determines whether the licence was controlled by the group prior to transferring it to the customer. In determining control, the following factors are assessed: who is responsible for the delivery of the licences and who sets the price for the licences provided.	In assessing the timing of the revenue recognition, management assesses whether there are any activities that the group is required to undertake after delivery of the licence that would significantly affect the licence. When significant activities are required, the group recognises the licence revenue over time rather than at a point in time. Where the licence revenue relates to a right to use, these are recognised at a point in time. The benefit received by the customer does not significantly change during the contract period and the group has no further significant obligations once the licence has been delivered to the customer. Revenue is recognised over time, when the licence grants the customer a right to access over the contract period. Right to access entitles a customer to the benefit of significant upgrades or services over the contract period.	Revenue is based on fixed prices as per contractual terms/agreement with customers.	No judgement involved relating to amount or timing of software licence revenue recognised.

Annual Financial Statements

2. REVENUE CONTINUED

Accounting policy continued

Revenue stream	Performance obligation	Timing	Measurement	Judgement
Subscriptions	Software as a Service (SaaS) subscriptions are a right to access software functionality (including standard functionalities and extensions) together with hosting and other similar inter-dependent services with the same pattern of transfer.	Revenue from subscriptions is recognised over time as the customer receives the right to access software. When subscriptions are invoiced for the full contract period, the transaction price is recognised as a contract liability, except where contracts are executory in nature, at the time of the initial sales transaction and is released to income over the period of the service.	Revenue from subscriptions is based on pre-determined selling prices depending on the type of subscription procured by the customer.	No judgement involved relating to amount or timing of subscription revenue recognised.
Software installation, development and implementation services revenue	The group provides a service of installation, development and implementation of various software products for specialised business operations based on requirements set out in each respective contract. Project implementation services include customising, configuring, enabling, training, enhancing, deploying, upgrading, integrating, configuring and/ or installing third party or in-house developed software applications. For certain contracts, the milestones cannot be split into distinct performance obligations. Accordingly, these are treated as one performance obligation.	Dependent on the nature of installation and implementation services, revenue may be recognised at a point in time or over time. Where performance obligations are satisfied over time, this is due to the customer simultaneously receiving benefits and/or the customer's asset being enhanced over time. For contracts with distinct performance obligations, revenue is recognised at a point in time when the installation and implementation has been fully satisfied per each obligation and the customer obtains control of the asset.	For installation services performed at a point time, revenue is based on the contract price stipulated per agreements and per assigned performance obligations. For certain installation, development and implementation services which are recognised over time, revenue is determined as a percentage of completion using the following methods: • work completed over estimated work required to complete the service; and • the cost incurred at period end over the total estimated costs to complete the service.	Management applies judgement to estimate: • work completed over estimated work required to complete the service; and • the cost incurred at period end over the total estimated costs to complete the service. This is performed on an individual contract basis.
Maintenance and support revenue	Maintenance and support services comprise unspecified future software updates, upgrades and enhancements as well as technical product support services for software products.	Revenue relating to maintenance and support services is recognised over time as the group is obligated to perform services under the contracts for the full contractual period. Alternatively, it is invoiced per month. When maintenance and support are invoiced for the full contract period, the transaction price is recognised as a contract liability, except where contracts are executory in nature, at the time of the initial sales transaction and is released to income over the period of the service.	Maintenance and support revenue is based on fixed or predetermined rates over the period of service received by the customer.	No judgement involved relating to amount or timing of maintenance and support revenue recognised.

2. REVENUE CONTINUED

Accounting policy continued

Revenue stream	Performance obligation	Timing	Measurement	Judgement
Services revenue	Services revenue primarily represents fees earned from professional consulting services, premium support services, training services, and messaging services.	Revenue is recognised either at a point in time or over time depending on the nature of the work to be performed. For example: training revenue is recognised at a point in time when the training is provided. Consulting services are recognised over the period of time that the hours are delivered.	Service revenue is based on agreed upon hours and rates or amounts with the customer.	No judgement involved relating to amount or timing of services revenue recognised.
Hardware sales revenue	The group sells a range of hardware goods to its customers.	Revenue from the sale of hardware is recognised when control is transferred at point in time, being when the customer accepts delivery of the goods.	Revenue is based on fixed prices as per contractual terms with customers.	No judgement involved relating to amount or timing of hardware revenue recognised.
Other revenue	Other revenue earned by the group on products and services are ancillary to those described above.	Other revenue is recognised at a point in time or over time depending of the service or product being supplied.	Revenue is based on pre-determined rates. These are agreed upon with the customer prior to commencement of service.	No judgement involved relating to amount or timing of revenue recognised.

Interest received on finance leases

Micros entered into finance lease arrangements for IT equipment. The average term of finance leases entered into is five years. Interest received on finance leases is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Administrative fees and dividends received

Administrative fees received from subsidiaries is recognised as services are provided. Dividends received from subsidiaries are recognised when the company's right to receive payment has been established.

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

2. REVENUE CONTINUED

2.1 CONSOLIDATED REVENUE

The group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines:

Consolidated 2021 Product lines:	Education R	Manufacturing R	Financial Services R	Energy R	Communications R	Hospitality R	Total R
Licences							
– at a point in time	526 321	10 304 014	303 663 785	723 993	7 224 900	12 830 497	335 273 510
– over time	9 915 922	48 021 870	–	–	33 379 858	–	91 317 650
Subscriptions							
– over time	48 984 160	378 824	–	2 363 396	148 872 904	53 997 628	254 596 912
Installation, development and implementation							
– at a point in time	396 736	1 420 504	619 347	545 937	19 817 831	22 487 156	45 287 511
– over time	52 943 430	75 486 266	–	24 756 240	39 905 638	–	193 091 574
Maintenance and support							
– over time	160 169 745	91 803 507	–	15 385 666	45 489 910	104 283 415	417 132 243
Services							
– at a point in time	26 662 414	19 868 125	16 122 982	17 402 649	3 968 219	–	84 024 389
– over time	60 977	522 129	–	–	–	–	583 106
Hardware							
– at a point in time	668 565	215 827	–	144 353	–	56 012 923	57 041 668
Other							
– at a point in time	3 714 684	–	7 581 009	–	167 750	4 856 547	16 319 990
– over time	50 780	1 587 924	–	42 885	–	–	1 681 589
Total revenue from contracts with customers	304 093 734	249 608 990	327 987 123	61 365 119	298 827 010	254 468 166	1 496 350 142
Non-IFRS 15 revenue							
Interest received on finance leases	–	–	–	–	–	7 027 744	7 027 744
Total revenue	304 093 734	249 608 990	327 987 123	61 365 119	298 827 010	261 495 910	1 503 377 886

2. REVENUE CONTINUED

2.1 CONSOLIDATED REVENUE CONTINUED

Consolidated 2020 Product lines:	Education R	Manufacturing R	Financial Services R	Energy R	Communications R	Hospitality R	Total R
Licences							
– at a point in time	1 639 499	12 233 695	277 572 676	4 098 762	23 525 089	12 781 551	331 851 272
– over time	11 031 608	39 498 725	–	–	36 624 694	–	87 155 027
Subscriptions							
– over time	41 324 336	–	–	2 959 366	150 207 727	60 951 502	255 442 931
Installation, development and implementation							
– at a point in time	–	1 591 387	–	–	20 366 369	22 647 347	44 605 103
– over time	13 993 845	73 879 110	–	41 357 923	41 058 727	–	170 289 605
Maintenance and support							
– over time	142 393 646	106 923 110	–	14 138 356	33 530 551	107 349 354	404 335 017
Services							
– at a point in time	23 309 569	12 194 157	20 492 691	51 011 438	–	–	107 007 855
– over time	59 236	582 787	–	–	–	–	642 023
Hardware							
– at a point in time	7 100	151 767	–	223 538	190 610	49 235 835	49 808 850
Other							
– at a point in time	5 090 095	420 454	7 400 722	4 074	104 645	2 598 823	15 618 813
– over time	–	971 433	–	–	1 013 380	–	1 984 813
Total revenue from contracts with customers	238 848 934	248 446 625	305 466 089	113 793 457	306 621 792	255 564 412	1 468 741 309
Non-IFRS 15 revenue							
Interest received on finance leases	–	–	–	–	–	14 605 686	14 605 686
Total revenue	238 848 934	248 446 625	305 466 089	113 793 457	306 621 792	270 170 098	1 483 346 995

2.2 COMPANY REVENUE

	2021 R	2020 R
Administrative fees received from subsidiaries	**3 800 000**	3 800 000
Dividends received from subsidiary	**–**	100
Revenue	**3 800 000**	3 800 100

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

3. PROFIT/(LOSS) BEFORE TAX

	Consolidated 2021 R	Consolidated 2020 R	Company 2021 R	Company 2020 R
Profit/(loss) before tax for the year is stated after:				
Income				
Foreign exchange gain	4 725 109	17 659 823	–	–
Doubtful debts recovered	20 770	–	–	–
Finance income	2 034 488	2 332 399	1 634 356	2 334 560
Other interest received	1 095 378	786 024	–	–
Interest received from subsidiaries	–	–	1 634 356	2 334 560
Interest on cash and cash equivalents	939 110	1 546 375	–	–
Reversal of impairment of asset held for sale (refer note 18)	–	1 673 913	–	–
Subsequent remeasurement of contingent liabilities (refer note 23)	–	22 016 764	–	–
Gain on modification of lease liabilities	225 461	906 863	–	–
Profit on sale of property and equipment	–	5 999	–	–
Proceeds received from insurance for stock theft (refer note 15)	2 791 831	–	–	–
Expenditure				
Auditors' remuneration	10 782 030	10 817 213	801 191	520 955
– Current year fees	9 101 123	7 874 262	705 300	520 955
– Prior year fees	701 447	2 630 451	–	–
– Other services	979 460	312 500	95 891	–
Depreciation (refer note 7)	22 047 609	23 579 131	–	–
– Included in administration, selling and other costs	20 991 889	22 827 781	–	–
– Included in cost of sales	1 055 720	751 350	–	–
Amortisation (refer note 8)	52 376 643	57 483 625	–	–
– Included in administration, selling and other costs	46 353 363	49 128 998	–	–
– Included in cost of sales	6 023 280	8 354 627	–	–
Depreciation right-of-use assets (refer note 9)	30 211 293	28 120 437	–	–
Finance costs	60 856 281	84 698 847	–	20 565
– Borrowings	28 709 237	48 516 272	–	–
– Lease liabilities	30 033 983	30 717 229	–	–
– Other	1 802 126	2 179 573	–	20 565
– Financial liabilities (imputed)	310 935	3 285 773	–	–

3. PROFIT/(LOSS) BEFORE TAX CONTINUED

	Consolidated 2021 R	Consolidated 2020 R	Company 2021 R	Company 2020 R
Foreign exchange loss	**20 730 703**	7 076 172	**–**	–
Staff costs	**607 374 335**	602 298 305	**–**	–
– Salaries and wages	**561 035 794**	586 742 607	**–**	–
– Commission	**13 616 167**	12 757 883	**–**	–
– Severance	**2 808 769**	2 797 815	**–**	–
– Bonus and performance related provisions (refer to note 27)	**29 913 605**	–	**–**	–
Short term leases and low value assets	**1 869 289**	4 341 350	**–**	–
Loss on sale of property and equipment	**482 434**	–	**–**	–
Loss on modification of finance lease receivables	**–**	1 415 366	**–**	–
Inventory write-off (refer note 15)	**–**	7 391 961	**–**	–
Provision for inventory obsolescence (refer note 15)	**4 426 461**	–	**–**	–
Scrapping of intangible assets (refer note 8)	**1 196 609**	3 238 902	**–**	–
Impairment loss on trade receivables, contract assets and finance lease receivables	**14 633 617**	1 243 380	**–**	–
– Loss allowance on trade receivables (refer note 16)	**13 836 691**	2 346 793	**–**	–
– Loss allowance/(reversal) from contract assets (refer note 17)	**56 314**	(443 517)	**–**	–
– Loss allowance/(reversal) on finance lease receivables (refer note 12)	**740 612**	(659 896)	**–**	–
Impairment of non-current assets	**6 500 000**	22 134 216	**–**	–
– Impairment of intangible assets (refer note 8)	**–**	5 934 216	**–**	–
– Impairment of goodwill (refer note 10)	**6 500 000**	16 200 000	**–**	–
Impairment of asset held for sale (refer note 18)	**75 000**	–	**–**	–
Write off of amounts owing by Share Incentive Trust	**–**	–	**–**	32 158
Subsequent remeasurement of contingent liabilities (refer to note 23)	**4 305 020**	–	**–**	–
Share-based payment expense	**3 240 000**	–	**–**	–
Corporate activity costs*	**10 521 250**	–	**10 521 250**	–
Trade receivables written off	**2 711 499**	62 770	**–**	–

* *The corporate activity costs includes independent expert fees, legal fees, sponsor fees, regulatory costs and financial advisor fees for services rendered in relation to the Huge Offer and Volaris Offer (corporate activity).*

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

4. DIRECTORS' REMUNERATION

	Consolidated 2021 R	Consolidated 2020 R	Company 2021 R	Company 2020 R
Executive directors				
In connection with the affairs of the group	**14 412 425**	9 990 046	**14 412 425**	9 990 046
Salary				
S Shabalala^*##	**3 856 235**	3 922 722	**3 856 235**	3 922 722
T Dunsdon#*	**3 554 462**	3 319 782	**3 554 462**	3 319 782
N Mbambo^*	**2 840 679**	2 747 542	**2 840 679**	2 747 542
T Vicente^**	**541 838**	–	**541 838**	–
Share-based payment expense				
S Shabalala##	**492 209**	–	**492 209**	–
T Dunsdon	**267 334**	–	**267 334**	–
N Mbambo	**267 334**	–	**267 334**	–
T Vicente**	**267 334**	–	**267 334**	–
Bonus and performance-related payments				
S Shabalala^##	**–**	–	**–**	–
T Dunsdon#	**800 000**	–	**800 000**	–
N Mbambo^	**725 000**	–	**725 000**	–
T Vicente^**	**800 000**	–	**800 000**	–
Prescribed officer				
In connection with the affairs of the group	**2 949 412**	5 385 713	**–**	–
Salary				
T Vicente (1 July 2020 to 9 May 2021)	**2 949 412**	3 675 000	**–**	–
C Young***	**–**	1 710 713	**–**	–
Non-executive directors' fees^^				
For attending meetings	**2 059 384**	1 504 031	**2 059 384**	1 504 031
C Chambers*	**654 278**	438 663	**654 278**	438 663
O Fortuin*	**514 252**	348 786	**514 252**	348 786
C Koffman*	**445 427**	298 636	**445 427**	298 636
Z Nyanga*	**445 427**	298 636	**445 427**	298 636
B Ntuli****	**–**	119 310	**–**	119 310
	19 421 221	16 879 790	**16 471 809**	11 494 077

^ *Directors' remuneration paid by Adapt IT (Pty) Ltd.*
# *Directors' remuneration paid by Adapt IT Australasia (Pty) Ltd (Australian Dollars).*
* *The earnings reflected for 2020 is after 10% voluntary salary sacrifices taken as from 1 May 2020 due to Covid-19.*
** *Appointed 10 May 2021.*
*** *Resigned 31 January 2020.*
**** *Resigned 22 November 2019.*
Resigned 6 August 2021.
^^ *The 2021 Non-executive directors' fees includes R678 600 once off fees for their services rendered in relation to the Huge Offer and Volaris Offer (corporate activity) as approved by Shareholders in June 2021.*

5. INCOME TAX EXPENSE

Accounting policy

Tax expense, recognised in the statement of profit or loss and other comprehensive income, comprises current and deferred taxation. Current and deferred taxation is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity, in which case it is also recognised in equity, and, to the extent that it relates to items recognised in other comprehensive income (OCI), it is also recognised in OCI.

