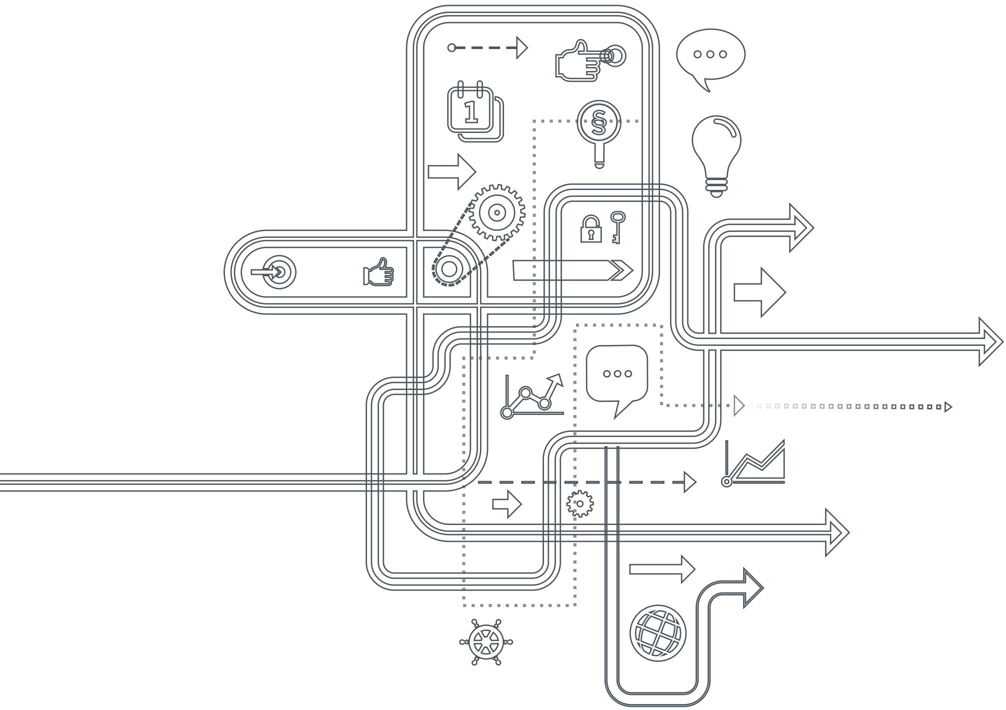

Adapt IT unaudited condensed consolidated

INTERIM GROUP RESULTS

for the six months ended 31 December

2017

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FINANCIAL HIGHLIGHTS

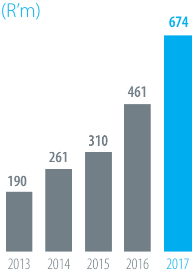
46%
TURNOVER

29%
EBITDA

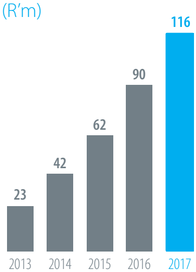
22%
HEPS

11%
NORMALISED HEPS

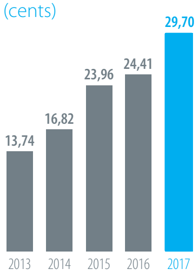
TURNOVER
(R'm)



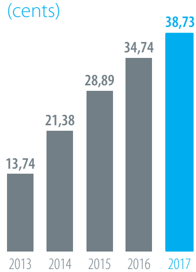
EBITDA
(R'm)



HEPS
(cents)



NORMALISED HEPS
(cents)



BUSINESS OVERVIEW

Adapt IT is a global software business focusing in the Education, Manufacturing, Energy, Financial Services and Hospitality sectors, with over 1 000 technology professionals servicing more than 10 000 customers in 40 countries. Adapt IT has offices throughout Africa and in Mauritius, Ireland, Australia, and New Zealand.

COMPANY TIMELINE

Adapt IT has deep industry expertise, robust entrepreneurial management teams, and strong annuity income. It listed on the JSE in 1998 and grew to become the 5th fastest growing African Tech Company by 2014.

Today, Adapt IT ranks second on the 2017 Sunday Times Top 100 companies in South Africa. At its core, the growth is underpinned by the company's purpose to: *grow the business and its people – enabling clients to achieve more.* Adapt IT aims to reach an annualised turnover of R3 billion by year 2020.

