

Years of resilience

35



Teamwork



Respect



Customer centricity



Agility

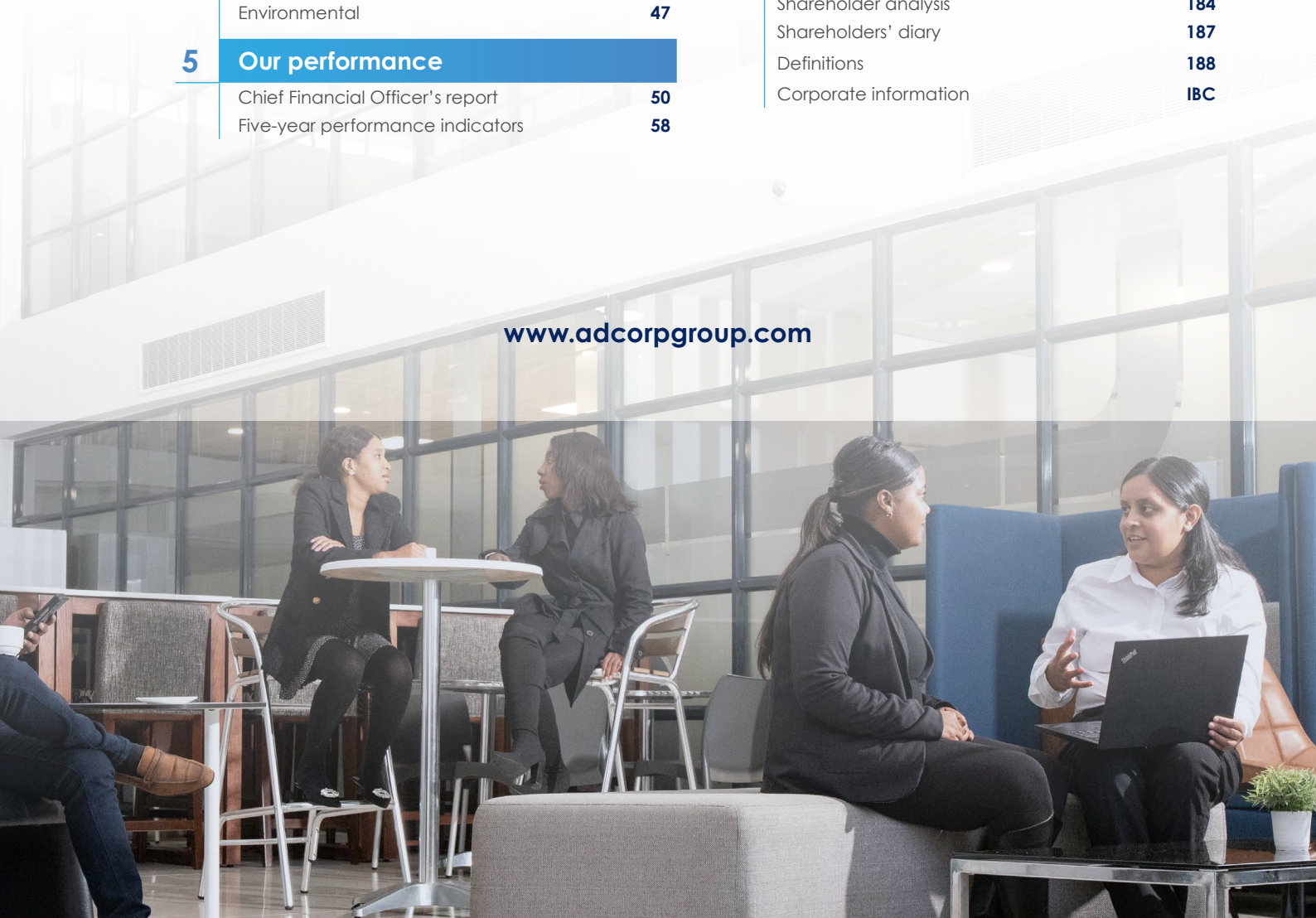


Diversity and inclusion

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www.adcorpgroup.com



About our report

Building on resilience

Adcorp is a workforce solutions company listed on the JSE with operations in South Africa and Australia.

For more information refer to page 08.

REPORTING SCOPE AND BOUNDARY

This is Adcorp's 13th integrated report which provides information relating to the strategy, business model, operating context, material factors, risks, opportunities, governance and operational performance of the Adcorp Group and its subsidiaries ("Adcorp Group" or "Group") for the period 1 March 2022 to 28 February 2023. The report is targeted at our stakeholders, primarily our shareholders who are the principal providers of the Group's financial capital. It covers the South African and the Australian operations and follows the previous year's report published in June 2022.

APPROACH TO REPORTING

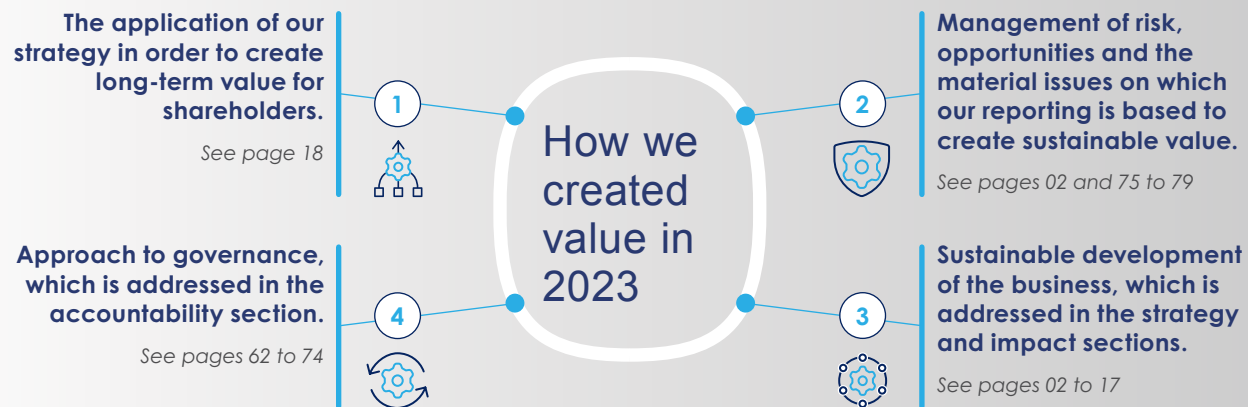
The integrated report has been set so that it covers Adcorp's risks, opportunities and outcomes relating to the Group's operating environment, overall businesses and stakeholder engagement with key groups that could influence its ability to create and sustain value and also the extent to which the Group's objectives have been achieved.

In compiling the report, we were guided by international and South African reporting guidelines and best practices, which comprise of the following:

- Reference to the Global Reporting Index (GRI) standards
- The International Integrated Reporting Framework issued in December 2013 (<IR> framework)
- International Financial Reporting Standards (IFRS)
- JSE Listings Requirements
- JSE Sustainability Disclosure Guidance
- The King IV Report on Corporate Governance™* for South Africa, 2016 (King IV™)
- South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee

We summarise our value creation as follows:

The determination of materiality is consistent with previous reporting periods.



The financial statements are presented in ZAR, which is the Group's reporting currency and can be found on our website www.adcorpgroup.com. The consolidated financial statements are set out on pages 105 to 183.

Navigation in this report

For ease of reference and further reading, the following icons are used in the report:



Further reference in this report



Further reference on www.adcorpgroup.com

Feedback

A hard copy of this integrated report is available on request and online at <https://www.adcorpgroup.com/wp-content/uploads/2023/06/Integrated-Annual-Report-2023.pdf>.

Adcorp recognises the importance of integrated reporting and the Group is committed to moving towards a more integrated approach to reporting, by making constant improvements on a year-on-year basis. Therefore, we appreciate and encourage constructive feedback. Please forward comments to: ir@singular.co.za

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About this report continued

Approach to materiality

Adcorp continues to apply the principle of materiality in determining the content and disclosure of its Integrated Report. This helps ensure Adcorp provides relevant information on factors that have a material bearing on the Group's ability to create value. These factors are of interest to current and prospective investors and other stakeholders who wish to make an informed assessment of the Group's ability to deliver value over the short, medium and long term. Material factors were established through external engagement with investors and other







stakeholders as well as internal engagement with our South African and Australian employees.

The Board has identified the following as Adcorp's material factors:

- Skills supply and demand imbalance
- Changing work environment – hybrid and remote work
- Impact of technology
- Reskilling the workforce
- Turbulent labour markets

Six capitals

In line with the International Integrated Reporting Council's concept of reporting in terms of the six capitals that impact value creation and contraction in a business, the Group's activities and performance relating to the capitals below are covered throughout the report, as indicated.

Capital	Description	Reference in report
 Financial capital	Financial resources deployed by the Group	<ul style="list-style-type: none"> • Our business model • Our strategy • Chief Financial Officer's report • Consolidated financial statements
 Intellectual capital	Organisational knowledge, systems, protocols, expertise, brands	<ul style="list-style-type: none"> • Our business model • Our strategy • Our people
 Human capital	Competency, capability and experience of the Board, management and employees	<ul style="list-style-type: none"> • Chief Executive Officer's report • Our people • Stakeholder engagement
 Social and relationship capital	Relationship and engagement with broader society and communities impacted by the Group	<ul style="list-style-type: none"> • Chairperson's report • CEO's report • Ethical leadership • Our impact • Social, ethics and sustainability committee report • Stakeholder engagement
 Natural capital	Group's use of natural resources	<ul style="list-style-type: none"> • Environmental
 Manufactured capital	Physical infrastructure used	<ul style="list-style-type: none"> • Our business model • Our strategy

Assurance

A combined assurance framework is in place and is overseen by the audit and risk committee. The framework ensures the integration, coordination and alignment of risk management and assurance processes. It further enables an effective control environment and supports the integrity of information used for decision-making by leadership.

As per King IV™, a combined assurance model assists the Board in assessing the effectiveness of the internal control environment and enables the Board to assess the integrity of the information used for reporting and decision-making.

As a combined assurance model is in place, the standards and principles were assessed by an external assurance provider where required.

Business process Standards/codes/principles/guidelines	Level of application/ compliance in our reporting	Assurance provider
International Financial Reporting Standards (IFRS)	Complied with	KPMG
International Integrated Reporting Council (IIRC)	Guided by its principles	No external assurance
King Code on Corporate Governance 2016™ (King IV™)	Applied and application reported on (See link below)*	No external assurance
JSE Listings Requirements	Complied with	Valeo Capital
Companies Act 71 of 2008	Complied with	KPMG, with respect to audit requirements
Principles of United Nations Global Compact	Applied	No external assurance
Labour Relations Act 66 of 1995 (LRA)	Complied with	No external assurance
Broad-Based Black Economic Empowerment (B-BBEE)	Level 1	mPowerRatings

* <https://www.adcorpgroup.com/corporate-governance-register-2023/>

Board approval

The Adcorp Board assumes responsibility for the integrity of this integrated annual report and believes that the integrated annual report was prepared in accordance with the International Integrated Reporting Framework. The report, which remains the ultimate responsibility of the Board, is prepared under the supervision of senior management. The report is submitted to the audit and risk committee, which recommends it to the Board for approval having reviewed the contents, as well as the collation process, and with reliance on the assurance provided on the various reporting elements. The Board has critically assessed and satisfied itself as to the assurance obtained from Adcorp's combined assurance model, which enables an effective internal control environment that supports the integrity of information used for decision-making and reporting by the Board, the Board committees and management.

The Board also considered materiality for the purposes of the integrated annual report and the effect that the presence or absence of an item of information might have on the accuracy or validity of a statement in the integrated annual report, or a decision by stakeholders.

Our integrated annual report sets out how Adcorp's strategy, governance, performance and prospects lead to the creation of value over time. The Board is of the view that, to the best of its knowledge and belief, the integrated reporting addresses matters material to our stakeholders' decision-making and provides a balanced view by explaining how Adcorp expects to create value over time, taking into consideration the Group's impact on its stakeholders and the environment in which it operates.

The Board unanimously approved the integrated annual report for FY2023 on 30 June 2023.

GT Serobe (Chairperson)	T Olls
J Wentzel (CEO)	H Singh
N Prendergast (CFO)	C Smith
M Lubega	S Sithole (Alternate Director)
P Mnganga	
R van Dijk	
T Mokgabudi	

30 June 2023

Forward-looking statements

Certain statements in this report may constitute forward-looking statements relating to the Adcorp Group that are based on the beliefs, assumptions and information currently available to the Board. These forward-looking statements are, by their nature, subject to significant risks and uncertainties and include, without limitation, statements relating to the Group's business prospects, future developments, trends and conditions in the industry and geographical markets in which Adcorp operates. The forward-looking statements may also contain objectives, overall market trends, strategies, ability to control costs, statements relating to operations and risk management. All forward-looking statements have not been reviewed or reported on by the Adcorp Group's external auditors.

FY2023

Salient features

REVENUE

from continuing operations

R12,0^{bn}

2022*

R11,3bn

6,5%



GROSS PROFIT

from continuing operations

R1,3^{bn}

2022*

R1,2bn

6,1%



PROFIT AFTER TAX

from continuing operations

R121^m

2022*

R105m

14,7%



CASH GENERATED

by operations

R378^m

2022

R260m

45,2%



TOTAL EARNINGS

from continuing operations per share

114,7 cents

2022*

96,3 cents

19,1%



NET CASH POSITION**

improved to

R312^m

2022

R198m

57,6%



TOTAL HEADLINE EARNINGS

from continuing operations per share

147,8 cents

2022*

99,7 cents

48,3%



FINAL DIVIDEND DECLARED

per share

16,5 cents

2022

47,0 cents



SPECIAL DIVIDEND DECLARED

per share

91,3 cents

2022

Nil

B-BBEE

Level 1 rating

MAINTAINED FOR SOUTH AFRICAN OPERATIONS

* Restated – prior year adjusted for discontinued operations.

** Net cash is a non-IFRS measure defined as unrestricted cash and cash equivalents from continuing operations less interest-bearing debt excluding leases.



Chairperson's report

“I am happy to share with you that Adcorp has had another good year, demonstrating our unyielding resilience and unwavering dedication to delivering an excellent financial performance and impressive growth across many areas.”

Gloria Serobe Chairperson



Adcorp has delivered an excellent financial performance and impressive growth across many areas, we owe this achievement to the exceptional hard work and commitment of our incredible team, who are the beating heart of our business. We want to express our heartfelt appreciation to each and every one of them for their steadfast support.

It is no secret that the past year has been tough for South Africa, with increased load shedding, high unemployment rate and infrastructure failures. We understand how these challenges have impacted our operations. Additionally, we are concerned about other negative developments, such as the recent grey listing by the Financial Action Task Force (FATF), which may pose a threat to foreign direct investment and growth opportunities. However, as a responsible corporate citizen, we believe that business has a critical role to play in unlocking investment and driving solutions to these issues. At Adcorp, we're eager to collaborate with the government and business to foster progress and growth.

Despite some challenges, we are pleased to announce that our Australian operations have reflected the positive performance of Australia's post-pandemic economic recovery. One of our most significant success stories is the expansion of our Pacific Australia Labour Mobility (PALM) scheme, which helps to fill labour gaps in rural and regional Australia by enabling Pacific and Timor-Leste workers to take up jobs in Australia, develop their skills and send income home. This is a testament to our commitment to our purpose and our efforts to enable people to develop their skills, provide for their families and contribute to economic growth.

As the Chair, I am dedicated to providing leadership to the Board and creating an environment that enables each of the directors and the Board as a whole to perform effectively for the benefit of our shareholders and other stakeholders. Our Board has successfully fulfilled these responsibilities, providing oversight and

ensuring transparency throughout our business. Our governance report on page 67 provides further details on our governance structures.

As a sustainable business, we take our responsibility seriously to create value while minimising our impact on the environment and contribute positively to society. We remain committed to our ESG policies and strategies, which extend not only to Adcorp but also to our suppliers and business partners. We are particularly proud of our employee share scheme, which benefits black female employees, and the testimonials throughout this report that showcase our dedication to training and employing people.

Looking ahead, we recognise that South Africa's macroeconomic challenges will likely persist for the next year, while Australia appears poised for further growth. However, we are confident that with the resilience of our people and business, we are well-positioned to continue our growth trajectory. We remain committed to investing in our employees, showing resilience and delivering exceptional customer experiences. We are excited about the future and are grateful for your continued support.

Appreciation

I wish to thank John and his management team as well as all the employees for their dedication and commitment throughout a challenging year. My appreciation also to my fellow Board members for their wise counsel and input. I thank all our stakeholders for their continued support.

Gloria Serobe
Chairperson

30 June 2023

Chief Executive Officer's report

"I am delighted to share the results of Adcorp for FY2023. Two years ago, we announced the end of the "one Adcorp approach" and embarked on a new strategic direction that we have since named "Brandshift Adcorp."

Dr John Wentzel CEO



I am thrilled to update you on our progress in executing that strategy. Throughout the year, we navigated several challenges, yet we delivered solid results despite these. This was only possible through our brand resilience, excellent customer service and amazing people.

Financial results

I am pleased to announce that we have achieved top-line revenue growth this year. This is the first time in six years that we have grown revenue year on year. Despite pressures stemming from high-interest rates, high inflation and low economic growth in South Africa, we have managed to grow revenue and gross profit. I am proud to report that we remain debt-free and have further strengthened our cash position. As a result, we have achieved robust capital and solvency ratios, allowing us to return cash to our valued shareholders.

In line with our capital allocation framework, we are happy to declare a final ordinary dividend of 16,5 cents per share and a special gross dividend of 91,3 cents per share for FY2023. By August 2023, we will have returned a total of R208,0 million in dividends and share buybacks over a two-year period. We remain committed to creating value for our shareholders by focusing on sound financial management and strategic execution.

Our key achievements

During the year, we completed repositioning ourselves as a workforce solutions business. We are disbanding the training division and absorbing its brands into the core staffing divisions. We completed implementing a new operating model, putting our brands at the heart of our Company and reducing the size and role of the centre. We began refreshing our brand collateral and increasing our visibility in the market. We also started optimising our portfolio by closing some brands, bringing others back, investing in organic growth in some and executing an acquisition.