Current tax
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years (prior period tax paid). 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 recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective taxation bases. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities and is measured at the taxation rates (enacted or substantively enacted at the reporting date) that are expected to be applied to the temporary differences when they reverse.

Deferred taxation is recognised in profit or loss for the period, except to the extent that it relates to a transaction that is recognised directly in equity or in OCI, or a business combination that is accounted for as an acquisition.

Withholding tax
Withholding tax is payable at varying tax rates on revenue earned in certain foreign jurisdictions including revenue charged by one group company to another.

	Consolidated 2021 R	Consolidated 2020 R	**Company 2021 R**	Company 2020 R
Current tax				
– Current year	**58 348 816**	26 664 858	**610 304**	634 988
– Prior year (over)/under provision	**(2 736 455)**	(1 247 016)	**(100 356)**	357 072
Deferred tax				
– Current year	**(20 941 020)**	1 791 176	**(61 271)**	111 534
– Prior year (over)/under provision	**(1 013 414)**	3 609 703	**12 878**	–
– Change in tax rate	**(12 467)**	47 157	**–**	–
Withholding tax	**8 394 109**	13 162 732	**–**	–
Tax for the year	**42 039 569**	44 028 610	**461 555**	1 103 594

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

5. INCOME TAX EXPENSE CONTINUED

Effective rate of tax^	Consolidated 2021 %	Consolidated 2020 %	Company 2021 %	Company 2020 %
South African normal tax rate	**28,0**	28,0	**28,0**	28,0
Adjusted for:				
– Dividends received from subsidiary	**–**	–	**–**	–
– Prior year (over)/under provision in current and foreign tax	**(2,5)**	(1,1)	**1,0**	20,2
– Prior year (over)/under provision in deferred tax	**(0,9)**	3,1	**(0,1)**	–
– Other disallowed expenses[1]	**0,4**	1,3	**0,3**	0,9
– Corporate activity disallowed expenses[2]	**2,8**	–	**(31,5)**	–
– Disallowed interest	**0,8**	2,0	**–**	0,3
– Controlled foreign company imputed amount	**0,2**	0,2	**(2,3)**	13,0
– Acquisition and business formation costs disallowed	**–**	1,0	**–**	–
– Reversal of impairment of asset held for sale	**–**	(0,4)	**–**	–
– Loss/(gain) arising on recognition/derecognition of financial liabilities	**0,7**	(3,3)	**–**	–
– Allowances[3]	**(1,1)**	(0,4)	**–**	–
– Withholding tax paid	**7,6**	11,5	**–**	–
– Withholding tax credits and rebates	**(1,6)**	(2,0)	**–**	–
– Tax losses not recognised[4]	**2,6**	0,6	**–**	–
– Impairment of goodwill	**1,6**	4,0	**–**	–
– Tax losses utilised to reduce tax[5]	**(0,1)**	(0,7)	**–**	–
– Different tax rates[6]	**(0,6)**	(5,5)	**–**	–
Effective rate of tax^	**37,9**	38,3	**(4,6)**	62,4

^ *Effective rate of taxation is based on profit before tax.*

(1) *This includes consultancy fees, legal costs, donations, fines and penalties, which are not deductible for tax purposes in many countries in which the group operates. These items are immaterial on an individual basis.*

(2) *This includes independent expert fees, legal fees, sponsor fees, regulatory costs and financial advisor fees for services rendered in relation to the Huge Offer and Volaris Offer being of a capital nature and accordingly disallowed.*

(3) *Allowances includes Government incentives for learnerships and business formation cost allowance in Australia.*

(4) *R18 704 974 (2020: R6 346 696) of assessed losses were unutilised at year and available for future offset against taxable profits.*

(5) *R1 538 736 (2020: R3 769 301) of assessed losses brought forward were utilised in the current year to reduce taxable profits.*

(6) *The statutory tax rate of foreign operating subsidiaries (refer note 36) are as follows: Australia and Nigeria 30%, Kenya 30% (2020: 25%), Botswana 22%, United States of America 21%, Singapore 17%, Ireland 12,5% and Mauritius 3%.*

6. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to equity holders of R69 103 325 (2020: R70 652 503) and the weighted average number of ordinary shares in issue during the year of 137 261 839 (2020: 137 261 840). The calculation of diluted earnings per share is based on the profit of R69 103 325 (2020: R70 652 503) and the weighted average number of diluted ordinary shares in issue during the year of 137 261 839 (2020: 137 261 840).

		Consolidated 2021	Consolidated 2020
Reconciliation between earnings and headline earnings:			
Earnings attributable to equity holders of the parent		**69 103 325**	70 652 503
Adjusted for:			
– Impairment/(reversal) of asset held for sale (refer note 3)		**75 000**	(1 673 913)
– Loss/(profit) on sale of property and equipment (refer note 3)		**482 434**	(5 999)
– Scrapping of intangible assets		**1 196 609**	3 238 902
– Impairment of intangible asset acquired through business combinations (refer note 3)		**–**	5 934 216
– Impairment of goodwill (refer note 3)		**6 500 000**	16 200 000
– Total tax effects of adjustments		**(200 328)**	(2 538 344)
Headline earnings		**77 157 040**	91 807 365
Basic earnings per share	(cents)	**50,34**	51,47
Headline earnings per share	(cents)	**56,21**	66,88
Diluted earnings per share	(cents)	**50,34**	51,47
Diluted headline earnings per share	(cents)	**56,21**	66,88

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

7. PROPERTY AND EQUIPMENT

Accounting policy

Property and equipment are initially recognised at cost if it is probable that any future economic benefits associated with the items will flow to the group and they have a cost that can be measured reliably.

Subsequent costs are included in the asset's carrying value, or recognised as a separate asset, only when it is probable that the future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss in the period in which they are incurred.

Depreciation
Property and equipment are depreciated to estimated residual value on a straight-line basis over their expected useful life. The assets' residual values and useful lives are reviewed annually and adjusted prospectively, if applicable. Leasehold improvements are depreciated over the lesser of the period of the lease and the useful life of the asset.

Derecognition
Items of property and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is recognised in profit or loss and is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Judgements and estimates
The group depreciates its property and equipment over their estimated useful lives taking into account residual values, where appropriate. The estimation of the useful lives of assets and residual values is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. The actual lives of these assets and residual values can vary depending on a variety of factors, including technological innovation, maintenance programmes and relevant market information.

Depreciation rates
The estimated useful life information for 2021 was as follows:

Category	Useful life
Computer hardware	3 to 6 years
Leasehold improvements	Period of lease
Motor vehicles	4 to 6 years
Other tangible assets:	
Furniture and fittings	6 to 10 years
Telephone equipment	1 to 7 years
Office equipment	4 to 6 years

Covid-19 considerations

Due to the nature of property and equipment within the group, there has been no direct Covid-19 impact on the valuation thereof.

7. PROPERTY AND EQUIPMENT CONTINUED

	Computer hardware R	Other tangible assets* R	Leasehold improvements R	Motor vehicles R	Total R
Consolidated 2021					
Carrying amount at end of year					
– Cost or valuation	**40 597 332**	**64 190 661**	**49 546 600**	**1 930 577**	**156 265 170**
– Accumulated depreciation	**(22 849 653)**	**(24 812 905)**	**(13 336 154)**	**(572 851)**	**(61 571 563)**
Carrying amount at end of year	**17 747 679**	**39 377 756**	**36 210 446**	**1 357 726**	**94 693 607**
Movement in property and equipment					
Carrying amount at beginning of year	**20 154 931**	**46 365 772**	**40 145 816**	**1 756 255**	**108 422 774**
Additions	**6 930 692**	**2 856 531**	**–**	**738 328**	**10 525 551**
Reclassification to right-of-use assets	**–**	**–**	**–**	**(692 026)**	**(692 026)**
Disposals/scrapping	**(107 128)**	**(1 127 807)**	**–**	**(46 168)**	**(1 281 103)**
Depreciation	**(9 088 665)**	**(8 629 786)**	**(3 935 370)**	**(393 788)**	**(22 047 609)**
Foreign exchange adjustments	**(142 151)**	**(86 954)**	**–**	**(4 875)**	**(233 980)**
Carrying amount at end of year#	**17 747 679**	**39 377 756**	**36 210 446**	**1 357 726**	**94 693 607**
Consolidated 2020					
Carrying amount at end of year					
– Cost or valuation	35 810 577	65 014 196	52 419 370	3 578 426	156 822 569
– Accumulated depreciation	(15 655 646)	(18 648 424)	(12 273 554)	(1 822 171)	(48 399 795)
Carrying amount at end of year	20 154 931	46 365 772	40 145 816	1 756 255	108 422 774
Movement in property and equipment					
Carrying amount at beginning of year	23 801 476	48 880 594	47 466 841	2 819 673	122 968 584
Additions	5 344 181	3 641 155	1 195 477	224 295	10 405 108
Reclassification	795 234	2 468 236	(3 263 470)	–	–
Disposals/scrapping	(80 621)	(419 891)	(1 129 612)	(151 182)	(1 781 306)
Depreciation	(9 902 565)	(8 367 835)	(4 130 564)	(1 178 167)	(23 579 131)
Foreign exchange adjustments	197 226	163 513	7 144	41 636	409 519
Carrying amount at end of year#	20 154 931	46 365 772	40 145 816	1 756 255	108 422 774

* *Other tangible assets comprise mainly furniture and fittings, telephone equipment and office equipment.*

\# *Movable assets of Adapt IT (Pty) Ltd and Micros South Africa (Pty) Ltd are held as security for The Standard Bank of South Africa Limited debt (refer note 22) with a carrying value at year end of R92 826 753 (2020: R94 846 159).*

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

8. INTANGIBLE ASSETS

Accounting policy

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

Inhouse developed software
Research costs are expensed as and when 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.

Acquired business combination (acquired) and computer software
All acquired and computer 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 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.

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

Licences acquired
Licences acquired are measured on initial recognition at cost. Following initial recognition, licences acquired are carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is recognised in profit or loss and is included in cost of sales.

Impairment
The group applies IAS 36 to determine whether an intangible asset is impaired and accounts for any identified impairment loss immediately in profit or loss. Impairment testing is performed by comparing the recoverable amount of the asset to the carrying value of the asset. The recoverable amount is the greater of the value in use and fair value less costs to sell.

Judgements and estimates
The group amortises its finite useful life intangible assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, maintenance programmes and relevant market information.

Amortisation rates
The estimated useful life information for 2021 was as follows:

Category	Useful life
Customer relationships	7 to 13 years
Acquired business combination software	3 to 10 years
Inhouse developed software	3 to 7 years
Computer software	1 to 5 years
Trademarks	20 years
Licences acquired	3 to 7 years

Covid-19 considerations

Due to the nature of intangible assets within the group, there has been no direct Covid-19 impact on the valuation thereof.