OCT 2007

InfoWave merges with **Adapt IT** creating a software business

OCT 2008

Adapt IT, specialising in **manufacturing** software, 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 Australasia**

OCT 2012

The Swicon360 acquisition extends the manufacturing offering with **SAP Human Capital Management** Business Process Outsourcing

NOV 2013

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

SEPT 2014

Added **Telecommunications** intelligence management software through the AspiviaUnison acquisition

OCT 2015

Financial Services Sector is entered through the acquisition of CQS

JUL 2017

Micros South Africa, a leader in **Hospitality Software**, is acquired by Adapt IT

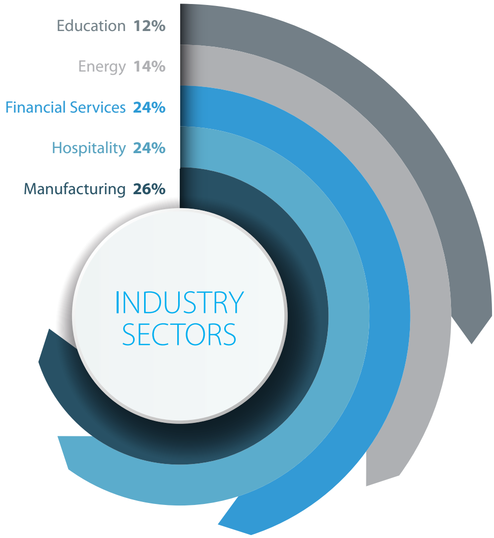
NOV 2017

The **Telecommunications** division expands footprint in Australia, Mauritius and the rest of Africa through the acquisition of LGR – conditions precedent to be fulfilled

BUSINESS PERFORMANCE

The Adapt IT divisions operate in a sector-focused approach, under a single Adapt IT brand. Adapt IT's software focus provides investors with a unique quality of earnings that can only be derived in an IP rich, high-annuity based business, like Adapt IT, diversified across several sectors and geographies. The performance is driven and reported through its divisions: Manufacturing, Education, Financial Services, Energy, and Hospitality.

TURNOVER CONTRIBUTION



SECTOR OVERVIEW

Education
Education provides a specialised Enterprise Resource Planning (ERP) product, ITS Integrator, and services to the Higher and further Education sector worldwide

Financial Services
Financial Services provides the auditing and accounting profession with internal and external auditing and financial software offerings and business intelligence (BI) solutions

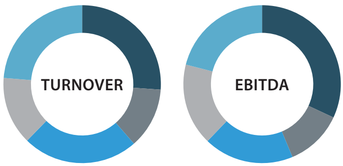
Manufacturing
Manufacturing provides Tranquillity ERP and Safety Health Environment and Quality (SHE-Q) specialist solutions to the sugar and agriculture industries

Energy
Energy provides expert consulting and software solutions to the Oil and Gas, Power, Renewables and other Energy sectors globally

Hospitality
Adapt IT announced its entry into the Hospitality Software Sector, effective 1 July 2017, through the acquisition of 100% of the Micros South Africa group (Micros), a leading provider of integrated software and hardware solutions to the hospitality and retail industries in Africa.

SECTOR PERFORMANCE

Adapt IT is a diversified South African based software solutions provider, which is positioned to take advantage of specialised technology platforms across the fastest growing market sectors. The company's focus is on improving the ability of the existing businesses to improve profitability and to develop new capabilities in their key markets. This approach has assisted in securing more customers, diversifying products and services and the move up the services value chain.



SECTOR CONTRIBUTION (R'm)

	TURNOVER 2017	EBITDA 2017
Manufacturing	176	38
Education	84	14
Financial Services	160	22
Energy	94	20
Hospitality	160	25

GEOGRAPHIC EXPANSION

The company is well diversified across sectors and geographies, and it continues to extend geographic reach across Africa and the rest of the world. Foreign markets represent 17% of turnover while software and services are delivered to 24 other African countries. This expansion is a key factor in diversifying market risk and growing hard currency revenue streams.

GEOGRAPHIC TURNOVER

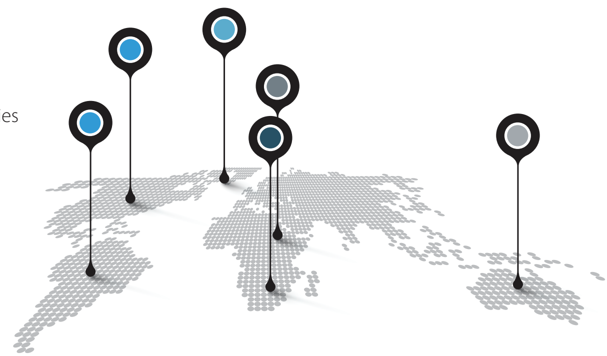
83%
South Africa

12%
Other African countries

2%
The Americas

2%
Australasia

1%
Europe



TURNOVER BY CURRENCY

90%
Rands

5%
US $

2%
Euro

2%
Australian $

1%
Other

While most of the group's revenue is generated from South Africa, the outlook is to continue to diversify the business into the rest of Africa and global markets.

