alviva
HOLDINGS

Technology. Delivered.

UNREVIEWED CONDENSED CONSOLIDATED INTERIM RESULTS

for the six months ended

31 December 2020

CORPORATE INFORMATION

alviva HOLDINGS

ALVIVA HOLDINGS LIMITED

(incorporated in the Republic of South Africa)
Registration number: 1986/000334/06
ISIN: ZAE000227484
Share code: AVV
"Alviva" or "the Company" or "the Group"

Directors:

A Tugendhaft * (Chairperson), P Spies (Chief Executive Officer), SH Chaba *^, RD Lyon (Chief Financial Officer), PN Masemola *^, MG Mokoka *^, P Natesan *^ (Lead Independent Director)

** Non-Executive ^ Independent*

Registered Office:

The Summit, 269, 16th Road, Randjespark, Midrand, 1685

Preparer of results: RD Lyon CA

Company Secretary: SL Grobler CA(SA)

Transfer Secretaries:

Computershare Investor Services (Pty) Ltd,
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

Auditors:

SNG Grant Thornton Incorporated,
Registered Auditors, 20 Morris Street East, Woodmead, 2191

Sponsor:

Deloitte & Touche Sponsor Services (Pty) Ltd,
Deloitte Place, 5 Magwa Crescent, Waterfall City, Midrand, 2090

COMMENTARY

Introduction

The Board of Directors is pleased to present Alviva's condensed consolidated unreviewed interim financial results for the six months ended 31 December 2020.

Overview

The Group has delivered a satisfactory performance, with all of its operating entities contributing positively. Throughout the period, management has maintained the constant, but delicate, balancing of maintaining and refining the execution of the Group's strategy whilst navigating through the uncertainty created by COVID-19. It is anticipated that this situation will remain a feature of the commercial environment for some time and the Group remains nimble and agile in order to react to circumstances as they occur.

Revenue increased by 2% in an environment where business remained difficult. The ICT Distribution segment grew revenue by 6%, whilst the Services and Solutions segment's revenue reduced by 5%, thereby impacting overall gross profit margin percentages. Expenses grew by only 1% as a result of good cost management and by the freeze that the Group had put on salary increases in July 2020.

Cash flow management has been excellent throughout the period and net finance costs show a significant decrease of R31 million compared to the prior reporting period. There have been two notable factors that are worthy of mention:

- During the last quarter of the 2020 reporting period, extensions of credit terms were granted by Alviva's significant vendors to aid the businesses through the lockdown period. This resulted in substantial amounts payable to these vendors at 30 June 2020, together with substantial cash holdings at that same date. Repayments to these supportive vendors were made during the early part of the current reporting period; and
- During November and December, the world-wide shortage of processors and components was felt by the Group and many orders to suppliers have been delayed into 2021. This has resulted in the Group being unable to meet the local demand for these products. Together with excellent inventory management throughout the period, the shortage has created the reduced inventory levels at the reporting date. It is anticipated that this situation will be resolved in the second half of the 2021 reporting period.

The Group redeemed R100 million of its preference shares to Absa in August 2020, as was previously announced, reducing the total amount of preference share funding to R300 million. In addition, the share repurchase progamme's suspension was lifted during the reporting period and 11,4 million shares were repurchased at a total cost of R87 million. Headline earnings per share was up 17% to 109,8 cents per share (cps) (H1 2020: 94,0 cps).

Financial results

In order to fully appreciate the different types of businesses within the Alviva stable, the reader is guided to our website, www.alvivaholdings.com, to review the Corporate Profile under "About Us". This sets out the segments and the main businesses that operate in each segment.

Segment performance

The **ICT Distribution segment** is made up of Axiz (including Axiz Field Services), Obscure, Pinnacle and VH Fibre.

Axiz delivered solid profits in a lacklustre trading environment. Enterprise business slowed dramatically during the reporting period but there was good demand for work-from-home products in the first quarter. Thereafter, exacerbated by product shortages, activity has diminished.

Obscure has enjoyed a much better performance compared to the prior reporting period, with revenue up and profit before tax of R12 million compared to R3 million in the prior comparable period. Their cyber security product portfolio is market leading and the Group remains confident that this business will continue to yield good returns.

Pinnacle's performance has been the stand-out feature of the segment, with revenue increasing by 18% and profit before tax by 165% on a like-for-like basis. This was achieved through a few large enterprise deals and strong demand in the first quarter of the reporting period for work-from-home products. In addition, Pinnacle has successfully implemented a new ERP system, allowing it to take advantage of enhanced digital efficiencies and reporting. Pinnacle continues to follow up on the estimated credit losses recognised at the 2020 reporting date and is confident that no further losses will emanate from any of the exposures.

VH Fibre ("VHF") has restructured its business and expense base to reflect the commercial opportunity that it currently faces and this has resulted in a modest trading profit before tax.

In summary, the ICT Distribution segment is well structured, well managed and delivering reasonable returns in a difficult market.

The **Services and Solutions segment** is made up of three sub-segments:

- Solutions and Integrators: Datacentrix, DG, and Centravoice/Intdev
- Renewable Energy: Solareff and GridCars
- Applications and IP: Merlynn, Sintrex and Synerg

Solutions and Integrators

Datacentrix has had a challenging trading period although they performed to expectations. The Digital Business Solutions and Managed Services divisions exceeded budget, but customers considerably reduced their infrastructure spend, investing instead in work-from-home products, thereby impacting on overall margins. Tender activity, though, is at an all time high and hopefully some of these will convert into sizeable commercial opportunities in the future.

