



UNAUDITED CONDENSED INTERIM
CONSOLIDATED GROUP RESULTS
for the six months ended 31 December 2011



INTERIM REPORT TO THE STAKEHOLDERS

8% ↑ revenue

80% ↑ earnings per share

12% ↑ operating profit

74% ↑ headline eps

FINANCIAL REVIEW

Revenue increased by 8% to R92,3 million (2010: R85,1 million) and profit from operations was 12% higher at R7,2 million (2010: R6,5 million).

Interim earnings per share (EPS) improved by 80% to 6,19 cents per share (2010: 3,43 cps) with interim headline EPS (HEPS) 74% higher at 6,19 cps (2010: 3,56 cps). The minority buyouts of the previous financial year made a significant positive contribution to earnings growth.

ITS Holdings (Pty) Limited increased its revenue and profitability through its focus on the higher and further education sector whilst ApplyIT (Pty) Limited improved its performance through securing offshore clients in the resources sector. The continued tough trading conditions in the sugar industry negatively impacted on the profitability of Adapt IT (Pty) Limited however, the environment is anticipated to improve going forward.

STRATEGY AND PROSPECTS

The Adapt IT Group continued to pursue its long-term strategy to deliver sustainable above average returns to shareholders by focusing on a combination of organic and acquisitive growth.

The acquisition of BI Planning Services (Pty) Limited ("BiPS"), effective 1 January 2012, further enhances the Group's product offerings and provides access to customers within the Financial Services Sector. The Group will seek further significant earnings enhancing acquisitions.

The Group continues to grow its footprint in the broader African and International markets and maintains its tight focus on improving profit margins, seeking greater operational efficiencies and engaging positively with all its stakeholders in order to meet their expectations.

We envisage the second half of the year to remain challenging, however, we are favourably positioned to take advantage of the opportunities presented by our markets.

APPRECIATION

We express our thanks to our long-standing and new customers, partners and service providers for their continued support and loyalty to the Group. We also thank the Adapt IT Group employees for their continuous dedication and hard work in serving our customers.

Dr AB Ravnö

Independent non-executive chairman

Sbu Shabalala

Chief executive officer

7 February 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months ended 31 December 2011 R'000	Unaudited 6 months ended 31 December 2010 R'000	Audited Year ended 30 June 2011 R'000
Revenue	92 265	85 129	180 906
Turnover	88 671	80 900	173 532
Cost of sales	(45 436)	(43 435)	(90 107)
Gross profit	43 235	37 465	83 425
Administrative, selling and other costs	(37 221)	(33 209)	(71 505)
Other income	1 220	2 220	3 128
Profit from operations (before interest)	7 234	6 476	15 048
Interest received	2 373	2 009	4 246
Interest paid	(361)	(338)	(1 101)
Profit before taxation	9 246	8 147	18 193
Taxation	(3 160)	(2 649)	(4 947)
Normal taxation	(2 879)	(2 326)	(4 624)
Secondary taxation on companies	(281)	(323)	(323)
Profit for the period	6 086	5 498	13 246
Exchange differences on translation of foreign operations	300	(138)	135
Other comprehensive income for the period, net of tax	300	(138)	135
Total comprehensive income for the period, net of tax	6 386	5 360	13 381
Profit for the period			
Attributable to equity holders of the parent	6 086	3 297	11 045
Attributable to non-controlling interests	–	2 202	2 202
	6 086	5 499	13 247
Total comprehensive income for the period			
Attributable to equity shareholders of the parent	6 386	3 227	11 247
Attributable to non-controlling interests	–	2 133	2 133
	6 386	5 360	13 380
Headline earnings			
Profit attributable to ordinary shareholders	6 086	3 297	11 045
(Profit)/Loss on sale of property and equipment	(1)	123	101
Headline earnings	6 085	3 420	11 146
Number of ordinary shares in issue ('000)	98 354	98 307	98 354
Weighted average ordinary shares in issue ('000)	98 354	96 113	97 246
Headline earnings per ordinary share (cents)	6,19	3,56	11,46
Earnings per ordinary share (cents)	6,19	3,43	11,36
Fully diluted earnings per share (cents)	6,19	3,43	11,36
Return on equity (%)	13,28	8,87	21,87
Return on assets (%)	3,65	2,41	9,59