FINANCIAL HIGHLIGHTS

FINANCIAL SUMMARY

Turnover for the six months to December 2017 increased 46% to R673,6 million (2016: R460,7 million). Organic growth from continuing operations was 17% and acquisitive growth was 35%. Acquisitive growth comprises mainly Micros, consolidated effective 1 July 2017, representing entry into the Hospitality segment. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased 29% to R116,1 million (2016: R89,9 million). Operating profit increased 24% to R86,1 million (2016: R69,5 million).

Headline earnings per share (HEPS) for the six months to December 2017 grew 22% to 29,70 cents from 24,41 cents, with Normalised HEPS at 38,73 cents (2016: 34,74 cents).

Ordinary dividend number 15, in respect of the year ended 30 June 2017, of 13,70 cents per share, on a four times dividend cover ratio, was paid to shareholders on 26 September 2017. It is our policy to declare a dividend after financial year end and not at the interim reporting date.

ACQUISITION

Adapt IT Proprietary Limited acquired Micros effective 1 July 2017, following approval of the Competition Authority. Micros is a leading provider of Information Technology in the hospitality, retail, and food and beverage industries. The acquisition of Micros created an entry into the Hospitality industry, a new vertical for the group, further diversifying the group. Adapt IT is pleased to welcome another very successful team to the group. The results from Micros for the six months are included in these interim results. Refer to the business combination note 10 on page 13.

Adapt IT has entered into a Category 2 transaction, in terms of the Listings Requirements of JSE Limited (JSE Listings Requirements), to acquire the business of the LGR group. LGR is a specialist solutions provider with an exclusive focus on the global Telecommunications industry providing and managing end-to-end data warehouse and business intelligence systems at leading international operators. Shareholders will be notified once the last of the conditions precedent has been fulfilled or waived.

SHARE REPURCHASE

Adapt IT has cumulatively repurchased 5,6 million (3,5%) of its ordinary shares in the open market under the general authority granted by shareholders for R42,6 million at an average price of 759 cents per share, since 30 June 2017. 1,1 million of the shares repurchased were issued as consideration for the EasyRoster acquisition, with the remainder of the shares held as treasury shares.

ENTERPRISE DEVELOPMENT DISPOSALS

On 1 July 2017, Uyandiswa Project Management Services Proprietary Limited (Uyandiswa) repurchased all of Adapt IT Proprietary Limited's shares in Uyandiswa and Adapt IT Proprietary Limited sold the business of its BI resourcing business to Uyandiswa as part of a three-year Enterprise Development programme to allow Uyandiswa to become an independent sizeable black women-owned business, which will be a supplier and a business partner to the group going forward.

AMALGAMATION

In accordance with the company's strategy to build an integrated business, CQS Investment Holdings Proprietary Limited, CQS Technology Holdings Proprietary Limited, EasyRoster Proprietary Limited, EasyRoster Software Proprietary Limited and Multimatics Proprietary Limited were amalgamated into Adapt IT Proprietary Limited in accordance with Sections 113, 115 and 116 of the Companies Act, effective 1 July 2017.

The reasons for the amalgamation were to rationalise the Adapt IT businesses, by reducing the number of Adapt IT companies, to achieve efficiencies and savings in administrative and operational expenditure thereby simplifying the group structure.

POST BALANCE SHEET EVENTS

No matters have occurred between the reporting date and the date of approval of the interim financial statements which would have a material effect on these financial statements.

STRATEGY

Adapt IT continues to pursue a diversified growth strategy aimed at creating a global specialised software business that has annualised turnover of R3 billion by 2020, through a combination of organic revenue growth and strategic acquisitions.

OUTLOOK

Our outlook is positive and our longer-term outlook is optimistic as we continue to build on a strong, well-diversified foundation, to create a sizeable leading specialised software business that delivers above sector average growth and returns.

BOARD

There have been no changes to the directorate in the period under review.

APPRECIATION

We thank our customers, partners and service providers for their continued support and members of the board of directors and Adapt IT group employees for their dedication, which underpins our success.