DG was unable to repeat the stellar six months it had in the prior reporting period. This was expected as there were a number of sizeable once-off deals in that period. Revenue decreased by 25% and profit before tax by 48%.

Centravoice/Intdev, the connectivity and managed solutions unit, treaded water by maintaining its profitability in a tough market.

Renewable Energy

Solareff has increased its order book to its highest levels, thanks in part to the constant load-shedding by Eskom. However, this has not yet translated into the income statement due to logistic and execution delays.

GridCars has completed its roll-out of charging stations on the major highways between Johannesburg, Cape Town and Durban. It remains loss-making but the amounts are insignificant.

Applications and IP

Sintrex showed a significant performance improvement with revenue up by 46% and profit before tax up by 85% compared to the previous period. Annuity revenue also increased by 5%, underpinned by long-term contracts with clients across various industries.

The company's investment in locally developed products and services continues to satisfy the market demand for visibility products that focus on Application Performance, User experience, Software Defined Wide Area Networks, Working-From-Home and Cloud-based technologies.

Merlynn has encountered delays in getting their TOM technology and solutions implemented in first world countries. Proof of concept trials have largely been successful within North America, Europe and Asia Pacific. A number of these projects have been or are in the process of being converted into long-term software licence agreements. Processes surrounding contracting and supplier onboarding within the large multinationals along with COVID-19 challenges have seen some delays. Merlynn has adapted its route to market to incorporate large multi-national system integrators. This has increased the business pipeline as well as created more implementation capacity.

Synerg, Alviva's new acquisition in the ERP solutions and implementation arena, has been hit hard with restrictions in movement during the various lockdown stages. During the reporting period, Synerg executed a successful implementation of Pinnacle onto Sage X3 but new customers have been hard to find elsewhere. Revenue was down 17% and profit before tax decreased by 64%. There are some promising prospects in the UAE, but these may take some time to come to fruition.

The Financial Services segment has recovered from the serious jolt that it had taken due to the national lockdown in April. At the end of December 2020, all the metrics that are tracked on a monthly basis are back in line with those that were tracked in February 2020. The book has grown by R40 million during the reporting period and estimated credit losses have been maintained at acceptable levels. The securitisation structure has been restored back to normal conditions and continues to provide sufficient funding for Centrafin's needs.

Corporate actions

Acquisition of Tarsus Technology Group Proprietary Limited ("Tarsus")

As detailed in the SENS announcement, dated 12 November 2020, Alviva has entered into a share purchase agreement ("SPA") with Mamzen Proprietary Limited ("the Seller") to acquire the entire issued share capital of Tarsus, for a maximum purchase consideration of R185 million ("Purchase Consideration"), (the "Acquisition"). The Acquisition will be effective on the third business day following the date on which the last of the conditions precedent referred to later, has been fulfilled or waived, as the case may be ("the Closing Date").

The Tarsus Group has two main operating subsidiaries: Tarsus Distribution Proprietary Limited, the company that owns the South African, Botswana and Namibian IT distribution operations, and Tarsus on Demand Proprietary Limited, a company which operates a cloud solutions business. Excluded from the transaction is the GAAP Point-of-Sale software business, which will be distributed, prior to Alviva's acquisition, to the current shareholders.

The Tarsus distribution business provides access to world-class supply chain services by leveraging integrated digital capabilities to enable partner resellers to deliver an enhanced end-customer experience, and the Tarsus cloud business offers a platform, complementary applications and hybrid solutions to assist customers with the benefits of Cloud As-A-Service easily and in the most cost-effective manner.

The Purchase Consideration of R185 million is payable in cash as follows:

- R100 million on the Closing Date;
- R27 million less
  - certain payments which may be paid prior to the Closing Date to the management of Tarsus;
  - the difference between R167 million and the amount of the net asset value ("NAV") of Tarsus at the Closing Date, limited to R5 million,

  6 months after the Closing Date;
- R33 million, 18 months after the Closing Date; and
- R25 million, 30 months after the Closing Date.

The Acquisition is subject to warranties and indemnities normal to transactions of this nature.

The Acquisition is subject to the fulfilment of the following principal outstanding conditions precedent ("Conditions Precedent"):

- the counterparty to each material contract in respect of Tarsus has (if so required by the relevant contract) either been notified of or consented to, the change of control or change of shareholding in Tarsus;
- a written agreement, incorporating the terms and conditions of the term sheet in respect of the working capital facility, is concluded between Tarsus and Investec Bank Limited, on terms reasonably acceptable to the Purchaser;
- the relevant approvals being obtained from the relevant Competition Authorities, in the jurisdictions in which Tarsus and its subsidiaries operate, for the Acquisition; and
- by the Closing Date, the Purchaser's confirmation to the Seller, in writing, that no material adverse change in respect of Tarsus, as defined in the SPA, has occurred.

The Conditions Precedent are required to be fulfilled by various dates specified in the SPA, the latest of which will, in respect of the various competition approvals, be within 150 business days from the date of registration of the relevant merger notifications, provided that the parties may agree to extend the dates for fulfilment.