Of course, we faced some challenges along the way. Most significantly, we had to resolve our problems with aaX in Australia, which has since been placed into administration. We also closed the talentCRU Australia, Cynergy and ATT brands. These were painful lessons for us, but we learned from them. Despite these changes, our increased focus on the customer was unwavering, and we achieved a customer satisfaction score across South Africa of 83%, a record for Adcorp.

Our heroes, our people

When I joined Adcorp two years ago, we set out to establish a new purpose, values, leadership culture and operating model. Addressing low employee engagement was a key challenge. Our efforts are paying off, with employee engagement scores in South Africa climbing. Our highest individual question scores show that belief in the Group's future and recommending Adcorp as a workplace have vastly improved.

As we remain committed to our people, so we are committed to ESG. We have not made as much progress as we would have liked, but our commitment is unwavering. We are revisiting our targets after a challenging year. Our dedication to embedding sustainability is reflected in our values. We do not do business with clients who deliberately harm society or damage the environment.

Outlook

As we move forward to FY2024, we remain focused on optimising our brand collection, intending to drive superior growth and returns. While we remain concerned about the current outlook in South Africa, we are heartened by the strength of our balance sheet and cash flow positions, which places us in a good position to weather any storms and take advantage of any opportunities that arise. We are also optimistic about the growth we have achieved in Australia, and we have identified additional areas to expand into and new services to launch.



We remain committed to delivering value to our stakeholders through our strategic focus, disciplined execution and sound financial management. Despite the challenges we faced in the past year, we are confident in our vision and strategic direction, as we have the right people, strategies and financial resources to continue delivering strong results. We look forward to delivering another successful year in FY2024 and continuing to create value for our stakeholders.

Appreciation

For both our clients and employees, the past year has been challenging. Our passionate Adcorp employees have demonstrated incredible fortitude and inspiration throughout difficult situations. To our shareholders, we thank you for your continued trust and support, as we navigate the ever-changing business landscape. Finally, I thank the Board for their unwavering support wisdom and counsel.

Dr John Wentzel
CEO

30 June 2023

Contingent Staffing

Doing what matters



“Like so many South Africans, I was struggling to find employment. I was determined to succeed and I kept applying for every opportunity I came across and was lucky to secure a learnership and internship through PMI. I have always pushed myself to become employable and I’m proud that I was given the opportunity to stay on at PMI in a permanent position after my internship came to an end. That’s not the end of the story though – it’s just the beginning, because now I get to help other youth find their opportunities. If we can upskill our people, we can grow our economy. We find dedicated individuals who can hold the flag up high, work hard and use the skills we teach them.”

Abongile Mkhangala, academy co-ordinator, PMI

Adcorp at a glance

Our business

Connecting human potential



The Adcorp Group is a workforce solutions provider that seeks to connect and develop human potential to shape markets, economies and our shared future.

Our vision is to become a leading workforce solutions partner in the markets we serve with a mandate to research, search, place, develop, train and manage people in multiple work type models. This will ensure relevance, productivity and optimal efficiency.

Adcorp and its customer facing constituent brands are currently represented within South Africa and Australia, employing 1 799 permanent employees during the year, assigning 37 611 contingent employees daily and training multiple learners through a vast spectrum of disciplines.

We connect people with jobs in a world that is constantly reinventing itself, as there is a need for new skills, talents and capabilities to interact, connect and collaborate, building workforces that will enable companies to grow and people to realise their full potential.

The Adcorp Group endorses its strong unique brands whose value propositions participate in a customer's end to end workforce lifecycle. The purpose and values of the organisation have evolved with the narrative of workforce



lifecycle and how its brands can participate in multiple stages of a customer's workforce model. Importantly, a lifecycle denotes a long-term and integrated relationship with all stakeholders and also leverages multi-brand integrated selling opportunities.

Further, purpose is driven by the need to enable agile, focused and skilled workforces for the future that will go on to make a positive contribution in society. This includes permanent, contingent, contractor and gig workers.

We look to create workforces that are inclusive of people, of all abilities, genders, ages and ethnicities to transform businesses for today and the future.

ESG is equally important to Adcorp and we believe that social sustainability is our biggest opportunity. While social impact is the area where we can exert the most influence by the nature of our operations, we know that we operate in a world with finite resources, and we take our environmental impact seriously. We recognise climate change as an important focus for us and our clients. As such, and in addition to being advocates of "social justice", Adcorp and its brands will not support companies that do not take social and environmental issues seriously.

FY2023

Our workforce		Adcorp permanent employees	Deployed employees	Contingent employees	Independent contractors
	South Africa	1 629	3 926	35 579	1 161
	Australia	170	n/a	2 032	1 355
Total		1 799	3 926	37 611	2 516

Our purpose

Our purpose drives strategy, values and branding and guides decision-making. We are building a Group that aims to resonate with management, employees, customers, investors and society while connecting people with potential to workforces that will contribute to the future.

We enable agile, focused and skilled workforces for the future

Workforces that make a positive contribution to society

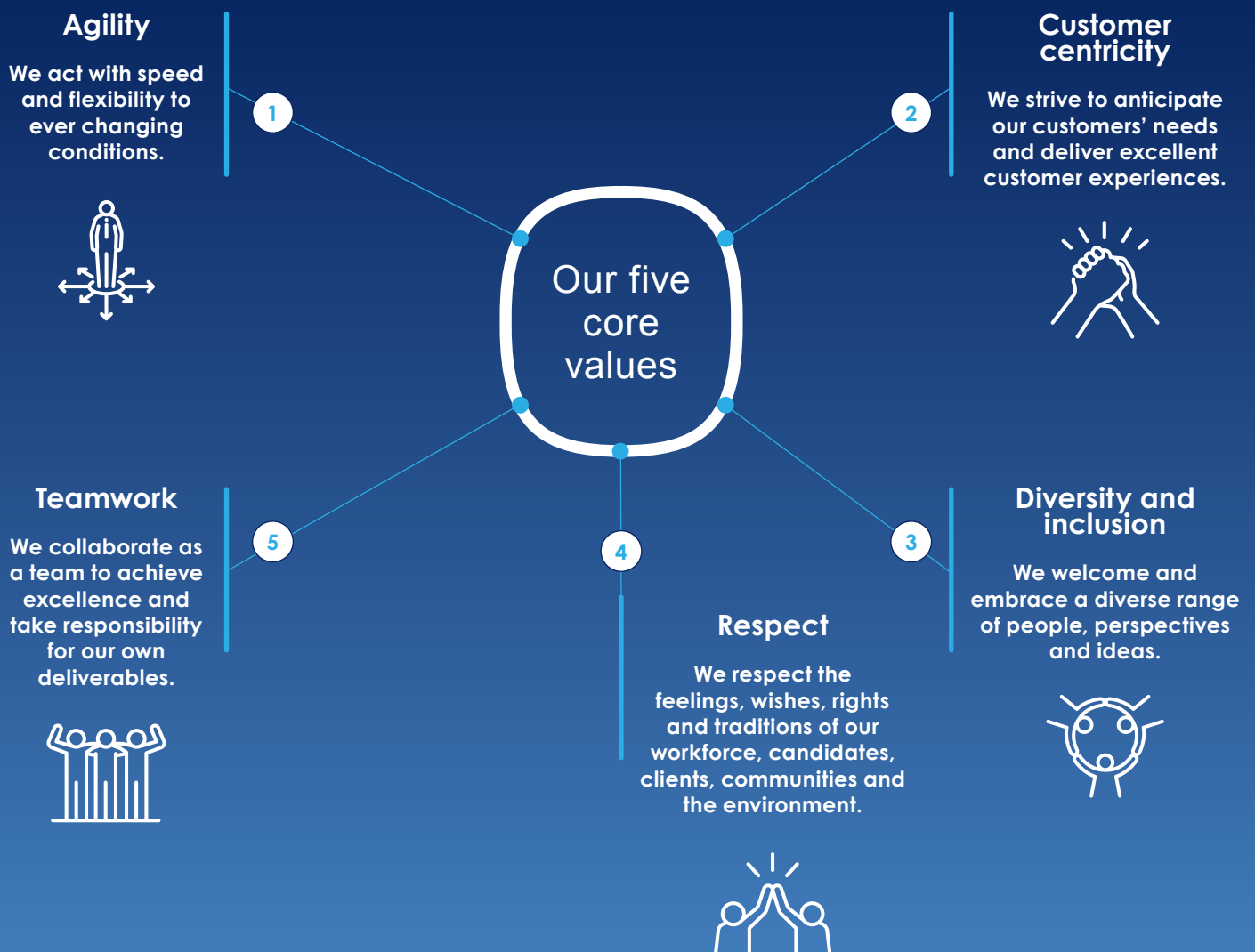
Workforces that are inclusive of people of all abilities, gender, ages and ethnicities

Workforces that transform business outcomes for today and the future

Workforces that include permanent, contingent, contractor and gig workers

Workforces that foster health, safety and wellbeing

Workforces that are skilled for the future



Further detail on our core values can be found on our website <https://www.adcorpgroup.com/about/purpose-and-values/>

Our brands



South Africa



Contingent Staffing

BLU.[™]

A leading industrial contingent staffing service that offers compliant fixed term employee contracting, governed by human resources (HR) and employee relations (ER) excellence. A segmental focus within the FMCG, manufacturing, warehousing and logistics, mining and renewable energy industries. This results in labour flexibility and variable cost management.



Training

PMI

Previously known as the Production Management Institute, the core value proposition is that of an "in-business" training provider for employees, from entry level short courses, through to higher education programmes and learnerships, culminating in honours degrees for production and operations management. All training can be delivered in business, in a classroom or in a digital environment. PMI is a registered higher education institution.

iCAN

South Africa's leading training and management solution for people with disabilities. Passionate about this community of people, I Can! offers a comprehensive end-to-end service ensuring professionalism and peace of mind for this critical component of South Africa's workforce.

TORQUE IT

A leader in the ICT software training industry (in excess of 370 courses within 40 technologies) and South Africa's largest trainer of the Microsoft product suite. Nationally represented and capable of delivering large and small group interventions, as well as virtual instructor-led or demand driven online training. Current topical programmes include Cloud, RPA and cybersecurity training.

(The training operating model will be changed in FY2024).



Functional Outsourcing

funxion 

An end-to-end outcomes-based solutions provider offering effective non-core process outsourcing on total management control principles. Heavily invested in productivity, process efficiencies and continuous improvement. Exercises absolute management and control of its own employee base with risk and reward commercial models that unlock enhanced efficiencies and contractual benefits. Focused in the FMCG, warehousing and logistics sectors.

CAPability

A registered niche industrial and office cleaning company servicing existing Adcorp and other customers. Capability leverages the efficiencies embedded in Adcorp's national infrastructure and includes a uniquely embedded disability solution in partnership with I Can!



Professional Services



A leading ICT personnel resourcing and project management brand that sources contractors from multiple ICT disciplines on either a contracting or permanent placement basis. A strong focus on business transformation and strategy delivery.



A leading permanent recruitment brand focusing on professional and specialised placements across various industry sectors.



A nursing, medical staff and sundry wellbeing services provider to the private healthcare sector. Additional services include medical-wellness screening and medical-fitness assessments.



A leading recruitment brand focusing on rapid personalised recruitment services with a strength in high volume recruitment.



A brand that is synonymous with the placement of quality front and back-office temporary professionals across multiple industries. Sound corporate governance is underpinned by service delivery excellence, as well as the efficient rapid talent deployment of contingent employees.



A 100% digital marketplace where freelancers and hirers connect and transact. The platform uses technology that offers freelancers and hirers the ability to find each other and transact in a safe, transparent and secure ecosystem.



A talent acquisition and management company offering specialist permanent placement recruitment, embedded recruitment process outsourcing (RPO) solutions and managed service provider (MSP) solutions for external workforces.

Our brands continued



Australia



LSA is a leading provider of blue-collar staffing solutions and healthcare personnel across Australia in the food processing, transport and logistics, trade and construction and agricultural sectors.



Paxus is a leading technology and digital staffing and recruitment business servicing customers across various industries for more than 50 years.



talentCRU is a RPO and MSP solutions provider, offering specialised services that incorporate the latest global advancements, specifically designed to meet the unique requirements of the Australian market.



The market

FY2023 unfolded as a stark study in contrast in the economic landscapes of Adcorp's two primary markets - South Africa and Australia. Each region presented its unique spectrum of trials and opportunities, shaping the business environment.

South Africa: Addressing macro-economic challenges

In calendar year 2023, South Africa experienced unprecedented load shedding, which reached a historical high of 207 days, a stark contrast to the 75 days recorded in 2021. February 2023 saw an unparalleled seven consecutive days of stage 6 load shedding. This load shedding inevitably affected operations in industries highly dependent on power. Industries were further affected by the costs and disruption of trying to source their power driving lower earnings and curtailing investment in growth.

South Africa witnessed considerable economic turbulence in 2023. Inflation rates surged from 5,9% in March 2022 to 7,0% in February 2023, averaging 6,9% over the 2022 year. Consumer inflation hit its highest level for 13 years in 2022. Interest rates also spiked. The repo rate increased by 81,3%, starting at 4,00% in March 2022 and ending at 7,25% in February 2023, as the South African Reserve Bank hiked interest rates to moderate inflation. Food and transport inflation was even higher, placing most South Africans under financial strain.

Beyond power deficits, South Africa experienced widespread infrastructure failures due to underinvestment and inadequate maintenance over many years. This challenging environment, coupled with a worsening exchange rate, exerted additional pressure on companies' operations. Failures by major economic players, such as Transnet, also compounded the challenges businesses faced. Between March 2022 and February 2023, the USD/Rand exchange rate escalated from R14,98 to R18,26, resulting in a 21,9% depreciation in the Rand.

South Africa's economic growth was subdued through 2022. Although real GDP reached an all-time high of R1 161 billion in Q3 of 2022, a subsequent contraction in Q4 of 2022 kept it below this peak. Despite an overall GDP growth of 2,0% in 2022, a decrease from the post-pandemic rebound of 4,9% in 2021, business confidence remained at historic lows amidst pessimism about South Africa's potential for recovery and growth. Economic growth is expected to decline further in 2023 with little prospect of the end to persistent load shedding.

Australia: A strong performance amid economic pressure

Unlike South Africa, Australia demonstrated a robust economic performance in calendar year 2023, overcoming several pressures. After a decade, Australia witnessed a rise in interest rates, from 0,15% in March 2022 to 3,6% by February 2023, marking the highest level in the past 30 years. The Russian invasion of Ukraine led to a global inflation spike, resulting in Australia recording a 30-year high of 7,8% in Q4 2022. However, the Reserve Bank of Australia anticipates a rapid decline in inflation in 2023, with consumer price increases expected to drop from 6,6% in 2022 to 5,3% in 2023.

Australia's economy expanded by a robust 3,6% in 2022, in line with the 20-year average. While the high inflation and interest rates may slow consumer spending and growth in 2023, growth is still expected. The Reserve Bank of Australia predicts a growth rate of 2% in 2023 as higher interest rates, the higher cost of living and earlier declines in household wealth continue to weigh on growth. Notwithstanding slowing growth, the Reserve Bank of Australia expects strong labour market outcomes to continue.

Labour markets

South Africa: Facing structural challenges

In the heartland of South Africa, the contours of the labour market narrate a tale of struggle and grit. The pandemic cast a long shadow on the staffing market, stunting its growth, with a downturn of 6% since 2019, as substantiated by the Staffing Industry Analysts (SIA). This places South Africa on the unenviable list of nations whose staffing market is smaller now than before the Covid pandemic in 2019. The market is also significantly distorted with a shortage of skilled workers in certain sectors and an abundance of unskilled workers, for whom there is little demand.

The past year was a particularly challenging year for the South African market. The average unemployment rate settled at 33,5%. Despite this figure slightly diminishing from 2021's 34,3%, it far exceeds 2019's 28,7%. The jobs lost at the start of the Covid pandemic have not been regained in the period since, and the labour force is smaller than it was at the end of 2018. This grim narrative leaves South Africa with a joblessness rate that has surged by a staggering 16,7% since the pre-Covid era. The statistic is further compounded by knowing that the population has grown by 3,5% over the same period.

South Africa's labour market thus maintained a feeble pulse, as evidenced by the employment ratio's marginal climb to 39,4% at the end of 2022, a tepid rise from 35,9% in September 2021. The spectre of youth unemployment looms large, soaring to an alarming 62,1% in the first quarter 2023. When accounting for those available for work but not actively seeking, the rate ascends to 71,2%. The ripple effect of slow business growth is palpable in the diminished labour absorption rates. Business confidence remained near historic lows through 2022, resulting in investment that would boost labour demand not materialising.

The market continued

Australia: A market resilient, rising and robust

In contrast, Australia's staffing market has emerged from the ashes of the pandemic, robustly, expanding by an impressive 14% since the pandemic's onset. This growth becomes even more striking when one considers the relative population sizes. Despite South Africa's population being 2,3 times that of Australia, the Australian staffing market stands head and shoulders above, being 9,5 times larger.

Australia reported impressive labour absorption in 2023, with an unemployment rate reaching a record low of 3,4% and an average annual rate of 3,6%. The labour absorption rate remained steady at 66,7%, the highest in the past decade. The labour market dynamic is expected to persist into 2023, especially in the blue-collar sector, where a shortage of workers is expected to persist into the medium term.

An interesting facet of the Australian labour market is its persistent shortage of workers, the second highest among the world's most affluent countries, trailing only Canada. Almost half a million workers are needed across numerous industries, including hospitality, tourism, construction, agriculture and mining. A particularly acute shortage exists in the tradespeople sector, which urgently needs mechanics, builders and plumbers. The Australian Government has taken steps to address this imbalance by increasing its permanent migration programme from 160 000 to 195 000 in 2022–23.

Nearly a third of businesses are eager to expand their workforce. However, the labour shortage is expected to linger into 2023, with employers anticipating minimal shifts in the talent pool. With an unemployment rate of around 3,4%, employers have concerns about their capacity to fill vacancies. Strategies such as recruiting overseas, offering greater flexibility and conducting nationwide searches for top talent are being deployed. The Australian labour market exceeded expectations in 2022, but 2023 promises to be more challenging.

