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**UNAUDITED INTERIM CONSOLIDATED GROUP RESULTS**  
for the six months ended 31 December 2010



# INTERIM REPORT TO STAKEHOLDERS

for the six months ended 31 December 2010

## Financial review

Adapt IT Holdings Limited changed its financial year end to 30 June as of the previous year, (reporting for a 16-month period) therefore, the last reported comparable six-month period was to 31 August 2009.

Revenue grew by 40% to R85,1 million (R60,6 million), whilst profit from operations was 12% higher at R6,5 million (R5,8 million).

The interim Earnings Per Share (EPS) were lower than the comparable period at 3,43 cents per share (4,73 cps), with Headline EPS (HEPS) higher at 3,56 cps (3,50 cps).

The interim EPS was lower than the comparative period, mainly due to the impact of the change in year end (due to the timing of certain annual licence fee income), once-off discount on the initial ITS acquisition in 2009, as well as the non-recurring costs relating to buying-out non-controlling shareholders at ITS Holdings (Pty) Ltd and ApplyIT (Pty) Ltd. The positive impact on earnings from the minority buy-outs will only reflect in the results going forward.

## Strategy and outlook

During the first half of the year, the Group continued to pursue its long-term strategy of delivering sustainable, above average returns to shareholders, by focusing on a combination of organic growth in the established and new sectors of the ICT market. Having completed the acquisition of a 100% stake in all existing subsidiaries, the Group seeks further significant earnings, enhancing acquisitions.

The Group will also continue to focus on improving profit margins and seek greater operational efficiencies, whilst engaging positively with all its stakeholders to meet their expectations. Customers' IT expenditure continued to reflect the challenging economic environment, although, the diverse client-base of the Group ensured that the business continues to grow through work for existing customers.

The ICT market, and indeed the economic environment, is still fragile and challenging. However, Adapt IT is well-positioned to take advantage of the anticipated recovery, as evidenced by several new clients having been won in past months. The full ownership of all subsidiary companies enhances the Group earnings going forward, whilst improving the balance sheet for further growth.

## Change of company secretary

The Board would like to thank Mr RL Moodley for his services as Company Secretary over the years. Statucor (Pty) Ltd has been appointed as the new Company Secretary.

## Appreciation

We express our thanks to our long-standing and new customers, suppliers, 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**  
Chairman

**Sbu Shabalala**  
Chief Executive Officer

# INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Unaudited Six months ended 31 December 2010 R'000</b>	<b>Unaudited Six months ended 31 August 2009 R'000</b>	<b>Audited Period ended 30 June 2010 R'000</b>
<b>Revenue</b>	<b>85 130</b>	60 567	208 452
Turnover	<b>80 900</b>	59 245	198 986
Cost of sales	<b>(43 435)</b>	(35 780)	(107 078)
Gross profit	<b>37 465</b>	23 465	91 908
Administrative, selling and other costs	<b>(33 209)</b>	(19 183)	(76 820)
Other income	<b>2 220</b>	1 494	3 842
Profit from operations (before interest)	<b>6 476</b>	5 776	18 930
Finance income	<b>2 009</b>	1 288	5 623
Finance costs	<b>(338)</b>	(338)	(945)
Loss from associate	<b>-</b>	(64)	(64)
Profit before taxation	<b>8 147</b>	6 662	23 544
Taxation	<b>(2 649)</b>	(1 862)	(6 709)
Normal tax	<b>(2 326)</b>	(1 681)	(6 523)
Secondary taxation on companies	<b>(323)</b>	(181)	(186)
<b>Profit for the period</b>	<b>5 498</b>	4 800	16 835
Exchange differences on translation of foreign operations	<b>(138)</b>	185	(169)
<b>Other comprehensive income for the period, net of tax</b>	<b>(138)</b>	185	(169)
<b>Total comprehensive income for the period, net of tax</b>	<b>5 360</b>	4 985	16 666
<b>Profit for the period</b>			
Attributable to equity shareholders of the parent	<b>3 297</b>	4 528	13 100
Attributable to non-controlling interests	<b>2 202</b>	272	3 736
	<b>5 499</b>	4 800	16 836
<b>Total comprehensive income for the period</b>			
Attributable to equity shareholders of the parent	<b>3 227</b>	4 623	13 014
Attributable to non-controlling interests	<b>2 133</b>	362	3 652
	<b>5 360</b>	4 985	16 666
<b>Headline earnings</b>			
Profit attributable to ordinary shareholders	<b>3 297</b>	4 528	13 100
Add loss on sale of property and equipment	<b>123</b>	-	(245)
Excess of net assets over purchase price on business combination	<b>-</b>	(1 176)	(1 176)
Headline earnings	<b>3 420</b>	3 352	11 679
Number of ordinary shares in issue ('000)	<b>98 307</b>	95 650	95 697
Weighted average ordinary shares in issue ('000)	<b>96 113</b>	95 650	96 085
Headline earnings per ordinary share (cents)	<b>3,56</b>	3,50	12,15
Earnings per ordinary share (cents)	<b>3,43</b>	4,73	13,64
Fully diluted earnings per share (cents)	<b>3,43</b>	4,73	13,64
Return on equity (%)	<b>8,87</b>	14,95	35,39
Return on assets (%)	<b>2,41</b>	4,85	10,50