Settlement of contingent consideration

Obscure Enterprises Proprietary Limited ("Obscure")

In terms of the agreement of purchase, the amount due in respect of the 2020 reporting period of R6 million was settled during the reporting period. There remains a contingent consideration for the final amount due in respect of June 2021.

Acquisition of an additional 7,4% in Sintrex Integration Services Proprietary Limited ("Sintrex")

Effective 1 November 2020, Alviva, through its subsidiary company DCT Holdings (RF) Proprietary Limited ("DCT"), acquired an additional 7,4% of the issued share capital of Sintrex for an amount of R11 million, thereby increasing its shareholding in Sintrex to 83%.

Effect of new acquisitions

Over the last few years, Alviva has paid approximately R646 million to acquire businesses to add to the Group's offering, to improve its growth prospects and to diversify its revenue streams from ICT Distribution.

The returns in attributable profit to the Group, based on the 6 months to December 2020, has been R35 million.

Within the next two years, once the intangible assets have been fully amortised, it is expected that these new acquisitions will contribute meaningfully to the Group.

Share repurchases

Over the last four and a half years, Alviva has repurchased 58 million shares from its 183 million shares in issue at 30 June 2016, at a total cost of R714 million. During the current reporting period alone, the Group repurchased 11,4 million shares at a cost of R87 million. The share repurchase programme, as approved by shareholders at its recent AGM, will continue along prudent lines and with due consideration to the Group's resources.

Changes to the Board and Committees

There have been no changes to the Board, or any of its Committees, during the reporting period.

Dividends

In line with previous years, no interim dividend is proposed for the period under review.

Prospects and strategic initiatives

The outlook for the year to 30 June 2021 is looking uncertain. The economy is struggling to recover from the effects of COVID-19 and its related lockdowns. Nevertheless, the Group is well positioned to take advantage of any upturn in commercial activity. Consequently, the Board expects that the Group should exceed its earnings from those generated in the previous 12-month reporting period ended 30 June 2020.

For and on behalf of the Board

A Tugendhaft
Chairperson

P Spies
Chief Executive Officer

Midrand
1 March 2021

Condensed consolidated

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 31 Dec 2020 R'000	Six months ended 31 Dec 2019 R'000	Twelve months ended 30 Jun 2020 Audited R'000
Revenue (note 2)	7 534 074	7 381 484	14 804 155
Cost of sales	(6 276 787)	(6 089 938)	(12 370 493)
Gross profit	1 257 287	1 291 546	2 433 662
Other income	10 470	(6 090)	(608)
Gain on discounting of finance lease agreements	575	975	1 272
Gain on foreign exchange	5 706	–	630
Profit on disposal of property, plant and equipment	191	264	1 611
Gain on remeasurement of contingent consideration	–	–	23 869
Impairment reversal/(loss) on loan to equity-accounted investee	3 998	(7 329)	(27 990)
Operating expenses	(1 013 931)	(1 011 625)	(2 044 517)
Selling expenses	(26 906)	(35 423)	(59 940)
Impairment (losses)/reversals and write-offs on trade and finance lease receivables	(9 911)	2 558	(45 645)
Impairment loss on goodwill	–	–	(49 563)
Employee benefit expenses	(669 305)	(683 042)	(1 323 782)
Administration expenses	(138 355)	(132 813)	(246 505)
Loss on foreign exchange	–	(12 067)	–
Depreciation and amortisation	(169 454)	(150 838)	(319 082)
Operating profit before interest	253 826	273 831	388 537
Net finance costs	(63 864)	(94 844)	(176 974)
Finance income	7 458	11 607	50 666
Finance costs	(71 322)	(106 451)	(227 640)
Profit before tax	189 962	178 987	211 563
Income tax expense	(59 493)	(57 060)	(74 688)
Profit for the period	130 469	121 927	136 875
Other comprehensive income			
Items that may be reclassified to profit or loss net of tax:	(9 202)	4 478	4 609
Exchange differences from translating foreign operations	(9 202)	4 478	4 609
Total comprehensive income for the period	121 267	126 405	141 484
Net profit for the period attributable to:	130 469	121 927	136 875
– Owners of the Company	139 305	125 277	148 724
– Non-controlling interests	(8 836)	(3 350)	(11 849)
Total comprehensive income attributable to:	121 267	126 405	141 484
– Owners of the Company	130 103	129 755	153 333
– Non-controlling interests	(8 836)	(3 350)	(11 849)
Earnings per ordinary share (cents)			
– Basic earnings per ordinary share	110,0	94,1	112,7
– Diluted basic earnings per ordinary share	107,2	92,6	110,7
Non-IFRS information *			
Earnings before interest, tax, depreciation and amortisation	423 280	424 669	707 619

