



2009

UNAUDITED INTERIM CONSOLIDATED GROUP RESULTS
for the six months ended 31 August 2009

Interim report to stakeholders for the six months ended 31 August 2009

Results of operations

Revenue grew 60% to R60,6 million (R37,8 million). Net profit attributable to ordinary shareholders is R4,5 million compared to R4,2 million in the previous period. The interim earnings per share have increased in line with profits to 4,73 cents from 4,36 cents, representing an 8% increase. Adapt IT (Pty) Limited contributed a profit before tax of R4,8 million (2008: R4,8 million). ITS Holdings (Pty) Limited, consolidated for two months, contributed a profit before tax of R0,7 million. ApplyIT (Pty) Limited contributed a profit before tax of R0,1 million (2008: R2,2 million).

The group incurred non-recurring transaction costs, relating to the acquisition of ITS Holdings (Pty) Limited, that was fully expensed during the period. The tough market conditions prevailing mainly in the manufacturing and mining sectors have reduced operating profit of the Adapt IT and ApplyIT operating segments.

Dividend

Ordinary dividend number 7 of 1,86 cents per share was paid to shareholders on 3 July 2009. The group has a policy to declare dividends at the end of the financial year and not at the interim reporting date.

Change of year end

Pursuant to the ITS transaction, the group's year end will change to 30 June. The current financial reporting period will thus be extended to 16 months.

Strategy

The group's strategic objectives remain to increase operational efficiency, defend current markets, pursue organic growth, and pursue acquisitive growth into new markets, whilst being cognisant of ensuring sustainable growth in light of current market conditions.

The board and group structure

On 1 September 2009, the three wholly-owned operating subsidiaries, InfoWave (Pty) Limited, Adapt-IT (Pty) Limited and Isizinda Consulting (Pty) Limited, were consolidated into one main operating subsidiary Adapt IT (Pty) Limited.

Bruno Lionnet and Cindy von Pannier resigned from the Adapt IT Holdings Limited board, in aid of formally constituting the main operating subsidiary's board, in line with the best practice corporate governance recommendations adopted by the board. Subsequent to the interim period, Ralph Collis resigned as chairman of the group in order to pursue private interests. The board expresses its thanks to them for their contribution to the holding company board over the years and wishes them well in their new roles. Dr Bernard Ravnö, an independent non-executive member of the board, has been appointed by the board to act as the chairman with effect from 1 October 2009 until a permanent successor is appointed.

BEE

The Adapt IT Group has been rated by Empowerdex as a Level 3 contributor to broad-based BEE and a Value Adding Enterprise, which gives our customers 137,5% recognition of their procurement spend for their BEE scorecard purposes. Adapt IT remains committed to genuine and sustainable broad-based transformation.

Prospects

Notwithstanding the current economic situation, we are positive about the prospects of the group.

Appreciation

We express our thanks to our longstanding and new customers for their continued support. We also recognise all employees of the group for their dedication and hard work in serving our customers.

Dr AB Ravnö

Independent non-executive chairman

Sbu Shabalala

Chief executive officer

Statement of comprehensive income

	Unaudited Six months ended 31 August 2009 R'000	Unaudited (Reclassified) Six months ended 31 August 2008 R'000	Audited (Reclassified) Year ended 28 February 2009 R'000
Revenue	60 567	37 828	77 497
Turnover	59 245	37 253	74 865
Cost of sales	(35 780)	(18 285)	(36 200)
Gross profit	23 465	18 968	38 665
Administrative, selling and other costs	(19 183)	(12 603)	(27 593)
Other income	1 494	–	–
Profit from operations before interest	5 776	6 365	11 072
Interest received	1 288	575	2 632
Interest paid	(338)	(3)	(14)
(Loss)/Profit from associate	(64)	41	137
Profit before taxation	6 662	6 978	13 827
Taxation	(1 862)	(2 401)	(3 999)
Normal tax	(1 681)	(1 991)	(3 586)
Secondary taxation on companies	(181)	(410)	(413)
Profit for the period	4 800	4 577	9 828
Exchange differences on translation of foreign operations	185	–	–
Total comprehensive income for the period, net of tax	4 985	4 577	9 828
Profit for the period			
Attributable to minorities	272	361	751
Attributable to equity holders of the parent	4 528	4 216	9 077
	4 800	4 577	9 828
Total comprehensive income for the period			
Attributable to minorities	362	361	751
Attributable to equity holders of the parent	4 623	4 216	9 077
	4 985	4 577	9 828
Headline profit			
Profit attributable to equity holders of the parent	4 528	4 216	9 077
Add loss on sale of property and equipment	–	–	1
Add loss on sale of investment in listed preference shares	–	–	20
Excess of net asset value over purchase price	(1 176)	–	–
Headline profit	3 352	4 216	9 098
Number of ordinary shares in issue ('000)	95 650	95 644	95 650
Weighted average ordinary shares in issue ('000)	95 650	96 747	96 203
Headline earnings per ordinary share (cents)	3,50	4,36	9,46
Earnings per ordinary share (cents)	4,73	4,36	9,44
Fully diluted earnings per share (cents)	4,73	4,35	9,43
Return on equity (%)	14,95	20,21	32,33
Return on assets (%)	4,85	12,49	25,33