The evolving nature of work

As we adjust to a post-pandemic environment in 2023, we are witnessing and actively contributing to a significant workplace evolution. The workforce landscape is morphing, driven by an array of macro trends, affecting employees and employers alike. At the heart of our focus lies the robust management of these trends.

Navigating the terrain of hiring and retention

The wave of "The Great Resignation" has certainly receded, but residual effects persist. Employees remain willing to switch jobs for higher pay, propelled by inflationary pressures and mounting living costs. Both South African and Australian markets anticipate continued retention challenges throughout 2023. Alarmingly, nearly 50% of young South African professionals express dissatisfaction with their current employment, while in Australia, nearly a third of workers indicate they plan to change jobs in 2023.



The crux of this discontent stems from disparities in expectations around career advancement, opportunities for creative and meaningful work, personal growth potential and ethical practices. Essentially, the lack of alignment with corporate strategy, values and ebbing incentive structures are lowering the barriers to exit. The rising living costs are motivating more employees to consider a job switch, triggering wage pressure that employers will need to navigate to retain talent.

The flexibility imperative

The Covid pandemic saw the large-scale introduction of hybrid work models. South African employees subsequently reported significant improvements in their well-being, with 86% acknowledging the advantages of hybrid and remote working. Effective hybrid working in South Africa is, however, undermined by persistently high levels of load shedding. In South Africa, record high unemployment and a tough job market means that workers' choice is limited in the face of company return-to-office demands.

In Australia, 83,2% of Australian workers consider flexibility in terms of working hours to be important. Additionally, 74,6% of Australian workers believe that flexibility in terms of location is important. With record low unemployment in Australia and a persistent shortage of workers companies will need to embrace greater flexibility in the workforce to recruit and retain critical workers. Despite return-to-office strategies being deployed by some businesses, workers' demands for greater flexibility is expected to persist through 2023.

Striving for better work-life balance

Increased stress levels and burnout pose a significant challenge for employers, as employees struggle with effective work-life balance. In Australia, burnout is being reported at an alarming rate, much higher than the global average. Overall Australian employee wellness

experienced a decline in 2022. In particular, Australian employees reported that their financial and physical wellness are now at an all-time low of 22.5% and 25.3%, respectively.

The situation in South Africa is similar but further compounded by macroeconomic challenges that add additional stress to workers. Load shedding, crumbling infrastructure and rising crime place additional burdens on worker well-being. High unemployment levels also contribute to workers' fears of job losses and a subsequent inability to find another job. The challenge for businesses to support better mental, physical and financial well-being will persist in 2023 as the mental health crises may well be the next pandemic after Covid.

Prioritising skills in hiring

Skills-based hiring has seen a 63% rise over the past year, as employers value experience over academic qualifications. With technology's incessant evolution and a fiercely competitive job market, skills are emerging as the new currency. Employers are resetting degree requirements in a wide variety of roles. The change is most noticeable for middle-skill positions – those requiring some post-secondary education or training but less than a university degree.

The situation in South Africa is compounded by inflexible labour legislation that makes hiring expensive and hard to off-board workers. Companies are de-risking hires by seeking experience and skills over qualifications. This exacerbates the problem of new graduates being unable to enter the market while driving up the cost of highly skilled workers. In Australia the shortage of workers means that experiential skills are more prized than in the past. The move toward skills based hiring is expected to persist in 2023.

Professional Services

The human side of business



“When I joined Paracon, I went from selling a software product to physically and literally impacting lives. When we fill a role, we are helping a family provide for school fees, food and a roof over their heads. This tangible difference really appealed to me. I didn’t have a background in recruitment, but one of my clients knew Paracon was hiring and thought that my values and skills aligned to the business. She was completely right. From the moment of my first interview I knew that I wanted to join a business that is so focused on finding and connecting human potential.”

Kiki Mudenda, account manager, Paracon

The market continued

The changing composition of the workforce

In the face of the Fourth Industrial Revolution (4IR), social changes, demographic shifts and industry evolution, the workforce's composition is becoming increasingly complex. With the traditional model upended, and we foresee the emergence of workforces that consist of an ecosystem of actors. This ecosystem will see workforces increasingly made up of permanent workers, contingent employees, independent contractors, third-party providers, human cloud and artificial intelligence contributors.

Traditional models of permanent workers represented by unions are fast declining globally. Trade union membership in South Africa has declined at an alarming rate and currently stands at 23% from a high of 40% in the early 2000s. In Australia the decline has been more precipitous with trade union membership generally declining since 1992. From 1992 to 2022, the proportion of employees who were trade union members has fallen from 41,1% to 12,5%. This trend of decline of the traditional workforce model will persist into 2023.

How Adcorp responded

Recognising the dual threats of employee demands for flexibility and the need to attract and retain talent, Adcorp has committed to a permanent hybrid work policy. Despite challenges like load shedding in South Africa, adopting this flexible working model has significantly bolstered employee engagement and morale. Adcorp continues to place the well-being of its employees high on the agenda and, through a purpose and set of values, is striving to build a people-centred culture. In 2022, Adcorp invested heavily in upskilling employees and has an increasingly diverse workforce structure comprising permanent, contingent and contracted employees across South Africa and Australia.



How we create value

Our business model

Adcorp embraces integrated thinking and applies the six capitals to drive business success. These inform a revamped business model that directly targets value creation and preservation. See page 18 for detail on how we realise our value creation through our strategy.

Inputs

Financial capital	Intellectual capital	Human capital	Social and relationship capital	Natural capital	Manufactured capital
Invested shareholders' equity, working capital and debt funding from lenders and cash generated from our activities that is retained in the business and can be invested for growth in line with capital allocation framework	Adcorp's brands are the heart of the business. Through our customer focused brands we deliver products and services that build our customers' workforces	We deliver our products and services through our people. How well we perform for our customers depends on the expertise, skills, wellness and motivation of all of our employees	The network of relationships that Adcorp has with all stakeholders to ensure that it makes a positive societal contribution in the geographies in which it operates	The natural resources like water, materials, energy and the generation of waste that Adcorp uses, both directly and indirectly, to deliver to its customers	The properties we lease and the IT infrastructure and systems that we use to deliver our products and services

Adcorp strategy

To be the leading workforce solution provider across two continents, delivering agile, skilled and focused solutions in selected industries and geographies

01 Recruitment	02 Skills development
03 Management	04 Wellbeing
05 Solutions	06 Offboarding

Outcomes

Financial capital	Intellectual capital	Human capital	Social and relationship capital	Natural capital	Manufactured capital
Optimised capital structure <ul style="list-style-type: none"> Normal total dividend paid per share of 28,7 cents per share Special dividend paid per share of 91,3 cents per share Investment in organic growth Cash generated by operations of R378 million Share buy-back of R19.6 million 	Customer focused brands, products and services <ul style="list-style-type: none"> Brand centric operating model deployed Brand marketing presence raised A Brandshift Adcorp approach that creates compelling brands through customer focused products and services 	A skilled workforce <ul style="list-style-type: none"> 447 610 hours of training concluded R27.8 million training spend 1 114 permanent placements made 37 611 contingent employees paid 1 799 permanent employees 3 926 deployed employees Placed 2 516 independent contractors Employee engagement score of 64% in South Africa and 70% in Australia 	Adding value to all stakeholders <ul style="list-style-type: none"> Customer satisfaction raised Jobs created Community services delivered Taxes paid 	Sustainable use of natural resources <ul style="list-style-type: none"> Understanding the need to increase the use of sustainable supplies Municipal water consumption 18 792kL Grid electricity consumed 2 377 548 kWh Renewable electricity generated from Solar PV 537 855 kWh, equating to a saving of R572 392 30% of our waste at Adcorp Place was recycled, equating to 6,2 tonnes 	Efficient use of systems <ul style="list-style-type: none"> Bullhorn recruiting and staff management platform Workday (ERP system) Salesforce (CRM system)

Our strategy

Our purpose

The various workforce components come together in an ecosystem. The workforce ecosystem provides flexibility, scale and agility and enables companies to access skills and talent in a way that traditional models cannot. At Adcorp, we know that workforce ecosystems are the future of the workforce.

This passion drives Adcorp's purpose which is

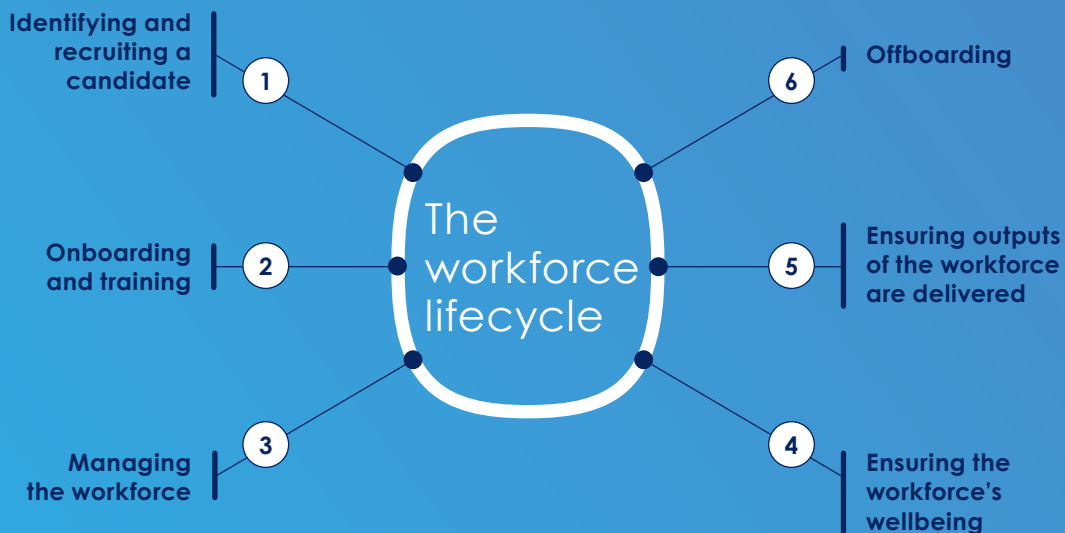
“to enable agile, skilled and focused workforces for the future”.



Our focus has always been on placing people into roles and creating workforces for our customers. The workforce is changing and the future workforces will consist of traditional permanent employees complemented by contingent contractors, gig workers, human cloud, non-human contributors and third-party providers.

Our strategy

We bring together people, processes and technology to build workforce solutions for our customers. At our core is the provision of end-to-end workforce solutions to customers.



Each of Adcorp's brands fits seamlessly and efficiently into one or more of the core stages. Adcorp can provide single, bundled, integrated or managed services that allow a customer to buy a single service line in one

segment of the lifecycle to managed services where Adcorp provides fully integrated solutions built from its brands and incorporates non Adcorp workforce solutions into a managed offering.

Our operating model

At the heart of our Group's operating model is a customer-centric approach. We understand that our existence is dependent on our customers and therefore, we prioritise their needs and satisfaction. As the influential management thinker Peter Drucker once said, "The purpose of business is to create and keep a customer," and our operating model is designed to achieve just that. We are committed to continuously improving our approach to ensure that we create and maintain

long-lasting relationships with our customers. As we have moved away from the *One Adcorp* approach and into the *Brandshift Adcorp* approach, we have transformed our brands by refreshing their brand identities to better align with our customers. The goal of our *Brandshift Adcorp* approach is to create cohesive and compelling brands that resonate with the customers to continue to build brand loyalty.

Adcorp's brands are operated through the following divisions:



(The training operating model will be changed in FY2024).

Brands

- The centre of the business
 - Managed by executive responsible for profit and loss
 - Operated on a fully absorbed basis
 - Flexibility and agility without undue constraints from the centre
- The market face of Adcorp
- Measured as a stand alone

Divisions

- Reporting and management control
- Brands clustered together by customer use
- No market facing presence

adcorp

- The strategic architect
- Enables linkages and drives synergies
- An endorsing brand
- Drives cross-sell and integrated selling
- Coordinates customer value creation across the brands

Capital allocation

The capital allocation framework provides investors with a transparent understanding of the Group's strategic approach to capital allocation. This framework is specifically designed to provide our valued shareholders with sustainable returns on their capital invested and for reinvesting opportunities in the growth of the Group's earnings. The formalisation and approval of the capital allocation framework allow investors to have a clear view of the Group's approach to capital allocation. The framework is designed to reward shareholders and invest in the Group's ongoing growth.

The Group is committed to returning 50% of HEPS to shareholders in terms of the framework. This will be returned to shareholders in the form of an ordinary dividend or a share buyback.

The Group will retain 50% of HEPS to invest in growth. The preference for the Group is to organically invest in its products and services to drive top-line revenue growth, lift margins and increase operating profit. If the Group cannot achieve its growth objectives through organic investment, it will consider strategic acquisitions to drive its goals.

Both organic and inorganic growth opportunities will be assessed against the requirement that ROIC exceeds WACC in the respective geographies. The Group has

determined that the WACC for the Australian business is 10%, and the WACC for the South African business is 14%. This produces a blended WACC for the Group of 12%, the progress against which the Group will report. In addition to the requirement to meet the ROIC target, any acquisition considered must align with the Group's strategy.

The acquisition will not be more than one adjacency away from its core. Acquisitions that drive volume consolidation, capability expansion or geographic expansion will be considered. To ensure that the balance sheet is well maintained, the Group is willing to gear the balance sheet partially to fund an acquisition but has set a total gross debt cap of 1 x EBITDA as a prudent gearing level. Where debt is used to partially fund an acquisition, the Group will seek to raise debt and not use its working capital facilities to undertake investments.

In the case where organic or acquisition opportunities are not present or do not deliver the returns the Group seeks, the Group will return the uninvested excess cash to shareholders either by way of a special dividend or through a share buyback programme. Where the Group contemplates a share buyback programme, it will only do so where the share trades at a material discount to NAV or intrinsic value and if there is liquidity in the market to enable the acquisition of shares.

Our approach to ESG

Adcorp works to uphold the values of sustainability, corporate responsibility and social responsibility as essential components of our commitment to all stakeholders. We are aware that sustainability goes beyond just checking boxes at the lowest cost and believe we will succeed by serving others.

We strive to provide disclosure on key environmental, social and governance (ESG) elements that could have a material impact on our business and stakeholders. Adcorp underwent a thorough evaluation process to determine the most appropriate reporting standard to adhere to for the long term. We ensure that we monitor indicators that enable us to commit to responsible business practices. In this regard, we have decided to reference the GRI Standards, be guided by the JSE Sustainability Disclosure Guidelines and utilise the indicators from the Sustainability Data Transparency Index (SDTI). The SDTI offers both global and local South African indicators and we believe that this approach will enable us to report on our sustainability performance effectively.

We embed sustainability in Adcorp by focusing on five priority elements:



Our sustainability vision

To be a leader in sustainable development and contribute to a sustainable future by facilitating the development of fair and efficient labour markets, while 'doing well by doing good' providing value creation for both organisations and people.



Adcorp's contribution to the SDGs

The UN Sustainable Development Goals (SDGs) provide worldwide guidance for addressing the global challenges for a better world. They are a "shared blueprint for peace and prosperity for people and the planet, now and into the future" Click [here](#) for more information on the goals.

The following UN SDGs are prioritised based on what Adcorp in its nature as a workforce solutions provider can make the largest contribution to, aligned to our five priority elements:

Direct contribution

- 
UN SDG 4
Quality education
- 
UN SDG 5
Gender equality
- 
UN SDG 8
Decent work and economic growth
- 
UN SDG 10
Reduced inequalities

Indirect contribution

- 
UN SDG 3
Good health and wellbeing
- 
UN SDG 12
Responsible consumption
- 
UN SDG 16
Peace, justice and strong institution


UN SDG 17
Partnerships for the goals














Materiality assessment

We conducted our most recent materiality assessment at the start of 2022. This assessment enabled us to identify the ESG factors that are material to our business and are of interest to our stakeholders. This led to defining the five priority elements, refer to page 20. We continue to find the current assessment relevant, even as our business landscape evolves and we implement our sustainability strategy. We plan to run a follow-up materiality assessment in 2024, once our *Brandshift Adcorp* business model has matured and we have adopted our online ESG dashboard.



Our approach to ESG continued

Our priority elements aligned to the SDGs and our key objectives

ESG pillar	Priority element	Related UN SDG impact	Objectives
Social 	<ul style="list-style-type: none"> Diversity, equity and inclusion People wellbeing Youth employment/ social accountability 	     	<ul style="list-style-type: none"> Drive higher youth employability Develop skills Ensure fair remuneration and reward Create a conducive, inclusive and accepting environment for all, including LGBTQIA+ Create awareness amongst employees Promote workforce wellbeing Enable initiatives for physical, mental, social and financial wellbeing
Environment 	<ul style="list-style-type: none"> Environmental stewardship 	 	<ul style="list-style-type: none"> We focus on the principle of “do no harm” Partner with sustainable suppliers Minimise business travel Reimagine our waste habits Selectively partner with customers who are environmentally responsible Rooftop solar PV at Adcorp Place, Head Office supplements 25% of our electricity consumption
Governance 	<ul style="list-style-type: none"> Corporate governance practices and ethics 	 	<ul style="list-style-type: none"> Define framework Create appropriate policies Define targets and execution plan Monitor and measure success

ESG disclosure and reporting

We are committed to reporting on ESG factors. As we execute our sustainability strategy, we expect to improve our data completeness continuously. We anticipate adding more relevant and complete ESG data as our sustainability function matures. To streamline our data collection and analysis processes, we are on-boarding an online ESG dashboard to automate our data. This approach will free up time for us to analyse the data and make meaningful progress.

As a JSE listed company, we have made a decision to prioritise data management from a materiality perspective. This means ensuring the accuracy and reliability of our South African data while also incorporating Australian and other market data where possible. Moreover, we are intensifying our focus on including data specific to the Australian market.

Professional Services

Bringing value to clients



“When most people hear I’ve been with Adcorp for 30 years, they generally ask why. It’s very unusual for anyone to stay at one company for that long – even if they’ve moved around within the group. But that’s exactly why it’s been such a special journey for me. Within Paracon, we live by the Adcorp value of always connecting people, that’s our job, it’s what we do, but we are also uniquely and distinctly Paracon. The ability to operate within your business and a larger group is incredibly powerful because you can bring so much value to clients. Through my engagements, I can see where else they are experiencing challenges and I can bring in another Adcorp brand which can offer a solution, and because I know how Adcorp operates and that we all share the same values, I can trust that I’m bringing value to my clients.”