** This information is not required by IFRS but presented to the users of the financial statements.*

Condensed consolidated
STATEMENT OF FINANCIAL POSITION

	As at 31 Dec 2020 R'000	As at 31 Dec 2019 R'000	As at 30 Jun 2020 Audited R'000
ASSETS			
Non-current assets	2 068 242	2 282 567	2 080 544
Property plant and equipment	515 658	472 132	457 218
Intangible assets and goodwill	811 944	1 051 124	934 581
Investment in equity-accounted investees	54 186	79 878	41 773
Finance lease receivables	591 150	609 066	556 138
Deferred tax	95 304	70 367	90 834
Current assets	4 313 944	4 549 336	5 711 445
Inventory (note 8)	815 001	1 032 692	1 228 187
Trade and other receivables	2 348 362	3 015 572	2 946 836
Finance lease receivables	303 823	301 525	298 383
Current tax assets	26 999	17 256	18 418
Cash and cash equivalents	819 759	182 291	1 219 621
Total assets	6 382 186	6 831 903	7 791 989
EQUITY AND LIABILITIES			
Capital and reserves	2 384 365	2 364 810	2 377 779
Stated capital	1 249	1 383	1 363
Treasury shares	(102 077)	(105 892)	(115 328)
Other equity reserves	31 044	35 302	46 289
Retained earnings	2 372 957	2 325 547	2 345 484
Non-controlling interests	81 192	108 470	99 971
Non-current liabilities	1 132 686	1 388 967	1 244 584
Interest-bearing liabilities	1 000 337	1 174 832	1 075 406
Non-interest-bearing liabilities	58 292	94 542	72 829
Contract liabilities	21 523	24 199	16 064
Deferred tax	52 534	95 394	80 285
Current liabilities	2 865 135	3 078 126	4 169 626
Trade and other payables	2 285 087	2 641 868	3 626 394
Interest-bearing liabilities	353 039	163 384	332 194
Non-interest-bearing liabilities	16 365	24 406	7 584
Contract liabilities	175 235	178 707	183 929
Current tax liabilities	35 409	16 104	19 525
Bank overdrafts	–	53 657	–
Total equity and liabilities	6 382 186	6 831 903	7 791 989

ADDITIONAL INFORMATION *

	As at 31 Dec 2020	As at 31 Dec 2019	As at 30 Jun 2020 Audited
Capital management			
Net asset value per share (cents)	1 944,3	1 717,4	1 763,9
Net tangible asset value per share (cents)	1 258,9	917,3	1 040,2
Working capital management			
Investment in working capital (R'000)	703 041	1 227 689	364 700
Liquidity and solvency			
Debt to equity (%)	58,8	59,3	61,8
Current ratio (excluding inventory in transit and work in progress)	1,80	1,76	1,48
Acid test (excluding inventory in transit)	1,23	1,16	1,08

** This information does not form part of the statement of financial position but is disclosed as additional information for the user.*

STATEMENT OF CHANGES IN EQUITY

	Six months ended 31 Dec 2020 R'000	Six months ended 31 Dec 2019 R'000	Twelve months ended 30 Jun 2020 Audited R'000
Opening balance	**2 377 779**	2 335 027	2 335 027
Ordinary shares repurchased and cancelled	**(87 330)**	(98 675)	(102 194)
Shares purchased *[1]	**–**	(931)	(10 378)
Total comprehensive income	**130 103**	129 755	153 333
Profit for the period	**139 305**	125 277	148 724
Other comprehensive income	**(9 202)**	4 478	4 609
Settlement of equity-settled share-based payment (FSP 2) *[2]	**–**	–	–
Treasury shares	**11 273**	20 869	20 869
Retained earnings	**2 880**	(8 523)	(8 523)
Equity-settled share-based payment reserve	**(14 153)**	(12 346)	(12 346)
Disposal of treasury shares *[3]	**1 097**	–	–
Net movements in non-controlling interest *[4]	**(24 946)**	31 524	23 025
Equity-settled share-based payment reserve *[5]	**8 110**	9 602	20 458
Dividend paid	**(20 448)**	(41 492)	(41 492)
Closing balance	**2 384 365**	2 364 810	2 377 779
Attributable to:			
Owners of the Company	**2 303 173**	2 256 340	2 277 808
Non-controlling interests	**81 192**	108 470	99 971

*[1] *These transactions include ordinary shares purchased and not cancelled to service the forfeitable share plan.*

*[2] *During the current reporting period, the equity-settled share-based payment plan "FSP 2" was settled and shares were transferred to the respective participants. All shares transferred were held as treasury shares by the Group. The related equity-settled share-based payment reserve was transferred to retained earnings.*

*[3] *Forfeited "FSP 2" shares not transferred to other share repurchase programmes, were sold in accordance with the FSP rules. The loss on sale was recognised in retained earnings.*

*[4] *Including net profit attributable to non-controlling interests.*

*[5] *During the current reporting period, one additional forfeitable share plan ("FSP 5") became active. "FSP 5" is classified as an equity-settled share-based payment plan and the vesting conditions are similar to those of the FSPs that were active at 30 June 2020.*