Statement of financial position

		Unaudited 31 August 2009 R'000	Unaudited 31 August 2008 R'000	Audited 28 February 2009 R'000
Assets				
Non-current assets				
Property and equipment		15 970	2 379	1 974
Intangible assets		20	353	348
Goodwill		10 408	10 408	10 408
Investment in associated company		74	41	137
Deferred taxation asset		1 214	255	659
		27 686	13 436	13 526
Current assets				
Trade and other receivables		38 231	15 523	14 035
Cash resources		27 411	4 808	14 556
		65 642	20 331	28 591
Total assets		93 328	33 767	42 117
Equity and liabilities				
Equity attributable to equity holders of the parent				
Issued capital		8	8	8
Share premium		7 188	7 003	7 188
Share-based payment reserve		866	757	803
Foreign translation reserve		185	–	–
Retained earnings		26 095	18 484	23 345
		34 342	26 252	31 344
Minority interests		4 444	1 024	1 415
Total equity		38 786	27 276	32 759
Current liabilities				
Trade and other payables		37 219	6 491	9 358
Other loans		17 323	–	–
Total equity and liabilities		93 328	33 767	42 117
Net asset value	(R'000)	38 786	27 276	32 759
Net asset value per ordinary share	(cents)	40,55	28,52	34,25
Liquidity ratio	(times)	1,20	3,13	3,06
Solvency ratio	(times)	1,71	5,20	4,50
Market price per share				
Close	(cents)	45	54	52
High	(cents)	58	71	71
Low	(cents)	40	10	10
Capital expenditure for the period		546	571	1 245
Capital expenditure authorised		5 249	818	4 614

Statement of cash flows

	Unaudited Six months ended 31 August 2009 R'000	Unaudited (Reclassified) Six months ended 31 August 2008 R'000	Audited (Reclassified) Year ended 28 February 2009 R'000
Cash flows from operating activities			
Profit from operations before interest and dividends	5 776	6 365	11 072
Adjustment for:			
Provision for leave pay	1 167	1 162	275
Impairment loss	-	-	20
Non-cash flow items	-	-	9
Share-based payment expense	63	84	130
Excess of net asset value over purchase price	(1 176)	-	-
Loss on sale of equipment	-	-	1
Depreciation and amortisation	848	759	1 799
Cash generated from operations, before working capital changes	6 678	8 370	13 306
Increase in receivables	(5 416)	(2 090)	(602)
(Decrease)/Increase in payables	(4 832)	(1 828)	1 866
Cash (utilised)/generated from operations	(3 570)	4 452	14 570
Taxation paid	(2 072)	(2 138)	(3 948)
Net interest income	950	572	2 618
Dividend paid to shareholders	(1 778)	(4 317)	(4 317)
Net cash (outflow)/inflow from operating activities	(6 470)	(1 431)	8 923
Cash flow from investing activities			
Acquisition of equipment	(546)	(571)	(1 245)
Proceeds on disposal of property and equipment	62	-	41
Increase in investment in associate	-	-	(137)
Acquisition of subsidiary	(16 000)	-	(20)
Net cash outflow from investing activities	(16 484)	(571)	(1 361)
Cash flow from financing activities			
Repurchase of company's shares	-	(1 110)	(926)
Proceeds from borrowings	13 000	-	-
Repayment of borrowings	(4 316)	-	-
Net cash inflow/(outflow) from financing activities	8 684	(1 110)	(926)
Net (decrease)/increase in cash resources	(14 270)	(3 112)	6 636
Exchange differences on translation	185	-	-
Cash resources at beginning of period	14 556	7 920	7 920
Cash resources on acquisition of subsidiaries	26 940	-	-
Cash resources at end of period	27 411	4 808	14 556

Statement of changes in equity

	Share capital R'000	Share premium R'000	Retained earnings R'000
Balance at 29 February 2008	10	8 112	18 585
Profit for the period	–	–	4 216
Total comprehensive income	10	8 112	22 801
Treasury shares repurchased during the period	(2)	(1 109)	–
Recognition of share-based payment	–	–	–
Dividends	–	–	(4 317)
Balance at 31 August 2008	8	7 003	18 484
Balance at 28 February 2009	8	7 188	23 345
Profit for the period	–	–	4 528
Total comprehensive income	8	7 188	27 873
Recognition of share-based payment	–	–	–
Recognition of foreign currency – translation	–	–	–
Acquisition of subsidiary	–	–	–
Dividends	–	–	(1 778)
Balance at 31 August 2009	8	7 188	26 095