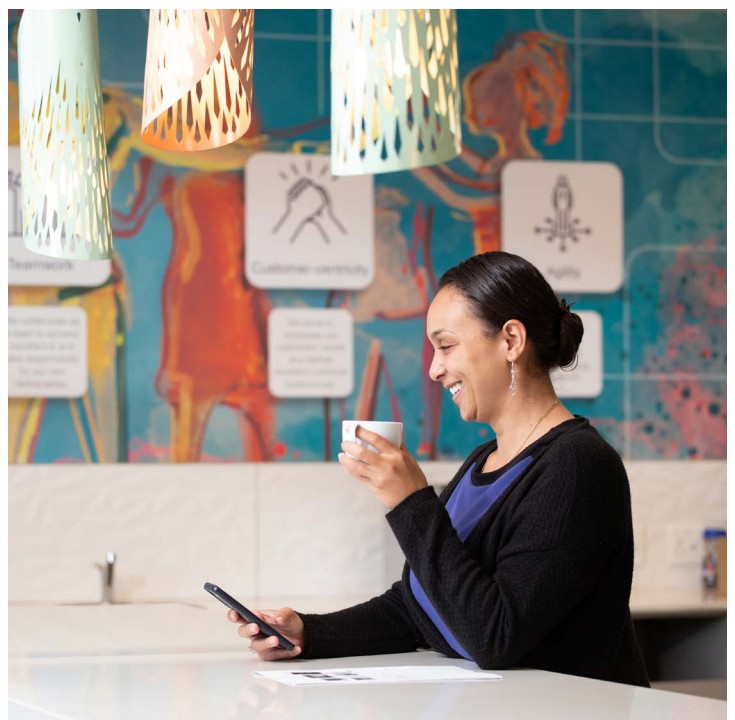
Gorete Marques, account manager, Paracon

Material factors word cloud



ESG factors and reporting on them are increasingly becoming imperative to investors globally and is gaining momentum in South Africa. Investors are looking to businesses to play a meaningful role in enabling societies to thrive and protect the natural environment.

As a committed workforce solutions provider, Adcorp materially contributes to 8 SDGs which are related to the 5 priority elements identified through our materiality assessment involving stakeholder engagement. The initiatives which support the priority elements have been included in the action plans and are being rolled out within the business. We understand that the global goals are a collaborative effort and we partner with our employees, contingent workforce, clients and other stakeholders to contribute to a more inclusive and equitable future. For us, *SDG 17 – partnerships for the goals* underpins all our actions and allows us to amplify our impact beyond what we could do alone.



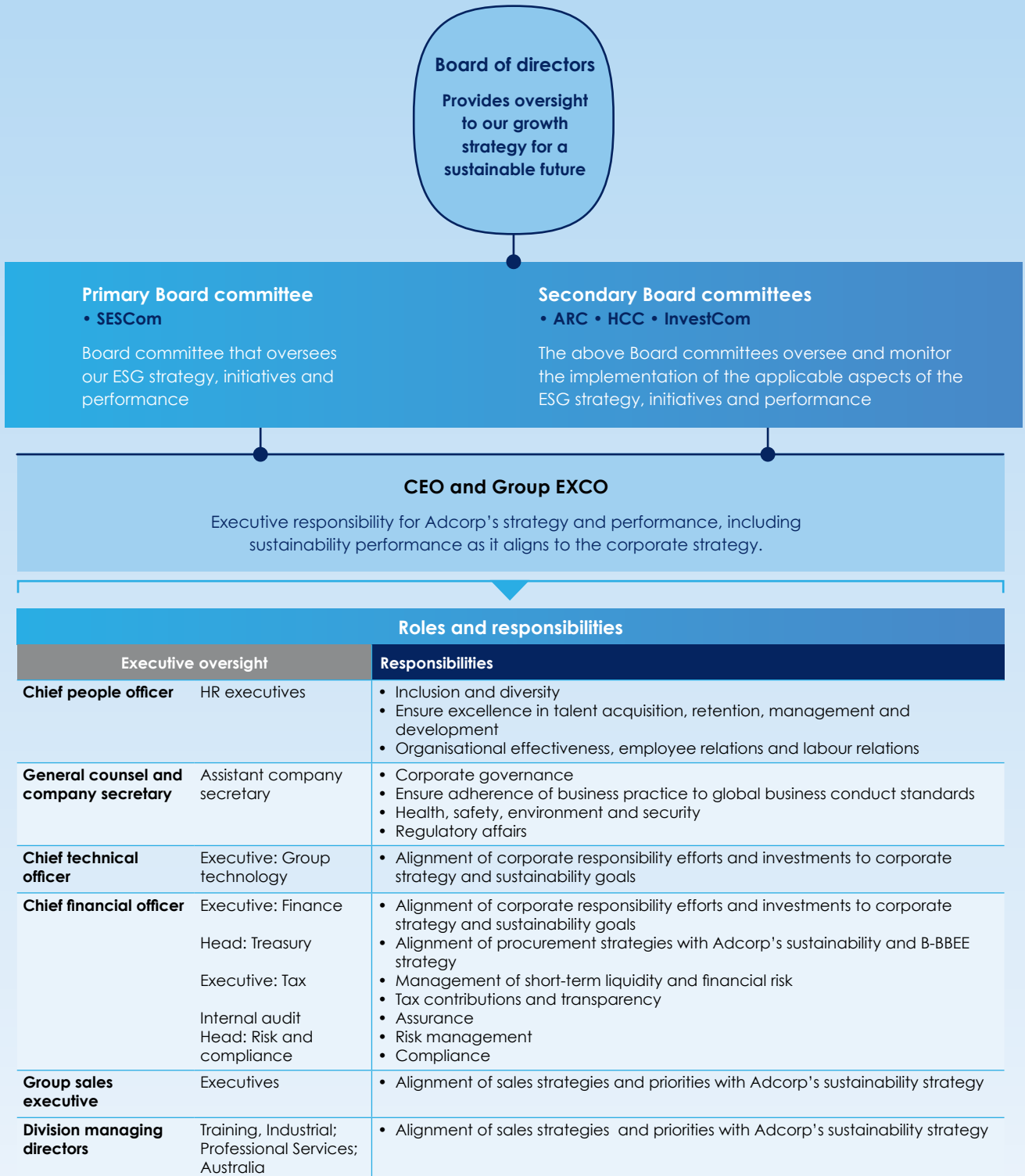
Our approach to ESG continued

Adcorp's sustainability and ESG governance model

Having a clear structure for sustainability governance is very important for making sure that a company is sustainable into the future. At Adcorp, our sustainability governance model is based on innovating for a sustainable future. This

plan includes different groups of people, like governing bodies, committees, executives and senior leaders. They work together to make sure everyone in the Group is committed to being sustainable and they manage risks and opportunities.

Adcorp's sustainability and ESG governance model



Our impact

Stakeholder engagement

Interaction with our stakeholders is essential to our business plan and long-term success. We are dedicated to keeping lines of communication open, timely and consistent with all stakeholders, and we frequently interact with a variety of stakeholder groups. These interactions provide feedback to the Board, which has an impact on our critical strategic choices and the recognition of our material factors.

We communicate with stakeholders through our website, presentations, interaction with the media, one-on-one meetings and ongoing informal and formal discussions. We have made it a point to increase our face-to-face interaction with stakeholders post the pandemic, these included our employees, customers and investors.

South Africa



We are a member of the Confederation of Associations in the Private Employment Sector (CAPES), which serves as the umbrella body for private employment agencies in South Africa. CAPES assists with lobbying and advocacy, capacity building, professionalisation, compliance and best practice, thought leadership and profiling the industry. Our partnership with CAPES enabled dialogue and contribution towards the Amendments to the Employment Equity Act in defining our sectoral targets. These dialogues are ongoing.

Australia



Since 2000, Paxus has been a founding member of the Association of Professional Staffing Companies in Australia (APSCO). It is an association for white collar recruitment agencies. As a member, Paxus has access to an innovative range of programmes and resources designed to develop our business, our talent and enable us to gain a competitive advantage.

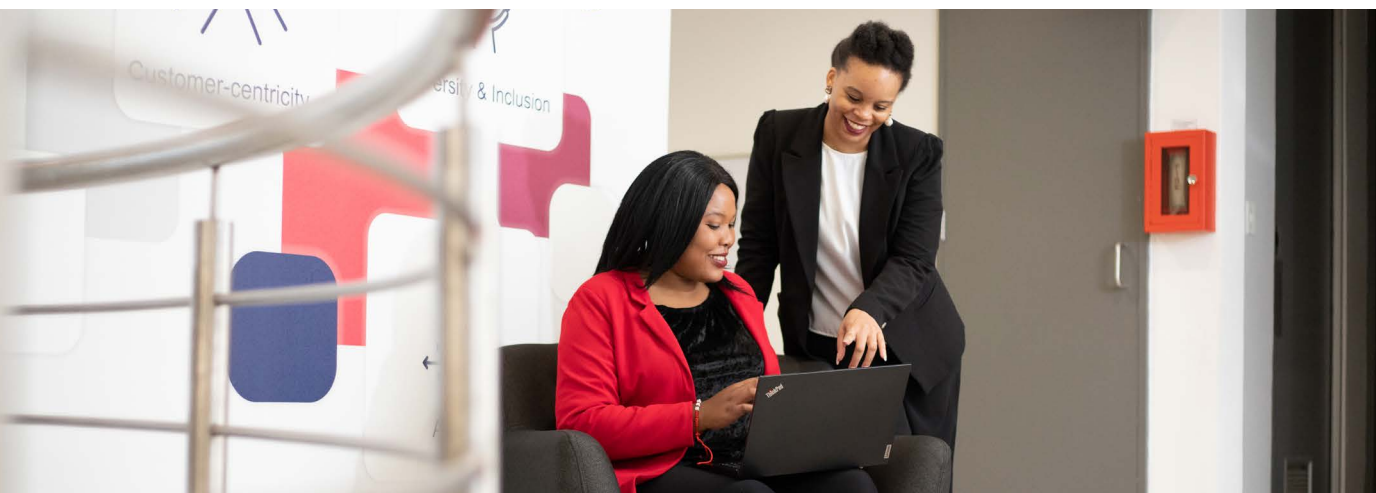


LSA is a member of, the Recruitment, Consulting and Staffing Association (RCSA) Australia which is the body for the recruitment and staffing industry in Australia and New Zealand. RCSA drives professional practices, promotes and protects the industry and enables better business for members by providing networking opportunities. They offer business advisory support to members and accredited professionals.



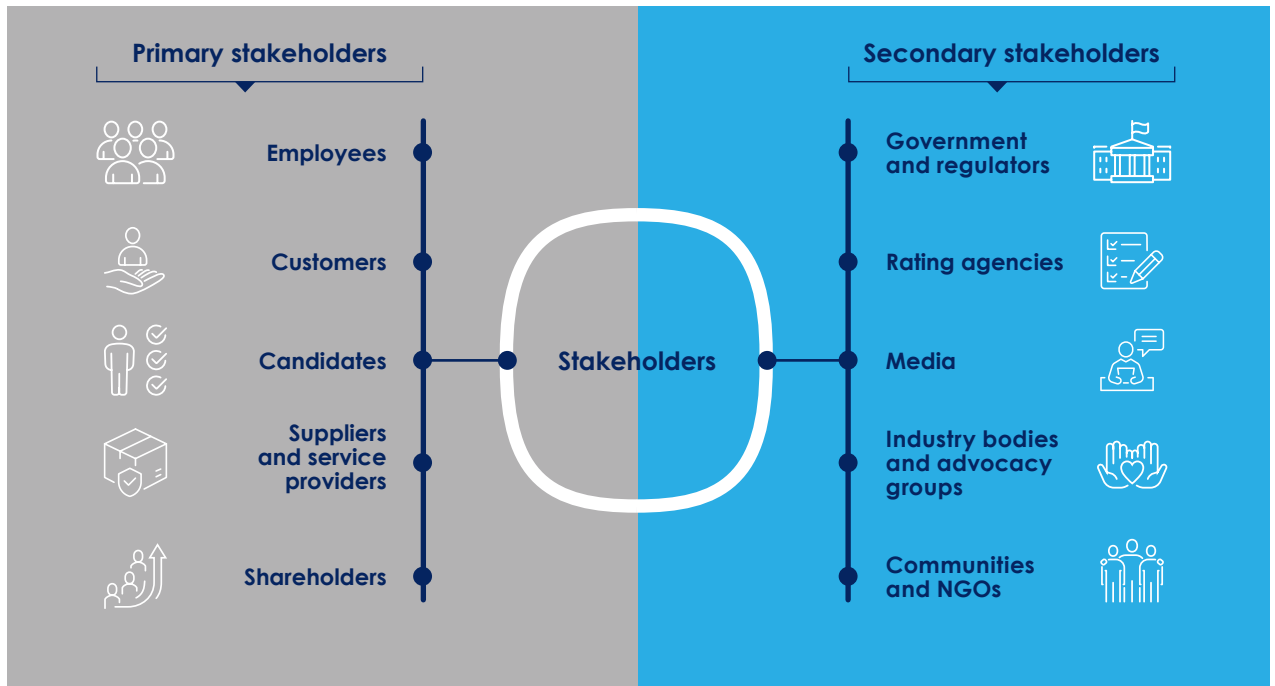
LSA is also a member of, the Australian Industry Group (AIG) which is a national employer organisation representing traditional, innovative and emerging industry sectors. They have been acting on behalf of businesses across Australia for 150 years. This membership brings strong advocacy and an effective voice of the industry to government underpinned by our respected position of policy leadership and political non-partisanship. They provide practical information, advice and assistance and have deep experience of industrial relations and workplace law.

In determining and identifying our stakeholder groups we consider all who are impacted by our value and existence, those who invest in our value and purpose, and those who may in turn impact our objectives. People remain at the core of our focus. With the evolving ways of work we are aware of the increasingly diverse needs of our various stakeholder and are cognisant of these in determining our stakeholder engagement. Prioritising our stakeholders does not imply that any of our stakeholders are less important to the business but mainly assists us in ensuring that we meet the various needs and demands of our stakeholders.



Stakeholder engagement continued

We have identified our stakeholders as set out below:



The key to a sustainable value chain is in addressing the needs of our stakeholders

Stakeholder engagement and relationship management is integrated into the ongoing management activities of the divisions and Group functionaries.






To gather our stakeholder concerns, in addition to townhalls and face to face engagements, we make use of effective tools and consult with industry experts such as Culture Amp and nLightencx. The insights gained are used to guide strategy and communication to ensure a sustainable value chain. We also conduct customer and employee surveys which inform our engagement.

Quarterly client satisfaction surveys, which are conducted for all our business segments, provide us with valuable insight regarding the areas we need to improve on. For the financial year under review we have achieved an 83% customer satisfaction rating. The results assist us in revising strategic focus where required and driving relevant conversations with our clients, as well as internally, to address concerns.



Our stakeholders are important to us. We strive to understand their needs, engage constructively and utilise various communication channels to keep them updated. An overview of some of our key activities is presented below (list is not exhaustive):

Primary stakeholders

	What matters to them	Communication channels	Key engagements activities during FY2023
	● Employees		
	<ul style="list-style-type: none"> • Career development, job security, fair and competitive remuneration and reward • Supportive and inclusive culture • Organisational leadership and communication 	<ul style="list-style-type: none"> • Biannual performance reviews and regular career development conversations • Regular one-on-one conversations and group dialogues • Townhalls with leadership • Surveys, intranet content and email announcements, social media updates 	<ul style="list-style-type: none"> • We held performance reviews and talent conversations and provided training and development opportunities across the Group • We reconstituted our diversity, equity and inclusion forums in South Africa, demonstrating our commitment to meaningful transformation • We held the first in person CEO roadshow post the pandemic. We received positive feedback from employees. Managing executives held regular townhalls for employees in their area • We ran our employee engagement survey and provided feedback to employees. The engagement score of 64% in South Africa and 70% in Australia is an improvement from our prior survey showing improved job satisfaction
	● Customers		
	<ul style="list-style-type: none"> • Customised and flexible solutions, speed, efficiency, reliability and quality service delivery • Governance and sustainability • Long-term partnership • Prompt issue resolution • Quality talent acquisition 	<ul style="list-style-type: none"> • Contract management • Key accounts manager • Regular one-on-one engagement • Surveys 	<ul style="list-style-type: none"> • We consistently delivered a talented workforce to ensure that we met our customers changing demands. Our unwavering commitment to customer satisfaction has led to improved customer retention and opened up new opportunities for us
	● Candidates		
	<ul style="list-style-type: none"> • Building long-term trusted relationships • Consideration as an equal party during the recruitment process • Positive experience and engagement and consistent feedback, good or bad • Transparency in the recruitment process • Gaining further understanding of the market and knowledge to make themselves more marketable • Job opportunities that provide dignified work 	<ul style="list-style-type: none"> • Interviews and ongoing one-on-one engagements and feedback • Social media platforms • Brand websites 	<ul style="list-style-type: none"> • We consistently provide professional recruitment processes that consider the candidates as an equal party, valuing their time and commitment to the process • We hosted a networking and information session branded "Paracon TechConnect" with Paracon contractors in Johannesburg and Cape Town. We strive to make this an annual event
	● Suppliers and service providers		
	<ul style="list-style-type: none"> • Fair and timely payment • Fair policies, standard operating processes and contracts • Good corporate governance • Long-term partnerships • Prompt issue resolution 	<ul style="list-style-type: none"> • Supplier on-boarding and management • Issuing of requests for proposals (RFP) and requests for quotations (RFQ) to ensure fair selection • Key relationship manager partners with suppliers. Regular meetings with relevant business areas to stay connected 	<ul style="list-style-type: none"> • We liaise with suppliers to improve the internal and external customer experience by partnering to offer innovative solutions and services. We continued with our supplier diversity programme by actively sourcing from preferential suppliers. We resolved disputes in a fair, transparent and equitable manner. We regularly engage with suppliers and assess the quality of services being delivered
	● Shareholders		
	<ul style="list-style-type: none"> • Access to management • Communication and shareholder engagement • Strategic execution and performance • Good corporate governance and sustainability • Capital appreciation • Dividend payments • Financial performance 	<ul style="list-style-type: none"> • Investor relations activities, one-on-one engagements, social media updates and website information • SENS announcements, media releases and bi-annual results presentations, AGM and publication of the Integrated Annual Report 	<ul style="list-style-type: none"> • We had regular conversations with our largest shareholders to understand their concerns and reassure them that the Company is moving in the right direction. We redefined our brand centric strategy. We held our bi-annual results presentation, allowing time for questions at the end, to encourage engagement and transparency

Stakeholder engagement continued

Secondary stakeholders

What matters to them

Communication channels

Key engagements activities during FY2023


● Government and regulators

- Compliance with laws and regulations
- Data privacy, IT security and anti-corruption and bribery
- Employment and labour practices
- Regulatory reporting and cooperation
- Engaging in public policy and regulatory processes
- Good corporate governance

- Transparent, timely and regular communication and compliance report submissions
- Contributing to an improved future aligned to the SDGs

- We ensure that we are an active corporate citizen, keeping up with compliance and regulatory affairs. We regularly go beyond compliance because we believe in doing the right thing


● Communities and NGOs

- Contributing to NGOs that uplift communities
- Social responsibility
- Socioeconomic development to assist SMMEs
- Environmental stewardship

- Reported on our impact, one-on-one engagements, hosted CSR events and initiatives and provided funding and access to management

- Continued with our socioeconomic development programmes empowering SMMEs to become self-sustainable. Our Chief People Office provides regular mentorship to key partners. We contribute to various NGOs to ensure that they could continue to provide their resources and services to uplift society
- We continued to use resources responsibly to minimise our impact on the environment

Professional Services

Touching lives



“When I joined Charisma Healthcare Solutions 16 years ago, I knew that I would be with the business for a long time. I don’t like jumping from job to job. Adcorp has created a caring, comfortable environment that allows me to work well with my team and support our nursing assignees to make sure they get paid accurately and on time. That’s what we are here for. To work together and to ensure anyone whose lives Adcorp touches are better for it.”