Condensed consolidated
STATEMENT OF CASH FLOWS

	Six months ended 31 Dec 2020 R'000	Six months ended 31 Dec 2019 R'000	Twelve months ended 30 Jun 2020 Audited R'000
Profit before tax	189 962	178 987	211 563
Adjusted for:			
Finance income	(7 458)	(11 607)	(50 666)
Finance costs	71 322	106 451	227 640
Non-cash flow items	173 448	167 505	396 446
– Depreciation and amortisation	169 454	150 838	319 082
– Gain on remeasurement of contingent consideration	–	–	(23 869)
– Foreign exchange losses on contingent consideration	–	–	6 162
– Profit on disposal of property, plant and equipment	(191)	(264)	(1 611)
– Equity-settled share-based payment expense	8 110	9 602	20 458
– Impairment loss on goodwill	–	–	49 563
– Impairment (reversal)/loss on loan to equity-accounted investee	(3 998)	7 329	27 990
– Debt forgiveness relief on leases	–	–	(1 242)
– Other non-cash flow items	73	–	(87)
Changes in working capital	(338 341)	153 354	1 016 060
Cash generated from operating activities	88 933	594 690	1 801 043
Net finance costs	(63 864)	(94 844)	(176 974)
Finance income received	7 458	11 607	50 666
Finance costs paid	(71 322)	(106 451)	(227 640)
Income tax paid	(84 070)	(66 702)	(115 736)
	(59 001)	433 144	1 508 333
Cash flows from investing activities			
Acquisition of property, plant and equipment	(22 346)	(60 987)	(96 578)
Proceeds on disposal of property, plant and equipment	9 191	2 568	15 946
Acquisition of intangible assets	(5 759)	(10 018)	(47 188)
Proceeds on disposal of intangible assets	–	–	592
(Loans advanced to)/receipts from loans made to equity-accounted investees	(8 415)	912	18 356
Acquisition of subsidiaries, net of cash acquired	–	(48 619)	(48 619)
Net investment in finance lease receivables	(40 452)	(64 427)	(8 357)
	(67 781)	(180 571)	(165 848)
Cash flows from financing activities			
Interest-bearing liabilities raised	15 413	135 367	205 000
Interest-bearing liabilities repaid	(155 861)	(33 452)	(60 967)
Non-interest-bearing liabilities raised	5 459	12 824	–
Non-interest-bearing liabilities repaid	(5 756)	(44 251)	(57 724)
Repurchase of shares	(87 330)	(99 606)	(102 194)
Disposal of treasury shares	755	–	–
Treasury shares acquired	–	–	(10 378)
Transactions with non-controlling interests, including dividends paid	(16 110)	(23 554)	(25 465)
Dividends paid	(20 448)	(41 492)	(41 492)
	(263 878)	(94 164)	(93 220)
(Decrease)/increase in net cash, cash equivalents and overdrafts	(390 660)	158 409	1 249 265
Net cash and cash equivalents at beginning of reporting period	1 219 621	(34 253)	(34 253)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(9 202)	4 478	4 609
Net cash and cash equivalents and overdrafts at reporting date	819 759	128 634	1 219 621

SEGMENT ANALYSIS

	Segment revenue			Inter-segment revenue			External revenue		
	Six months ended 31 Dec 2020 R'000	**Six months ended 31 Dec 2019 R'000**	Twelve months ended 30 Jun 2020 Audited R'000	**Six months ended 31 Dec 2020 R'000**	**Six months ended 31 Dec 2019 R'000**	Twelve months ended 30 Jun 2020 Audited R'000	**Six months ended 31 Dec 2020 R'000**	**Six months ended 31 Dec 2019 R'000**	Twelve months ended 30 Jun 2020 Audited R'000
Business unit									
ICT Distribution	**5 523 502**	5 273 706	10 542 572	**(340 169)**	(381 953)	(674 816)	**5 183 333**	4 891 753	9 867 756
Services and Solutions	**2 287 474**	2 419 344	4 819 613	**(34 366)**	(31 089)	(80 719)	**2 253 108**	2 388 255	4 738 894
Financial Services	**97 724**	102 286	199 819	**(91)**	(810)	(2 314)	**97 633**	101 476	197 505
	7 908 700	7 795 336	15 562 004	**(374 626)**	(413 852)	(757 849)	**7 534 074**	7 381 484	14 804 155

	Segment EBITDA *		
	Six months ended 31 Dec 2020 R'000	**Six months ended 31 Dec 2019 R'000**	Twelve months ended 30 Jun 2020 Audited R'000
Business unit			
ICT Distribution	**216 607**	193 203	346 348
Services and Solutions	**140 160**	157 090	176 465
Financial Services	**60 943**	74 121	133 498
Group Central Services	**5 570**	255	51 308
	423 280	424 669	707 619
Depreciation and amortisation	**(169 454)**	(150 838)	(319 082)
Net finance costs	**(63 864)**	(94 844)	(176 974)
Net profit before tax	**189 962**	178 987	211 563

* *Earnings before interest, tax, depreciation and amortisation.*

	Net operating assets		
	Six months ended 31 Dec 2020 R'000	**Six months ended 31 Dec 2019 R'000**	Twelve months ended 30 Jun 2020 Audited R'000
Business unit			
ICT Distribution	**1 154 472**	1 196 063	1 169 630
Services and Solutions	**584 400**	693 815	598 512
Financial Services	**265 378**	239 341	239 004
Group Central Services	**380 115**	235 591	370 633
	2 384 365	2 364 810	2 377 779

The segments of the Group are based on the information reported to the chief decision maker (CEO) and have not changed from the prior reporting period.

1. SALIENT FEATURES OF THE UNREVIEWED CONDENSED CONSOLIDATED INTERIM RESULTS

The condensed consolidated interim financial results comprise the condensed consolidated statement of financial position at 31 December 2020, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows and selected notes for the reporting period then ended (referred to as "condensed consolidated financial statements").

Responsibility for interim results

The Board takes full responsibility for the preparation of the condensed consolidated financial statements. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the condensed consolidated financial statements that are free from material misstatement, whether owing to fraud or error.