8. INTANGIBLE ASSETS CONTINUED

	Customer relationships R	Acquired and inhouse developed software R	Computer software R	Trademarks R	Licences acquired R	Total R
Consolidated 2021						
Carrying amount at end of year						
– Cost or valuation	**248 974 669**	**147 633 429**	**12 776 728**	**68 775**	**30 751 853**	**440 205 454**
– Accumulated amortisation	**(142 248 622)**	**(78 746 908)**	**(9 624 038)**	**(68 775)**	**(15 211 522)**	**(245 899 865)**
Carrying amount at end of year	**106 726 047**	**68 886 521**	**3 152 690**	**–**	**15 540 331**	**194 305 589**
Movement in intangible assets						
Carrying amount at beginning of year	**136 315 267**	**87 175 787**	**2 622 158**	**2 036**	**20 780 899**	**246 896 147**
Additions	**–**	**4 550 665**	**2 381 687**	**–**	**1 933 294**	**8 865 646**
Scrapping	**–**	**–**	**–**	**–**	**(1 196 609)**	**(1 196 609)**
Amortisation	**(28 876 260)**	**(15 669 939)**	**(1 851 155)**	**(2 036)**	**(5 977 253)**	**(52 376 643)**
Foreign exchange adjustments	**(712 960)**	**(7 169 992)**	**–**	**–**	**–**	**(7 882 952)**
Carrying amount at end of year	**106 726 047**	**68 886 521**	**3 152 690**	**–**	**15 540 331**	**194 305 589**
Consolidated 2020						
Carrying amount at end of year						
– Cost or valuation	250 043 214	153 862 360	10 527 181	71 180	37 921 856	452 425 791
– Accumulated amortisation	(113 727 947)	(66 686 573)	(7 905 023)	(69 144)	(17 140 957)	(205 529 644)
Carrying amount at end of year	136 315 267	87 175 787	2 622 158	2 036	20 780 899	246 896 147
Movement in intangible assets						
Carrying amount at beginning of year	170 368 646	90 233 724	3 771 394	4 775	32 287 810	296 666 349
Additions	–	5 700 321	417 007	–	86 618	6 203 946
Scrapping	–	–	–	–	(3 238 902)	(3 238 902)
Impairment	(5 934 216)	–	–	–	–	(5 934 216)
Amortisation	(29 588 652)	(17 971 364)	(1 566 243)	(2 739)	(8 354 627)	(57 483 625)
Foreign exchange adjustments	1 469 489	9 213 106	–	–	–	10 682 595
Carrying amount at end of year	136 315 267	87 175 787	2 622 158	2 036	20 780 899	246 896 147

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

9. RIGHT-OF-USE ASSETS

Accounting policy

Right-of-use assets are recognised at the commencement date of the lease and are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs and lease payments made at or before the commencement date, less any lease incentives received.

Depreciation
Right-of-use assets are depreciated on a straight-line basis from commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Impairment
The group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss immediately in profit or loss. Impairment testing is performed by comparing the recoverable amount of the asset to the carrying value of the asset. The recoverable amount is the greater of the value in use and fair value less costs to sell.

Judgements and estimates
Determination of the right-of-use asset involves judgement on and estimate of key inputs being interest rates and the duration of the lease contract including take up of lease options.

Depreciation rates
The estimated useful life information for 2021 was as follows:

Category	Useful life
Leasehold premises	2 to 13 years
IT equipment	5 years
Motor vehicles	4 years

Covid-19 considerations

An impairment assessment was performed and no resulting Covid-19 impact was identified.

9. RIGHT-OF-USE ASSETS CONTINUED

	Leasehold premises R	Equipment R	Motor vehicles* R	Total R
Consolidated 2021				
Carrying amount at end of year				
– Cost or valuation	**290 057 651**	**93 332**	**821 611**	**290 972 594**
– Accumulated depreciation	**(54 217 724)**	**(82 962)**	**(467 072)**	**(54 767 758)**
Carrying amount at end of year	**235 839 927**	**10 370**	**354 539**	**236 204 836**
Movement in right-of-use assets				
Carrying amount at beginning of year	**239 788 087**	**51 851**	**–**	**239 839 938**
Additions	**5 369 459**	**–**	**231 265**	**5 600 724**
Reclassifications from fixed assets	**–**	**–**	**692 026**	**692 026**
Lease modifications and remeasurements**	**22 853 753**	**–**	**–**	**22 853 753**
Lease cancellation	**(1 825 031)**	**–**	**–**	**(1 825 031)**
Depreciation	**(29 612 480)**	**(41 481)**	**(557 332)**	**(30 211 293)**
Foreign exchange adjustments	**(733 861)**	**–**	**(11 420)**	**(745 281)**
Carrying amount at end of year	**235 839 927**	**10 370**	**354 539**	**236 204 836**
Consolidated 2020				
Carrying amount at end of year				
– Cost or valuation	268 020 134	93 332	–	268 113 466
– Accumulated amortisation	(28 232 047)	(41 481)	–	(28 273 528)
Carrying amount at end of year	239 788 087	51 851	–	239 839 938
Movement in right-of-use-assets				
Carrying amount at beginning of year	252 298 678	93 332	–	252 392 010
Lease modifications and remeasurements	14 587 355	–	–	14 587 355
Depreciation	(28 078 956)	(41 481)	–	(28 120 437)
Foreign exchange adjustments	981 010	–	–	981 010
Carrying amount at end of year	239 788 087	51 851	–	239 839 938

* *Motor vehicles acquired through leases are held as security for the amount outstanding on the lease. The carrying value of motor vehicles held as security at year end is R354 539 (2020: R686 244).*

** *Lease modifications and remeasurements relates mainly to the Johannesburg Campus where the rental escalation is determined on an annual basis.*

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

10. GOODWILL

Accounting policy

Goodwill arises on the acquisition of subsidiaries and is recognised as an asset on the date that control is acquired, being the acquisition date. Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net fair value of the 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.

Impairment

Goodwill is not amortised but is tested for impairment at least once a year. Any impairment loss is recognised immediately in profit or loss. 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. Impairment testing is performed by comparing the recoverable amount of the cash generating unit to the carrying value of the unit, including allocated goodwill. The recoverable amount is the greater of the value in use and fair value less costs to sell. Right-of-use assets and property and equipment are treated as corporate assets and are allocated to the cash generating units for impairment testing purposes.

Derecognition

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

Significant judgements and estimates

The group's impairment test for goodwill is based on value in use calculations that use a discounted cash flow model. Future cash flows are derived from the budget for a period of 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 discount rates used in the discounted cash flow models are calculated using the principles of the Capital Asset Pricing Model, taking into account current market conditions. Management judgement is applied in estimating the future cash inflows of the cash generating units when preparing detailed budgets. These estimates are set in relation to historic figures and current projects and opportunities that each unit is currently delivering or pursuing.

	Consolidated 2021 R	Consolidated 2020 R
Carrying amount at beginning of the year	**705 099 424**	704 183 385
Impairment of Aquilon (Energy) (refer note 3)	**(6 500 000)**	(16 200 000)
Foreign exchange adjustments	**(10 149 836)**	17 116 039
Carrying amount at end of year	**688 449 588**	705 099 424
The carrying amount of goodwill has been allocated to cash generating units (CGUs) as follows:		
– Manufacturing	**10 407 854**	10 407 854
– HCM	**12 352 476**	12 352 476
– Aquilon (Energy)	**72 776 795**	79 276 795
– AspiviaUnison (Telecommunications)	**143 038 405**	143 038 405
– CQS	**187 932 511**	187 932 511
– EasyRoster	**41 700 780**	41 700 780
– Micros	**78 047 323**	78 047 323
– LGR Australia	**23 371 441**	26 063 226
– LGR South Africa	**7 192 771**	7 192 771
– Strive Software	**7 636 139**	7 636 139
– Conor	**39 578 670**	39 578 670
– Wisenet Australia	**56 945 312**	63 503 939
– Wisenet New Zealand	**7 469 111**	8 368 535
Total	**688 449 588**	705 099 424

10. GOODWILL CONTINUED

Covid-19 considerations

The Covid-19 pandemic and the continuing economic and market disruptions varied across countries, markets and industries in which Adapt IT operates. The resulting impact was more pronounced in certain CGUs where customers were unable to operate during lockdown periods, in compliance with government regulations. Detailed budgets prepared for financial year 2022 includes specific risk factors for revenue and operating profit depending on the product offering and industry within which each CGU operates. Uncertainty is likely to continue, even as some jurisdictions begin to ease the restrictions and increase economic activity. Management has therefore performed a rigorous review of budgets, utilising deep industry knowledge, pipeline of customer demand for solutions and opportunities pursued, to ensure that budgets for the financial year 2022 are reflective of current and anticipated market conditions. Yearly and terminal growth rate assumptions were determined after consideration of the impact of Covid-19 on each of the CGUs.

Sensitivity assessment of goodwill impairment

The recoverable amount of each CGU is determined based on a value in use calculation which uses cash flow projections based on financial forecasts approved by the directors. The group has conducted an analysis of the sensitivity of the impairment test to changes in key assumptions used to determine the recoverable amount for each CGU to which goodwill is allocated. Management believes that any reasonable change in the key assumptions, on which the recoverable amounts are based, would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGUs, apart from Aquilon. The tables below illustrate the sensitivity assessment per key input on the existing headroom per CGU.

South Africa

The discounted cash flows cover a five year period with an average growth rate of 4,5% used for revenue and operating profit (2020: 4,4%).

The pre-tax discount rate to the cash flow projections is 15,62% (2020: range from 16,9% to 20,2%) and post-tax is 15,22% (2020: range from 16,6% to 19,7%).

The terminal growth rate used was 4,5% (2020: 4,4%).

	Sensitivity assessment per key input to the existing headroom (% change)*			
CGU	**Discount rate increase of 1%**	**Financial year 2022 forecast operating profit: 90% achieved**	**Growth rate reduction of 1% on financial year 2022 forecast operating profit (year two to four)**	**Terminal growth rate reduction to 4.2%**
– Manufacturing	(9)	(11)	(3)	(2)
– HCM	(11)	(13)	(4)	(3)
– Aquilon (Energy)	(1180)	(524)	(254)	(259)
– AspiviaUnison (Telecommunications)	(15)	(17)	(5)	(3)
– CQS	(12)	(12)	(4)	(3)
– EasyRoster	(15)	(18)	(5)	(3)
– Micros	(16)	(8)	(4)	(4)
– LGR South Africa	(11)	(12)	(4)	(2)
– Strive Software	(12)	(15)	(4)	(2)
– Conor	(20)	(19)	(6)	(5)

* *Only a percentage change of more than 100% would result in an impairment charge.*

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

10. GOODWILL CONTINUED

Sensitivity assessment of goodwill impairment continued

The outcome of the sensitivity analysis for the Aquilon CGU is out of range due to the current turbulent economic environment. The following impairment outcome was determined:

Aquilon

The Aquilon CGU revenue is mainly project driven. Project delays and the inability of Adapt IT to be on site negatively impacted the CGU, which is facing a slower recovery as a result of projects being postponed or cancelled due to Covid-19. Management therefore performed further stress testing to this CGU and the carrying amount of the Aquilon CGU was determined to be higher than its recoverable amount and an impairment loss of R6 500 000 (2020: R16 200 000) was recognised. The impairment loss was allocated fully to goodwill and included in impairment of non-current assets in profit or loss. Following the impairment loss recognised, the recoverable amount was equal to the carrying amount.

Australia and New Zealand

The discounted cash flows cover a five year period using a 2,1% and 1,2% growth in revenue and operating profit for Australia and New Zealand respectively.

The pre-tax discount rate applied to the cash flow projections is 11,21% (2020: range from 10,3% to 10,90%) and post-tax of 11,17% (2020: range from 10,2% to 10,8%).

The terminal growth rate used was 2,1% (2020: 2,1%) for Australia and 1,2% (2020: 1,2%) for New Zealand.

	Sensitivity assessment per key input to the existing headroom (% change)*			
CGU	Discount rate increase of 1%	Financial year 2022 forecast operating profit: 90% achieved	Growth rate reduction of 0,5% on financial year 2022 forecast operating profit (year two to four)	Terminal growth rate reduction to 1%
– LGR Australia	(23)	(24)	(4)	(19)
– Wisenet Australia	(13)	(13)	(2)	(11)
– Wisenet New Zealand	(10)	(11)	(2)	(2)

** Only a percentage change of more than 100% would result in an impairment change.*

11. INTEREST IN SUBSIDIARIES AND SHARE TRUST

Accounting policy

Subsidiaries

In the company, investments in subsidiaries are accounted for at cost, in accordance with IAS 27, less any accumulated impairment losses.

	Company Effective holding 2021 %	Company Effective holding 2020 %	Company 2021 R	Company 2020 R
Incorporated in South Africa				
Adapt IT (Pty) Ltd	**100**	100	**67 687 647**	67 687 647
Adapt IT Consulting (Pty) Ltd	**100**	100	**100**	100
Adapt IT Holdings Limited Share Incentive Trust	**	**	**–**	–
Incorporated in Mauritius				
Adapt IT International Ltd	**100**	100	**55 616 951**	55 616 951
Incorporated in Singapore				
Adapt IT Solutions Pte Ltd	**100**	100	**24 565 132**	24 565 132
			147 869 830	147 869 830

*** 100% consolidation*

	Company 2021 R	Company 2020 R
Adapt IT (Pty) Ltd		
Shares at cost	**48 115 401**	48 115 401
Capital contribution for share-based payment charge of subsidiary	**19 572 246**	19 572 246
Total shares	**67 687 647**	67 687 647
Amounts owing by subsidiary	**97 250 587**	139 468 173
	164 938 234	207 155 820

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. The loan is unsecured.

Cash flows are managed at group level to ensure efficiencies and to ensure that there is sufficient capital available to support the funding requirements of the group.

The investment in Adapt IT (Pty) Ltd has been pledged as security for The Standard Bank of South Africa Limited debt (refer note 22).

	Company 2021 R	Company 2020 R
Adapt IT Consulting (Pty) Ltd		
Shares at cost	**100**	100
Adapt IT International Ltd		
Shares at cost	**55 616 951**	55 616 951
Amounts owing by subsidiary	**18 455 821**	23 936 764
	74 072 772	79 553 715

The loan is Rand denominated. Interest is charged at the South African prime rate and the full loan amount is repayable by 31 May 2026. The loan is unsecured.