Share-based payment reserve R'000	Foreign currency translation reserve R'000	Attributable to equity holders of the parent R'000	Minority interest R'000	Total R'000
673	–	27 380	663	28 043
–	–	4 216	361	4 577
673	–	31 596	1 024	32 620
–	–	[1 111]	–	[1 111]
84	–	84	–	84
–	–	[4 317]	–	[4 317]
757	–	26 252	1 024	27 276
803	–	31 344	1 415	32 759
–	–	4 528	272	4 800
803	–	35 872	1 687	37 559
63	–	63	–	63
–	185	185	–	185
–	–	–	2 757	2 757
–	–	[1 778]	–	[1 778]
866	185	34 342	4 444	38 786

Notes to the financial statements

Corporate information and basis of preparation

The interim condensed consolidated financial statements of the group for the six months ended 31 August 2009 were prepared in accordance with IAS 34 Interim Financial Reporting, the Companies Act, 1973 [Act 61 of 1973], as amended and the Listings Requirements of the JSE Limited.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the group's annual financial statements as at 28 February 2009.

The interim results have not been audited or reviewed by the group's auditors.

The Adapt IT group is incorporated and domiciled in South Africa.

Change in accounting policy

The accounting policies adopted in the preparation of the interim condensed financial statements are in accordance with International Financial Reporting Standards (IFRS) and are consistent with those followed in the preparation of the annual financial statements for the year ended 28 February 2009, except for the adoption of the following new standards that have an effect on disclosure:

IFRS 8 Operating Segments

This standard requires disclosure of information about the group's operating segments.

Adoption of this standard does not have any effect on the financial position or performance of the group. Disclosure on the newly identified operating segments are shown in the relevant note, including comparative information.

IAS 1 Revised Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line.

In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements.

As a result of the above changes, certain figures have been reclassified where appropriate.

Subsequent events

The directors are not aware of any material matter or circumstance arising since the end of the financial period up to the date of this report.

Notes to the financial statements

Business combinations

Acquisition of ITS Group

On 30 June 2009, the group acquired 51% of the shares in ITS Group ("ITS"), an unlisted Pretoria-based group of companies. The interim condensed consolidated financial statements include the results of ITS for the two-month period from acquisition date.

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

	Fair value recognised on acquisition Unaudited R'000	Previous carrying value Unaudited R'000
Property, plant and equipment	14 033	14 033
Deferred taxation	494	494
Loans to group companies	5 000	5 000
Trade receivables	17 122	17 122
Cash	26 940	26 940
Total assets	63 589	63 589
Taxation	604	604
Shareholders' loans	28 052	28 052
Trade payables	29 306	29 306
Total liabilities	57 962	57 962
Net assets	5 627	
Purchase consideration	16 000	
Portion of consideration applicable to shareholders' loans acquired	14 307	
Portion of consideration applicable to net asset value	1 693	
51% of net assets above	2 869	
Excess of net asset value over purchase price	(1 176)	
		Unaudited R'000
Cash inflow on acquisition:		
Net cash acquired with the subsidiary		26 940
Cash paid		(16 000)
Net cash inflow		10 940

From the date of acquisition, ITS has contributed R262 411 to the profit after tax of the group.

Notes to the financial statements

Segment information

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

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Monthly management meetings are held to evaluate segment performance against budget and forecast.

The following tables present revenue and profit information regarding the group's operating segments for the six months ended 31 August 2009 and 31 August 2008 respectively:

Six months ended 31 August 2009	Adapt IT R'000	ApplyIT R'000	ITS R'000	Other R'000	Adjustments and eliminations R'000	Total R'000
Revenue*						
Third party Intersegment	42 885	5 482	11 979	894	(673)	60 567
	–	–	–	–	–	–
Total revenue	42 885	5 482	11 979	894	(673)	60 567
Segment profit/(loss) before tax	4 819	86	717	(136)	1 176	6 662

Six months ended
31 August 2008

Revenue*						
Third party Intersegment	30 793	7 192	–	478	(635)	37 828
	–	–	–	–	–	–
Total revenue	30 793	7 192	–	478	(635)	37 828
Segment profit before tax	4 838	2 153	–	187	(200)	6 978

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

The following table presents segment assets of the group's operating segments as at 31 August 2009 and 28 February 2009:

	Adapt IT R'000	ApplyIT R'000	ITS R'000	Other R'000	Adjustments and eliminations R'000	Total R'000
Segment assets						
31 August 2009	45 645	6 004	86 701	34 439	(79 461)	93 328
28 February 2009	33 610	6 904	–	25 099	(23 496)	42 117

Corporate information

ADAPT IT HOLDINGS LIMITED

(Formerly InfoWave Holdings Limited)

(Registration number 1998/017276/06)

Share code: ADI

ISIN: ZAE000113163

("Adapt IT" or "the group")

Directors

Dr AB Ravnö (independent non-executive chairman)

Sbu Shabalala (chief executive officer)

T Dunsdon (executive director)

Siboniso Shabalala (financial director)

W Shuenyane (non-executive director)

B Ntuli (independent non-executive director)

R Collis (previous chairman – resigned 30 September 2009)

Registered office

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