



Reviewed condensed interim consolidated results

**for the twelve months
ended 28 February 2010**



ADAPTIT HOLDINGS LIMITED

Share code: ADI

Reviewed interim consolidated group results

Results of operations

Revenue grew by 89% to R146.2 million (2009: R77.5 million), representing 22% organic growth plus R53.7 million in revenue due to the acquisition of 51% of ITS Holdings (Proprietary) Limited ("ITS Holdings") on 30 June 2009 ("the ITS Holdings acquisition"). Net profit attributable to ordinary shareholders increased by 17.6% to R10.7 million compared with R9.1 million in the previous year. Earnings per share increased by 18.6% to 11.20 cents from 9.44 cents in the prior year. Adapt IT (Proprietary) Limited ("Adapt IT (Pty) Ltd") contributed a profit before tax of R11.2 million (2009: R8.0 million), ITS Holdings, consolidated for eight months, contributed a profit before tax of R2.5 million. ApplyIT (Proprietary) Limited ("ApplyIT") contributed a loss before tax of R0.3 million, previously a profit of R3.8 million to the group.

The group incurred non-recurring transaction costs, relating to the ITS Holdings acquisition, which were fully expensed in the period. The difficult market conditions prevailing mainly in the manufacturing and mining sectors have adversely impacted the results of certain operations exposed to these sectors, notably ApplyIT. There are however indications that these market conditions are improving. The improved market diversification of the group pursuant to its acquisitive strategy has mitigated some of the impact of the economic environment, enhancing the sustainability of the group.

Change of year-end

Pursuant to the ITS Holdings acquisition, the group's financial year-end was changed to 30 June. The current financial reporting period has therefore been extended to 16 months.

Dividend

Ordinary dividend number 7 of 1.86 cents per share was paid to shareholders on 6 July 2009. This represented a five times dividend cover. The group has a policy to declare dividends at the end of the financial year and not at the interim reporting date. A dividend will be considered at the financial year-end.

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

The board appointed Messrs PCM September and M Nhlapo as additional independent non-executive directors on 1 January 2010 and 11 March 2010 respectively. The board looks forward to their contribution over the coming years. These appointments form part of the group's ongoing commitment to improving corporate governance and enhancing the strategic leadership of the group. W Mann resigned as company secretary of the group on 19 February 2010 and was replaced by RL Moodley. RP Collis resigned as non-executive chairman on 30 September 2009 and was replaced by Dr AB Ravnö.

Relocation

In January, Adapt IT (Pty) Limited relocated to a new office in La Lucia Ridge, which is also the registered office of all group companies. The office is a green building and includes a new technical infrastructure, which enhances the efficiency, security and reliability of our operations and allows for future growth.

Prospects

Notwithstanding the current economic situation, we are positive about the prospects of the group going forward, as the group is able to offer a more comprehensive service offering which will position us for growth within our target markets.