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

11. INTEREST IN SUBSIDIARIES AND SHARE TRUST CONTINUED

	Company 2021 R	Company 2020 R
Adapt IT Solutions Pte Ltd		
Shares at cost	**24 565 132**	24 565 132
Total interest in subsidiaries and Share Incentive Trust		
Total shares	**147 869 830**	147 869 830
Net amounts owing by subsidiaries	**115 706 408**	163 404 937
– Non-current loans^	**18 455 821**	23 936 764
– Current loans#	**97 250 587**	139 468 173
Total interest	**263 576 238**	311 274 767

^ *There has been no significant increase in credit risk since the loan was initially recognised. The loan is therefore in stage 1 of the impairment model and a 12 month expected credit loss is applicable. The borrower is not in default and has enough unrestricted cash to repay the loan on reporting date. The expected credit loss is therefore negligible, and no further consideration was considered necessary.*

Interest free intercompany loans with no stated term are assumed to be payable on demand. There is no distinction between 12 month and lifetime expected credit losses from a measurement point of view. This is due to the lender's credit exposure being limited to the time it takes to demand repayment (i.e. as short as one day or less). The borrower has enough unrestricted cash to repay the loan at reporting date. The expected credit loss is therefore negligible, and no further consideration was considered necessary.

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

Refer to note 31 for details of transactions between related parties.

Loans receivable not past due, nor impaired amount to R115 706 408 (2020: R163 404 937).

12. FINANCE LEASE RECEIVABLES

Accounting policy

The group applies IFRS 16 Leases to account for all lease contracts.

Where the group acts as a lessor, it determines at inception whether each lease is a finance or operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Amounts due from lessees under finance leases are recognised as receivables at the amount of the group's net investment in the leases. Each lease payment received from the customer is allocated between the finance lease receivable and finance lease interest income. Interest received on finance leases is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Refer to note 1.7 for the group's accounting policy regarding the impairment of the finance lease receivables.

	Consolidated 2021 R	Consolidated 2020 R	**Company 2021 R**	Company 2020 R
Minimum lease payments:				
Amounts receivable under finance leases:				
Within one year	**10 738 184**	15 634 920	**–**	–
In second to fifth year inclusive	**40 500 514**	31 049 080	**–**	–
	51 238 698	46 684 000	**–**	–
Less: unearned interest	**(13 600 590)**	(13 107 047)	**–**	–
Present value of minimum lease payments receivable	**37 638 108**	33 576 953	**–**	–
Loss allowance	**(1 424 153)**	(683 541)	**–**	–
	36 213 955	32 893 412	**–**	–
Present value of minimum lease payments:				
Amounts receivable under finance leases:				
Current finance lease receivables	**10 608 978**	10 258 647	**–**	–
Non-current finance lease receivables	**27 029 130**	23 318 306	**–**	–
Present value of minimum lease payments	**37 638 108**	33 576 953	**–**	–
Analysed as:				
Current finance lease receivables	**10 232 492**	9 900 352	**–**	–
Non-current finance lease receivables	**25 981 463**	22 993 060	**–**	–
	36 213 955	32 893 412	**–**	–
The movement in the impairment allowance in respect of finance leases receivables during the year was as follows:				
Balance at beginning of year	**683 541**	1 343 437	**–**	–
Loss allowance/(reversal) on finance lease receivables	**740 612**	(659 896)	**–**	–
Balance at end of year	**1 424 153**	683 541	**–**	–

Micros entered into finance lease arrangements for IT equipment. The average term of finance leases entered into is five years. The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 20% (2020: 20%).

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

13. LOANS RECEIVABLE

Accounting policy

Loans receivable are measured at amortised cost as they are generated through a business model, the objective of which is to hold these assets for the purpose of collecting contractual cashflows and those cashflows comprise solely payments of principal and interest (i.e. "hold to collect" business model).

Enterprise Development loans are made for the purposes of Black Economic Empowerment and may not be secured or bear interest. Refer to note 1.7 for the group's complete accounting policies regarding financial assets and liabilities.

	Consolidated 2021 R	Consolidated 2020 R	**Company 2021 R**	Company 2020 R
Non-current loans receivable^	**651 617**	500 000	**–**	–
Current loans receivable	**441 667**	541 667	**–**	–
	1 093 284	1 041 667	**–**	–
Split of balance:				
Enterprise Development loan	**651 617**	–	**–**	–
Loan to Uyandiswa Project Management Services (Pty) Ltd	**441 667**	1 041 667	**–**	–
	1 093 284	1 041 667	**–**	–

^ *There has been no significant increase in credit risk since the loan was initially recognised. The loan is therefore in stage 1 of the impairment model and a 12 month expected credit loss is applicable. The borrower is not in default and has enough unrestricted cash to repay the loan on reporting date. The expected credit loss is therefore negligible, and no further consideration was considered necessary.*

Enterprise Development loan

On 30 June 2020, the group entered into an agreement with FutureMe Holdings (Pty) Ltd, whereby loan funding has been advanced. The loan is a 60 month facility and is interest free.

Loan to Uyandiswa Project Management Services (Pty) Ltd

The loan balance of R441 667 (2020: R1 041 667) has monthly repayments of R41 667 with the last repayment being 30 June 2022. The loan is unsecured and interest free.

The loans are carried at amortised cost.

14. DEFERRED TAXATION

Accounting policy

Deferred taxation 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.

Deferred tax assets and liabilities are only offset to the extent that the balances are recoverable from the same tax authority and there is a legal right to offset them at settlement of those balances.

14. DEFERRED TAXATION CONTINUED

Accounting policy continued

Judgements and estimates

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 thereafter.

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.

	Consolidated 2021 R	Consolidated 2020 R	Company 2021 R	Company 2020 R
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, loss allowance, lease receivable and other provisions	**28 989 329**	16 784 113	**65 807**	27 440
Contract liabilities	**24 517 786**	22 297 962	**–**	–
Lease liabilities	**84 448 773**	83 772 166	**–**	–
Estimated tax losses	**–**	638 778	**–**	–
Capital allowances	**439 140**	–	**–**	–
	138 395 028	123 493 019	**65 807**	27 440
Deferred taxation liability				
Prepaid expenditure	**(3 201 937)**	(3 258 521)	**(24 283)**	(34 309)
Contract assets	**(13 990 972)**	(10 615 770)	**–**	–
Property and equipment	**(16 105 966)**	(15 233 225)	**–**	–
Intangible assets arising from business combinations	**(38 464 256)**	(49 370 911)	**–**	–
Right-of-use assets	**(66 004 263)**	(66 864 389)	**–**	–
Other	**(245 028)**	–	**–**	–
	(138 012 422)	(145 342 816)	**(24 283)**	(34 309)
Comprising:				
Deferred taxation asset	**28 365 025**	14 769 835	**–**	–
Deferred taxation liability	**(27 982 419)**	(36 619 632)	**41 524**	(6 869)
	382 606	(21 849 797)	**41 524**	(6 869)
Reconciliation of deferred taxation:				
Balance at beginning of year	**(21 849 797)**	(29 865 381)	**(6 869)**	104 665
Movements during the period attributable to:				
– Credit/(charge) to profit and loss	**20 941 020**	(1 791 176)	**61 271**	(111 534)
– Prior year over/(under) provision	**1 013 414**	(3 609 703)	**(12 878)**	–
– Change in tax rate	**12 467**	(47 157)	**–**	–
– Transition period adjustments relating to IFRS 16 Leases	**–**	13 695 527	**–**	–
– Foreign currency differences	**265 502**	(231 907)	**–**	–
Balance at end of year	**382 606**	(21 849 797)	**41 524**	(6 869)

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

15. INVENTORIES

Accounting policy

The group recognises inventories initially at cost when it has control of the inventories, expects it to provide future economic benefits and the cost can be measured reliably. Inventories are subsequently measured at the lower of cost and net realisable value. Net realisable value is the estimate of the selling price in the ordinary course of business, less applicable variable selling expenses. The amount of any write-down of inventories to net realisable value and all provisions for inventory obsolescence are recognised within costs of sales in the period during which the write-down or provision occurs.

Covid-19 consideration

Inventory relates to IT equipment sold in the Hospitality industry. Covid-19 and the accompanying lockdown regulations have had a negative impact on the industry in South Africa. The group has considered the impact of the Covid-19 pandemic on the valuation of inventory resulting in a R4 426 461 provision for inventory obsolescence in the current year.

	Consolidated 2021 R	Consolidated 2020 R	**Company 2021 R**	Company 2020 R
Finished goods	**17 228 122**	31 685 937	**–**	–

Inventory relates to IT equipment sold by the Hospitality segment. During the year a provision for inventory obsolescence of R4 426 461 (2020: Rnil) was provided (refer note 3).

In 2020, R6 422 072 was written off due to stock theft and R969 889 was written off as obsolete stock. Insurance proceeds of R2 791 831 was received during 2021 for the stock theft (refer note 3).

16. TRADE AND OTHER RECEIVABLES

Accounting policy

Trade and other receivables, which generally have 30 to 60 day terms, are recognised and carried at original invoice amount, less an allowance for any uncollectible amounts. Short duration receivables with no stated interest rate are measured at original invoice amount. Due to their short term nature, the carrying amount of trade receivables approximates their fair value and they are classified and measured at amortised cost.

Refer to note 1.7 for the group's complete accounting policies regarding financial assets and liabilities.

Prepayments and other receivables are stated at their nominal values. Prepayments include deferred cost of sales relating to committed licence costs.

Covid-19 consideration

A slowdown in customer receipts were noted in the Hospitality segment when stricter lockdown regulations were in effect due to Covid-19. Payment behaviours improved once restrictions were lifted or eased. When internal or external information indicated that the group is unlikely to receive the outstanding contractual amounts in full, expected credit loss ratios were increased accordingly or an appropriate specific credit loss allowance was recognised.

For other segments, where there has been little evidence to suggest a slowdown in payment behaviour during the current period and post year end, the group performed sensitivity analyses and stress testing on a range of possible scenarios, varying in severity. Management is monitoring all portfolios and material individual customers closely and has concluded that the likelihood of a material change to expected credit losses is low.

	Consolidated 2021 R	Consolidated 2020 R	**Company 2021 R**	Company 2020 R
Trade receivables	**229 732 032**	257 278 982	**424 856**	–
Prepaid expenses	**34 705 444**	33 662 219	**86 726**	168 524
Other receivables	**4 805 497**	4 944 844	**–**	–
VAT	**742 752**	1 816 355	**–**	–
	269 985 725	297 702 400	**511 582**	168 524
Loss allowance	**(25 521 909)**	(12 422 297)	**–**	–
	244 463 816	285 280 103	**511 582**	168 524

Adapt IT Holdings Ltd, Adapt IT (Pty) Ltd, CQS Confirmations (Pty) Ltd and Micros South Africa (Pty) Ltd carrying value of trade receivables pledged as security for The Standard Bank of South Africa Limited debt at year end is R245 548 876 (2020 Adapt IT (Pty) Ltd: R237 080 520) (refer note 22).

Other receivables relates maintly to deposits and suppliers with debit balances.

	Consolidated 2021 R	Consolidated 2020 R	**Company 2021 R**	Company 2020 R
Loss allowance/provision for impairment reconciliation:				
Balance at beginning of year	**12 422 297**	22 033 897	**–**	–
Loss allowance on trade receivables for the year	**13 836 691**	2 346 793	**–**	–
Amounts written-off	**(645 618)**	(12 124 320)	**–**	–
Foreign exchange movement	**(91 461)**	165 927	**–**	–
Balance at end of year	**25 521 909**	12 422 297	**–**	–

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

16. TRADE AND OTHER RECEIVABLES CONTINUED

The table below provides a breakdown of the customer types identified by the group:

Category	Description
Corporate	Business to business channel, where the counterparty predominantly is in the formal space in the economy.
Parastatal/government	A company, agency, or intergovernmental organisation, that possesses political clout and is separate from the government, but whose activities serve the state, either directly or indirectly. General purpose administrative subdivisions of government at a local level whom have corporate status and powers of self government or jurisdiction as granted by national and regional laws.
SME	SME entity type is defined using the Minister of Small Business Development amended definitions of micro, small and medium enterprises in South Africa published in the Government Gazette. Included in this grouping are business to consumer, and business to micro/small business customers who specifically do not meet the requirements of any of the other groupings.

As at 30 June 2021 the lifetime expected loss allowances for trade receivables are as follows:

		Not past due	Past due by 1 to 30 days	Past due by 31 to 60 days	Past due by 61 to 90 days	90+ days past due	Total
Corporate							
Expected loss rate	%	0,08	0,18	0,26	13,92	38,36	7,33
Estimated total gross carrying amount at default	R	100 802 146	19 864 552	14 779 880	4 071 174	30 592 577	170 110 329
Expected credit loss allowance		83 856	36 304	38 145	566 886	11 736 057	12 461 248
Parastatal/government							
Expected loss rate	%	1,43	0,06	8,44	6,63	59,51	18,73
Estimated total gross carrying amount at default	R	11 456 339	4 579 359	2 992 783	3 573 323	8 769 786	31 371 590
Expected credit loss allowance		163 645	2 791	252 566	236 932	5 218 761	5 874 695
SME							
Expected loss rate	%	0,19	2,49	0,42	7,88	61,22	25,44
Estimated total gross carrying amount at default	R	11 365 288	574 799	3 530 976	1 290 623	11 488 427	28 250 113
Expected credit loss allowance		21 471	14 337	14 787	101 734	7 033 637	7 185 966
Total trade receivables							
Expected loss rate	%	0,22	0,21	1,43	10,13	47,17	11,11
Estimated total gross carrying amount at default	R	123 623 773	25 018 710	21 303 639	8 935 120	50 850 790	229 732 032
Expected credit loss allowance		268 972	53 432	305 498	905 552	23 988 455	25 521 909

The group considered all reasonable and supportable information available at year end. Where such evidence indicated that a portfolio, a portion of the portfolio or an individual customer reflected objective evidence of impairment, the group recognised a specific credit loss allowance. Accordingly, the above expected loss rates do not portray an incremental profile.