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 31 December 2011 R'000	Unaudited 31 December 2010 R'000	Audited 30 June 2011 R'000
ASSETS			
Non-current assets			
Property and equipment	20 796	22 470	21 533
Intangible assets	1 384	103	1 452
Goodwill	10 408	10 408	10 408
Deferred taxation asset	13 088	8 456	10 475
	45 676	41 437	43 868
Current assets			
Trade and other receivables	110 517	80 537	43 068
Cash and cash equivalents	10 698	14 686	18 678
	121 215	95 223	61 746
Total assets	166 891	136 660	105 614
EQUITY AND LIABILITIES			
Capital reserves			
Issued capital	10	10	10
Share premium	8 530	8 548	8 650
Share-based payment reserve	–	893	–
Foreign currency translation reserve	416	(156)	116
Retained earnings	42 668	30 736	39 376
Total equity	51 624	40 031	48 152
Non-current liabilities			
Deferred taxation liability	1 916	1 844	4 171
Interest-bearing borrowings	7 657	17 842	1 576
Current liabilities			
Trade and other payables	28 489	20 110	19 406
Deferred income	70 602	51 521	31 076
Interest-bearing borrowings	6 603	5 312	1 233
Total equity and liabilities	166 891	136 660	105 614
Net asset value	(R'000) 51 624	40 031	48 152
Net asset value per ordinary share	(cents) 52,49	40,72	48,96
Liquidity ratio	(times) 1,15	1,23	1,19
Solvency ratio	(times) 1,45	1,41	1,84
Market price per share			
Close	(cents) 99	61	70
High	(cents) 100	62	79
Low	(cents) 60	45	45
Capital expenditure for the period	890	1 254	1 244
Capital expenditure authorised	3 725	1 778	4 614

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 6 months ended 31 December 2011 R'000	Unaudited 6 months ended 31 December 2010 R'000	Audited Year ended 30 June 2011 R'000
Cash flows from operating activities			
Profit from operations (before interest and dividends)	7 234	6 476	15 048
Adjustment for:			
Provision for leave pay and bonus	132	(317)	1 644
Non-cash flow items	–	–	(64)
(Profit)/Loss on sale of equipment	(1)	123	101
Depreciation and amortisation	1 785	1 441	2 993
Cash generated from operations, before working capital changes	9 150	7 723	19 722
Working capital changes:			
(Increase)/Decrease in receivables	(67 449)	(34 688)	2 781
Increase/(Decrease) in payables	44 364	14 420	(4 835)
Cash (utilised in)/generated from operations	(13 935)	(12 545)	17 667
Taxation paid	(4 245)	(4 522)	(10 666)
Net interest income	2 012	1 671	3 145
Dividend paid to shareholders	(2 794)	(3 264)	(3 264)
Net cash (outflow)/inflow from operating activities	(18 962)	(18 660)	6 882
Cash flow from investing activities			
Acquisition of equipment	(769)	(1 254)	(3 268)
Proceeds on disposal of property and equipment	–	11	17
Acquisition of subsidiary	–	(19 127)	(19 127)
Repayment of subsidiary loan	–	–	(3 656)
Net cash outflow from investing activities	(769)	(20 370)	(26 034)
Cash flow from financing activities			
Proceeds from borrowings	12 462	19 127	11 201
Repayment of borrowings	(1 011)	(4 399)	(12 633)
Net cash inflow/(outflow) from financing activities	11 451	14 728	(1 432)
Net decrease in cash resources	(8 280)	(24 302)	(20 584)
Exchange differences on translation	300	(138)	135
Cash resources at beginning of period	18 678	39 126	39 126
Cash resources at end of period	10 698	14 686	18 678

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000
Balance at 30 June 2010	10	7 196
Profit for the period	–	–
Other comprehensive income	–	–
Total comprehensive income	10	7 196
Issue of shares	–	1 352
Acquisition of non-controlling interest in subsidiary	–	–
Dividends	–	–
Balance at 31 December 2010	10	8 548
Balance at 30 June 2011	10	8 650
Profit for the period	–	–
Other comprehensive income	–	–
Total comprehensive income	10	8 650
Issue of shares	–	(120)
Dividends	–	–
Balance at 31 December 2011	10	8 530

Share-based payment reserve R'000	Foreign currency translation reserve R'000	Retained earnings R'000	Attributable to equity holders of the parent R'000	Minority interest R'000	Total equity R'000
893	(86)	34 666	42 679	7 825	50 504
–	–	3 297	3 297	2 202	5 500
–	(70)	–	(70)	(68)	(138)
893	(156)	37 963	45 906	9 959	55 866
–	–	–	1 352	–	1 352
–	–	(3 963)	(3 963)	(9 959)	(13 922)
–	–	(3 264)	(3 264)	–	(3 264)
893	(156)	30 736	40 031	–	40 032
–	116	39 376	48 152	–	48 152
–	–	6 086	6 086	–	6 086
–	300	–	300	–	300
–	416	45 462	54 538	–	54 538
–	–	–	(120)	–	(120)
–	–	(2 794)	(2 794)	–	(2 794)
–	416	42 668	51 624	–	51 624