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

Condensed interim statement of comprehensive income

for the 12 month period ended 28 February 2010

| | Reviewed 28 February 2010 R'000 | Audited 28 February 2009 R'000 |
|--|--|---|
| Revenue | 146 150 | 77 497 |
| Turnover | 139 190 | 74 865 |
| Cost of sales | (81 394) | (36 200) |
| Gross profit | 57 796 | 38 665 |
| Administrative, selling and other costs | (46 176) | (27 593) |
| Other income | 2 235 | – |
| Profit from operations before interest | 13 855 | 11 072 |
| Interest received | 4 725 | 2 632 |
| Interest paid | (1 159) | (14) |
| (Loss)/Profit from associate | (64) | 137 |
| Profit before taxation | 17 357 | 13 827 |
| Taxation | (4 689) | (3 999) |
| Normal tax | (4 508) | (3 586) |
| Secondary taxation on companies | (181) | (413) |
| Profit for the period | 12 668 | 9 828 |
| Exchange differences on translation of foreign operations | (110) | – |
| Total comprehensive income for the period, net of tax | 12 558 | 9 828 |
| Profit for the period | | |
| Attributable to minorities | 1 958 | 751 |
| Attributable to equity holders of the parent | 10 710 | 9 077 |
| | 12 668 | 9 828 |
| Total comprehensive income for the period | | |
| Attributable to minorities | 1 904 | 751 |
| Attributable to equity holders of the parent | 10 654 | 9 077 |
| | 12 558 | 9 828 |
| Headline profit | | |
| Profit attributable to equity holders of the parent | 10 710 | 9 077 |
| Less (profit)/loss on sale of property and equipment | (37) | 1 |
| Add impairment loss | 62 | 20 |
| Excess of net asset value over purchase price | (1 176) | – |
| Headline profit | 9 559 | 9 098 |
| Number of ordinary shares in issue ('000) | 95 650 | 95 650 |
| Weighted average ordinary shares in issue ('000) | 95 650 | 96 203 |
| Headline earnings per ordinary share (cents) | 9.99 | 9.46 |
| Earnings per ordinary share (cents) | 11.20 | 9.44 |
| Fully diluted headline earnings per ordinary share (cents) | 9.99 | 9.43 |
| Fully diluted earnings per ordinary share (cents) | 11.20 | 9.43 |
| Dividends paid per share (cents) | 1.86 | 4.43 |
| Return on equity (%) | 29.47 | 32.33 |
| Return on assets (%) | 8.76 | 25.33 |

Condensed interim statement of financial position

as at 28 February 2010

| | Reviewed 28 February 2010 R'000 | Audited 28 February 2009 R'000 |
|--|--|---|
| Assets | | |
| Non-current assets | | |
| Property and equipment | 23 569 | 1 974 |
| Intangible assets | 153 | 348 |
| Goodwill | 10 408 | 10 408 |
| Investment in associated company | 74 | 137 |
| Deferred taxation asset | 4 998 | 659 |
| | 39 202 | 13 526 |
| Current assets | | |
| Trade and other receivables | 44 122 | 14 035 |
| Cash resources | 38 910 | 14 556 |
| | 83 032 | 28 591 |
| Total assets | 122 234 | 42 117 |
| Equity and liabilities | | |
| Equity attributable to equity holders of the parent | | |
| Issued capital | 9 | 8 |
| Share premium | 7 198 | 7 188 |
| Share-based payment reserve | 930 | 803 |
| Foreign translation reserve | (56) | – |
| Retained earnings | 32 277 | 23 345 |
| | 40 358 | 31 344 |
| Minority interests | 6 076 | 1 415 |
| Total equity | 46 434 | 32 759 |
| Non-current liabilities | | |
| Deferred taxation liability | 2 040 | – |
| Interest-bearing borrowings | 4 115 | – |
| Current liabilities | | |
| Trade and other payables | 53 577 | 9 358 |
| Interest-bearing borrowings | 5 752 | – |
| Non interest-bearing borrowings | 10 316 | – |
| Total equity and liabilities | 122 234 | 42 117 |
| Net asset value | (R'000) 46 434 | 32 759 |
| Net asset value per ordinary share | (cents) 48.55 | 34.25 |
| Liquidity ratio | (times) 1.19 | 3.06 |
| Solvency ratio | (times) 1.61 | 4.50 |
| Market price per share | | |
| Close | (cents) 42 | 47 |
| High | (cents) 58 | 71 |
| Low | (cents) 31 | 10 |
| Capital expenditure for the period | 9 500 | 1 245 |
| Capital expenditure authorised but not expended | 2 522 | 4 614 |