On behalf of the board

Craig Chambers
Independent Non-executive Chairman

Sbu Shabalala
Chief Executive Officer

Nombali Mbambo
Chief Financial Officer

25 January 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Unaudited Six months ended 31 December 2017 R'000	Unaudited Six months ended 31 December 2016 R'000	Audited Year ended 30 June 2017 R'000	Period-on-period variance %
Revenue		**675 450**	462 985	996 425	46
Turnover		**673 559**	460 691	993 671	46
Cost of sales		**(277 060)**	(198 314)	(420 420)	40
Gross profit		**396 499**	262 377	573 251	51
Operating expenses		**(280 447)**	(172 508)	(378 925)	63
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**116 052**	89 869	194 326	29
Depreciation and amortisation		**(13 105)**	(6 892)	(14 238)	90
Amortisation of intangible assets acquired		**(16 815)**	(13 501)	(29 105)	25
Profit from operations		**86 132**	69 476	150 983	24
Finance income	2	**1 891**	2 294	2 754	(18)
Finance costs	3	**(12 969)**	(15 292)	(25 605)	(15)
Share of profits of equity accounted investment after tax		**–**	829	(88)	(100)
Profit before taxation		**75 054**	57 307	128 044	31
Income tax expense		**(26 119)**	(20 251)	(35 498)	29
Profit for the period		**48 935**	37 056	92 546	32
Attributable to:					
Equity holders of the parent		**47 531**	35 489	88 133	34
Non-controlling interests		**1 404**	1 567	4 413	–
Items that may be reclassified subsequently to profit and loss		**951**	(665)	(438)	
Exchange differences arising from translation of foreign operations		**951**	(665)	(438)	
Total comprehensive income		**49 886**	36 391	92 108	37
Attributable to:					
Equity holders of the parent		**48 482**	34 824	87 695	39
Non-controlling interests		**1 404**	1 567	4 413	
Headline earnings:					
Profit attributable to ordinary shareholders		**47 531**	35 489	88 133	34
Profit on the sale of Uyandiswa Project Management Services (Pty) Ltd and BI resourcing business		**(84)**	–	–	
Tax on the profit of business disposals		**337**	–	–	
Loss/(profit) on sale of property and equipment		**(415)**	26	16	
Headline earnings		**47 369**	35 515	88 149	33
Normalised headline earnings	4	**61 774**	50 535	118 461	22
Number of ordinary shares in issue (000)		**160 540**	152 355	153 597	6
Weighted average number of ordinary shares in issue (000)		**159 509**	145 476	150 028	10
Diluted average number of ordinary shares in issue (000)		**159 509**	145 476	150 046	10
Basic earnings per share (cents)		**29,80**	24,40	58,74	22
Diluted basic earnings per share (cents)		**29,80**	24,40	58,74	22
Headline earnings per share (cents)		**29,70**	24,41	58,76	22
Diluted headline earnings per share (cents)		**29,70**	24,41	58,75	22
Normalised headline earnings per share (cents)	4	**38,73**	34,74	78,96	11
Dividend per share (cents)		**13,70**	13,40	13,40	2

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited Six months ended 31 December 2017 R'000**	Unaudited Six months ended 31 December 2016* R'000	Audited Year ended 30 June 2017 R'000
ASSETS				
Non-current assets		**926 724**	773 367	730 781
Property and equipment		**95 310**	37 120	35 285
Intangible assets		**208 484**	196 487	180 875
Goodwill	6	**575 250**	515 596	500 347
Finance lease receivables		**1 375**	–	–
Loan to Uyandiswa Project Management Solutions (Pty) Ltd		**17 232**	–	–
Equity accounted investment		**–**	2 633	–
Deferred taxation asset		**29 073**	21 531	14 274
Current assets		**508 144**	377 959	355 666
Trade and other receivables		**392 730**	284 681	228 362
Asset held for sale		**–**	–	16 966
Inventory		**23 258**	–	–
Current tax receivable		**2 346**	6 854	12 289
Finance lease receivables		**1 493**	–	–
Loan to Uyandiswa Project Management Solutions (Pty) Ltd		**4 158**	–	–
Cash and cash equivalents		**84 159**	86 424	98 049
Total assets		**1 434 868**	1 151 326	1 086 447
EQUITY AND LIABILITIES				
Equity				
Share capital		**16**	15	15
Treasury shares		**(1)**	–	–
Share premium		**370 299**	319 922	336 226
Other capital reserves		**–**	32 580	17 155
Equity compensation reserve		**11 789**	7 207	14 585
Foreign currency translation reserve		**3 722**	2 544	2 771
Revaluation reserve		**3 544**	3 544	3 544
Retained earnings		**312 819**	234 638	287 282
Equity attributable to shareholders of the company		**702 188**	600 450	661 578
Non-controlling interest		**5 865**	7 839	6 959
Total equity		**708 053**	608 289	668 537
Non-current liabilities		**305 289**	253 145	193 178
Interest-bearing borrowings	7	**216 668**	160 449	101 487
Financial liabilities		**31 296**	39 986	43 815
Finance lease liabilities	8	**2 438**	–	–
Deferred taxation liability		**54 887**	52 710	47 876
Current liabilities		**421 526**	289 892	224 732
Trade and other payables		**155 568**	102 179	110 668
Provisions		**33 974**	17 101	24 921
Deferred income	9	**139 245**	109 116	71 222
Current tax payable		**3 450**	–	1 762
Financial liabilities		**15 179**	38 789	14 198
Current portion of interest-free borrowings		**8 193**	2 221	1 380
Current portion of interest-bearing borrowings	7	**64 572**	20 486	581
Finance lease liabilities	8	**1 345**	–	–
Total equity and liabilities		**1 434 868**	1 151 326	1 086 447
Net asset value per share	(cents)	**438,11**	399,26	435,25
Tangible net asset value per share	(cents)	**48,87**	26,99	67,99
Liquidity ratio	(times)	**1,21**	1,30	1,58
Solvency ratio	(times)	**1,97**	2,12	2,60
Market price per share				
Close	(cents)	**645**	1 598	968
High	(cents)	**1 009**	1 699	1 699
Low	(cents)	**560**	1 163	885
Capital expenditure for the period	(R'000)	**40 069**	5 779	11 594
Capital commitments	(R'000)	**55 264**	7 305	67 333