16. TRADE AND OTHER RECEIVABLES CONTINUED

The below table represents the expected credit loss rate profile excluding the specific credit loss allowance as detailed above:

Total trade receivables excluding specific credit loss allowance

		Not past due	Past due by 1 to 30 days	Past due by 31 to 60 days	Past due by 61 to 90 days	90+ days past due	Total
Expected loss rate	%	**0,20**	**0,21**	**1,32**	**8,32**	**20,37**	**5,09**
Estimated total gross carrying amount at default	R	**123 623 773**	**25 018 710**	**21 303 639**	**8 935 120**	**50 850 790**	**229 732 032**
Expected credit loss allowance, excluding specific loss allowance		**250 387**	**51 451**	**281 274**	**743 689**	**10 359 119**	**11 685 920**

As at 30 June 2020 the lifetime expected loss allowance for trade receivables were as follows:

		Not past due	Past due by 1 to 30 days	Past due by 31 to 60 days	Past due by 61 to 90 days	90+ days past due	Total
Corporate							
Expected loss rate	%	0,05	0,09	0,09	1,67	31,08	3,91
Estimated total gross carrying amount at default	R	106 042 487	39 710 842	14 838 636	9 987 339	23 584 381	194 163 685
Expected credit loss allowance		50 946	37 474	13 331	166 807	7 329 827	7 598 385
Parastatal/government							
Expected loss rate	%	0,02	0,02	0,07	0,09	10,88	3,71
Estimated total gross carrying amount at default	R	8 071 784	7 052 097	3 397 921	3 119 560	11 088 016	32 729 378
Expected credit loss allowance		1 654	1 591	2 340	2 756	1 206 843	1 215 184
SME							
Expected loss rate	%	0,39	5,99	6,18	10,04	44,27	11,88
Estimated total gross carrying amount at default	R	10 546 572	3 393 588	3 987 309	7 005 309	5 453 141	30 385 919
Expected credit loss allowance		41 271	203 286	246 236	703 562	2 414 374	3 608 728
Total trade receivables							
Expected loss rate	%	0,08	0,48	1,18	4,34	27,29	4,83
Estimated total gross carrying amount at default	R	124 660 843	50 156 526	22 223 866	20 112 209	40 125 538	257 278 982
Expected credit loss allowance		93 871	242 350	261 907	873 125	10 951 044	12 422 297

The group considered all reasonable and supportable information available at year end. Where such evidence indicated that a portfolio, a portion of the portfolio or an individual customer reflected objective evidence of impairment, the group recognised a specific credit loss allowance. Accordingly, the above expected loss rates did not portray an incremental profile.

The below table represents the expected credit loss rate profile excluding the specific credit loss allowance as detailed above:

Total trade receivables excluding specific credit loss allowance

		Not past due	Past due by 1 to 30 days	Past due by 31 to 60 days	Past due by 61 to 90 days	90+ days past due	Total
Expected loss rate	%	0,08	0,48	0,27	4,34	26,34	4,60
Estimated total gross carrying amount at default	R	124 660 843	50 156 525	22 223 866	20 112 210	40 125 538	257 278 982
Expected credit loss allowance, excluding specific loss allowance		93 871	242 350	59 756	873 125	10 567 520	11 836 622

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

17. CONTRACT ASSETS

Accounting policy

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration. Contract assets are measured at amortised cost.

Refer to note 1.7 for the group's complete accounting policies regarding financial assets and liabilities.

	Consolidated 2021 R	Consolidated 2020 R	**Company 2021 R**	Company 2020 R
Education	**35 338 249**	12 978 701	**–**	–
Manufacturing	**6 856 871**	3 380 808	**–**	–
Financial Services	**2 339 152**	144 548	**–**	–
Energy	**–**	3 923 721	**–**	–
Communications	**4 809 419**	16 413 580	**–**	–
Hospitality	**–**	1 126 609	**–**	–
	49 343 691	37 967 967	**–**	–
Loss allowance (expected loss rate of 1,6% (2020: 1,9%))	**(765 085)**	(708 790)	**–**	–
	48 578 606	37 259 177	**–**	–
The movement in the impairment allowance in respect of contract assets during the year was as follows:				
Balance at beginning of year	**708 790**	1 152 305	**–**	–
Loss allowance on amounts due from contract assets	**56 314**	(443 517)	**–**	–
Foreign exchange movement	**(19)**	2	**–**	–
Balance at end of year	**765 085**	708 790	**–**	–
The table below discloses significant changes to the contract asset balances during the financial year:				
Balance at beginning of year	**37 259 177**	24 224 014	**–**	–
Net movement during the year	**11 521 012**	12 591 648	**–**	–
Movement on loss allowance on amounts due from contract assets	**(56 314)**	443 517	**–**	–
Foreign exchange movement	**(145 269)**	(2)	**–**	–
Balance at end of year	**48 578 606**	37 259 177	**–**	–

18. ASSETS CLASSIFIED AS HELD FOR SALE

Accounting policy

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for the sales of such assets and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amounts and fair value less directly attributable cost to sell and are not depreciated.

The group considers a sale as highly probable when director approval, or shareholder approval where necessary, is obtained and an active plan to locate a buyer has been initiated.

During the prior year, the group had entered into a sale agreement subject to customary conditions to dispose of the property. All conditions were fulfilled during the current year and the property was disposed for R9 425 000 (excluding VAT) net of disposal costs, resulting in an impairment of R75 000.

In the prior year, in accordance with IFRS 13 the property was held at fair value determined in relation to a sale agreement. Accordingly, the fair value was determined as a level 2 input in terms of the fair value hierarchy as per paragraph 82 of IFRS 13.

	Consolidated 2021 R	Consolidated 2020 R	**Company 2021 R**	Company 2020 R
Property – land and buildings	**–**	9 500 000	**–**	–
Total	**–**	9 500 000	**–**	–
Reconciliation of balance:				
Balance at beginning of year	**9 500 000**	7 826 087	**–**	–
(Impairment)/reversal of impairment (refer note 3)	**(75 000)**	1 673 913	**–**	–
Proceeds received on disposal	**(9 425 000)**	–	**–**	–
	–	9 500 000	**–**	–

The property described as Erf 1488 Monument Park, Registration Division JR, Province of Gauteng: measuring 5 090 square metres, was registered and transferred on 26 March 2021 to the purchaser and proceeds of R9 425 000 received.

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

19. STATED CAPITAL

Accounting policy

Consideration paid or received for equity instruments is recognised directly in equity. Issued stated capital is initially measured at the proceeds received less directly attributable issue costs. Shares which are cancelled are delisted and returned to authorised but unissued stated capital.

	Consolidated 2021 R	Consolidated 2020 R	Company 2021 R	Company 2020 R
Authorised				
300 000 000 ordinary shares of no par value	–	–	–	–
Issued				
137 761 839 (2020: 144 887 497) ordinary shares of no par value	–	–	–	–

	2021 Number of shares	2020 Number of shares
Reconciliation of the number of ordinary shares in issue		
Ordinary shares in issue:		
Balance at beginning of year	**144 887 497**	152 513 154
Cancellation of shares	**(7 125 658)**	(7 625 657)
Balance at end of year	**137 761 839**	144 887 497

The remaining unissued shares are under the control of the direcors 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.

	Consolidated 2021 R	Consolidated 2020 R	Company 2021 R	Company 2020 R
Reconciliation of movement in share capital:				
Balance at beginning of year	–	15 251	–	15 251
Converted to no par value shares	–	(15 251)	–	(15 251)
Balance at end of year	–	–	–	–
Reconciliation of movement in share premium:				
Balance at beginning of year	–	248 123 665	–	337 305 365
Converted to no par value shares	–	(248 123 665)	–	(337 305 365)
	–	–	–	–
Reconciliation of movement in stated capital:				
Balance at beginning of year	**248 138 154**	–	**289 423 273**	–
Converted from par value shares	–	248 138 916	–	337 320 616
Cancellation of shares	**(713)**	(762)	**(41 332 614)**	(47 897 343)
Balance at end of year	**248 137 441**	248 138 154	**248 090 659**	289 423 273

20. TREASURY SHARES

Accounting policy

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.

	Consolidated 2021 R	Consolidated 2020 R
500 000 (2020: 7 625 658) treasury shares of no par value	**50**	763

	2021 Number of shares	2020 Number of shares
Reconciliation of the number of treasury shares on hand:		
Balance at beginning of year	**7 625 658**	15 251 315
Cancellation of treasury shares	**(7 125 658)**	(7 625 657)
Balance at end of year	**500 000**	7 625 658

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

21. EQUITY COMPENSATION RESERVE

Accounting policy

Executive directors and senior executives were granted equity-settled share options in terms of the Adapt IT Holdings Limited Executive Share Incentive Plan (a share appreciation rights scheme). The scheme terminated in August 2020. Upon cancellation, the amount remaining in the equity compensation reserve is transferred within equity to retained earnings.

The Value Appreciation Rights Plan (VARP) provides executive directors and senior management with the opportunity to receive shares in Adapt IT Holdings Limited through the grant of conditional value appreciation rights.

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 over the vesting period. Fair value is adjusted for the effect of non-market-based vesting conditions at year end. Fair value is measured using an appropriate valuation model.

The Adapt IT Holdings Limited Executive Share Incentive Plan (a share appreciation rights scheme) was implemented in 2015. The scheme terminated in August 2020. The equity compensation reserve balance was reclassified to retained income.

The Value Appreciation Rights Plan (VARP) was implemented in November 2020, following shareholder approval at the AGM. The VARP is an equity settled plan that links participant's award value to Adapt IT's intrinsic value growth and the achievement of performance conditions over a three year period. The VARP vesting period is at the end of year three. A condition for vesting is employment at the end of year three.

A market related percentage of total guaranteed package is allocated to participants, and for vesting to occur, suitably stretching performance conditions must be met.

The allocation value will be adjusted by the performance vesting percentage and the change in intrinsic value, and will be settled in equity through the use of market purchased shares in order to limit dilution to shareholders.

Share-based payments are measured at fair value at the date of the grant, which is expensed over the period of vesting.

	Consolidated 2021 R	Consolidated 2020 R	**Company 2021 R**	Company 2020 R
Equity compensation reserve				
Balance at beginning of year	**17 988 406**	17 988 406	**17 988 406**	17 988 406
Reclassification of lapsed share-based reserve to retained income	**(17 988 406)**	–	**(17 988 406)**	–
	–	17 988 406	**–**	17 988 406
Total expense recognised arising from share-based payment	**3 240 000**	–	**–**	–
Balance at end of year	**3 240 000**	17 988 406	**–**	17 988 406

Reconciliation of incentive units under the cancelled scheme

	Number of shares (number of share units)	Weighted average strike price of share units (cents)
Granted during the 30 June 2018 year:		
Outstanding at beginning of year	3 636 820	933
Lapsed during the year	(3 636 820)	–

Basis of valuation		
Fair value was determined by using the Binomial model. The following inputs were used:		
Unit price	(cents)	933
Strike price	(cents)	933
Expected volatility	(%)	29,8
Expected dividend yield	(%)	1,5
Weighted fair value of options issued	(cents)	215
Expiry date from issue	(years)	3

21. EQUITY COMPENSATION RESERVE CONTINUED

Share appreciation units granted to executive directors under the cancelled scheme:

Expiring three years from	Issue price (cents)	Number of conditional awards 30 June 2020	Lapsed	**Number of conditional awards 30 June 2021**
S Shabalala				
Granted during the 30 June 2018 year	933	943 553	(943 553)	–
		943 553	(943 553)	–
T Dunsdon				
Granted during the 30 June 2018 year	933	559 539	(559 539)	–
		559 539	(559 539)	–
N Mbambo				
Granted during the 30 June 2018 year	933	299 561	(299 561)	–
		299 561	(299 561)	–

VARP granted to executive directors:

Expiring three years from grant date	30 June 2020 R	Granted R	**Allocation at 30 June 2021 R**
S Shabalala*			
Granted during the 30 June 2021 year	–	2 393 525	**2 393 525**
	–	2 393 525	**2 393 525**
T Dunsdon			
Granted during the 30 June 2021 year	–	1 300 000	**1 300 000**
	–	1 300 000	**1 300 000**
N Mbambo			
Granted during the 30 June 2021 year	–	1 300 000	**1 300 000**
	–	1 300 000	**1 300 000**
T Vicente			
Granted during the 30 June 2021 year	–	1 300 000	**1 300 000**
	–	1 300 000	**1 300 000**

** Resigned on 6 August 2021 and forfeited allocation on this date.*

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

22. INTEREST-BEARING BORROWINGS

Accounting policy

Interest-bearing borrowings are recognised initially at fair value and net of directly attributable transaction costs. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest rate method. The effective interest rate amortisation is included as finance costs in the statement of profit or loss.

Fees paid on the establishment of selected loan facilities are capitalised as a prepayment against the loan and amortised over the period of the facility to which they relate.

The group presents current and non-current borrowings separately on the face of the statement of financial position. A liability is classified as current unless the group has an unconditional right to defer settlement of the liability for at least 12 months after year end.

Refer to note 1.7 for the group's complete accounting policies regarding financial assets and liabilities.

	Consolidated 2021 R	Consolidated 2020 R
Non-current borrowings	**169 456 939**	486 932 556
(1) The Standard Bank of South Africa Limited	**169 456 939**	486 932 556
Current borrowings	**23 062 240**	34 145 448
(1) The Standard Bank of South Africa Limited	**23 062 240**	34 145 448
Total	**192 519 179**	521 078 004

In May 2021, Adapt IT (Pty) Ltd, restructured The Standard Bank of South Africa facilities.

Analysis and maturity profile of interest-bearing borrowings:

At 30 June 2021, after the restructure:

(1) The Standard Bank of South Africa Limited

The borrowings terms comprise:	Facility amount (R)	Restructure date	Term	Repayment	Interest terms
Facility A – term loan facility for acquisitions	**33 623 785**	**28 May 2021**	**30 months**	**Quarterly, started 30 June 2021, ends 14 December 2023**	**JIBAR +margin of 2,65% to 2,90%**
Facility B – revolving credit facility for working capital	**385 000 000**	**28 May 2021**	**31 months**	**Quarterly reduction by R2 700 000, started 30 June 2021, ends 3 January 2024**	**Prime less margin of 0,05% to 0,30%**
	418 623 785				

No further amounts can be withdrawn.