Basis of preparation and statement of compliance

The condensed consolidated financial statements for the reporting period ended 31 December 2020 have been prepared in accordance with the Group's accounting policies under the supervision of the Group Financial Director, Mr RD Lyon CA, and comply with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements for interim reports of the JSE Limited, the requirements of the Companies Act of South Africa (Act 71 of 2008), as amended and, as a minimum, contain all of the information required by IAS 34: *Interim Financial Reporting.*

The condensed consolidated financial statements of the Group are prepared as a going concern on a historical basis, except for derivative financial instruments and contingent consideration, which are stated at fair value as applicable.

The condensed consolidated financial statements do not include all the information and disclosures required in the consolidated annual financial statements, and should be read in conjunction with the Group's audited consolidated annual financial statements as at and for the period ended 30 June 2020.

Neither the condensed consolidated financial statements as at and for the six months period ended 31 December 2019, nor this set of condensed consolidated financial statements, information and disclosure, have been reviewed or audited by the Company's auditors, SizweNtsalubaGobodo Grant Thornton Incorporated. Any forward-looking statement has not been reviewed nor reported on by the Company's external auditors.

Accounting policies, judgements and estimates

All accounting policies, inclusive of reasonable judgements and estimates, applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in the audited consolidated financial statements as at and for the reporting period ended 30 June 2020. All accounting policies are consistent with the prior reporting period and comply with IFRS.

Standards and interpretations issued but not yet effective

Management assessed all of the standards and interpretations issued but not yet effective and has determined that none of these standards and interpretations will have a material impact on the results of the Group in future periods, nor has the Group early adopted any of these standards and interpretations.

Functional and presentation currency

The condensed consolidated financial statements are presented in South African Rands, the functional currency of the Group. All amounts are rounded to the nearest thousand, except where another rounding measure has been indicated in the condensed consolidated financial statements.

Comparative figures

Unless otherwise indicated, comparative figures refer to the 6-month reporting period ended 31 December 2019 and the 12-month reporting period ended 30 June 2020.

Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the reporting period ended 30 June 2020.

2. REVENUE

	Six months ended 31 Dec 2020 R'000	Six months ended 31 Dec 2019 R'000	Twelve months ended 30 Jun 2020 Audited R'000
Revenue from contracts with customers	**7 423 868**	7 270 992	14 586 277
Other revenue	**110 206**	110 492	217 878
– Revenue related to leases	**110 206**	110 492	217 878
Total revenue	**7 534 074**	7 381 484	14 804 155

Disaggregation of revenue

In the following tables, revenue from contracts with customers is disaggregated by timing of revenue recognition, major service offering and contributing industry. The tables include a reconciliation of the disaggregated revenue with the Group's reportable segments.

In addition, the Group dissaggregates total revenue into geographical regions.

Six months ended 31 December 2020

TIMING OF RECOGNITION	Reportable segments			Six months ended 31 Dec 2020 Total R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	
Timing of revenue recognition				
At a point in time	5 084 821	1 301 188	–	**6 386 009**
Over a period of time	98 512	939 347	–	**1 037 859**
Revenue from contracts with customers	5 183 333	2 240 535	–	**7 423 868**
Revenue related to leases	–	12 573	97 633	**110 206**
Total revenue	5 183 333	2 253 108	97 633	**7 534 074**

MAJOR SERVICE OFFERING	Reportable segments			Six months ended 31 Dec 2020 Total R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	
Service offerings				
IT-related products	5 024 618	1 260 632	–	**6 285 250**
Fibre-related products	64 363	–	–	**64 363**
Solar-related products	–	40 556	–	**40 556**
Electric charge-point sales	–	814	–	**814**
Installation services	1 141	101 823	–	**102 964**
Infrastructure management	–	66 692	–	**66 692**
Maintenance services	–	75 440	–	**75 440**
Consulting services – usage	53 221	108 351	–	**161 572**
Consulting services – labour hours	39 990	586 227	–	**626 217**
Revenue from contracts with customers	5 183 333	2 240 535	–	**7 423 868**
Revenue related to leases	–	12 573	97 633	**110 206**
Total revenue	5 183 333	2 253 108	97 633	**7 534 074**

2. REVENUE (continued)

CONTRIBUTING INDUSTRY

	Reportable segments			Six months ended 31 Dec 2020
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	Total R'000
Industries				
ICT industry	5 117 828	2 047 233	–	**7 165 061**
Fibre solution industry	65 505	–	–	**65 505**
Renewable energy industry	–	123 639	–	**123 639**
Infrastructure management industry	–	69 663	–	**69 663**
Revenue from contracts with customers	5 183 333	2 240 535	–	**7 423 868**
Revenue related to leases	–	12 573	97 633	**110 206**
Total revenue	5 183 333	2 253 108	97 633	**7 534 074**

GEOGRAPHICAL REGIONS

	Reportable segments			Six months ended 31 Dec 2020
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	Total R'000
Regions				
South Africa	4 430 129	2 137 531	–	**6 567 660**
Africa (excluding South Africa)	753 204	57 211	–	**810 415**
Other *	–	45 793	–	**45 793**
Revenue from contracts with customers	5 183 333	2 240 535	–	**7 423 868**
Revenue related to leases	–	12 573	97 633	**110 206**
Total revenue	5 183 333	2 253 108	97 633	**7 534 074**