Condensed interim statement of cash flows

for the 12 month period ended 28 February 2010

| | Reviewed 28 February 2010 R'000 | Audited 28 February 2009 R'000 |
|--|--|---|
| Cash flows from operating activities | | |
| Profit from operations before interest and dividends | 13 855 | 11 072 |
| Adjustment for: | | |
| Provisions | (818) | 275 |
| Impairment loss | 62 | 20 |
| Non-cash flow items | 11 | 9 |
| Share-based payment expense | 127 | 130 |
| Excess of net asset value over purchase price | (1 176) | – |
| (Profit)/Loss on sale of equipment | (37) | 1 |
| Depreciation and amortisation | 2 052 | 1 799 |
| Cash generated from operations, before working capital changes | 14 076 | 13 306 |
| Increase in receivables | (10 586) | (602) |
| Increase in payables | 11 448 | 1 866 |
| Cash generated from operations | 14 938 | 14 570 |
| Taxation paid | (4 613) | (3 948) |
| Net interest income | 3 566 | 2 618 |
| Dividend paid to shareholders | (1 778) | (4 317) |
| Net cash inflow from operating activities | 12 113 | 8 923 |
| Cash flow from investing activities | | |
| Acquisition of equipment | (9 500) | (1 245) |
| Proceeds on disposal of property and equipment | 37 | 41 |
| Increase in investment in associate | – | (137) |
| Acquisition of subsidiary | (16 000) | (20) |
| Net cash outflow from investing activities | (25 463) | (1 361) |
| Cash flow from financing activities | | |
| Repurchase of company's shares | – | (926) |
| Proceeds from borrowings | 17 115 | – |
| Repayment of borrowings | (6 241) | – |
| Net cash inflow/(outflow) from financing activities | 10 874 | (926) |
| Net (decrease)/increase in cash resources | (2 476) | 6 636 |
| Exchange differences on translation | (110) | – |
| Cash resources at beginning of period | 14 556 | 7 920 |
| Cash resources on acquisition of subsidiaries | 26 940 | – |
| Cash resources at end of period | 38 910 | 14 556 |

Condensed interim statement of changes in equity

for the 12 month period ended 28 February 2010

| | 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 year | – | – | 9 077 |
| Total comprehensive income | – | – | 9 077 |
| Treasury shares repurchased during the period | (2) | (924) | – |
| Recognition of share-based payment | – | – | – |
| Dividends | – | – | (4 317) |
| Balance at 28 February 2009 | 8 | 7 188 | 23 345 |
| Profit for the period | – | – | 10 710 |
| Other comprehensive income | – | – | – |
| Total comprehensive income | – | – | 10 710 |
| Recognition of share-based transactions | 1 | 10 | – |
| Acquisition of subsidiary | – | – | – |
| Dividends | – | – | (1 778) |
| Balance at 28 February 2010 | 9 | 7 198 | 32 277 |

| 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 | 664 | 28 044 |
| – | – | 9 077 | 751 | 9 828 |
| – | – | 9 077 | 751 | 9 828 |
| – | – | (926) | – | (926) |
| 130 | – | 130 | – | 130 |
| – | – | (4 317) | – | (4 317) |
| 803 | – | 31 344 | 1 415 | 32 759 |
| – | – | 10 710 | 1 958 | 12 668 |
| – | (56) | (56) | (54) | (110) |
| – | (56) | 10 654 | 1 904 | 12 558 |
| 127 | – | 138 | – | 138 |
| – | – | – | 2 757 | 2 757 |
| – | – | (1 778) | – | (1 778) |
| 930 | (56) | 40 358 | 6 076 | 46 434 |

Notes to the financial statements

CORPORATE INFORMATION AND BASIS OF PREPARATION

The interim condensed consolidated financial statements of the group for the twelve months ended 28 February 2010 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 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 been 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 is 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.

Change in financial year end

As previously communicated to shareholders, the group's financial year end was changed from 28 February to 30 June. As a result this second interim announcement is for the 12 months ended 28 February 2010. Audited results for the 16 months to 30 June 2010 will be announced on or about 30 September 2010.

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.