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation and Corporate information

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 December 2011 were prepared in accordance with IAS 34 Interim Financial Reporting, the Companies Act of South Africa and the Listing Requirements of the JSE Limited. The accounting policies applied in the preparation of these unaudited condensed interim consolidated financial statements are in accordance with International Financial Reporting Standards and are consistent with those applied in the annual financial statements for the year ended 30 June 2011.

The unaudited condensed interim consolidated 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 30 June 2011.

The interim results have not been audited or reviewed by the Group auditors.

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

2. Subsequent events

On 1 January 2012, the Group acquired 100% of the issued share capital of BI Planning Services (Pty) Limited ("BiPS"). The purchase consideration of R17,25 million comprised R8,63 million settled in Adapt IT Holdings Limited shares (12 182 460 shares issued at the 30 day volume weighted average traded price of 70,8 cents per share) and cash of R8,62 million.

BiPS develops and implements tailored business intelligence solutions for the financial services, healthcare and other sectors.

The fair value of the total identifiable net assets of BiPS on the acquisition date is R2 million and the difference of R15,25 million between purchase consideration and the fair value of the interest acquired will be recognised in goodwill.

3. Dividends

Ordinary dividend number 9 of 2,84 cents per share was paid to shareholders on 24 October 2011. It is Group policy to consider declaration of dividends at the end of the financial year and not at the the interim reporting date.

4. Interest-bearing borrowings

Non-current and current liabilities

Included under non-current and current liabilities are interest bearing borrowings from Investec Private Bank and IBM Global Finance that were initially obtained in prior periods to fund the purchase of the remaining 49% interest in ITS and to fund certain capital expenditure respectively.

At the end of the previous financial year, excess cash resources were used to reduce the facilities and in the current period, these facilities have been used to drawn down funds.

5. 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;

ITS – design, development and implementation of higher education and further education and generic software solutions;

ApplyIT – design, development and implementation of safety, health, environment, quality and plant operations management 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 December 2011 and 31 December 2010 respectively:

	Adapt IT R'000	ITS R'000	ApplyIT R'000	Other R'000	Adjust- ments and elim- inations R'000	Total R'000
Six months ended 31 December 2011						
Revenue						
Third party	36 187	48 946	7 132	–	–	92 265
Intersegment	117	–	–	2 580	(2 697)	–
Total revenue	36 304	48 946	7 132	2 580	(2 697)	92 265
Segment profit/(loss) before tax	1 747	6 905	884	(186)	(104)	9 246
Six months ended 31 December 2010						
Revenue						
Third party	34 756	43 552	6 285	983	(102)	85 474
Intersegment	–	–	(345)	–	–	(345)
Total revenue	34 756	43 552	5 941	983	(102)	85 129
Segment profit/(loss) before tax	2 834	6 529	203	(1 317)	(102)	8 147

NOTES TO THE FINANCIAL STATEMENTS

5. Segment information continued

The following table presents segment assets of the Group's operating segments as at 31 December 2011 and 31 December 2010:

	Adapt IT R'000	ITS R'000	ApplyIT R'000	Other R'000	Adjust ments and elim- inations R'000	Total R'000
Segment assets						
31 December 2011	75 280	144 642	8 491	44 000	(105 522)	166 891
31 December 2010	67 548	125 874	2 589	48 601	(107 952)	136 660

These Condensed Interim Consolidated Group Results were prepared by:

Siboniso Shabalala
Financial Director
 Adapt IT Holdings Limited

CORPORATE INFORMATION

ADAPTIT HOLDINGS LIMITED

Registration number 1998/017276/06

Share code: ADI

ISIN: ZAE000113163

("Adaptit" or "the Group")

Directors

Dr A B Ravnö* (*Chairman*)

Sbu Shabalala (*Chief executive officer*)

T Dunsdon (*Commercial director*)

Siboniso Shabalala (*Financial director*)

C Chambers*

B Ntuli*

T Dingaan*

M Nhlapo*

**Independent non-executive director*

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Transfer secretary

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Sponsor

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Company Secretary

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