** Refer to note 10.2*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**Unaudited Six months ended 31 December 2017 R'000**	Unaudited Six months ended 31 December 2016 R'000	Audited Year ended 30 June 2017 R'000
Operating activities				
Cash generated from/(utilised in) operations		**33 273**	(8 056)	139 325
Finance income	2	**1 754**	968	1 601
Finance costs	3	**(10 671)**	(9 993)	(16 249)
Dividends paid		**(24 492)**	(19 634)	(23 359)
Taxation paid		**(32 333)**	(25 816)	(42 102)
Net cash flow (utilised in)/generated from operating activities		**(32 469)**	(62 531)	59 216
Investing activities				
Property and equipment acquired		**(37 436)**	(4 044)	(6 681)
Intangible assets acquired and developed		**(2 633)**	(1 735)	(4 913)
Proceeds on disposal of property and equipment		**2 110**	138	129
Proceeds from loan to Uyandiswa Project Management Solutions (Pty) Ltd		**2 879**	–	–
Finance lease receipts		**(314)**	–	–
Cash outflow on warranty achievements		**(14 198)**	(24 860)	(48 000)
Net cash (outflow)/inflow on acquisition of subsidiaries	10.1	**(65 934)**	4 779	(22)
Net cash flows utilised in investment activities		**(115 526)**	(25 722)	(59 487)
Financing activities				
Proceeds from borrowings		**236 929**	201 500	313 500
Repayment of borrowings		**(90 786)**	(189 392)	(376 597)
Share repurchases		**(42 645)**	–	–
Repayment of vendor loans		**(6 724)**	–	–
Proceeds from finance lease		**1 082**	–	–
Issue of shares for cash		**35 298**	84 000	84 000
Net cash inflow from financing activities		**133 154**	96 108	20 903
Net (decrease)/increase in cash resources		**(14 841)**	7 855	20 632
Exchange differences on translation		**951**	845	(307)
Cash and cash equivalents at beginning of period		**98 049**	77 724	77 724
Cash and cash equivalents at end of period		**84 159**	86 424	98 049