BUSINESS COMBINATIONS

Acquisition of ITS Holdings

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

Notes to the financial statements

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

| | Reviewed Fair value recognised on acquisition R'000 | Reviewed Previous carrying value 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' loan acquired | 14 307 | |
| Portion of consideration applicable to net asset value | 1 693 | |
| 51% of net assets above | 2 869 | |
| Excess of net value over purchase price | (1 176) | |

| | Reviewed 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 the acquisition, ITS Holdings has contributed R2.1 million to the profit after tax of the group.

The excess of the net asset value over the purchase price is included in other income in the statement of comprehensive income.

Interest/non-interest bearing borrowings

Current liabilities

Included under current liabilities is an interest bearing borrowing from Investec Private Bank Limited, which was taken out to fund the business's working capital. The non-interest bearing borrowings comprise a shareholders' loan acquired on acquisition of ITS Holdings.

Non-current liabilities

Included under long-term liabilities is a interest bearing borrowing from IBM Global Finance to fund certain capital expenditure.

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.

Notes to the financial statements

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 twelve months ended 28 February 2010 and 28 February 2009 respectively:

| Twelve months ended | Adapt IT | ApplyIT | ITS | Other | Adjustments and eliminations | Total |
|---|---------------|--------------|---------------|--------------|------------------------------------|----------------|
| 28 February 2010 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Revenue* | | | | | | |
| Third party | 79 550 | 9 968 | 53 706 | 3 719 | (793) | 146 150 |
| Intersegment | – | – | – | – | – | – |
| Total revenue | 79 550 | 9 968 | 53 706 | 3 719 | (793) | 146 150 |
| Segment profit/(loss) before tax | 11 181 | (284) | 4 984 | 3 163 | (1 687) | 17 357 |

Twelve months ended 28 February 2009

| | | | | | | |
|----------------------------------|---------------|---------------|----------|--------------|----------------|---------------|
| Revenue* | | | | | | |
| Third party | 62 548 | 13 358 | – | 3 087 | (1 496) | 77 497 |
| Intersegment | – | – | – | – | – | – |
| Total revenue | 62 548 | 13 358 | – | 3 087 | (1 496) | 77 497 |
| Segment profit before tax | 7 979 | 3 809 | – | 2 039 | – | 13 827 |

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

The following table presents segment assets of the group's operating segments as at 28 February 2009 and 28 February 2010:

| | Adapt IT | ApplyIT | ITS | Other | Adjustments and eliminations | Total |
|---------------------------|---------------|--------------|----------------|---------------|------------------------------------|----------------|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Segment assets | | | | | | |
| – 28 February 2010 | 54 143 | 4 177 | 103 562 | 30 803 | (70 451) | 122 234 |
| – 28 February 2009 | 33 611 | 6 904 | – | 25 099 | (23 437) | 42 177 |

Independent review by the auditors of the condensed interim financial statements

The consolidated statement of financial position at 28 February 2010 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the 12 months ended were reviewed by Ernst & Young Inc. Their unmodified review report is available for inspection at the registered office of the company.

Corporate information

ADAPTIT HOLDINGS LIMITED

(Registration number 1998/017276/06)

Share code: ADI

ISIN: ZAE000113163

("AdaptIT" or "the group")

Directors

Dr A B Ravnö (*independent non-executive chairman*)

Sbu Shabalala (*chief executive officer*)

T Dunsdon (*commercial director*)

Siboniso Shabalala (*financial director*) (*appointed 6 April 2009*)

W Shuenyane (*non-executive director*)

B Ntuli (*independent non-executive director*)

PCM September (*independent non-executive director*) (*appointed 4 January 2010*)

M Nhlapo (*independent non-executive director*) (*appointed 11 March 2010*)

RP Collis (*non-executive chairman*) (*resigned 30 September 2009*)

Company secretary and registered office

RL Moodley

4/5 Rydall Vale Park, La Lucia Ridge, Durban, 4051

PO Box 5207, Rydall Vale Park, La Lucia, 4019

Transfer secretary

Computershare Investor Services (Proprietary) Limited

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Sponsor

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Auditors

Ernst & Young Inc.

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