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 31 December 2010 R'000	Unaudited 31 August 2009 R'000	Audited 30 June 2010 R'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	22 470	15 970	22 720
Intangible assets	103	20	109
Goodwill	10 408	10 408	10 408
Investment in associated company	-	74	-
Deferred taxation asset	8 456	1 214	6 528
	<b>41 437</b>	<b>27 686</b>	<b>39 765</b>
<b>Current assets</b>			
Trade and other receivables	80 537	38 231	45 849
Cash and cash equivalents	14 686	27 411	39 127
	<b>95 223</b>	<b>65 642</b>	<b>84 976</b>
<b>Total assets</b>	<b>136 660</b>	<b>93 328</b>	<b>124 741</b>
<b>Equity and liabilities</b>			
<b>Capital reserves</b>			
Issued capital	10	8	10
Share premium	8 548	7 188	7 196
Share-based payment reserve	893	866	893
Foreign currency translation reserve	(156)	185	(86)
Retained earnings	30 736	26 095	34 666
Equity attributable to ordinary shareholders	<b>40 031</b>	<b>34 342</b>	<b>42 679</b>
Non-controlling interest	-	4 444	7 825
Total equity	<b>40 031</b>	<b>38 786</b>	<b>50 504</b>
<b>Non-current liabilities</b>			
Deferred taxation liability	1 844	2 898	2 470
Interest-bearing borrowings	17 842	-	2 448
<b>Current liabilities</b>			
Trade and other payables	20 110	34 322	31 367
Deferred income	51 521	-	25 844
Interest-bearing borrowings	5 312	3 577	1 793
Non-interest-bearing borrowings	-	13 745	10 315
<b>Total equity and liabilities</b>	<b>136 660</b>	<b>93 328</b>	<b>124 741</b>
Net asset value (R'000)	<b>40 031</b>	<b>38 786</b>	<b>50 504</b>
Net asset value per ordinary share (cents)	<b>40,72</b>	<b>40,55</b>	<b>52,77</b>
Liquidity ratio (times)	<b>1,23</b>	<b>1,20</b>	<b>1,85</b>
Solvency ratio (times)	<b>1,41</b>	<b>1,71</b>	<b>1,68</b>
Market price per share			
Close (cents)	<b>61</b>	<b>45</b>	<b>49</b>
High (cents)	<b>62</b>	<b>58</b>	<b>58</b>
Low (cents)	<b>45</b>	<b>40</b>	<b>31</b>
Capital expenditure for the period	<b>1 254</b>	<b>546</b>	<b>1 244</b>
Capital expenditure authorised	<b>1 778</b>	<b>5 249</b>	<b>4 614</b>

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 31 December 2010 R'000	Unaudited Six months ended 31 August 2009 R'000	Audited Period ended 30 June 2010 R'000
<b>Cash flows from operating activities</b>			
Profit from operations (before interest and dividends)	<b>6 476</b>	5 776	18 895
Adjustment for:			
Provision for leave pay	<b>(317)</b>	1 167	1 463
Impairment loss	-	-	74
Non-cash flow items	-	-	(1 169)
Share-based payment expense	-	63	90
Excess of net asset value over purchase price	-	(1 176)	-
Loss/(profit) on sale of equipment	<b>123</b>	-	(319)
Depreciation and amortisation	<b>1 441</b>	848	3 014
Cash generated from operations, before working capital changes	<b>7 723</b>	6 678	22 048
Working capital changes:			
Increase in receivables	<b>(34 688)</b>	(5 416)	(12 312)
Increase/(decrease) in payables	<b>14 420</b>	(4 832)	11 598
Cash (used in)/generated from operations	<b>(12 545)</b>	(3 570)	21 334
Taxation paid	<b>(4 522)</b>	(2 072)	(5 537)
Net interest income	<b>1 671</b>	950	4 678
Dividend paid to shareholders	<b>(3 264)</b>	(1 778)	(1 744)
Net cash (outflow)/inflow from operating activities	<b>(18 660)</b>	(6 470)	18 731
<b>Cash flow from investing activities</b>			
Acquisition of equipment	<b>(1 254)</b>	(546)	(9 607)
Proceeds on disposal of property and equipment	<b>11</b>	62	438
Increase in investment in associate	-	-	64
Acquisition of subsidiary	<b>(19 127)</b>	(16 000)	(16 000)
Net cash outflow from investing activities	<b>(20 370)</b>	(16 484)	(25 105)
<b>Cash flow from financing activities</b>			
Proceeds from borrowings	<b>19 127</b>	13 000	17 115
Issue of company shares	-	-	10
Repayment of borrowings	<b>(4 399)</b>	(4 316)	(11 305)
Elimination of shareholder loan	-	-	(1 430)
Net cash inflow from financing activities	<b>14 728</b>	8 684	4 390
Net decrease in cash resources	<b>(24 302)</b>	(14 270)	(1 984)
Exchange differences on translation	<b>(138)</b>	185	(169)
Cash resources at beginning of period	<b>39 126</b>	14 556	14 556
Cash resources on acquisition of subsidiaries	-	26 940	26 723
Cash resources at end of period	<b>14 686</b>	27 411	39 126