** Includes Group entities in the UK and the Middle East.*

Six months ended 31 December 2019

TIMING OF RECOGNITION

	Reportable segments			Six months ended 31 Dec 2019
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	Total R'000
Timing of revenue recognition				
At a point in time	4 784 876	1 674 070	–	**6 458 946**
Over a period of time	106 877	705 169	–	**812 046**
Revenue from contracts with customers	4 891 753	2 379 239	–	**7 270 992**
Revenue related to leases	–	9 016	101 476	**110 492**
Total revenue	4 891 753	2 388 255	101 476	**7 381 484**

2. REVENUE (continued)

MAJOR SERVICE OFFERING	Reportable segments			Six months ended 31 Dec 2019
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	Total R'000
Service offerings				
IT-related products	4 711 766	1 609 973	–	6 321 739
Fibre-related products	75 914	–	–	75 914
Solar-related products	–	25 243	–	25 243
Electric charge-point sales	–	979	–	979
Installation services	9 886	112 617	–	122 503
Infrastructure management	–	47 402	–	47 402
Maintenance services	–	78 175	–	78 175
Consulting services – usage	52 981	78 752	–	131 733
Consulting services – labour hours	41 206	426 098	–	467 304
Revenue from contracts with customers	4 891 753	2 379 239	–	7 270 992
Revenue related to leases	–	9 016	101 476	110 492
Total revenue	4 891 753	2 388 255	101 476	7 381 484

CONTRIBUTING INDUSTRY	Reportable segments			Six months ended 31 Dec 2019
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	Total R'000
Industries				
ICT industry	4 805 953	2 224 553	–	7 030 506
Fibre solution industry	85 800	–	–	85 800
Renewable energy industry	–	104 440	–	104 440
Infrastructure management industry	–	50 246	–	50 246
Revenue from contracts with customers	4 891 753	2 379 239	–	7 270 992
Revenue related to leases	–	9 016	101 476	110 492
Total revenue	4 891 753	2 388 255	101 476	7 381 484

GEOGRAPHICAL REGIONS	Reportable segments			Six months ended 31 Dec 2019
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	Total R'000
Regions				
South Africa	4 229 862	2 254 571	–	6 484 433
Africa (excluding South Africa)	661 891	88 231	–	750 122
Other *	–	36 437	–	36 437
Revenue from contracts with customers	4 891 753	2 379 239	–	7 270 992
Revenue related to leases	–	9 016	101 476	110 492
Total revenue	4 891 753	2 388 255	101 476	7 381 484

** Includes Group entities in the Middle East.*

2. REVENUE (continued)

Twelve months ended 30 June 2020

TIMING OF RECOGNITION

	Reportable segments			Twelve months ended 30 June 2020 Audited Total R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	
Timing of revenue recognition				
At a point in time	9 629 391	2 972 845	–	12 602 236
Over a period of time	238 365	1 745 676	–	1 984 041
Revenue from contracts with customers	9 867 756	4 718 521	–	14 586 277
Revenue related to leases	–	20 373	197 505	217 878
Total revenue	9 867 756	4 738 894	197 505	14 804 155

MAJOR SERVICE OFFERING

	Reportable segments			Twelve months ended 30 June 2020 Audited Total R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	
Service offerings				
IT-related products	9 508 021	2 899 384	–	12 407 405
Fibre-related products	125 530	–	–	125 530
Solar-related products	–	73 461	–	73 461
Electric charge-point sales	–	4 578	–	4 578
Installation services	13 260	241 217	–	254 477
Infrastructure management	–	103 137	–	103 137
Maintenance services	–	215 206	–	215 206
Consulting services – usage	104 449	180 528	–	284 977
Consulting services – labour hours	116 496	1 001 010	–	1 117 506
Revenue from contracts with customers	9 867 756	4 718 521	–	14 586 277
Revenue related to leases	–	20 373	197 505	217 878
Total revenue	9 867 756	4 738 894	197 505	14 804 155

2. REVENUE (continued)

CONTRIBUTING INDUSTRY	Reportable segments			Twelve months ended 30 June 2020 Audited Total R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	
Industries				
ICT industry	9 728 966	4 365 744	–	14 094 710
Fibre solution industry	138 790	–	–	138 790
Renewable energy industry	–	245 996	–	245 996
Infrastructure management industry	–	106 781	–	106 781
Revenue from contracts with customers	9 867 756	4 718 521	–	14 586 277
Revenue related to leases	–	20 373	197 505	217 878
Total revenue	9 867 756	4 738 894	197 505	14 804 155

GEOGRAPHICAL REGIONS	Reportable segments			Twelve months ended 30 June 2020 Audited Total R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	
Regions				
South Africa	8 318 072	4 442 623	–	12 760 695
Africa (excluding South Africa)	1 549 684	209 643	–	1 759 327
Other *	–	66 255	–	66 255
Revenue from contracts with customers	9 867 756	4 718 521	–	14 586 277
Revenue related to leases	–	20 373	197 505	217 878
Total revenue	9 867 756	4 738 894	197 505	14 804 155