22. INTEREST-BEARING BORROWINGS CONTINUED

At 30 June 2020 before the restructure:

(1) The Standard Bank of South Africa Limited

The borrowings terms comprise:	Facility amount (R)	Date obtained	Term	Repayment	Interest terms
Facility A – term loan facility for acquisitions	350 000 000	13 December 2018	60 months	Quarterly, started 31 December 2019	JIBAR +margin of 2,65% to 2,90%
Facility B – revolving credit facility for working capital	405 000 000	13 December 2018	36 months	12 December 2021	Prime less margin of 0,20% to 0,45%
	755 000 000				

The facilities are secured by cession of all insurance policies, cash and cash equivalents and trade receivables of Adapt IT Holdings Limited, Adapt IT (Pty) Ltd, Micros South Africa (Pty) Ltd, CQS Confirmations (Pty) Ltd and Adapt IT Consulting (Pty) Ltd along with the shares held in Adapt IT (Pty) Ltd, CQS Confirmations (Pty) Ltd, Micros South Africa (Pty) Ltd, and Adapt IT Consulting (Pty) Ltd. The facilities are further secured by R755 000 000 general notarial bond over the moveable assets of Adapt IT (Pty) Ltd.

	Capital outstanding	Interest capitalised	Total	Interest rates	Interest rate % charge
Balance at 30 June 2021					
Facility A – term loan facility for acquisitions	**30 567 077**	**5 311**	**30 572 388**	**JIBAR +2,65%**	**Rates ranging between 6,250 and 6,808**
Facility B – revolving credit facility for working capital	**163 964 665**	**30 098**	**163 994 763**	**Prime -0,30%**	**Rates ranging between 7,050 and 6,800**
	194 531 742	**35 409**	**194 567 151**		
Capital raising fees (amortised over term of facilities)	**(2 047 972)**	**–**	**(2 047 972)**		
Total	**192 483 770**	**35 409**	**192 519 179**		
Balance at 30 June 2020					
Facility A – term loan facility for acquisitions	119 157 544	22 225	119 179 769	JIBAR +2,90	Rates ranging between 8,508 and 9,700
Facility B – revolving credit facility for working capital	404 916 759	78 210	404 994 969	Prime -0,20%	Rates ranging between 7,050 and 9,800
	524 074 303	100 435	524 174 738		
Capital raising fees (amortised over term of facilities)	(3 096 734)	–	(3 096 734)		
Total	520 977 569	100 435	521 078 004		

Interest-bearing borrowings are carried at amortised cost.

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

23. FINANCIAL LIABILITIES

Accounting policy

Financial liabilities are recognised initially at fair value and expected future payments are discounted to present value using an appropriate market-related discount rate. The liabilities are subsequently measured at amortised cost using the effective interest rate method. The amount expected to be settled within 12 months from year end date is shown as current and the amounts expected to be settled 12 months after year end date is shown as non-current on the statement of financial position. The difference between the total capital repayments and the present value of the liabilities will be released to financing costs in the profit or loss over the terms on the liabilities.

Refer to note 1.7 for the group's complete accounting policies regarding financial assets and liabilities.

Presentation of cash flows on the Statement of Cash Flows
The settlement of contingent considerations recognised on the date of acquisition are presented as investing activities. The imputed interest is recorded in operating activities as this is where finance costs cash flows are presented for the group. The group has elected to present cash flows in relation to changes to the anticipated amounts determined to be paid on the date of acquisition as financing activities as these cash flows arise from a remeasurement of the financial liability.

Judgements and estimates
On 1 March 2019 the group acquired Wisenet. The purchase agreement allows for a further contingent consideration of a maximum amount of SGD 14 784 000 (contingent earn out portion) to be settled in cash. The contingent earn out portion payable is subject to the achievement by Wisenet of EBITDA performance warranties over 34 months and is based on three remeasurements (Contingent Payments 2, 3 and 4). The remeasurements are at the end of each calendar year for 2019, 2020 and 2021 respectively.

No earn-out was realised for 2019 (payment 2) or 2020 (payment 3).

Management estimates have been used in calculating the EBITDA used in the contingent earn out model. These estimates were based on detailed forecasts which were set in relation to current market conditions and the Wisenet strategy. The estimates indicate that an earn out is anticipated for 2021 (payment 4).

The discount rate used in present valuing the contingent consideration was 5,25% (2020: 5,25%).

Sensitivities: Wisenet contingent earn out
The key assumption used in the model is the forecast EBITDA. A change in EBITDA of 5% would result in an increase of SGD 95 251 in the total contingent consideration estimated of SGD 932 148.

Covid-19 considerations

Wisenet solutions were responsive to the needs of it's customers, especially during the changing landscape as a result of the Covid-19 pandemic. The demand for eLearning solutions led to an increase in the estimated future EBITDA of Wisenet. The improved forecasted EBITDA over the remaining 6 months led to a SGD 386 481 increase in the estimate of the contingent consideration.

23. FINANCIAL LIABILITIES CONTINUED

	Consolidated 2021 R	Consolidated 2020 R
Non-current	–	6 279 638
Wisenet contingent earn out	–	6 279 638
Current	**9 658 870**	18 469 219
Wisenet contingent earn out	**9 658 870**	–
EasyRoster performance warranty achieved	–	18 469 219
	9 658 870	24 748 857

The Wisenet future performance warranties are contingent upon the achievement by Wisenet of EBITDA performance warranties (6 months remaining).

	Consolidated 2021 R	Consolidated 2020 R
Reconciliation of financial liabilities:		
Balance at beginning of year	**24 748 857**	57 616 360
Movements during the period attributable to:		
Imputed interest	**310 935**	3 285 773
Payment of financial liability relating to EasyRoster	**(18 469 219)**	(16 866 530)
Subsequent remeasurement (refer note 3)	**4 305 020**	(22 016 764)
Foreign exchange	**(1 236 723)**	2 730 018
Balance at end of year	**9 658 870**	24 748 857

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

24. LEASE LIABILITIES

Accounting policy

The group assesses whether a contract is or contains a lease, at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (value of under R75 000 such as IT equipment and printers). For these leases, the group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses its incremental borrowing rate. The incremental borrowing rate applied to leases during the year varied between 3,19% and 10,26%.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable

The lease liability is subsequently measured at amortised cost using the effective interest rate method. Lease payments are apportioned between the finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

When the group modifies the terms of a lease or reassesses the estimates without increasing the scope of the lease, that results in changes to future payments, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. An equivalent adjustment is made to the carrying amount of the right-of-use asset, with the revised carrying amount being depreciated over the revised lease term.

When the group modifies the terms of a lease resulting in an increase in scope, the group accounts for these modifications as a separate new lease.

Judgements and estimates

Determination of the lease liability involves judgement on and estimate of key inputs being interest rates as described above and the duration of the lease contract including take up of extension options. Lease contracts are typically entered for fixed periods but may contain extension options. These may be exercised to maximise operational profitability in terms of managing the assets used in the group's operations. For options held that are exercisable only by the group and not by the respective lessor, the leases were individually assessed for management's intention of extending the lease on an individual basis and the extension period was included in determining the lease liability where management was reasonably certain that the extension period would be exercised.

Covid-19 related rent concessions

Reductions in lease payments due to Covid-19 are treated as a negative variable lease payment and are recognised in profit or loss when the rent concession has been agreed with the landlord and the portion of the lease liability that is extinguished by the concession is commensurately derecognised.

24. LEASE LIABILITIES CONTINUED

	Consolidated 2021 R	Consolidated 2020 R	Company 2021 R	Company 2020 R
Non-current lease liabilities	**273 767 939**	276 207 597	**–**	–
Current lease liabilities	**28 436 501**	25 489 931	**–**	–
Present value of minimum lease payments	**302 204 440**	301 697 528	**–**	–
Minimum lease payments				
Within one year	**57 429 778**	55 054 375	**–**	–
In second to fifth year inclusive	**194 430 085**	186 653 376	**–**	–
Greater than five years	**215 737 495**	243 148 180	**–**	–
	467 597 358	484 855 931	**–**	–
Less: unearned interest	**(165 392 918)**	(183 158 403)	**–**	–
	302 204 440	301 697 528	**–**	–
Movement in lease liabilities:				
Balance at beginning of year	**301 697 528**	305 250 003	**–**	–
Lease modifications and remeasurements^	**22 250 093**	13 680 492	**–**	–
Additions for new leases and renewals	**7 732 369**	–	**–**	–
Lease cancellation	**(2 050 492)**	–	**–**	–
Interest charge	**30 033 983**	30 717 229	**–**	–
Interest payment	**(30 033 983)**	(30 717 229)	**–**	–
Capital payments	**(26 356 398)**	(18 449 880)	**–**	–
Foreign exchange adjustments	**(1 068 660)**	1 216 913	**–**	–
Balance at end of year	**302 204 440**	301 697 528	**–**	–
Lease liabilities comprises:				
Premises and equipment	**301 761 601**	300 750 493	**–**	–
Motor vehicles	**442 839**	947 035	**–**	–
	302 204 440	301 697 528	**–**	–

^ *Lease modifications and remeasurements relates mainly to the Johannesburg Campus where the annual rental escalations is determined on an annual basis.*

The motor vehicle leases are secured by the lessor's charge over the leased assets (refer note 9).

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

25. TRADE AND OTHER PAYABLES

Accounting policy

Trade payables are initially measured at cost, being the fair value of the consideration to be paid in the future for goods and services rendered. These are subsequently measured at amortised cost using the effective interest rate method.

Other payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Refer to note 1.7 for the group's complete accounting policies regarding financial assets and liabilities.

	Consolidated 2021 R	Consolidated 2020 R	Company 2021 R	Company 2020 R
Trade payables	**87 931 822**	69 217 298	**2 741 997**	347 114
Accruals	**45 989 593**	45 398 078	**3 123 827**	100 631
VAT	**5 724 732**	11 291 062	**25 378**	516 117
Other payables	**15 034 257**	15 395 876	**–**	–
Unclaimed dividends	**156 948**	268 324	**156 948**	268 324
	154 837 352	141 570 638	**6 048 150**	1 232 186

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

Accruals are non-interest-bearing and are normally settled between 30 days and 60 days.

Other payables mainly relate to payroll-related payables. Other payables are non-interest bearing and settled within 30 days.

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

26. CONTRACT LIABILITIES

Accounting policy

A contract liability is recognised if a payment is received from a customer before the group transfers the related goods or services. Contract liabilities are recognised as revenue when the group performs under the contract (i.e. transfers control of the related goods or services to the customer). There is no significant financing component in contract liabilities.

	Consolidated 2021 R	Consolidated 2020 R	**Company 2021 R**	Company 2020 R
Education	**82 405 919**	78 637 499	**–**	–
Manufacturing	**5 853 441**	11 941 241	**–**	–
Financial Services	**4 590 447**	7 791 322	**–**	–
Energy	**2 732 308**	4 596 812	**–**	–
Communications	**3 868 767**	685 824	**–**	–
Hospitality	**33 291 810**	27 866 090	**–**	–
	132 742 692	131 518 788	**–**	–
Reconciliation of balance				
Balance at beginning of year	**131 518 788**	107 743 673	**–**	–
Release to the statement of profit or loss and other comprehensive income	**3 738 168**	19 778 144	**–**	–
Foreign exchange movement	**(2 514 264)**	3 996 971	**–**	–
Balance at end of year	**132 742 692**	131 518 788	**–**	–

Contract liabilities relates to maintenance, software licences, software as a service (SaaS), long term software projects in progress, ongoing upgrades and hosting pre-invoiced for future periods.

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

27. LEAVE PAY AND PROVISIONS

Accounting policy

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, in respect of which it is probable that an outflow of economic benefits will occur, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the reasonable estimate of the expenditure required to settle the obligation at the reporting date. Provisions are reviewed at each reporting date and adjusted to reflect the current reasonable estimate. If it is no longer probable that an outflow of resources will be required to settle the obligation, the provision is reversed.

	Consolidated 2021 R	Consolidated 2020 R	**Company 2021 R**	Company 2020 R
Leave pay				
Carrying value at beginning of year	**23 255 959**	26 509 837	**–**	–
Leave pay raised during the year	**8 769 677**	4 213 821	**–**	–
Utilised/paid during the year	**(3 491 396)**	(8 803 138)	**–**	–
Foreign exchange movement	**(903 424)**	1 335 439	**–**	–
Balance at end of year	**27 630 816**	23 255 959	**–**	–
The leave pay 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	**–**	33 042 193	**–**	–
Prior year over provision	**–**	(13 847)	**–**	–
Provision raised during the year	**29 913 605**	–	**–**	–
Provision utilised/paid during the year in respect of the prior year	**–**	(33 221 676)	**–**	–
Foreign exchange movement	**(63 032)**	193 330	**–**	–
Balance at end of year	**29 850 573**	–	**–**	–
The bonus provision is based on the results of the group and the related performance evaluation of the employees.				
Warranties				
Carrying value at beginning of year	**177 914**	211 187	**–**	–
Provision released during the year	**(98 614)**	(33 273)		
Balance at end of year	**79 300**	177 914	**–**	–
Total	**57 560 689**	23 433 873	**–**	–

28. CAPITAL COMMITMENTS

	Consolidated 2021 R	Consolidated 2020 R
Authorised and contracted	**2 384 995**	794 759
Authorised but not contracted	**33 786 500**	22 687 335
	36 171 495	23 482 094

Capital commitments will be funded from cash resources.

The company does not have any capital commitments.