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Retained earnings
	R'000	R'000	R'000
Balance at 28 February 2009	8	7 188	23 345
Profit for the period	-	-	4 528
Other comprehensive income	-	-	-
Total comprehensive income	8	7 188	27 873
Recognition of share-based payment	-	-	-
Acquisition of subsidiary	-	-	-
Dividends	-	-	(1 778)
Balance at 31 August 2009	8	7 188	26 095
Balance at 30 June 2010	10	7 196	34 666
Profit for the period	-	-	3 297
Other comprehensive income	-	-	-
Total comprehensive income	10	7 196	37 963
Issue of shares	-	1 352	-
Acquisition of non-controlling interest in subsidiary	-	-	(3 963)
Dividends	-	-	(3 264)
Balance at 31 December 2010	10	8 548	30 736

Share-based payment reserve	Foreign currency translation reserve	Attributable to equity holders of the parent	Non-controlling interest	Total equity
R'000		R'000	R'000	R'000
803	-	31 344	1 415	32 759
-	-	4 528	272	4 800
-	185	185	-	185
803	185	36 057	1 687	37 744
63	-	63	-	63
-	-	-	2 757	2 757
-	-	(1 778)	-	(1 778)
866	185	34 342	4 444	38 786
893	(86)	42 679	7 825	50 504
-	-	3 297	2 202	5 499
-	(70)	(70)	(68)	(138)
893	(156)	45 906	9 959	55 865
-	-	1 352	-	1 352
-	-	(3 963)	(9 959)	13 922
-	-	(3 264)	-	(3 264)
893	(156)	40 031	-	40 031

40% REVENUE GROWTH

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 December 2010

## Corporate information and basis of preparation

The interim condensed consolidated Financial Statements of the Group for the six months ended 31 December 2010 were prepared in accordance with IAS 34 *Interim Financial Reporting, the Companies Act, 1973, (Act 61 of 1973) as amended and the Listing Requirements of the JSE Limited.*

The interim condensed 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 2010.

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 applied in the preparation of these interim condensed consolidated Financial Statements are in accordance with International Financial Reporting Standards (IFRS) and are consistent with those applied in the Annual Financial Statements for the year ended 30 June 2010, except for the following new Standards which have been issued, but which had no material impact on the results and financial position of the Group.

## IFRS 2 Share-based payments

The IASB issued an amendment to IFRS 2 in January 2008 that defines vesting conditions and prescribes the treatment for an award that is cancelled. The amendment is effective for financial years beginning on or after 1 January 2010.

## IAS 32 Financial Instruments: Presentation (Amendments) Classification of Rights Issue

The purpose of the amendment is to clarify the classification of instruments that give the holders the right to acquire an entity's own equity instruments at a fixed price (rights issue), when that price is stated in a currency other than the entity's functional currency. The amendment is effective for annual periods beginning on or after 1 February 2010.

## Subsequent events

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

## Dividends

Ordinary dividend number 8 of 3,41 cents per share was paid to shareholders on 22 October 2010. It is the Group policy to consider declaration of dividends at the end of the financial period and not at the interim reporting date.

## Change of financial year end

As previously communicated to shareholders, the Group's financial year end was changed from 28 February to 30 June. For comparative purposes, these interim consolidated Financial Statements reflect the current six-month period to 31 December 2010 and the comparative six-month period to 31 August 2009.

## Business combinations

### Acquisition of non-controlling interest in ApplyIT

On 30 November 2010, the Group acquired the remaining 22,7% interest of the voting shares

of ApplyIT. A purchase consideration of R0,72 million was paid to the non-controlling shareholders. The non-controlling interest value was R1,4 million and the difference of R0,69 million had been recognised in the retained earnings within equity.