Madelian Jardine, salary consultant, Charisma Healthcare Solutions



Our people

Highlights

REDEFINED culture, values and purpose	R27.8 million training spend	447 610 hours of training provided
Established IN-HOUSE LEADERSHIP programme	Established ADCORP CUSTOMER ACADEMY	
45 852 Total employees (permanent, deployed and contingent) and independent contractors	37 611 contingent employees	2 516 independent contractors
3 926 deployed employees	1 799 permanent employees (direct and FTC)	

“Adcorp is committed to building a culture of high-performance, resilience and accountability”

The Group’s people philosophy sets out our aim to create an employee value proposition that will attract, develop, retain and reward the talent needed for our success. There are five strategic levers that guide our philosophy to drive equal treatment and opportunities for all employees across the various business segments and operations.

Its core value is an empowered work environment that ensures employees have thriving careers that are central to a high-performance culture.



Our people continued

Over the past two years we focused on redefining our culture which was aimed at aligning purpose, values and behaviours. We achieved this by revisiting our purpose and establishing a new set of core values in 2021. The aim of these initiatives was to make it easy and simple for the employees to understand and explain our purpose and values. During 2022 we spent our time and effort unpacking and explaining to employees what the values mean and more importantly what they do not mean using explicit examples. This created a good framework for employees to grasp the meaning of our values and how they should be applied on a daily basis. The values have been embedded through various activities including business processes and practices.

Why was this important for us?

Organisations that clearly define their purpose and activate values to support them, are well positioned for long-term success in a rapidly changing business climate. Purpose defines why our organisation exists and drives our strategy and values. Purpose-driven businesses are committed to working towards something greater than profit and shareholder value. Our values are how we define the core principles of our identity which also affects the way we conduct business. Values set expectations for how employees behave when interacting with customers, colleagues and partners. It communicates what's important to our organisation providing clarity and direction for decision-making. Purpose and values must be translated into lived behaviours in order to bring them to life.

Engaging with our employees – our heroes

Adcorp South Africa ran the second iteration of the employee engagement survey. We had 85% of our employees participate in the survey and achieved an engagement score of 64% which was an 18% improvement from the previous survey. What was encouraging to see is that employees now have confidence in the future of the business, and this was rated as the top three improved areas.

We ran our first survey in Australia and had an 89% participation rate and achieved an engagement score of 70%. While we are pleased with the improvement in employee engagement levels over the last year, management will continue to strive for further improvement. As a result, we have various initiatives underway to increase employee engagement across the organisation and management now has employee engagement as a key metric in their performance scorecard.

Employees are constantly seeking improved and frequent communication from management. Managing directors therefore held regular townhall sessions with their employees. Further, in March this year we had our first in person CEO and employee roadshow post the pandemic. Our CEO and CPO engaged with employees across the country hosting sessions in KwaZulu-Natal, the Western Cape and Gauteng. Thereafter our CEO travelled to Australia to hold several engagement sessions. The content shared included our business journey over the last three years, what we achieved in the last financial year and what we set out to achieve in the coming financial year. Further, a detailed breakdown of our employee engagement results were presented.

Adcorp workforce in numbers

Adcorp engages with employees in South Africa and Australia through various employment agreements. These include permanent employees, deployed employees, contingent employees and independent contractors. Please refer to page 31 for the definitions of the various employment types.

As at year-end, the Group had 1 799 permanent Adcorp employees and fixed term contractors. In addition to this it had 3 926 deployed employees, 37 611 contingent employees and 2 516 independent contractors assigned to various client contracts.



Our workforce

Definition

Permanent employees	Deployed employees	Contingent employees	Independent contractors
Employees employed directly by Adcorp and its subsidiaries including fixed term contractors	Our deployed workforce work on our clients' premises under our direct on-site management but are contracted to a specific scope of work or tender that we have been awarded by the client. These employees are directly employed by Adcorp and are in no way linked contractually or legally to the client	Part-time employees providing client services under a commercial outsourcing contract, including those with independent, fixed-term, limited duration, or permanent employment contracts, depending on the outsourced solutions.	Skilled professionals providing services and solutions on a time and materials basis to clients across all industries

45 852 people employed as permanent, deployed and contingent employees and independent contractors in FY2023

South Africa

	Permanent employees	Deployed employees	Contingent employees	Independent contractors
Headcount	1 629	3 926	35 579	1 161
ACI (SA citizens)	84%	99%	98%	61%
Youth <35	41%	66%	67%	30%
Females	50%	37%	36%	14%
Disabled	2%	0,13%		0,09%
Engagement score	64%			

Australia

	Permanent employees	Contingent Staffing	Independent contractors
Headcount	170	2 032	1 355
Youth <35	41%	64%	11%
Females	58%	28%	26%
Engagement score	70%		

Our people continued

Our approach to skills development

On-boarding programme

The Group has an on-boarding and induction programme that is reviewed annually to ensure standardised quality of on-boarding and a culture fit to new employees group-wide. On-boarding and induction is done in person, online and through the use of our employee portal.

Training interventions for South African employees and unemployed learners

Adcorp's continued focus on employee development in 2023, underpinned by our objective to build a future-ready skill set amongst our employees, achieved significant results through a combination of formal and informal learning initiatives. This was driven largely through the development of a strong community of best practice within the broader business and learning and development team, diversity, equity and inclusion (DEI) committees and

the Group skills development facilitator aligned to both the sector and individual business skills plans, monitoring the implementation of these skills plans and ensuring further alignment to the Employment Equity Plans.

There was a range of training interventions funded in the financial year 2023 based on the programmes specified below where Adcorp invested a total of R27,8 million by affording skills development opportunities to 1 381 permanent employees including fixed-term contractors and 1 730 non-employees. There were 7 766 training interventions, of which 6 885 (88,7%) were towards individuals from previously disadvantaged backgrounds. Of the R27,8 million training spend, R21,1 million was invested towards permanent and fixed term contractors and R6,7 million was invested on non-employees. The invested amounts include course costs, indirect costs and stipends.

Summary of total skills spend in South Africa for the financial year 2023 per category as set out in the B-BBEE sector codes metrics:

Category	Description	Course cost	Indirect costs	Salaries/stipends	Total
A	Recognised theoretical learning resulting in the achievement of a NQF 4 to NQF 9 accreditation, degree, diploma or certificate issued by an accredited or registered formal institution of learning.	R7.5 million	R103 385	R2.1 million	R9.7 million
B	Workplace experience to complete theoretical learning resulting in the achievement of a degree, diploma or certificate issued by an accredited institution of learning.	R63 600	R7 200	R271 500	R342 300
D	Theoretical knowledge and workplace learning, resulting in the achievement of a South African Qualifications Authority (SAQA) registered qualification or other similar qualification issued by an accredited formal institution of learning i.e. PMI and iCan.	R3.7 million	R24 000	R9.6 million	R13.3 million
F	Structured information sharing/direct instruction implemented to drive employee development through workshops, webinars, conferences and short courses.	R2.4 million	R231 662	–	R2.7 million
G	Informal in-house training to help employees with increased understanding of job requirements, improved performance/skills.	R1.9 million	R73 910	–	R1.9 million
Grand total		R15.5 million	R440 157	R11.9 million	R27.8 million

Summary of learning categories against the number of employees and non-employees, indicating the benefited number of designated groups:

Classification	Learnerships for		Bursaries for		Short learning programmes (including nurse training) for		Number of short learning interventions (including nurse training) for	
	Adcorp's employees (permanent and FTC)	Non-employees	Adcorp's employees (permanent and FTC)	Non-employees	Employed and FTC	Non-employees	Employed and FTC	Non-employees
Total learners	209	51	134	84	1 267	1 675	2 771	4 513
EE candidates	259		210		2 579		6 412	

Summary of the various training interventions in South Africa during the financial year

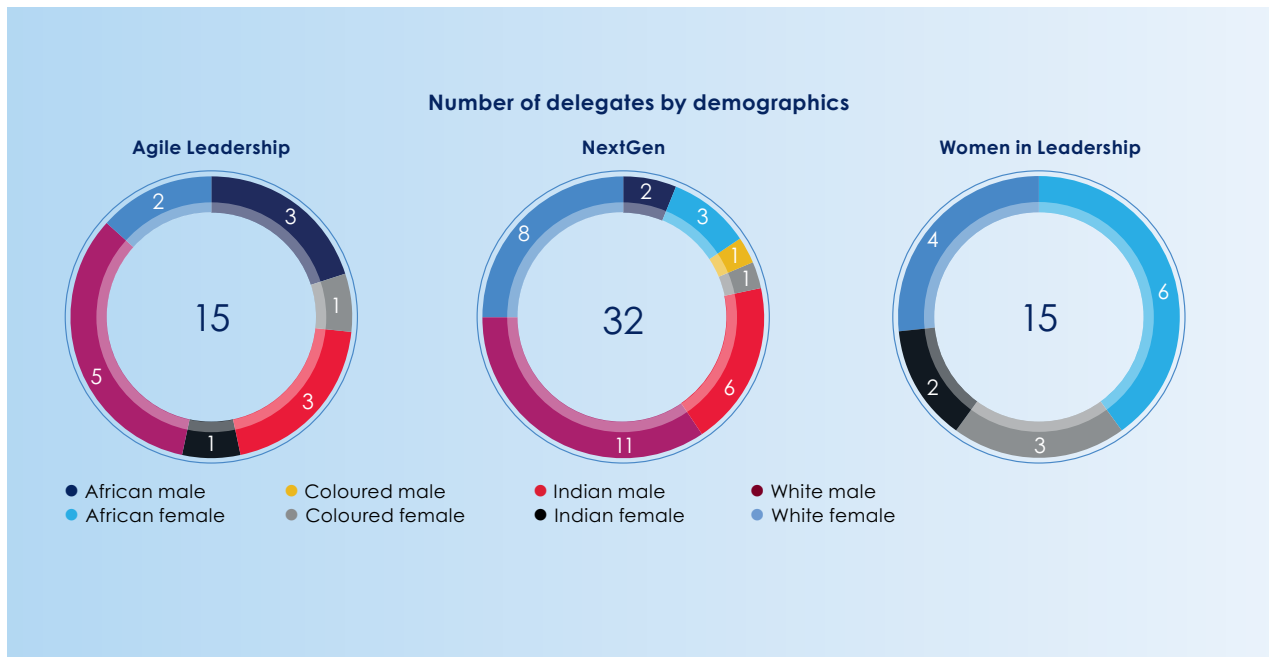
During the year, we undertook various training interventions. The paragraphs and tables below provide a brief summary of our overall investment towards skills development.

Our strategic priority areas included the following leadership development courses:

<ul style="list-style-type: none"> Development of a strong leadership pipeline for women through investment in “Women in Leadership Programme”. This programme was facilitated through the Gordon Institute of Business Science with 15 high potential female employees at senior and middle management level completing the programme. The programme spanned six months and included theories of leadership, engaging with real world role models as well as an Adcorp specific business improvement project. It is anticipated that the programme will be repeated in financial year 2024 with a second cohort of high potential women. 	<ul style="list-style-type: none"> Incorporation of the Agile Leadership programme with another group of 15 senior managers across the Group. Grayfeather Consulting facilitated this pilot programme with a focus on building and embedding an agile business. The programme was designed to support and drive one of our Group values “Agility” and included six modules with each module addressing practical aspects of agile transformation and provided the working group with an opportunity to think through key issues within the Adcorp context.
<ul style="list-style-type: none"> Personal Mastery and ICT skills were also critical to embed self-leadership and enhanced digital skills in the business. 	<ul style="list-style-type: none"> 32 junior and middle managers completed the Next Gen Leadership Skills Training in a VUCA World Programme which spanned six months. The content covered aspects for leading employees in a changing world of work and included a leadership assessment, an action-learning project, e-learning and online coaching sessions.

The expenditure and demographics per programme is as follows:

	Course costs	Catering	Travel and accommodation	Number of delegates
Agile Leadership	R211 200	R5 718	R25 279	15
NextGen	R390 400			32
Women in Leadership	R1 094 824		R17 060	15











Our people continued

Training investment on bursaries

The majority of the skills expenditure was allocated to bursaries with approximately R6.43 million invested in course costs for 134 permanent employees and R930 000 invested in 84 non-employees made up by internship learners and unemployed learners. The latter provides an opportunity to build a talent pipeline of youth for Adcorp across the entities. The summary below provides a breakdown of estimated learning time taken by the average learner to achieve the specified learning outcomes of the bursary programme.

Bursaries – training hours








Demographic	Number of delegates (employed)	Duration of training (hours)	Number of delegates (unemployed)	Duration of training (hours)	Total (employed and unemployed)	Total hours
 African male	32	34 200	51	48 900	83	83 100
 African female	38	42 000	25	21 600	63	63 600
 Coloured male	1	1 200	1	1 200	2	2 400
 Coloured female	7	8 400	1	1 200	8	9 600
 Indian male	1	1 200	3	1 800	4	3 000
 Indian female	1	1 200	2	1 800	3	3 000
 White male	1	1 200	0	0	1	1 200
 White female	1	1 200	0	0	1	1 200
Total	82	90 600	83	76 500	165	167 100
Total average hours per learner		1 105		923		1 013

Note: The above table provides notional hours for PMI qualifications only. Adcorp does not track duration of training hours for external bursary programmes i.e. outside of PMI.

Training investment in learnerships

Vocational qualifications delivered as learnerships continued to be implemented for some of our employees as well as unemployed candidates, with a focus on youth and candidates with disabilities.

Learnerships/internships

Demographic	Number of delegates (permanent)	Duration of training (hours)	Number of delegates (unemployed)	Duration of training (hours)	Total (permanent and unemployed)	Total hours
 African male	93	105 270	27	28 530	120	133 800
 African female	90	99 960	16	14 410	106	114 370
 Coloured male	11	11 380	3	2 300	14	13 680
 Coloured female	7	6 700	3	3 300	10	10 000
 Indian male	4	3 560	1	600	5	4 160
 Indian female	3	3 240	1	600	4	3 840
 White male	1	600	0	0	1	600
Total	209	230 710	51	49 740	260	280 450
Total hours per person		1 104		975		1 078

R2.8 million was invested in learnerships and bursaries for people with disabilities.

Learners with disability enrolled



Training for employees in Australia

Skills reporting in Australia is very different to that of South African due to the extensive compliance reporting required in the latter. While we focus on employee development in Australia, the reporting is not broken down into the level of detail as reported in South Africa. Our primary focus for skills and development in Australia was on permanent employees.

- In our Paxus business, the following training was a priority:
- Effective communication and working with customers. This was focused on client-facing staff to improve their ability to effectively engage and interact with customers, aiming to improve client satisfaction.
 - Introducing the sales cycle for effective selling. This training was to build and enable a strong sales capability across the teams and was completed by all employees in a sales role.
 - Career development pathways within Paxus were introduced that informed employees about the different career paths available within Paxus and providing guidance on how to develop their skills and advance their careers with the Group.

Our LSA business had access to a learning and development specialist for the first time and the focus was as follows:

- Compliance and understanding the Pacific Labour Facility Deed. This training was offered to all employees who were involved in the PALM programme.
- Introduced an on-boarding programme for all new employees joining the business.

Within Adcorp Holdings Australia the key focus areas for skills development were as follows:

- Annual compliance training which was designed to educate employees on due diligence and audit requirements, helping them understand and adhere to relevant laws, regulations and company policies.
- Finance and operational training for senior managers and brand state leaders aimed to enhance their understanding of financial management. This training was combined with advanced operational management skills training in order to enhance overall leadership competence, ensure financial management capabilities and optimise operational efficiency.

Our people continued

FY2024 strategic focus

As we prepare for the changing world of work, we will ensure that our employees have access to relevant, meaningful learning interventions aligned to our strategy. Further, our intentional focus on learning and development will be aligned to the feedback received in the latest employee engagement survey. In FY2024, management will promote employee development through personal development plans with the means to encourage employees to build their own learning and career paths.