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited	Share capital R'000	Treasury shares R'000	Share premium R'000	Other capital reserves R'000	Equity compensation reserve R'000	Asset revaluation reserve R'000	Foreign currency translation reserve R'000	Retained earnings R'000	Attributable to equity holders of the parent R'000	Non-controlling interest R'000	Total R'000
Balance at 30 June 2016 (audited)	14	–	200 831	34 574	5 725	3 544	3 209	218 783	466 680	6 008	472 688
Total comprehensive income for the period	–	–	–	–	–	–	(665)	35 489	34 824	1 567	36 391
Profit for the period	–	–	–	–	–	–	–	35 489	35 489	1 567	37 056
Other comprehensive income for the period	–	–	–	–	–	–	(665)	–	(665)	–	(665)
Share-based payments	–	–	–	–	2 000	–	–	–	2 000	–	2 000
Issue of shares for business combination	–	–	34 574	(34 574)	–	–	–	–	–	–	–
Shares issued during the year	1	–	84 517	–	(518)	–	–	–	84 000	264	84 264
Shares to be issued	–	–	–	32 580	–	–	–	–	32 580	–	32 580
Dividend paid	–	–	–	–	–	–	–	(19 634)	(19 634)	–	(19 634)
Balance at 31 December 2016	15	–	319 922	32 580	7 207	3 544	2 544	234 638	600 450	7 839	608 289
Balance at 30 June 2017 (audited)	**15**	**–**	**336 226**	**17 155**	**14 585**	**3 544**	**2 771**	**287 282**	**661 578**	**6 959**	**668 537**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**951**	**47 531**	**48 482**	**1 404**	**49 886**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**47 531**	**47 531**	**1 404**	**48 935**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**951**	**–**	**951**	**–**	**951**
Share-based payments	**–**	**–**	**–**	**–**	**(2 608)**	**–**	**–**	**–**	**(2 608)**	**–**	**(2 608)**
Shares issued during the year	**1**	**–**	**69 136**	**–**	**(188)**	**–**	**–**	**–**	**68 949**	**–**	**68 949**
Net repurchase of shares	**–**	**(1)**	**(42 644)**	**–**	**–**	**–**	**–**	**–**	**(42 645)**	**–**	**(42 645)**
Issue of treasury shares	**–**	**–**	**7 581**	**(7 581)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Settled in cash	**–**	**–**	**–**	**(9 574)**	**–**	**–**	**–**	**–**	**(9 574)**	**–**	**(9 574)**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(21 994)**	**(21 994)**	**(2 498)**	**(24 492)**
Balance at 31 December 2017	**16**	**(1)**	**370 299**	**–**	**11 789**	**3 544**	**3 722**	**312 819**	**702 188**	**5 865**	**708 053**

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim results for the six months ended 31 December 2017 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for interim reports, the requirements of the Companies Act applicable to condensed financial statements, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and contain information required by IAS 34 Interim Financial Reporting. The accounting policies applied in preparation of these condensed consolidated interim results are in terms of IFRS and are consistent with those applied in the previous annual financial statements.

The report was prepared under the supervision of the Chief Financial Officer, Ms Nombali Mbambo CA(SA), and has not been audited by the group's external auditors.

The unaudited condensed interim results were approved by the board of directors on 25 January 2018.

	Unaudited 31 December 2017 R'000	Unaudited 31 December 2016 R'000	Audited 30 June 2017 R'000
2. FINANCE INCOME			
Imputed interest	**137**	1 326	1 153
Bank interest	**777**	968	1 365
Other interest	**977**	–	236
Total finance income	**1 891**	2 294	2 754
3. FINANCE COSTS			
Borrowings	**10 671**	9 993	16 249
Financial liabilities (imputed)	**2 298**	5 299	9 356
Total finance cost	**12 969**	15 292	25 605

4. NORMALISED HEADLINE EARNINGS

Normalised headline earnings is calculated by adding back to headline earnings the amortisation of acquired intangible assets net of deferred taxation, as a consequence of the purchase price allocations completed in terms of IFRS 3 Business Combinations and fair value adjustments to financial liabilities (imputed interest) on outstanding contingent purchase considerations.

		Unaudited 31 December 2017 R'000	Unaudited 31 December 2016 R'000	Audited 30 June 2017 R'000
Reconciliation between headline earnings and normalised headline earnings for the period:				
Headline earnings		**47 369**	35 515	88 149
Amortisation of intangible assets acquired		**16 815**	13 501	29 105
Deferred taxation on amortisation of intangible assets acquired		**(4 708)**	(3 780)	(8 149)
Fair value adjustment to financial liability (imputed interest)		**2 298**	5 299	9 356
Normalised headline earnings		**61 774**	50 535	118 461
Weighted average number of ordinary shares in issue	(000)	**159 509**	145 476	150 028
Normalised headline earnings per share	(cents)	**38,73**	34,74	78,96

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

5. DIVIDENDS

Ordinary dividend number 15 of 13,70 cents per share was paid to shareholders on 26 September 2017.

It is group policy to consider declaration of dividends at the end of the financial year and not at the interim reporting date.

6. GOODWILL

	Unaudited 31 December 2017 R'000	Unaudited 31 December 2016 R'000	Audited 30 June 2017 R'000
Carrying amount at beginning of period	**500 346**	472 515	472 515
Acquisition of EasyRoster	**(1 380)**	43 081	43 081
Acquisition of Micros	**76 284**	–	–
Transferred to assets classified as held for sale	**–**	–	(15 250)
Carrying amount at end of period	**575 250**	515 596	500 346
Comprising:			
Cost	**575 250**	515 596	500 346
Goodwill is allocated as follows:			
– Manufacturing	**10 408**	10 408	10 408
– HCM	**12 352**	12 352	12 352
– Energy	**95 477**	95 477	95 477
– Telecoms	**143 038**	143 038	143 038
– Audit software	**195 990**	195 990	195 990
– EasyRoster	**41 701**	43 081	43 081
– Micros	**76 284**	–	–
– BI	**–**	15 250	–
Total	**575 250**	515 596	500 346

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

The key assumptions used in the testing of goodwill are:

– Discount rate of 15% (2016: 14%) (weighted average cost of capital); and
– Projected cash flows for the five years based on a 5% (2016: 5%) growth rate.