### Acquisition of non-controlling interest in ITS Holdings

On 31 December 2010, the Group acquired the remaining non-controlling interest of 49% of the shares in ITS, that it did not already own. The purchase consideration of R19,9 million was paid to the non-controlling interest shareholders. The net carrying value of the assets of ITS (excluding goodwill) at the initial acquisition date was R5,6 million and the carrying value of the additional interest acquired was R8,5 million, which was acquired for R13,2 million. The difference between the purchase consideration and the carrying value of the interest acquired has been recognised in retained earnings within equity.

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	13 839	13 839
Deferred taxation	7 557	7 557
Trade receivables	65 373	65 373
Cash	13 103	13 103
	<u>99 872</u>	<u>99 872</u>
Taxation	4 033	4 033
Shareholders' loans	15 661	15 661
Deferred	51 521	51 521
Trade payables	11 212	11 212
	<u>82 427</u>	<u>82 427</u>
Net Assets	17 445	
Purchase consideration	19 859	
Portion of consideration applicable to shareholders' loan acquired	(6 658)	
Portion of consideration applicable to net asset value	13 201	
49% of net assets above	(8 547)	
Excess on acquisition of 49% recognised directly in equity	<u>4 654</u>	

## Interest-bearing borrowings

Non-current and current liabilities

Included under non-current and current liabilities are interest-bearing borrowings from Investec Private Bank, which were taken out to fund the purchase of the remaining non-controlling interest of 49% in ITS and an 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;

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 December 2010 (continued)

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 December 2010 and 31 August 2009 respectively:

	Adapt IT	ITS	Apply IT	Other	Adjustments and eliminations	Total
<b>Six months ended 31 December 2010</b>						
Revenue						
Third party	34 756	43 552	6 285	983	(102)	85 474
Intersegment	-	-	(344)	-	-	(344)
<b>Total revenue</b>	<b>34 756</b>	<b>43 552</b>	<b>5 941</b>	<b>983</b>	<b>(102)</b>	<b>85 130</b>
Revenue includes sales to customers, hardware and software sales						
<b>Segment profit/(loss) before tax</b>	<b>2 834</b>	<b>6 529</b>	<b>203</b>	<b>(1 317)</b>	<b>(102)</b>	<b>8 147</b>

Revenue includes sales to customers, hardware and software sales

	Adapt IT	ITS	Apply IT	Other	Adjustments and eliminations	Total
<b>Six months ended 31 August 2009</b>						
Revenue						
Third party	42 885	11 979	5 482	894	(673)	60 567
Intersegment	-	-	-	-	-	-
<b>Total revenue</b>	<b>42 885</b>	<b>11 979</b>	<b>5 482</b>	<b>894</b>	<b>(673)</b>	<b>60 567</b>
Revenue includes sales to customers, hardware and software sales						
<b>Segment profit/(loss) before tax</b>	<b>4 819</b>	<b>717</b>	<b>86</b>	<b>(136)</b>	<b>1 176</b>	<b>6 662</b>

Revenue includes sales to customers, hardware and software sales

	Adapt IT	ITS	Apply IT	Other	Adjustments and eliminations	Total
<b>Segment assets</b>						
<b>- 31 December 2010</b>	<b>67 548</b>	<b>125 874</b>	<b>2 589</b>	<b>48 601</b>	<b>(107 952)</b>	<b>136 660</b>
<b>- 31 August 2009</b>	<b>45 645</b>	<b>86 701</b>	<b>6 004</b>	<b>34 439</b>	<b>(79 461)</b>	<b>93 328</b>

The following table presents segment assets of the Group's operating segments as at 31 December 2010 and 31 August 2009

## UNAUDITED CONDENSED INTERIM CONSOLIDATED GROUP RESULTS

for the six months ended 31 December 2010

### Adapt IT Holdings Limited

Registration number: 1998/017276/06

Share code: ADI

ISIN: ZAE000113163

("Adapt IT Group" or "The Group")

### Directors

\*Dr AB Ravnö (Chairman), Sbu Shabalala (Chief Executive Officer), T Dunsdon (Commercial Director), Siboniso Shabalala (Financial Director),

\*W Shuenyane, \*B Ntuli, \*P September, \*M Nhlapo

\*Independent Non-Executive Director

### Registered office

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

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

### Company secretary

Statucor (Pty) Ltd

### Transfer secretary

Computershare Investor Services (Pty) Ltd

70 Marshall Street, Johannesburg, 2001

PO Box 61051, Marshalltown, 2107

### Sponsor

Merchantec Capital

2nd Floor, North Block, Hyde Park Office Tower, Johannesburg, 2196

PO Box 41480, Craighall, 2024

### Auditors

Ernst & Young Inc.

1 Pencarrow Crescent, Pencarrow Park, La Lucia Ridge, Durban North, 4051

PO Box 859, Durban, 4000

### Website

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