Adcorp received commendations from learners who graduated from the various learning programmes

Adcorp continued with its talent development strategy that yielded strong results in this financial year as we supported both individual and organisational growth through innovative skills development initiatives. This was evidenced through strong learner testimonials and the achievement of learning outcomes intended to drive change at both an individual and organisational level. Below are a few samples of the testimonies received from employees and non-employees.

"Thank you for giving me an opportunity and a great facilitator in our class. I will always remember Mr Naidoo as he was very encouraging throughout my journey and made an effort to understand the needs of the students and treated everyone with care and consideration. Our classroom and study materials were always well prepared and on time."

Thangamedzeni Phalandwa *non-employee*

"I am delighted to express my gratitude towards Adcorp for their invaluable support and assistance in my personal and professional growth throughout the Women in Leadership course. They have demonstrated their dedication to empowering women in leadership roles within the organisation. The course facilitated networking and collaboration among fellow female leaders. It has not only equipped me with valuable knowledge and skills but also reaffirmed my belief in their dedication to cultivating a diverse and inclusive workplace."

Rochelle Lucas *(Financial Manager: talentCRU)*

"I am very happy that I graduated with PMI. The knowledge I have gained has groomed me in starting my own business and I am grateful for the opportunity."

Thando Ntuli *non-employee*

"I have experienced a great team of PMI lecturers who formed and instilled good discipline in us. Lecturers were always on time, providing accurate schedules and outstanding communication. Thank you very much PMI."

Tshegofatso Lehlaleroa *non-employee*

"I would like to express my gratitude to Adcorp Charisma, for the opportunity to attend the MasterStart Coaching for High Performance course at the University of the Witwatersrand University. The course helped me to excel in my leadership role, simply by the way in which I was coaching, guiding, reflecting and instilling in my team the same coaching techniques that I had acquired via the course. I learnt that a team need not be built for success alone. A team can be built on a collection of strengths and weaknesses, and that the ultimate purpose of a leader is to coach team members into recognising their maximum potential."

Krishnee Naidoo *(Client Success Manager: Quest)*

"I am forever grateful that Adcorp funded my studies to enable me to finish my degree. I am in my final year of BCom Law and with the relief of financial stress I am now able to fully focus on getting stupendous results so I can be able to further my studies by applying for an LLB."

Keamogetswe Mathabathi *(Experiential Learner: Adcorp BLU)*

Human rights statement

Adcorp Group is committed to upholding the human rights of all stakeholders involved in our operations, including but not limited to employees, contractors, customers, learners, candidates of employment and stakeholders. We recognise that human rights are basic and universal rights that underpin each person's inherent freedom, dignity and equality as outlined in the United Nations Universal Declaration of Human Rights, the International Labour Organisation Declaration on Fundamental Principles and Rights at Work and the Organisation for Economic Cooperation

and Development human rights practices that aim to ensure that economic development and prosperity are achieved in a manner that respects and promotes human rights for all.

As a responsible corporate citizen, we acknowledge our responsibility to respect human rights and to promote their protection. We believe that respect for human rights is essential to building a sustainable and successful business, and we strive to integrate human rights considerations into all aspects of our operations.

Adcorp Group is committed to the following principles:

- 1



Respect for human rights:

We are committed to respecting the human rights of all individuals, regardless of their race, sexuality, nationality, religion, or other personal characteristics. We will not tolerate discrimination, harassment, or any other form of human rights abuse in our operations.

- 2



Employee rights:

We recognise the rights of our employees to work in an environment free from harassment, intimidation and discrimination. We are committed to providing dignified work opportunities that pay fairly and providing opportunities for career growth and development.

- 3



Due diligence:

We exercise due diligence to identify, prevent and mitigate any negative human rights impacts of our operations. We assess our customers, suppliers and partners for their compliance with human rights principles, and we take appropriate action when necessary.

- 4



Stakeholder engagement:

We engage with our stakeholders, including but not limited to customers, suppliers, trade unions and communities, to promote respect for human rights and to understand their perspectives and concerns.

- 5



Reporting and monitoring:

We encourage individuals and stakeholders to report any potential human rights violations or concerns, and we take appropriate action to address these reports. We also monitor our operations to ensure that we are meeting our human rights commitments. We encourage all stakeholders to utilise the tip-off line as listed below.

Independent anonymous, Deloitte managed,
Adcorp Group Ethics Line:
Free call: 0800 22 32 11
Website: <http://tip-offs.com>
Email: advalue@tip-offs.com

Adcorp Group is committed to upholding these principles and to continuously improving our human rights practices. We recognise that this is an ongoing journey, and we are committed to transparency, accountability and continuous improvement.

Our people continued

Fair labour practice and collective bargaining

Adcorp Group strives to meet all applicable laws, rules and regulations, in particular those governing working conditions such as wages, hours of work, benefits and minimum age for employment. As part of our employee value proposition, the employment experience of each of our employees remains a critical measure of our vision to be an employer of choice. All our HR policies and procedures are reviewed regularly to promote sound labour relations and maintain fair and equitable treatment for all our employees.

As at February 2023, none of our permanent employees belonged to any union while 8.16% of our contingent employees in South Africa are represented by unions and we apply the principles of collective bargaining and sound stakeholder engagement accordingly, whether at sector or workplace level. For the period March 2022 to February 2023, South Africa had two claims of unfair discrimination and/ or harassment related disputes. One of the claims was withdrawn by the aggrieved employee while the other matter settled amicably between the parties. For the same period Australia had one claim of unfair discrimination related dispute which is still in progress.

Anti-discrimination policies

We strive to maintain a healthy work environment by eliminating unfair discrimination and harassment in our workplaces and continuously focus on best practice as guided by legislation, regulations or codes of good practice by introducing policies changes and awareness.

Adcorp is committed to ensuring inclusion, diversity and appropriate workplace behaviour by:

- Supporting a high performing, professional and respectful workplace. We are committed to building a strong workplace culture where people are treated fairly, with dignity, courtesy and respect.
- Being committed to building strong relationships with communities, people living with a disability and creating increased opportunities for employment and engagement. As a Group, we seek to promote a greater understanding and appreciation of an inclusive culture.

- We are committed to a workplace free of discrimination, bullying, harassment and threatening, intimidating or humiliating behaviour and are guided by our policies in this regard. These policies include:
 - Discrimination
 - Diversity and inclusion
 - Equal employment opportunity
 - Sexual harassment
 - Affirmative action
 - Harassment
 - Bullying
 - Victimisation
 - Employee relations

We believe by fostering a collaborative environment where all employees are treated with fairness and respect, we create an environment for employees to reach their personal best. Any breaches of our Workplace Behaviour Policy will result in disciplinary action. Further, we strive to increase employee job satisfaction and growth by prioritising internal recruitment and providing training and development opportunities. As a workforce service provider, we aim to minimise barriers to entry to the labour market by stimulating employment especially for youth, by providing practical experience programmes for graduates, on the job training to unskilled individuals and facilitating learnerships for unemployed individuals in conjunction with our customers.

The Adcorp Group will continue its efforts to uphold a safe and healthy environment for all who share our workplaces through periodic risk assessments and workplace initiatives.

Professional Services

People do business with people



“My 22-year journey with Adcorp started with me in a temp role with Quest which was my first job while completing my studies. I have been fortunate to have great managers in the various positions I have held over the years making my career rich and rewarding. Building relationships and understanding people, their values and what they are trying to achieve is how we get things done. The people centric approach within Adcorp is driven by our CEO, Dr John Wentzel. Having a CEO and leadership team who understand the importance of hybrid working and work life balance is the foundation of our success. We recognise the whole self, not just the part of each person that they bring to work.”

Xee Wilding, Manager: HR Technology and Insights, Adcorp Group

Health, safety, environment and quality

At Adcorp we seek to promote the health and wellbeing of our employees and sustain their ability to perform over the long-term. This means that the health, safety and environment of our workforce and the quality of services that we deliver are of the utmost importance. We are committed to fostering a proactive approach to identifying and mitigating workplace hazards before they can cause injuries or illnesses. We maintain high standards and a structured approach to identifying hazards and evaluating and controlling work-related risks. We adhere to the fundamental principles of occupational health and safety, including the anticipation, recognition, evaluation, and control of hazards. We measure our performance against standardised core measures to ensure we are meeting our goals. We are dedicated to improving the safety and quality of our services, and we will continue to work towards this goal.

Our global health and safety priorities for FY2023 continue to guide our decision-making and approach to SHEQ in FY2024 and beyond.

The Group safety, health, environment and quality (SHEQ) portfolio is responsible for health and safety requirements nationally, and overseeing the technical infrastructure across the Group, as well as at various customer sites. Formal health, safety, quality and environmental policies are in place and are communicated to all employees.

The key areas of focus are:

- The control of risks with the potential to cause one or more fatalities. This was made possible through the introduction of our critical risk control programme;
- Strengthening our commitment to safe production;
- Improving our incident reporting and internal investigation process to mitigate future risks;
- Anticipation of our customers' health and safety needs and delivery of an excellent customer experience;
- Ensuring that we comply with the relevant legal and regulatory requirements; and
- Finding innovative ways of spending additional quality time in the field, engaging employees and customers, thereby continuously improving our SHEQ performance.

Safety performance

Adcorp is committed to ensuring the safety of our workforce. We deeply regret that in the past year one incident resulted in one of our contingent employees losing their life. We would like to express our condolences to the family and loved ones of the deceased. We take safety very seriously, and as such, we supported our client throughout the investigation process to prevent a recurrence. Our critical risk control programme was also implemented to address such incidents, which shows our commitment to continuously improve our safety performance and we are confident that the programme will have a positive impact. Although this is a 50% fatal injury improvement (FY2023: one fatality; FY2022: two fatalities) from the previous year, we believe that this is one life too many. We are committed to our target of a safe working environment with zero fatalities.

* TIFR – total injury frequency rate including first aid case injuries used by Adcorp South Africa. TRIFR – total recordable injury frequency rate excluding first aid cases used by Adcorp Australia

Safety performance data for FY2023

Injury frequency rate for permanent and contingent employees calculated at 200 000 man-hours

ADCORP GROUP FY2023

LTIFR 0.56 (FY2022: 1.08)

A total of 249 lost time injuries were recorded in FY2023 from a total of 88 675 481 man-hours worked for the year.

TIFR* 2.01

A total of 891 injuries were recorded in FY2023. These figures include minor first aid, medical, restricted day and lost time injuries.

ADCORP AUSTRALIA FY2023

LTIFR 1.65 (FY2022: 1.67)

A total of 46 lost time injuries were recorded from a total of 5 565 256 man-hours worked for the year. This is an improvement of 1.2% from the prior year.

TRIFR* 6.40

A total of 178 total recordable injuries were recorded. These figures include medical, restricted day, and lost time injuries but exclude minor first aid cases.

ADCORP SOUTH AFRICA FY2023

LTIFR 0.49 (FY2022: 0.90)

A total of 203 lost time injuries were recorded from a total of 83 110 224 man-hours worked for the year. This is an improvement of 46% from the prior year.

TIFR 1.72

A total of 713 total injuries were recorded. These figures include minor first aid, medical, restricted day and lost time injuries.

The improvement in results was achieved by a higher focus on incident management and reporting and an improvement in investigation processes that not only identifies causal factors but focuses on preventative measures.

Our SHEQ audit processes and action tracking to closure have also assisted in identifying possible hazards before they cause an incident.

Workforce health and wellness

Employee health and wellness is an integral part of our health and safety lifestyle. We understand that supporting the wellbeing of our employees is paramount to what we do to keep our business running successfully. We recognise that a healthy workforce is a productive workforce, and we strive to create a work environment that promotes physical, mental, and emotional wellbeing.

To support our employees' health and wellness, we have implemented various strategies, including offering flexible work arrangements, providing access to wellness programmes, and promoting a healthy work-life balance. We also encourage our employees to take an active role in their health and wellness by engaging in regular physical activity, eating a healthy

Health, safety, environment and quality continued

diet, and seeking support when needed. By prioritising employee health and wellness, we are creating a culture of wellbeing that benefits both our employees and our business.

The group-wide assistance programme operated by ICAS is provided to all permanent employees, as well as to our managed workforce. This value-added benefit entitles employees, their immediate families and domestic workers to a broad range of services that include the following:

- Mental health awareness;
- Emergency medical assistance;
- Financial wellness;
- Personal health advisory services;
- Trauma and assault assistance;
- Legal assistance;
- HIV protection services; and
- Funeral repatriation services.

These benefits are all supported by a state-of-the-art 24-hour call centre.

In FY2023 we also launched a number of financial wellness online videos to help our workforce reach their desired financial health standard.

We also conducted mental agility workshops as part of our mental health awareness series.

Safety, health, environment and quality management systems

As part of our commitment to providing a safe and healthy work environment for all our employees, while also ensuring that our operations are environmentally sustainable, we have implemented an integrated health, safety, environment, and quality management system that complies with ISO 9001, ISO 45001, and is aligned to ISO 14001 standards.

South Africa and Australian SHEQ systems are aligned to ISO 9001, 45001 and 14001. South Africa is ISO 9001 Certified for one of our brands and Australia is ISO 9001 and 45001 Certified. Adcorp Group's SHEQ Systems are aligned to ISO 9001, 45001 and 14001.

ISO 9001 is a quality management system that ensures that Adcorp's services meet the needs of its clients and stakeholders. The system is designed to improve the efficiency and effectiveness of the Group's operations, while also reducing waste and errors.

ISO 45001 is a health and safety management system that helps Adcorp to identify and manage workplace hazards and risks. The system is designed to prevent accidents and injuries, while also promoting a culture of safety and wellbeing among employees.

ISO 14001 is an environmental management system that helps Adcorp identify and manage the environmental impacts of its operations. The system is designed to reduce the Group's carbon footprint, conserve natural resources, and promote sustainable practices.

By implementing these integrated management systems, Adcorp has been able to improve its overall performance

and reduce its environmental impact. In addition, Adcorp has also been able to enhance its reputation as a responsible and sustainable business, which has helped to attract and retain clients and employees.

Adcorp's commitment to integrated health, safety, environment, and quality management is reflected in its performance across all these disciplines, reflecting the strides that it has made to enhance the Group's performance in these areas. This highlights the Group's achievements and challenges and outlines its obligation to continuous improvement.

Adcorp Group's integrated health, safety, environment, and quality management system is a key component of its overall strategy to provide high-quality services in a safe and sustainable manner. The Group's commitment to these standards is reflected in its transparency and accountability to its stakeholders.

With an intentional focus on our health and safety practices and reporting we have identified areas in which we must strive to improve. In the year ahead we intend setting targets for lost time injury frequency rates, reporting on workdays lost due to injury, including health and safety targets in the KPIs of relevant employees, and tracking the Group's spend on employee health and wellness. Safety and employee wellbeing are of utmost importance to us, and we will focus on ensuring that these areas receive the required attention and that measures are implemented to track and report on these areas in FY2024.

Quality performance

We are dedicated to providing high-quality service to our customers, striving to anticipate our customers' needs and delivering excellent customer experiences. South Africa achieved success in the ISO 9001 recertification audit in FY2023 for one of our brands. Australia still maintains their ISO 9001 Certification For the applicable brands the recertification audit set the forthcoming audit plan for the next two years and we are proud to have completed the audit process without any minor or major non-conformances.

Being re-certified following a successful ISO 9001 audit is hugely beneficial to our business as it ensures customer satisfaction and gives assurances of our commitment to quality and excellence. We will continue to maintain our certification and ensure that we are providing high-quality services to our customers.

Critical risk control

Our critical risk control programme applies across all the industries in which we contract out workers and is designed to identify and mitigate potential hazards that can result in injuries and/or fatalities in the workplace. We have identified several critical risks, including falls from heights, vehicle impact on pedestrians, crushed in moving machinery and contact with falling objects. This is in line with focusing on and prioritising the most critical health and safety risks. By focusing on achieving these goals of eliminating injuries and fatalities, monitoring performance and evaluating outcomes, we can progress along the path to higher levels of health and safety achievement and our goal of zero fatalities.

Our communities

Adcorp continues to play a vital role in shaping the South African and Australian economies and societies.

Adcorp has a long history of developing, maintaining, and supporting developmental, social, and environmental projects.

The PALM scheme in Australia is supported by Adcorp's Labour Solutions Australia (LSA) and allows Australian businesses to hire workers from the nine Pacific islands and Timor-Leste when there are not enough local workers. This scheme provides job opportunities in Australia to workers from the Pacific Islands, so they can earn money and support their families back home. Their success demonstrates a growing demand for skilled labour in unskilled communities that lack investment. The positive impact of foreign employment in Pacific Islander communities is displayed through our contributions through the PALM scheme. By providing local communities with the skills and tools necessary to achieve self-sufficiency and improve their quality of life, the long-term stability and success of these regions can be ensured. Individuals, businesses, and governments are increasingly recognising the importance of social responsibility. At LSA, we are proud to do our part in providing well-paying jobs and opportunities through the scheme to both communities throughout the Pacific Islands.

In South Africa the Group continues to invest in and ensure the growth of small and medium-sized black-owned businesses by providing finance, professional support/mentorship programmes and business development assistance. Through our investments which include monetary grants, overhead expenses cover etc., some of the small business beneficiaries are empowered to drive job creation as their businesses grow and expand. Further, our Company continues to empower small and medium micro enterprises owned by black entrepreneurs to operate at the Adcorp Head office offering them free rental operating space and they do not incur any operating overhead expenses.

Adcorp remains committed to supporting, appreciating and investing in our communities and to working with them on a path to a sustainable and inclusive mainstream economy. The stories below highlight the collaborative efforts between Adcorp and local community organisations on how Adcorp has strengthened the effectiveness of community projects and benefited foreign employment by improving individual and family circumstances.

The positive impact of foreign employment and community outreach in Australia.

The social impact of the PALM scheme: Andrew's story

Andrew hails from the Pacific Islands and found employment in Australia through the PALM Scheme with LSA. Andrew was among the first workers brought to Australia and working at an abattoir in Scone, NSW he quickly proved to be an asset to our team as well as his host client. Due to his excellent communication skills and cultural understanding, Andrew soon became a team leader for his group, assisting his Pastoral Care Coordinator and ensuring that all workers had the support they needed.