29. CONTINGENT LIABILITIES

	Consolidated 2021 R	Consolidated 2020 R
Bank guarantees:		
Property leases: South Africa	**7 390 002**	7 390 002
Property leases: International	**3 029 077**	–
Performance obligation	**11 842 847**	1 406 568
Licence obligation	**8 585 944**	10 416 187
Credit card facilities	**1 200 000**	1 200 000
Total bank guarantees	**32 047 870**	20 412 757

The South African property lease guarantees are in favour of Johannesburg Campus, Durban and Cape Town landlords and relate to the last three months office rental.

The International property lease guarantee is in favor of a landlord in Melbourne Australia. A cash term deposit is held at The Australia and New Zealand Banking Group Limited (ANZ) as security for the guarantee. The cash term deposit is disclosed in the statements of financial position as other financial assets.

The bank guarantee will only be released upon the expiry of the office lease agreements.

The performance obligation guarantees relate to bid/tenders for the fulfilment of performance obligations under the contract.

The licence obligation guarantee is in favour of a foreign software vendor for USD600 000 and expires August 2022.

30. 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.

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

31. RELATED PARTY TRANSACTIONS

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

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

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial and operating decisions.

These transactions occurred under terms that are no more or less favourable than those arranged with third parties.

	Company Effective holding 2021 %	Company Effective holding 2020 %
Related party relationship:		
Incorporated in South Africa		
Adapt IT (Pty) Ltd	**100**	100
Adapt IT Consulting (Pty) Ltd	**100**	100
Adapt IT Holdings Limited Share Incentive Trust	**	**
Incorporated in Mauritius		
Adapt IT International Ltd	**100**	100
Incorporated in Singapore		
Adapt IT Solutions Pte Ltd	**100**	100

*** 100% consolidated*

	2021 R	2020 R
Loan		
Loans from the company to (refer note 11):		
Adapt IT (Pty) Ltd	**97 250 587**	139 468 173
Adapt IT International Ltd	**18 455 821**	23 936 764

The loan to Adapt IT (Pty) Ltd is unsecured and no interest is charged. The loan has no set terms of repayment.

The loan to Adapt IT International Ltd is unsecured and interest at prime rate is charged. The loan is repayable by 31 May 2026.

The following transactions were entered into between related parties within the group:

	2021 R	2020 R
Management fees received by the company from:		
Adapt IT (Pty) Ltd	**3 800 000**	3 800 000

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.

31. RELATED PARTY TRANSACTIONS CONTINUED

Transactions with directors

The Landlord of the JHB Campus is Mshengu Property Holdings (Pty) Ltd (MPH). MPH is 100% owned by the Mshengu Family Trust.

Mr S Shabalala, the Chief Executive Officer of the group at 30 June 2021, is a beneficiary and trustee of the Mshengu Family Trust. Furthermore, Mr S Shabalala is a director of MPH.

The lease is a commercial double net agreement. All property lease expenses invoiced to the group by MPH are assessed to the underlying third party invoice and all transactions are concluded at arm's length in the ordinary course of business.

Transactions with MPH for the year ended 30 June 2021 were as follows:

	2021 R	2020 R
Payment of lease liability*	**43 946 527**	34 620 449
Property municipal charges	**8 505 953**	8 186 210
Maintenance charges	**1 075 713**	1 925 460
Total	**53 528 193**	44 732 119

** The lease liability payment includes the final phase of the Campus, effective 1 June 2020.*

Mr S Shabalala resigned on 6 August 2021. The Landlord remains MPH, however, the related party falls away from this date.

Other than disclosed above, and in the Directors' Report, no significant related party transactions were entered into during the year under review.

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

32. FINANCIAL RISK MANAGEMENT

The group is exposed through its operation to the following financial risks:

- Credit risk;
- Liquidity risk;
- Market risk;
- Foreign currency risk; and
- Interest rate risk.

The group is exposed to risks that arise from its use of financial instruments. This note describes the group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

	Consolidated 2021 R	Consolidated 2020 R	Company 2021 R	Company 2020 R
Categories of financial instruments				
Financial assets				
Amortised cost	**385 500 557**	505 558 837	**116 567 141**	163 990 641
Reconciliation to statements of financial position				
Amounts owing from subsidiaries	**–**	–	**115 706 408**	163 404 937
Trade and other receivables net of loss allowance	**209 015 620**	249 801 529	**424 856**	–
Contract assets net of loss allowance	**48 578 606**	37 259 177	**–**	–
Finance lease receivables net of loss allowance	**36 213 955**	32 893 412	**–**	–
Loans receivable	**1 093 284**	1 041 667	**–**	–
Other financial assets	**3 029 077**	–	**–**	–
Cash and cash equivalents	**87 570 015**	184 563 052	**435 877**	585 704
Financial liabilities				
Other financial liabilities measured at amortised cost	**653 495 109**	977 803 965	**6 022 772**	716 069
Reconciliation to statements of financial position				
Trade and other payables	**149 112 620**	130 279 576	**6 022 772**	716 069
Interest-bearing borrowings	**192 519 179**	521 078 004	**–**	–
Financial liabilities	**9 658 870**	24 748 857	**–**	–
Lease liabilities	**302 204 440**	301 697 528	**–**	–

Due to their nature, the carrying value of the financial assets and liabilities approximates their fair value.

All financial assets and liabilities 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.

General objectives, policies and processes

The board has overall responsibility for the determination of the group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the group's finance function. The board receives quarterly reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The group's internal auditors also review the risk management policies and processes and report their findings to the audit committee.

The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the group's competitiveness and flexibility.

32. FINANCIAL RISK MANAGEMENT CONTINUED

32.1 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. Weekly meetings are held with the credit committee, comprising the Chief Financial Officer, finance executives, debtors management team and commercial department.

At these meetings, the trade receivables ageing is reviewed and updates regarding collections of long-outstanding or debtors in default are monitored.

Further disclosures regarding trade and other receivables are provided in note 16.

The group does not hold collateral as security.

The group grants varied credit terms of between 30 to 60 days to its customers. The analysis of trade and other receivables (excluding prepayments and VAT) which are past due at reporting date is as follows:

	Consolidated 2021 R	Consolidated 2020 R
Not past due or impaired	**157 791 932**	143 947 163
Past due by 31 to 60 days but not impaired	**38 452 581**	54 659 019
Past due by 61 to 90 days but not impaired	**29 973 625**	31 271 090
Past due over 90 days but not impaired	**57 663 082**	70 314 521
Total trade and other not impaired	**283 881 220**	300 191 793

The carrying amount of the trade receivables loss allowance is R25 521 909 (2020: R12 422 297).

The carrying amount of the contract assets loss allowance is R765 085 (2020: R708 790).

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

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

32. FINANCIAL RISK MANAGEMENT CONTINUED

32.2 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 board receives rolling 12 month cash flow projections on a quarterly basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The liquidity risk of the group is managed centrally by the shared services finance function. Budgets are set and agreed by the board in advance, enabling the group's cash requirements to be anticipated.

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

	On demand R	Within one year R	Two to five years R	Greater than five years R	Total R
Consolidated					
2021					
Interest-bearing borrowings	**35 409**	**24 861 571**	**199 930 039**	**–**	**224 827 019**
Financial liabilities	**–**	**9 915 205**	**–**	**–**	**9 915 205**
Lease liabilities	**–**	**57 429 778**	**194 430 085**	**215 737 495**	**467 597 358**
Accounts payable	**–**	**149 112 620**	**–**	**–**	**149 112 620**
Total	**35 409**	**241 319 174**	**394 360 124**	**215 737 495**	**851 452 202**
2020					
Interest-bearing borrowings	100 437	68 890 185	511 888 509	–	580 879 131
Financial liabilities	18 469 219	–	6 792 986	–	25 262 205
Lease liabilities	–	55 054 375	186 653 376	243 148 180	484 855 931
Accounts payable	–	130 279 576	–	–	130 279 576
Total	18 569 656	254 224 136	705 334 871	243 148 180	1 221 276 843
Company					
2021					
Accounts payable	**–**	**6 022 772**	**–**	**–**	**6 022 772**
Total	**–**	**6 022 772**	**–**	**–**	**6 022 772**
2020					
Accounts payable	–	716 069	–	–	716 069
Total	–	716 069	–	–	716 069

32.3 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.

32. FINANCIAL RISK MANAGEMENT CONTINUED

32.4 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 expenses are denominated in a different currency from the company's functional currency). Apart from these particular cash flows, the group aims to fund expenses and investments in the respective currency and to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred.

Most transactions are Rand based with a limited exposure to other currencies, mainly US Dollars, Australian Dollars, Euro and Ghanaian Cedi resulting in a foreign exchange loss for the year of R16 005 594 (2020: profit of R10 583 651).

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

	2021 Foreign amount	2021 R	2020 Foreign amount	2020 R
US Dollar	**1 562 365**	**22 357 296**	1 921 103	33 350 954
Ghanaian Cedi	**2 170 855**	**5 292 240**	642 314	1 908 629
Australian Dollar	**251 865**	**2 701 376**	499 370	5 972 859
Euro	**10 065**	**170 696**	223 378	4 356 687
Namibian Dollar	**5 054 074**	**5 054 074**	–	–
British Pounds	**(3 604)**	**(71 203)**	(71 289)	(1 530 728)
New Zealand Dollar	**1 055**	**10 534**	1 055	11 802
Singapore Dollar	**(12 313)**	**(130 968)**	355	4 419
Indian Rupee	**16 180**	**3 115**	16 180	3 719
UAE Dirham	**740**	**2 883**	680	3 214
Canadian Dollar	**220**	**2 538**	220	2 805
Rwanda Franc	**52 000**	**739**	52 000	930
Mozambique Metical	**771 719**	**172 618**	771 510	188 372
Botswana Pula	**390**	**515**	390	574
Kenya Shilling	**10 800**	**1 422**	7 600	1 221
Ugandan Shilling	**357 000**	**1 432**	345 000	1 587
Tanzanian Shillings	**102 100**	**627**	102 000	759
Zambian Kwacha	**15 907**	**10 031**	15 759	14 983
Lesotho Loti	**–**	**–**	52 096	52 096
Malawian Kwacha	**159 720**	**2 888**	155 900	3 630
Malaysian Ringgit	**294**	**1 013**	294	1 185
Total		**35 583 866**		44 349 697

Foreign currency sensitivity

The group's exchange rate exposure relates mainly to the US Dollars, Australian Dollars, Euro and Ghanaian Cedi. The following details the group's sensitivity to a 15,0% (2020: 20,0%) increase or decrease in the Rand against the relevant foreign currencies. 15,0% 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 (refer to note 1.4 for foreign exchange rates at reporting dates). The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and adjusts their translation at the year end for a 15,0% 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 15,0% (2020: 20,0%). This is reflective of the currency risk exposure throughout the year.

	2021 R	2020 R
Sensitivity analysis		
If the foreign currency rates had been 15,0% (2020: 20,0%) higher/lower and all other variables held constant, the group's profit for the year (before tax) would increase/decrease by	**5 337 580**	8 869 939

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

32. FINANCIAL RISK MANAGEMENT CONTINUED

32.5 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.

	Consolidated 2021 R	Consolidated 2020 R
Sensitivity analysis		
If the interest rates had been 100 basis points higher/lower and all other variables held constant, the group's profit for the year (before tax) would increase/decrease by	**3 709 396**	6 053 191

33. 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 net gearing ratio, which is net debt (excluding financial liabilities and premises and equipment lease liabilities) divided by total equity.

The group's policy is to keep the net gearing ratio below 50%.

The group is not subject to any external capital requirements.

		2021	2020
Net gearing ratio	(%)	**17,3**	45,2

34. EVENTS AFTER THE REPORTING DATE AND GOING CONCERN

34.1 GOING CONCERN

The group's current assets as at 30 June 2021 exceed the current liabilities and there are no liquidity issues or shortfalls. The group is able to meet its liabilities in the ordinary course of business.

The company incurred a loss for the year due to the corporate activity costs incurred (refer note 3). The company's current assets exceeds the current liabilities and there are no liquidity issues. The company is able to meet its liabilities in the ordinary course of business.

The debt covenants relating to the borrowings were all met at 30 June 2021.

The tangible assets of Adapt IT had not been directly impacted by the recent civil unrest in the province of KwaZulu-Natal and parts of Gauteng in South Africa.

The board is not aware of any events or conditions that may indicate that the group's continuance as a going concern may be questionable.

As at the date of approval of the financial statements, the directors made an assessment of the group and company's ability to continue as a going concern, taking into account all available information about the future, which is at least, but is not limited to, twelve months from the date of approval of these financial statements and confirm that they have not identified events or conditions that may cast significant doubt on the group and company's ability to continue as a going concern. Accordingly, the financial statements of the group and company have been prepared on a going concern basis which assumes that the group and company have adequate resources to realise their assets and discharge their liabilities in the ordinary course of business.

34.2 EVENTS AFTER THE REPORTING DATE

On 6 August 2021 Mr S Shabalala resigned as Chief Executive Officer of Adapt IT Holdings Limited.

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

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

35. SEGMENT ANALYSIS

The reportable segments reflect the current operating model of the group and achieve alignment with the way in which the business is managed and reported on by the group's Chief Executive Officer (the Chief Operating Decision Maker (CODM)). Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Monthly management meetings are held to evaluate segment performance against budget and forecast. The CODM does not monitor assets and liabilities by segment.

The group's reportable segments are Education, Manufacturing, Financial Services, Energy, Communications and Hospitality.