	Unaudited 31 December 2017 R'000	Unaudited 31 December 2016 R'000	Audited 30 June 2017 R'000
7. INTEREST-BEARING BORROWINGS			
Non-current borrowings	**216 668**	160 449	101 487
– Investec Bank Limited	**200 000**	148 555	101 487
– First National Bank Limited	**16 668**	–	–
– Sanlam Capital Markets Limited	**–**	11 894	–
Current borrowings	**64 572**	20 486	581
– Investec Bank Limited	**53 914**	1 576	581
– First National Bank Limited	**10 658**	–	–
– Sanlam Capital Markets Limited	**–**	18 910	–
Total	**281 240**	180 935	102 068

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

In January 2017 a further facility from Investec Bank Limited was obtained to fund working capital. The facility is a 364 day revolving facility at interest rate of Investec Bank Limited's prime rate.

The Investec Bank Limited facilities are secured by 100% of the shares held in Adapt IT Proprietary Limited and cession of book debts held by certain Adapt IT Holdings Limited subsidiaries.

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

Micros South Africa Proprietary Limited has a loan with First National Bank Limited. The loan is repayable monthly and accrues interest at a rate linked to First National Bank Limited's prime rate. The loan has been secured by the cession of the loan with Hospitality Finance Solutions Proprietary Limited, a R15 000 000 general notarial bond over the moveable assets and the cession of all the positive balances held in Micros South Africa Proprietary Limited bank accounts.

CQS Investment Holdings Proprietary Limited had a loan with Sanlam Capital Markets Limited. The interest was charged at a fixed rate of 9,22% over a five-year loan period. The loan was settled at 30 June 2017.

Interest-bearing borrowings are carried at amortised cost and carrying value approximates fair value.

	Unaudited 31 December 2017 R'000	Unaudited 31 December 2016 R'000	Audited 30 June 2017 R'000
8. FINANCE LEASE LIABILITIES			
Non-current liabilities	**2 438**	–	–
Current liabilities	**1 345**	–	–
Total	**3 783**	–	–

Micros South Africa Proprietary Limited lease certain motor vehicles and equipment under finance leases. Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent. The finance leases are secured by the lessor's charge over the leased assets.

	Unaudited 31 December 2017 R'000	Unaudited 31 December 2016 R'000	Audited 30 June 2017 R'000
9. DEFERRED INCOME			
Education segment	**95 810**	91 020	51 719
Manufacturing segment	**6 930**	7 044	5 673
Energy segment	**6 755**	6 827	4 062
Financial segment	**5 188**	4 225	9 768
Hospitality segment	**24 562**	–	–
Total	**139 245**	109 116	71 222

The Education segment deferred income relates to annual maintenance fees invoiced in advance for the year and usually collected at the end of January and February, the start of the education year.

The Hospitality Segment deferred income relates to all maintenance, software licences, software as a service (SAAS) and hosting pre-invoiced for future periods.

The deferred income of other segments includes long-term software projects in progress, ongoing upgrades and other software-related projects for clients.

10. BUSINESS COMBINATIONS

10.1 Acquisition of subsidiary

On 1 July 2017 the group acquired the entire issued share capital of Micros South Africa Proprietary Limited (Micros), a South African registered company.

Micros conducts business in the Information Technology sector, providing software, hardware, enterprise systems integration, consulting, support and solutions to its clients, primarily in the hospitality industry.

The acquisition of Micros, which is a leader in its vertical market, created an entry into the hospitality industry, a new vertical for Adapt IT, further diversifying the group.

The purchase consideration of R122,5 million consists of R88,9 million in cash, paid on 19 July 2017, and R33,6 million in shares issued on 31 July 2017.

The fair value of the net assets acquired amounted to R46,2 million, resulting in goodwill of R76,3 million at acquisition. The purchase consideration paid for the combination effectively included amounts in relation to the benefit of the expected synergies, revenue growth, new market penetration and future market development.