Andrew's employment with LSA has enabled him to build a new home and purchase a car, improving his family's living conditions and accessing healthcare, education, and other services. This has enabled him to send money back home on a regular basis, showing how investing in people can lead to improved living standards and greater economic development.



Our communities continued

The power of social responsibility: Samson's story

Social responsibility is more than just words on paper, it is an actionable concept that can have real-world impacts on individuals, families, communities, businesses, and societies at large. At LSA, it's important for us to lead by example by engaging in practices that contribute positively towards our society. Samson's story is a great example of how we aim to make a positive impact on families and communities.

Despite growing up in poverty and facing numerous challenges, Samson was determined to make a better life for himself and his family. Before moving to Australia, Samson worked as a sales agent with the goal of supporting his village and building a home for his family. Samson's story is an inspiring example of what can be achieved through hard work and determination. He built a home for his parents and started his own business to provide resources and employment opportunities to his community. His determination has inspired other young people in his village to work hard and strive for success, knowing that success can come through hard work and dedication.



The impact of foreign employment: Selwyn's story

Selwyn's story illustrates the social impact of foreign employment on Pacific Islander communities and the importance of adopting socially responsible practices. His move allowed him to provide a more comfortable life for his family, funding their education and building a new home.

Pacific Islander culture often places a strong emphasis on the importance of family ties and the role of communal living. By improving their living conditions, Selwyn and his family were able to maintain their strong sense of community and support in the face of geographical separation. This example showcases the ways in which we display our social responsibility in terms of promoting long-term social cohesion and stability.



CSI and socioeconomic development (SED) spend in South Africa

	FY2023 spend
Education	R866 666
Skills development, including adult basic education and training (ABET)	R27 815 898
NPOs that focus on the homeless and children and adults with disabilities	R144 000
Enterprise development spend (support for small business)	R3 368 147

CSI activities

Organisation/ programme	Description
<p>Thuto Trust</p> 	<p>Through a continued partnership with this innovative education trust, Adcorp is creating an impact in society for student beneficiaries who are pursuing their tertiary qualification in teaching. Adcorp's funding helps Thuto Trust provide young black people from disadvantaged communities the opportunity to develop into exceptional teachers.</p>
<p>Girls and Boys Town</p> 	<p>Adcorp has a long-term partnership with GBTSA where our monthly donation assists the organisation in implementing a teaching and learning programme for the disadvantaged youth and helping them to rebuild their lives.</p>
<p>Employability Vulindlela</p> 	<p>A monthly donation made to Employability Vulindlela is to help maintain their career development outreach programme. This programme provides support for persons with intellectual disabilities from socio-economically disadvantaged communities and prepares them for the world of work through life skills training programmes. Our funding assists Employability in empowering these individuals in their personal and career growth.</p>
<p>All4YOUth</p> 	<p>Adcorp is an alliance partner to this initiative which is a business-driven movement that is passionate about enabling youth in South Africa and across sub-Saharan African regions to access job opportunities, educate them about the future of work and start planning their career journeys.</p>
<p>Furaha Solutions</p> 	<p>Furaha Solutions is a 100% black female owned business and provides skills development spend solutions for companies, creates opportunities for youth employment services and offers learning experience platforms. We pay a monthly contribution fee and provide free office space including utilities to run her business.</p>
<p>Mzansi Advisory</p> 	<p>This black female owner offers advisory, education, training management as well as B-BBEE strategy solutions to corporate businesses. She's passionate about initiating and implementing real transformation in South Africa and aims to become a preferred business partner to help companies meet their transformation needs. Adcorp provides a monthly grant to help manage cash flow.</p>
<p>Plady M Nails Salon</p> 	<p>Adcorp supports Plady M, a full-service nail beauty salon, with free space and utilities at Adcorp's premises. Plady M is 100% black female owned and seeks to provide the Adcorp Group community the best nail care services and prices by providing high quality, professional nail care services to the employees and public through a team of highly qualified nail care professionals.</p>
<p>Bliss Corporate Massage</p> 	<p>Adcorp provides Bliss Inc with free operational space. A black female owned business established in 2015 it started its partnership with Adcorp in January 2020. During the Covid pandemic their operations at Adcorp's premises were discontinued but restarted in August 2022. Bliss focuses on corporate wellness and provides therapeutic massages in a caring professional environment.</p>
<p>Lavan Services</p> 	<p>Lavan offers event management services, corporate catering and operates a canteen as well as a coffee shop at Adcorp's premises. A black female owned business that provides its clients with innovative catering solutions and aims to become a bakery and restaurant owner with a national footprint in South Africa.</p>
<p>Corporate Ride Shuttle</p> 	<p>Shuttle services has been with Adcorp since September 2019. This service provides transport solutions for Adcorp employees with the need to commute from Adcorp's premises to the taxi rank and vice versa. Adcorp pays a monthly grant.</p>
<p>Santa Shoe Box</p> 	<p>Adcorp is proud to partner with the Santa Shoe Box Project which provides children with gifts of love to remind them that they are important, and they matter. Adcorp employees contribute and donate personalised gifts of essential items which are distributed to children throughout South Africa and Namibia. The organisation has been in existence for 17 years.</p>

Our communities continued

Case studies

LAVAN SERVICES

Fhumulani Tshikomba

Catering services (canteen and coffee shop)

Lavan Services, a black female-owned catering company, was founded and is owned by Fhumulani Tshikomba. The name Lavan was inspired by the values she upholds, namely cleanliness, purity, truth and sincerity, which are often attributed with the colour white. Lavan is the Hebrew word for white.

Fhumulani studied a Bachelor of Commerce in Information Management at the University of Johannesburg, and given her great passion for food and baking, pursued her cooking and baking skills while studying. After successfully completing her studies and while unemployed, she invested in a large oven and started selling baked scones and muffins.

She subsequently registered her company, became a member of FEDHASA and SACA, and even acquired a certificate of acceptability with City of Johannesburg and Tshwane.

Lavan's partnership with Adcorp began in June 2022 as an enterprise development beneficiary. The business offers canteen and coffee shop services onsite at Adcorp's head office in Woodmead, as well as catering for business meetings and training. Adcorp is committed to empowering and enabling young black entrepreneurs to grow their businesses and this is measured by the beneficiary's growth in revenue and ability to create jobs.

Driven by growth and demand Lavan increased its initial seven employees by four, thereby contributing to much-needed job creation.



Adcorp supports Lavan with a monthly grant fee, free rental space, electricity, water usage and all utilities. A further R150 000 was invested in December 2022 which was used to upgrade the coffee shop and canteen's operating equipment.

Fhumulani also benefits from a structured monthly mentoring and coaching programme with Adcorp's Chief People Officer, Vinolia Singh, which has made a significant impact in her personal and professional development. The ongoing mentorship programme has improved her confidence and made her dream bigger than ever before.

Adcorp's impact on Lavan has been significant and far-reaching. The company's success has not only boosted its reputation but has also allowed for significant financial investments and personal growth for its owner and employees.



THE ALLIANCE FOR YOUTH (ALL4YOUTH)

All4YOUth is an alliance formed by six companies, including Adcorp, Nestlé, Publicis, Microsoft, ABB and Nielsen, working together to help young people to acquire the necessary skills to thrive in a working environment. Since its inception three years ago, A4Y has shared over 20 youth employability webinars, hosted 10 in-person high school career guidance and career hook-up activations, and distributed five electronic book guide resources to equip youth in navigating the world of work and entrepreneurship.

Adcorp is leading impactful youth initiatives and activities through A4Y to close the gap between youth being supported with necessary skills and addressing unemployment.

Adcorp as a key partner, hosted its first in-person CEO and YOUth Connect event in November 2022 at the Adcorp head office, where over 100 young people had the opportunity to personally engage with and learn from alliance senior leaders in the room.



Our communities continued

Case studies continued

Thuto Trust

Thuto Trust is an established NPO with the sole purpose of providing educational funding for deserving young people through tertiary education bursaries, incorporating personal leadership development and coaching/mentoring. Over the years, the organisation and its partners have invested in over 1 200 bursaries and scholarships. It has been a fruitful partnership for Thuto Trust and Adcorp that paved a successful implementation and delivery of the teacher development programme through annual funding. Recent researchers have found that South African education is facing a severe teacher shortage within the next decade and that more than half

the current workforce is over the age of 55 and due to retire by 2030. This is the reason why Thuto Trust endeavours to identify and empower young teachers that will not just mitigate the teacher shortage crisis, but have the right qualities with high academic excellence.

In April 2023, Adcorp was honoured to be part of a celebration of the Thuto Trust's top performing teacher interns and graduates awards. The pictures below show a group of six interns and eight graduates that were celebrated for their top performance and for overcoming the odds by defying obstacles such as poverty, disadvantaged background and age.



Top performing teacher Interns deployed through the various schools in the Gauteng region

Teacher graduates recognised for their excellence

Recently employed teachers: Amaze and Raymond

Among the top graduates that were funded by Adcorp and were celebrated on this day, were two outstanding performers, Amaze and Raymond, who have recently secured permanent employment where they carried out their internship.

Amaze Nxalati was born and raised in Emalahleni, in a township called Kwa-Guqa. Amaze's biggest accomplishment is securing permanent employment in the field that she is most passionate about, teaching. Her journey into teaching began at St. Peter's Preparatory while she was a chef for Tutto food and where she was exposed to opportunities that led to meet key people. She found it easy to adjust to her teaching career as she enjoys it more than being in a hot kitchen. The funding of her studies leveraged off any financial burden that she had and she became fully entrenched in her studies. The most important person in her life is her son. She maintains her good spirit by applying consistency, living with intention and avoids comparing herself to others at all costs. Amaze was asked, given her experience, how will she add value back to society, "I think that by teaching wherever I am, I already contribute to society.

In the grand scheme of things, I want to lend a hand wherever and whenever I can." she said. Amaze is unstoppable, and she encourages other students from similar disadvantaged backgrounds to consistently show up through effort, devotion, humility and respect.

Raymond originates from the rural villages in Limpopo and was the first graduate from his family of seven kids. His teaching career was encouraged by his mother, and his journey with Thuto Trust was so great that all he ever had to worry about was applying himself 100% and he focused on getting the best results. Raymond has finally graduated and found stability in his life, following his dream job as a teacher at St. Johns School. He is determined to give back to society by sharing his experience with others and he dreams of starting his own NGO that will sponsor youth in need with digitally enabling gadgets such as tablets and laptops. He empowers other students that are walking in his steps to always be prayerful and hopeful, and to leverage off social media by researching on impactful and relevant topics that will help shape their lives.

Environmental

Creating value through positive environmental impact

Our focus

“We recognise that the world faces deep environmental challenges. Adcorp is committed to not simply avoiding doing harm, but to being part of the solution.”

Our goals

Adcorp seeks to ensure sustainable consumption through:

- The sustainable management and efficient use of natural resources
- The reduction of waste generation through prevention, reduction, recycling and reuse
- Encouraging the adoption of sustainable practices and the integration of sustainability information into reporting cycles
- Providing relevant information and awareness for sustainable development and lifestyle in harmony with nature

Our actions



Partner with sustainable suppliers

Align procurement processes to incorporate sustainability criteria to ensure that our suppliers are aligned to our strategy.



Minimise business travel

Adcorp appreciates the environmental benefits of hybrid working and further seeks to minimise business travel to cut down on fuel consumption and reduce carbon emissions (scope 1 and 3).



Improve our waste management

Partner with waste management companies to improve our waste management efforts.



Employee education and awareness of the environmental crises

Adcorp believes in achieving awareness among its own employees as well as the vast number of learners which we are exposed to through awareness training on climate change and its impacts.



Renewable energy use

Adcorp reduces scope 2 carbon emissions by using renewable electricity through solar PV panels at our head office building.

Our indicators

We have started measuring our progress in terms of our ESG objectives. The data has proven to be a positive learning curve for us and we plan to expand reporting on our environmental indicators and our carbon footprint going forward. We took the decision to hold off on our targets to rather focus on improving our data availability and completeness. We plan to use the numbers reported as a baseline to set meaningful targets and show trends going forward.

Adcorp aims to instill a social and environmentally responsible culture among employees through training and awareness initiatives, as well as supporting environmentally friendly behaviours in the workplace to continue being a responsible corporate citizen.

The majority of Adcorp's businesses have a considerably low environmental footprint and therefore do not pose a substantial risk to the environment. Nevertheless, the Adcorp Group is dedicated to lowering its environmental impact and some initiatives implemented include encouraging the use of duplex printing, virtual communication, carpooling, and the development of innovative digital workforce solutions.

Adcorp Place

Adcorp has made a conscious effort to reduce its impact on the environment. To improve our energy efficiency, we have installed LED lighting, motion sensors and time control switches for lights and heating, ventilation and air conditioning (HVAC) systems in our office space. The HVAC system is a water-cooled system that contributes to improved energy efficiency by reducing the energy consumption and refrigerant gas usage when compared to traditional HVAC systems. We have a solar plant installed on our roof top, which supplements around 25% of our electricity consumption. These initiatives are managed centrally through our building management system. We have a rainwater catchment area to harvest rainwater, which is later used for irrigation. We encourage our employees to use public transport, carpool and work from home where possible and to use virtual systems for communication. By adopting these practices, we aim to decrease our carbon footprint and create a more sustainable future.

Environmental continued

Water consumption

During FY2023, we consumed 15 886kl of municipal water across the portfolio and our tenants at Adcorp Place consumed 2 906kl of municipal water. A total of 18 792kl was used including our tenants. Adcorp Place has 40kl of backup municipal water storage that allows the building to operate for a full day, ensuring business continuity.

Water consumption (kl)	FY2023
Adcorp Place (head office) – own consumption	8 717
South African Adcorp branches	7 169
Adcorp Place – tenants' consumption	2 906
Total	18 792



Water catchment area (400kl capacity) at Adcorp place to store rainwater and municipal back up tanks (40kl capacity) to ensure business continuity during water supply interruptions.

Energy consumption

Adcorp relies on electricity imported from the national grid in South Africa for our energy needs. We know that the national grid is under pressure and that most of the electricity is generated from fossil fuels. We have taken steps to improve our renewable energy mix by utilising solar PV from our plant at Adcorp Place. With a 404kWp generation capacity, the solar PV plant delivers approximately 25% of the building's energy needs, reducing our reliance on electricity from the national grid and lowering our electricity bill. To ensure that we can continue business during load shedding we utilise diesel generators at Adcorp Place and most of our branches, this resulted in 74 505 litres of diesel being consumed across our portfolio. Adcorp Place accounts for the majority of our electricity imported from the grid.

Renewable electricity from solar PV – Adcorp Place (head office)	FY2023
Actual yield	537 855kWh
Estimated rand savings	R572 392
Estimated tCO ₂ e savings	559

Diesel consumption (litres) consumed in stationary generators

	FY2023
Adcorp Place (head office)	71 991
South African branches	2 514
Total	74 505

Grid electricity consumption (kWh)

	FY2023
Adcorp Place (head office)	1 230 906
South African branches	736 340
Adcorp Place – tenants' consumption	410 302
Total	2 377 548



Solar PV panels at Adcorp Place.

Waste management

Adcorp has implemented an effective waste management programme that includes recycling bins to separate recyclable materials from non-recyclables. This helps us to reduce the amount of waste that goes to landfill. We work with a waste management company to ensure that our recyclable waste is further separated and weighed on site before it is sent for recycling. This ensures that we achieve higher recycling rates by actively managing our waste. Most of our waste comes from general office activities and we are committed to minimising our impact on the environment by implementing sustainable waste management practices.

Waste management at Adcorp Place – tonnes

	FY2023
Waste to landfill	14,50 (70%)
Recycled waste	6,20 (30%)
Cans	0,23
Cardboard, paper	4,72
Plastic	1,03
Tetrapak	0,22



Waste sorting and weighing facilities at Adcorp Place.

Our carbon footprint

Managing and recording our carbon footprint is important as a responsible business and to reduce our impact on the environment. Making informed decisions about how we can improve requires first measuring our emissions. We have provided scopes 1 and 2 for FY2023 and expect to improve its completeness and add relevant scope 3 carbon emissions in our next report.

Carbon footprint – tonnes carbon dioxide equivalent (tCO ₂ e)	FY2023
Scope 1 direct – tCO₂e	201
Stationary fuel used in generators	201
On-site renewable energy generation	–
Scope 2 indirect – tCO₂e	2 520
Purchased electricity	2 520
Total combined scopes 1 and 2 emissions	2 721



Professional Services

Paying it forward



“I joined Kelly 19 years ago as a temp secretary on a two-month assignment after which they asked me to stay and I couldn’t have said yes fast enough. A company and your job should not be separate from what you care about in life. The two must align. At Kelly and Adcorp, we not only help people seeking employment and placements, but last year I ran work readiness programmes for Girl Code. It’s a phenomenal project that teaches coding to underprivileged girls. We ran the work readiness programme, teaching them how to prepare for interviews, create CVs, and prepare for the working world. We had so many volunteers. That’s the Kelly culture. We have knowledge that we need to share. This passion keeps us engaged in our work and paying it forward, all of the time.”

Penelope Laubscher, recruitment manager, Kelly Coastal

Our performance

Chief Financial Officer's report

Despite the negative macroeconomics, Adcorp demonstrated resilience and improvement during this period, resulting in notable growth in crucial metrics such as revenue, gross profit, profit after tax from continuing operations, and net cash, amongst others.

Noel Prendergast CFO



During FY2023, we faced a challenging landscape marked by difficult trading conditions, sluggish economic recovery, heightened inflation in both of Adcorp's geographies, as well as the unfortunate situation of a collapsing infrastructure and persistent load shedding in South Africa.

Despite the negative macroeconomics, Adcorp demonstrated resilience and improvement during this period, resulting in notable growth in crucial metrics such as revenue, gross profit, profit after tax from continuing operations, and net cash, amongst others.