The following tables present revenue and EBITDA information regarding the group's operating segments for the years ended 30 June 2021 and 30 June 2020 respectively:

	Education R	Manufacturing R	Financial Services R	Energy R	Communications R	Hospitality R	Total R
30 June 2021							
Revenue	**304 093 734**	**249 608 990**	**327 987 123**	**61 365 119**	**298 827 010**	**261 495 910**	**1 503 377 886**
EBITDA*	**51 508 790**	**58 446 372**	**76 544 646**	**(2 376 840)**	**76 824 337**	**28 569 385**	**289 516 690**
Adjusted for:							
Depreciation (refer note 3)							**(20 991 889)**
Depreciation on right-of-use assets (refer note 3)							**(30 211 293)**
Amortisation (refer note 3)							**(46 353 363)**
Corporate activity costs**							**(11 199 850)**
Impairment of asset held for sale							**(75 000)**
Impairment of goodwill							**(6 500 000)**
Subsequent remeasurement of contingent liabilities							**(4 305 020)**
Profit from operations							**169 880 275**
EBITDA* margin (%)	**17**	**23**	**23**	**(4)**	**26**	**11**	**19**
30 June 2020							
Revenue	238 848 935	248 446 625	305 466 089	113 793 456	306 621 792	270 170 098	1 483 346 995
EBITDA*	47 441 047	39 679 740	73 565 074	14 023 806	103 300 804	21 763 152	299 773 623
Adjusted for:							
Depreciation (refer note 3)							(22 827 781)
Depreciation on right-of-use assets (refer note 3)							(28 120 437)
Amortisation (refer note 3)							(49 128 998)
Transaction costs							(4 065 896)
Reversal of impairment of asset held for sale							1 673 913
Impairment of intangible asset							(5 934 216)
Impairment of goodwill							(16 200 000)
Subsequent remeasurement of contingent liabilities							22 016 764
Profit from operations							197 186 972
EBITDA* margin (%)	20	16	24	12	34	8	20

* *EBITDA represents operating profit before depreciation and amortisation adjusted for specific non-trading items.*

** *Corporate activity costs includes fees paid to non-executive directors.*

35. SEGMENT ANALYSIS CONTINUED

The following table presents revenue by geographic area of the group's operating segments as at 30 June 2021 and 30 June 2020:

	Education R	Manufacturing R	Financial Services R	Energy R	Communications R	Hospitality R	Total R
30 June 2021							
Revenue from external customers by geographic area*	**304 093 734**	**249 608 990**	**327 987 123**	**61 365 119**	**298 827 010**	**261 495 910**	**1 503 377 886**
South Africa	**197 156 053**	**179 719 998**	**256 962 729**	**60 971 669**	**211 546 071**	**231 140 173**	**1 137 496 693**
African Countries**	**32 523 201**	**43 651 146**	**44 357 967**	**392 989**	**54 301 298**	**29 468 462**	**204 695 063**
United Kingdom	**–**	**513 554**	**142 101**	**–**	**83 696**	**107 674**	**847 025**
Europe	**7 621 119**	**–**	**–**	**–**	**–**	**292 940**	**7 914 059**
Asia	**620 529**	**19 445**	**–**	**–**	**146 349**	**263 003**	**1 049 326**
North America	**–**	**3 670 884**	**26 261 147**	**461**	**177 019**	**–**	**30 109 511**
Australasia	**66 073 684**	**21 424 375**	**–**	**–**	**32 572 577**	**52 345**	**120 122 981**
Middle East	**99 148**	**609 588**	**263 179**	**–**	**–**	**171 313**	**1 143 228**
30 June 2020							
Revenue from external customers by geographic area*	238 848 934	248 446 625	305 466 089	113 793 457	306 621 792	270 170 098	1 483 346 995
South Africa	139 624 454	169 235 842	242 456 242	90 507 468	206 914 533	231 813 646	1 080 552 185
African Countries**	28 451 998	54 777 167	40 111 634	16 440 912	62 648 527	35 445 485	237 875 723
United Kingdom	–	45 217	133 582	–	–	704 602	883 401
Europe	6 486 768	–	–	454 723	–	153 038	7 094 529
Asia	249 686	537 363	219 207	5 496 437	186 431	359 074	7 048 198
North America	–	3 160 855	22 545 424	893 917	135 339	238 267	26 973 802
Australasia	64 036 028	20 103 489	–	–	36 736 962	105 466	120 981 945
Middle East	–	586 692	–	–	–	1 350 520	1 937 212

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

** *African countries are: Ghana, Zambia, Tanzania, Mozambique, Namibia, Malawi, eSwatini, Lesotho, Botswana, Nigeria, Sierra Leone, Zimbabwe, Kenya, Democratic Republic of the Congo, Rwanda, Uganda, Cameroon, Senegal, Ethiopia, Gambia, Egypt, Gabon, Angola, Togo, Liberia, Côte D'Ivoire, Mali, Morocco, Mauritius, St Helena, Guinea, Libya, Sudan, Djibouti, Algeria, Equatorial Guinea, South Sudan and Madagascar.*

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

36. OPERATING SUBSIDIARIES

Company	Country of incorporation	Currency	Effective group holding 2021 %	Effective group holding 2020 %	Investment 2021 R	Investment 2020 %
Direct						
Adapt IT (Pty) Ltd	South Africa	ZAR	**100**	100	**67 687 647**	67 687 647
Adapt IT Consulting (Pty) Ltd	South Africa	ZAR	**100**	100	**100**	100
Adapt IT International Limited	Mauritius	USD	**100**	100	**55 616 951**	55 616 951
Adapt IT Solutions Pte Limited	Singapore	SGD	**100**	100	**24 565 132**	24 565 132
Total direct investment					**147 869 830**	147 869 830
Indirect						
Micros South Africa (Pty) Ltd	South Africa	ZAR	**100**	100	**75 636 788**	75 636 788
CQS Confirmations (Pty) Ltd	South Africa	ZAR	**100**	100	**17 525 727**	17 525 727
Adapt IT Australasia Limited	New Zealand	NZD	**100**	100	**4 149 179**	4 149 179
Adapt IT Europe	Ireland	EUR	**100**	100	**–**	–
Adapt IT Australasia (Pty) Ltd	Australia	AUD	**100**	100	**35 044 591**	35 044 591
Adapt IT Botswana (Pty) Ltd	Botswana	BWP	**95**	95	**121**	121
Adapt IT Nigeria Limited	Nigeria	NGN	**100**	100	**367 107**	367 107
LGR Analytics Inc	United States of America	USD	**100**	100	**1 675 423**	1 675 423
Adapt IT Solutions Limited	Kenya	KES	**100**	10	**13 592**	13 592
Strive Software International (Pty) Ltd	South Africa	ZAR	**100**	100	**12 471 590**	12 471 590
Cash Bases South Africa (Pty) Ltd	South Africa	ZAR	***100**	*100	**–**	–
Total indirect investment					**146 884 118**	146 884 118
Total investment in subsidiaries					**294 753 948**	294 753 948

** Dormant following the merger of the business into Adapt IT (Pty) Ltd on 1 July 2018. The company will be deregistered in 2022.*

Definitions:

AUD	Australian Dollar
BWP	Botswana Pula
KES	Kenyan Shilling
NGN	Nigerian Naira
NZD	New Zealand Dollar
EUR	Euro
SGD	Singapore Dollar
USD	US Dollar
ZAR	South African Rand

SHAREHOLDER INFORMATION

NON-IFRS MEASURES

The Non-IFRS financial information (or "Non-IFRS measures") are considered *pro forma* financial information as set forth in the JSE Listings Requirements. The directors are responsible for compiling the Non-IFRS measures as set out below on the basis of the applicable criteria specified in the JSE Listings Requirements, including JSE Guidance Letter: Presentation of *Pro Forma* Financial Information dated 4 March 2010, and described below and is presented for illustrative purposes only.

The Non-IFRS financial information has been prepared to illustrate to the users the results of Adapt IT after taking into account certain adjustments in respect of acquisitions as set out below. These adjustments will be referred to as normalised.

The independent reporting accountant's report on the Non-IFRS measures is available for inspection at the company's registered office and is available on the company's website https://www.adaptit.com/hubfs/investor/Non-IFRS%20Measures%20Report%202021.pdf.

NORMALISED HEADLINE EARNINGS

		Consolidated 2021	Consolidated 2020
Reconciliation between headline earnings and normalised headline earnings:			
Headline earnings (refer note 6)		**77 157 040**	91 807 365
Adjusted for:			
Amortisation of intangible assets acquired through business combinations		**40 239 730**	43 574 257
Deferred taxation on amortisation of intangible assets acquired		**(9 994 334)**	(10 911 123)
Fair value adjustment to financial liability (imputed interest) (refer note 3)		**310 935**	3 285 773
Subsequent remeasurement of contingent liabilities (refer note 23)		**4 305 020**	(22 016 764)
Normalised headline earnings		**112 018 391**	105 739 508
Headline earnings per share	(cents)	**56,21**	66,88
Normalised headline earnings per share	(cents)	**81,61**	77,03

NORMALISED HEADLINE EARNINGS PER SHARE

The group pursues a diversified growth strategy which includes strategic acquisitions. Headline earnings have been normalised for the following items:

- Amortisation of intangible assets arising from business combinations through purchase price allocations, net of tax;
- Imputed interest and change in anticipated cash flows on earn-out financial liabilities (where carried at amortised cost); and
- Fair value remeasurement on earn-out financial liabilities (where carried at fair value through profit or loss).

Stakeholder Information

SHARES AND SHAREHOLDERS

		2021	2020
PERFORMANCE ON THE JSE LIMITED			
Total number of shares traded	('000)	**97 320**	34 186
Total number of shares traded as a percentage of total issue shares (liquidity)	(%)	**71**	24
Total value of shares traded	(R'000)	**462 509**	95 467
Prices per share:			
Closing	(cents)	**640**	158
High	(cents)	**817**	694
Low	(cents)	**119**	121
SPREAD (NUMBER OF SHAREHOLDERS)			
Up to 10 000 shares		**16 425**	7 890
10 001 to 100 000 shares		**609**	811
100 001 to 200 000 shares		**40**	53
Over 200 000 shares		**62**	80
		17 136	8 834

	Number	%	Shares	%
SHAREHOLDER DISTRIBUTION				
Public	17 049	99	112 061 787	81
Non-public	82	1	5 165 291	4
Directors	3	–	19 134 761	14
Associates of directors	1	–	900 000	1
Subsidiaries - Treasury Shares held	1	–	500 000	–
	17 136	100	137 761 839	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 2021.

	Shares	%
Blacksheep Master Fund Limited	17 870 104	13
Sibusiso Shabalala	14 316 646	10
Nedgroup Asset Management	9 882 600	7
Ampfield Management L.P	7 861 808	6

SHAREHOLDERS' DIARY

	Date
Financial year-end	**30 June**
Reports and profit statements	
Interim report	**February**
Audited group results	**September**
Annual report and financial statements issued	**October**

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

CORPORATE INFORMATION

ADAPT IT HOLDINGS LIMITED

Incorporated in the
Republic of South Africa
Registration number 1998/017276/06
Share code: ADI
ISIN: ZAE000113163
JSE Main Board Sector: Technology, Software and Computer Services
Listing date: 1998
Shares in issue: 144 887 497
(as at 30 June 2021)
Net of treasury shares: 137 261 840

COMPANY SECRETARY

Statucor (Pty) Ltd
Wanderers Office Park
52 Corlett Drive
Illovo
Sandton
2196

REGISTERED OFFICE

Adapt IT Johannesburg Campus
152 14th Road
Midrand
South Africa

DIRECTORS

Craig Chambers* *(Chairman)*
Oliver Fortuin* *(Lead Independent Director)*
Tiffany Dunsdon *(Chief Executive Officer)*
Nombali Mbambo *(Chief Financial Officer)*
Tony Vicente *(Chief Operating Officer)*
Catherine Koffman*
Zizipho Nyanga*

** Independent Non-executive Director*

TRANSFER SECRETARY

Computershare Investor Services (Pty) Ltd
Private Bag X9000, Saxonwold, 2132
T: +27 (0) 11 370 5000
F: +27 (0) 11 688 5200

AUDITORS

KPMG Incorporated

SPONSOR

Merchantec Capital
13th Floor, Illovo Point
68 Melville Road
Illovo, Sandton
2196

CORPORATE BANKERS

The Standard Bank of South Africa Limited
Absa Bank

LEGAL REPRESENTATIVES

Garlicke & Bousfield Incorporated
Michalsons Attorneys
Corrs Chambers Westgarth

ADAPT IT WEBSITE

www.adaptit.com

SOUTH AFRICAN OFFICES

GAUTENG

Adapt IT Johannesburg Campus
152 14th Road
Midrand
South Africa
T: +27 (0)10 494 0000

KWAZULU-NATAL

Adapt IT Durban Campus
Rydall Vale Office Park
5 Rydall Vale Crescent
La Lucia Ridge
Durban
South Africa
T: +27 (0) 31 514 7300

WESTERN CAPE

Adapt IT Cape Town Campus
Great Westerford, 3rd Floor
240 Main Road
Rondebosch
Cape Town
South Africa
T: +27 (0) 21 200 0480

INTERNATIONAL OFFICES

MAURITIUS

Building 10
Uniciti Business Park
Riviere Noire Road
Bambous, 90203
Mauritius
T: +230 452 9349

AUSTRALIA

Level 5
485 La Trobe Street Melbourne
VIC 3000
Australia
T: +61 1300 365 384

BOTSWANA

Fairscape Precinct
Plot 70667
Fairgrounds Office Park
Building 2, Floor 5
Gaborone
Botswana
T: +267 316 7456

SINGAPORE

1 Neil Road
02 – 01
Singapore
088804
T: +65 6692 9044

IRELAND

City Junction Business Park
1st Floor, Chase House
Northern Cross, Malahide Rd
Dublin 17
Ireland
T: +353 1 687 3732

KENYA

Adapt IT Solutions Limited
2nd Floor, Baobab Suite
Riverside Green Suites
22 Riverside Drive, Nairobi
Kenya
T: +254 020 780 2823

NIGERIA

10 Akiongun Street
New Market Oniru
Victoria Island
Lagos
Nigeria
T: +234 1 454 5042

NEW ZEALAND

Level 6
Grand Annexe Tower
84 Boulcott Street
Wellington, 6011
New Zealand
T: +64 800 543 070

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