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

10. BUSINESS COMBINATIONS CONTINUED

10.1 Acquisition of subsidiary continued

	Fair value recognised on acquisition R'000
Assets	
Property and equipment	**31 837**
Intangible assets	**43 701**
Deferred taxation	**7 973**
Finance lease receivables	**2 554**
Trade and other receivable	**40 701**
Inventory	**27 989**
Cash and cash equivalents	**22 955**
Total assets	**177 710**
Liabilities	
Deferred tax liabilities	**11 726**
Interest-bearing borrowings	**32 230**
Finance lease liabilities	**2 700**
Loans from vendors (previous shareholders)	**6 724**
Trade and other payables	**72 216**
Provisions	**4 162**
Current tax payable	**1 695**
Total liabilities	**131 453**
Total identifiable net assets	**46 257**
Goodwill arising on acquisition	**76 284**
Fair value of consideration payable:	**122 541**
Cash paid	**88 889**
Shares issued in July 2017	**33 652**
Fair value of consideration payable	**122 541**
Cash outflow on acquisition:	
Net cash acquired with the subsidiary	**22 955**
Cash paid	**(88 889)**
Net cash outflow on acquisition	**(65 934)**

The acquisition is provisionally accounted for in terms of the allowance per IFRS 3 Business Combinations.

From the date of acquisition, Micros has contributed R10,9 million to the profit after tax of the group. Non-cash acquisition related expenses (amortisation of intangible assets) amounted to R1,5 million after tax.

Cash acquisition related costs of R1,5 million have been expensed and are included in operational expenses on the statement of profit or loss and other comprehensive income.

10. BUSINESS COMBINATIONS CONTINUED

10.2 Measurement period adjustment

At 1 August 2016, the EasyRoster acquisition was provisionally accounted for in terms of the allowance per IFRS 3 Business Combinations. The purchase price allocation valuation was completed by the year ended 30 June 2017 and included in the fair value of assets and liabilities recognised on acquisition.

Consequently, the comparative figures for 31 December 2016 have been adjusted. The effect of the adjustment is disclosed in the table below. There is no impact on the profit/loss for the period.

The effect on 31 December 2016 group results is as follows:

	As originally reported R'000	Measurement period adjustment R'000	Restated amount R'000
ASSETS			
Non-current assets	771 574	1 793	773 367
Property and equipment	37 120	–	37 120
Intangible assets	189 123	7 364	196 487
Goodwill	520 911	(5 315)	515 596
Equity accounted investment	2 633	–	2 633
Deferred taxation asset	21 787	(256)	21 531
Current assets	377 959	–	377 959
Trade and other receivables	284 681	–	284 681
Asset held for sale	–	–	–
Current tax receivable	6 854	–	6 854
Cash and cash equivalents	86 424	–	86 424
Total assets	1 149 533	1 793	1 151 326
EQUITY AND LIABILITIES			
Equity			
Share capital	15	–	15
Share premium	319 922	–	319 922
Other capital reserves	32 580	–	32 580
Equity compensation reserve	7 207	–	7 207
Foreign currency translation reserve	2 544	–	2 544
Revaluation reserve	3 544	–	3 544
Retained earnings	234 638	–	234 638
Equity attributable to shareholders of the company	600 450	–	600 450
Non-controlling interest	7 839	–	7 839
Total equity	608 289	–	608 289
Non-current liabilities	251 352	1 793	253 145
Interest-bearing borrowings	160 449	–	160 449
Financial liabilities	39 986	–	39 986
Deferred taxation liability	50 917	1 793	52 710
Current liabilities	289 892	–	289 892
Trade and other payables	103 559	(1 380)	102 179
Provisions	17 101	–	17 101
Deferred income	109 116	–	109 116
Financial liabilities	38 789	–	38 789
Current portion of interest-free borrowings	841	1 380	2 221
Current portion of interest-bearing borrowings	20 486	–	20 486
Total equity and liabilities	1 149 533	1 793	1 151 326

11. SEGMENT ANALYSIS

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

Management does not monitor assets and liabilities by segment.

The following tables present turnover and earnings before interest, tax, depreciation and amortisation (EBITDA) information regarding the group's operating segments for the six months ended 31 December 2017 and 31 December 2016, respectively:

		Education R'000	Manu-facturing R'000	Financial Services R'000	Energy R'000	Hospitality R'000	Other R'000	Total R'000
Six months ended 31 December 2017								
Turnover		**83 543**	**176 203**	**160 393**	**93 846**	**159 574**	**–**	**673 559**
Segment EBITDA		**13 866**	**38 369**	**21 816**	**20 276**	**24 998**	**(3 273)**	**116 052**
EBITDA margin	(%)	**17**	**22**	**14**	**22**	**16**	**–**	**17**
Six months ended 31 December 2016								
Turnover		84 655	122 315	162 472	91 249	–	–	460 691
Segment EBITDA		14 591	29 889	23 648	22 486	–	(745)	89 869
EBITDA margin	(%)	17	24	15	25	–	–	20

CORPORATE INFORMATION

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