** Includes Group entities in the UK and the Middle East.*

3. FINANCIAL REVIEW

	Six months ended 31 Dec 2020 R'000	Six months ended 31 Dec 2019 R'000	Twelve months ended 30 Jun 2020 Audited R'000
Performance per ordinary share (cents)			
Basic and diluted earnings per ordinary share			
– Basic earnings per ordinary share	110,0	94,1	112,7
– Diluted earnings per ordinary share	107,2	92,6	110,7
Headline basic and headline diluted earnings per ordinary share			
– Headline earnings per ordinary share	109,8	94,0	149,4
– Diluted headline earnings per ordinary share	107,1	92,6	146,7
Core and diluted core earnings per ordinary share			
– Core earnings per ordinary share	150,6	130,2	225,9
– Diluted core earnings per ordinary share	146,8	128,2	222,0
Dividend cover	6,8	3,0	3,6
Returns (%)			
Gross profit	16,7	17,5	16,4
Operating expenses	(13,5)	(13,5)	(13,8)
EBITDA *	5,6	5,8	4,8
Operating profit before interest and tax	3,4	3,7	2,6
Effective tax rate	31,3	31,9	35,3
Profit for the period	1,7	1,7	0,9
Return on equity	12,2	11,2	6,5

** Earnings before interest, tax, depreciation and amortisation.*

4. RECONCILIATION OF HEADLINE AND CORE EARNINGS

	Six months ended 31 Dec 2020 R'000	Six months ended 31 Dec 2019 R'000	Twelve months ended 30 Jun 2020 Audited R'000
Earnings attributable to ordinary shareholders	139 305	125 277	148 724
Profit on disposal of property, plant and equipment net of tax	(137)	(190)	(1 160)
Profit on disposal of property, plant and equipment	(191)	(264)	(1 611)
Less: Tax thereon	54	74	451
Impairment loss on goodwill	–	–	49 563
Headline earnings	139 168	125 087	197 127
Acquisition costs net of tax	396	363	790
Amortisation of intangible assets net of tax	51 186	47 838	100 255
Core earnings **	190 750	173 288	298 172
Number of ordinary shares in issue ('000)			
– Total number of shares in issue *	118 459	131 381	129 137
– Weighted average number of shares in issue *	126 691	133 115	131 987
– Weighted average number of shares in issue for purpose of dilution*	129 959	135 219	134 351

* *Excluding treasury shares.*

** *Core earnings is considered a meaningful additional measure of evaluating the performance of the Group's operations. It is based on the headline earnings measure and adjusted to exclude the amortisation of intangible assets recognised on business combinations and related business combination acquisition costs. This is not an IFRS measure.*

5. ANALYSIS OF GOODWILL

	As at 31 Dec 2020 R'000	As at 31 Dec 2019 R'000	As at 30 Jun 2020 Audited R'000
Opening balance	**614 454**	631 526	631 526
Business combinations during the reporting period	–	39 691	32 491
– SynergERP Proprietary Limited	–	26 128	18 928
– SynergERP Limited – UK	–	11 062	11 062
– SynergERP Limited – DWC LLC	–	2 501	2 501
Impairment losses	–	–	(49 563)
Closing balance	**614 454**	671 217	614 454

6. BUSINESS COMBINATIONS

Alviva was not a party to any business combinations during the reporting period under review.

7. CHANGES TO NON-CONTROLLING INTERESTS

Sintrex Integration Systems Proprietary Limited ("Sintrex")

Effective 1 November 2020, Alviva, through its subsidiary company DCT Holdings Proprietary Limited, acquired an additional 7% of the issued share capital of Sintrex for an amount of R11 million, thereby increasing its shareholding in Sintrex to 83%.

8. INVENTORY

	As at 31 Dec 2020 R'000	As at 31 Dec 2019 R'000	As at 30 Jun 2020 Audited R'000
Inventory on hand	**696 658**	914 182	1 059 851
Inventory in transit	**104 844**	101 201	148 685
Work in progress	**13 499**	17 309	19 651
	815 001	1 032 692	1 228 187

9. FAIR VALUE HIERARCHY

A summary of the financial instruments measured at fair value are set out below.

Fair value hierarchy:

Level 1 – fair value is determined from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – fair value is determined through the use of valuation techniques based on observable inputs, either directly or indirectly.

Level 3 – fair value is determined through the unobservable inputs for the asset or liability.

The following table presents the Group's financial instruments that are measured at fair value:

	Level	As at 31 Dec 2020 R'000	As at 31 Dec 2019 R'000	As at 30 Jun 2020 Audited R'000
Derivatives related to risk management	2	**84 195**	73 277	11 772
Contingent consideration *	3	**74 219**	118 948	79 976

** The contingent consideration is included in the non-interest-bearing liabilities in the statement of financial position.*

The fair value of forward exchange contracts have been determined based on valuations obtained from the Group's bankers. These valuations are performed internally by each financial institution with internally specific inputs.

The fair value of contingent consideration was determined at the reporting date using the discounted cash flow method. The inputs into the model included the expected cash flows in terms of the performance conditions of the acquirees, based on internally prepared budget and forecasted estimates, discounted at an intrinsic borrowing rate of the treasury function of the Group.

For all other financial assets and liabilities, the carrying amount is considered to approximate the fair value.

10. EVENTS AFTER THE REPORTING PERIOD

Other than as disclosed below, there were no events material to the understanding of the results that occurred after the reporting date, except for the continuation of the risk-adjusted approach implemented by the South African government in relation to the COVID-19 pandemic.

Redemption of preference shares

On 8 February 2021, Alviva redeemed 10 (ten) preference shares of R10 million each to Absa Bank Limited for a total consideration of R100 million. The redemption date for these shares was 22 April 2021 but, in terms of Alviva's rights under the agreement, the shares were redeemed ahead of schedule.