Performance

Summarised consolidated statement of profit or loss

	Year end Feb 2023 R'000	Year end* Feb 2022 R'000	Var %
Revenue	12 048 951	11 318 048	6,5
Cost of sales	(10 766 543)	(10 109 805)	(6,5)
Gross profit	1 282 408	1 208 243	6,1
Gross profit %	10,6	10,7	
Other income	19 743	19 553	1,0
Operating expenses	(1 019 053)	(933 135)	(9,2)
EBITDA	283 098	294 661	(3,9)
EBITDA %	2,3	2,6	
Depreciation and amortisation	(85 021)	(88 734)	4,2
Depreciation of PE and amortisation	(30 487)	(35 089)	13,1
Depreciation of right of use assets (IFRS 16)	(54 534)	(53 645)	(1,7)
Net cost of funding	(45 392)	(63 772)	28,8
Net finance interest	(1 302)	(18 685)	93,0
Lease liability interest (IFRS 16)	(44 090)	(45 087)	2,2
Impairments and profits/(losses) on disposals	(34 172)	(4 952)	(590,1)
Profit before taxation	118 513	137 203	(13,6)
Taxation	2 241	(31 890)	107,0
Profit for the year	120 754	105 313	14,7
Continuing operations	120 754	105 313	14,7
Discontinued operations	(79 980)	13 644	(686,2)
	40 774	118 957	(65,7)

* Restated for discontinued operations.



This marks the first full year of revenue growth since the 2017 financial year with a reported increase of 6,5%, reflecting the ongoing implementation of our strategy to drive top-line profitability. If we were to exclude the contracts from which Adcorp withdrew in the comparative year, the revenue could have shown a 10,6% increase.

Despite a slight decrease in gross margin from 10,7% to 10,6%, Adcorp remains focused on improving gross margins. The reduction was primarily driven by the substantial growth achieved in LSA, which does attract lower margin contracts.

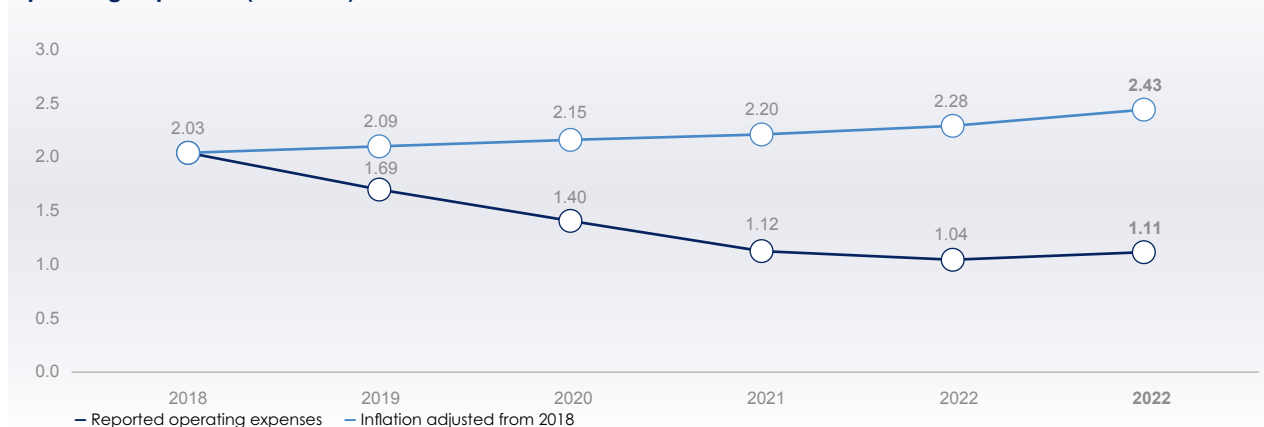
The South African government provided additional employer ETI relief in 2021 due to the social unrest and ongoing effects of the pandemic. This relief measure was in effect from August to November 2021, resulting in a significant reduction of approximately R31 million in the cost of sales during FY2022. It's important to note that the government did implement an increase in ETI values, effective from 1 March 2022, which partially offsets the non-recurrence of the relief in FY2023. However, the impact of the once-off relief in the 2022 financial year is still material from a comparability point of view.

Other income includes rental income of R10,2 million generated from subletting our head office space in Woodmead to three subtenants at reduced rental rates. Given we have a burdensome long lease in an unsuitable office park, we will continue to actively seek subleases wherever possible.

While we have diligently managed costs, operational expenditure increased by 9,2% over FY2022. The majority of this increase can be attributed to our investment in people, particularly in Australia. Operating expenditure only rose by 5,4% in South Africa, in contrast to the 15,1% increase in Australia. Both geographies are experiencing rampant inflation, making further cost containment challenging, and we do anticipate an upward cost trend.

This graph below illustrates the dedicated efforts that Adcorp has consistently pursued in recent years to optimise its cost base and establish stability within the Group. The upper trend line represents a projection of operating expenses based on average inflationary trends in both geographies, highlighting what could have occurred if the 2018 expenses had continued on that trajectory. The cost containment programme undertaken has been monumental and intensive, and it remains an ongoing commitment that is meticulously observed on a daily basis.

Operating expenses (R billion)



Chief Financial Officer's report continued

In the Paracon business, we recognised an impairment of goodwill amounting to R34,4 million. This impairment primarily stemmed from increases in the cost of capital and the worsening economic outlook, which adversely affects forward-looking forecasts.

Group EBITDA from continuing operations for the year decreased by 3,9% to R283,1 million compared to R294,7 million in the prior year.

It is important to note that the application of IFRS 16, Accounting for Leases, has resulted in a negative non-cash impact of R16 million to the group's profit before tax.

The net cost of funding, excluding lease liability interest under IFRS 16, significantly decreased by 93% due to the reduction in gross debt. Although our facilities are utilised during certain months, active cash management effectively limited any significant interest costs.

The resultant net profit before tax from continuing operations decreased by 13,6%. However, if it were not for the impairment of goodwill, it would have increased by over 11%.

Both South Africa and Australia experienced certain tax anomalies, which were non-recurring.

In South Africa, there was a reversal of R10 million in a deferred tax liability related to the closed Africa business, which is no longer required.

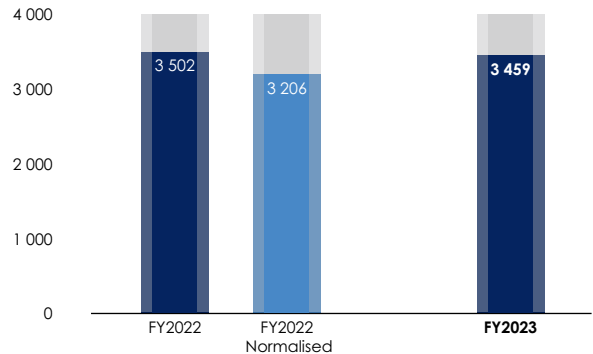
In Australia, under the income tax consolidation regime, a group of wholly owned Australian tax resident entities can elect to be treated as a 'single entity' for income tax purposes. This allows taxable income from one entity to offset tax losses of another entity in the consolidated group without adverse income tax consequences for the relevant income year. Consequently, aaX's income tax losses attributable to the 2023 income year were consolidated with the taxable income and tax losses from other members of the income tax consolidated group. For accounting purposes, these have been included as part of the Group's 'continuing operations' on a consolidated basis, and amounts to R22,4 million.

aaX incurred substantial contract losses during FY2023, requiring significant investment for remediation. As no suitable acquirers were found, aaX entered voluntary administration in December 2022. The total operating loss for the year from aaX, recognised as a discontinued operation, amounted to R90,0 million (including an impairment of trade receivables of R54,1 million), along with a net gain on deconsolidation of R9,6 million. Adcorp will continue to work with the administrator to recover these trade receivables.

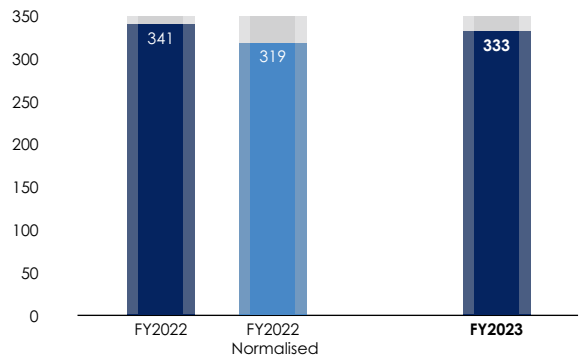
Segmental revenue and gross profit performance

Contingent Staffing

Revenue (R million)



Gross profit (R million)



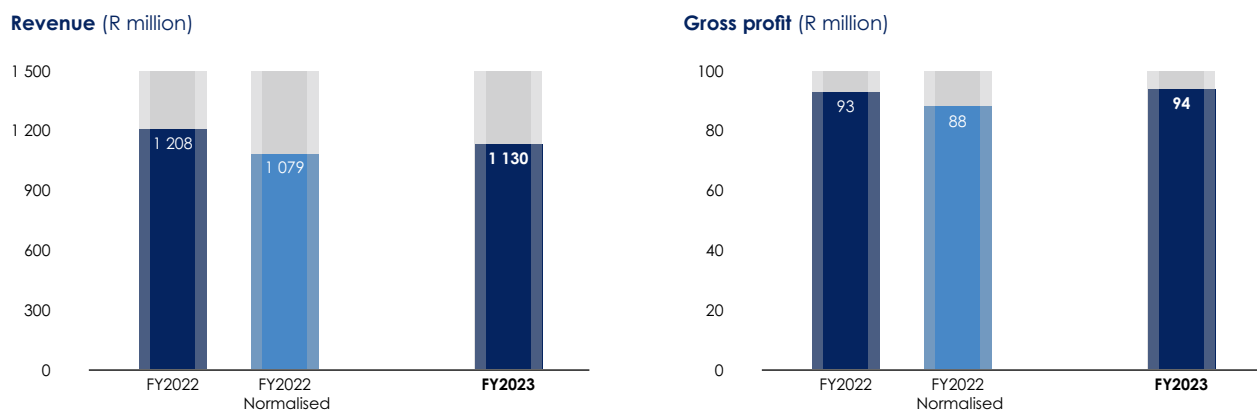
Despite the challenging macroeconomic landscape in South Africa, our Contingent Staffing division has demonstrated remarkable resilience, displaying tenacity and adaptability in the face of adversity. With considerable exposure to sectors such as FMCG, warehousing, logistics, and manufacturing, our customers faced headwinds due to load shedding, infrastructure failures, and high inflation. Yet, despite these trials, we have managed to endure and excel.

BLU, our flagship brand within the division, stands as a testament to this narrative, registering a robust 5,0% growth in revenue. This growth rate results from strategic initiatives, such as focused key account management, heightened sales efforts and a significant investment in technology and systems that optimised our business operations.

In a further effort to bolster our market presence, BLU underwent a brand refresh, amplifying visibility and engagement. While we faced delays from government approvals on new IPP projects, this spurred us on to make strategic decisions. One such decision was the consolidation of the Cynergy brand into BLU, a move that will streamline our operations and offer even better support to our clients.

Divisional performance remained resilient despite the market challenges with a small decline in year-on-year revenue of 1,7% which was primarily attributed to Cynergy. The overall growth was impacted by the reduction in scope of work with one client, resulting from their loss of the Eskom contract, as well as another client's disposal of two mines in the previous year. Such loss, not recuperated, was some R265 million in revenue and R26 million in gross profit. On a normalised basis the growth in revenue and gross profit would have been 6,9% and 5,4%, respectively.

Functional Outsourcing



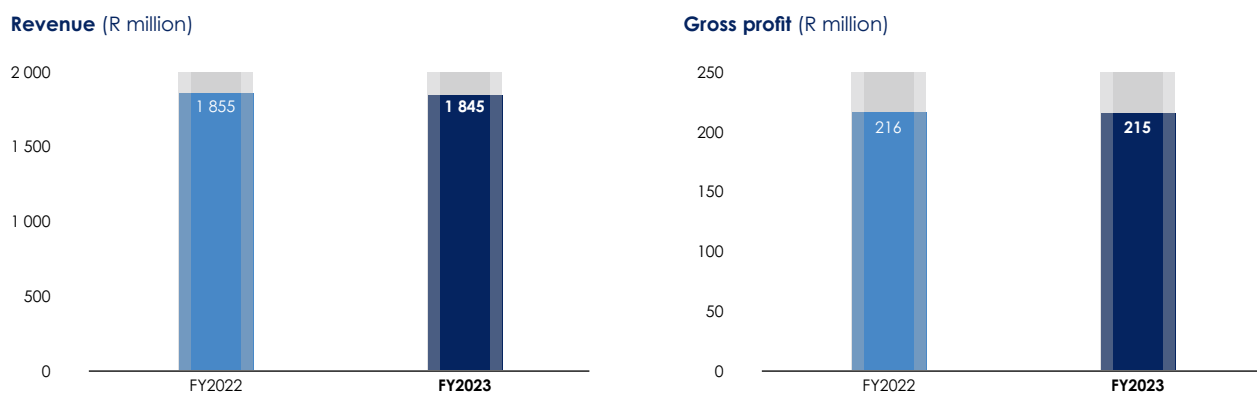
Amidst an economic backdrop punctuated by challenges, our Functional Outsourcing division has shown a commendable level of perseverance, mirroring the tenacity demonstrated by our Contingent Staffing division. Despite sharing significant exposure to the FMCG and manufacturing sectors, both of which were affected by load shedding, our core brands exhibited year-on-year revenue growth.

FunxionO, our specialised brand focusing on FMCG, warehousing and logistics solutions, demonstrated an admirable resilience with a growth of 0,8%, illustrating our ability to adapt and thrive in challenging circumstances. Capability, our brand dedicated to HACCP cleaning solutions, truly shone with an impressive 18,6% growth, reflecting a strong customer appetite for our specialised services. Adfusion also made significant strides, registering a 5,0% year-on-year revenue increase thanks to expanded volumes and operations.

While the division's overall revenue saw a slight decline, primarily due to the discontinuation of the CoStars brand from the prior year, we have made meaningful progress in other areas. Our focus on margin management yielded higher gross margins, while our unwavering commitment to customer satisfaction led to improved client retention. In line with our ongoing efforts to meet market demands, FunxionO underwent a brand refresh. This move was aimed at enhancing client-centric offerings and increasing brand exposure, further cementing our position in the functional outsourcing space.

On a normalised basis, taking the closure of Costars into account, the growth in revenue and gross profit was 4,7% and 6,8% respectively.

Professional Services



This year marked a strategic turning point for our Professional Services division. We embraced the challenge of an ever-evolving market landscape, focusing our efforts on segments where we could genuinely differentiate ourselves and add exceptional value. Our steadfast commitment to stabilising core operations after the unprecedented disruption of the past couple of years has started to pay dividends.

Our strategy is already yielding significant outcomes. Quest, the RPO business within talentCRU, and the Permanent Placements business achieved revenue growth rates of 26,1%, 59,8%, and 25,4%, respectively, reaffirming the potency of our strategic shift.



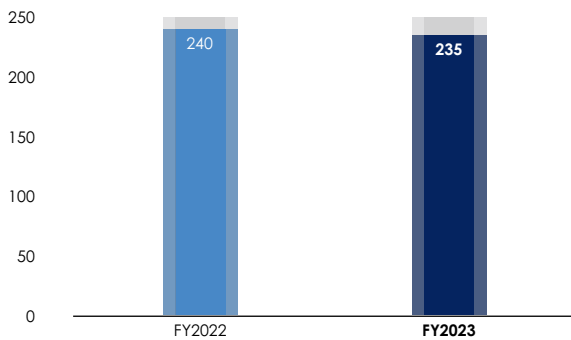
Chief Financial Officer's report continued

This transformation did not come without its hurdles. Economic headwinds led some clients to freeze headcounts and skills shortages continued in certain sectors. Despite these pressures, the division held its ground, maintaining revenue and gross profit levels on par with the previous year.

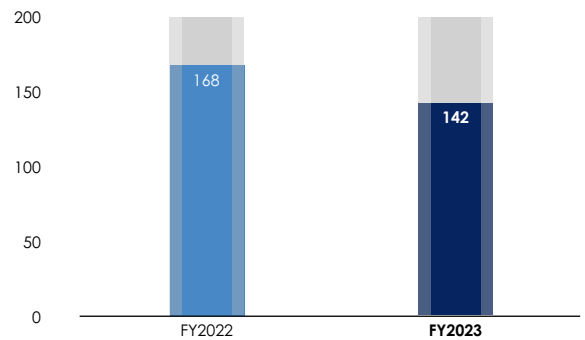
In response to client demand, we breathed new life into iconic brands like Kelly and DAV, both of which were recognised as leading brands in their sectors. A customercentric approach guided our operations, resulting in high satisfaction scores, increased marketing visibility, and exciting brand refreshes. A milestone worth highlighting was the strategic acquisition of Jobvine, positioning Adcorp as a significant player in the burgeoning gig economy. This acquisition allows us to tap into a market of contractors, gig workers, and freelancers, further diversifying our revenue streams.

Training

Revenue (R million)



Gross profit (R million)



Our Training Division navigated substantial challenges in FY2023, particularly with our PMI and Torque IT brands. However, our commitment to agility allowed us to adapt swiftly. Changes in government policy necessitated a significant overhaul of PMI's iCan product, designed to empower people with disabilities. We have completed this transformation, and we're confident that the impact of our enhancements will be realised in FY2024. PMI's revenue increased by 0,4% and gross profit declined by 5,4% due to lower gross margins achieved.

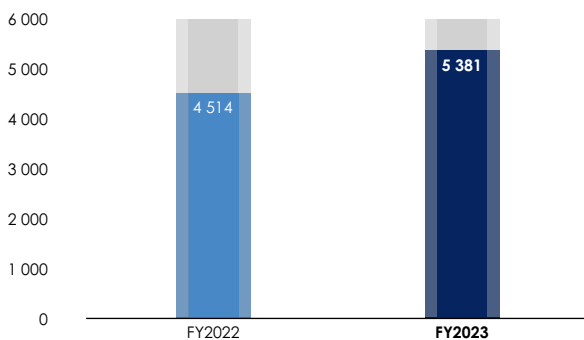
At Torque IT, we optimised class sizes for improved learning experiences, but it initially led to revenue contraction. However, our quick corrective measures steered us back on course, leading both brands to surpass the previous year's performance in the final quarter. Torque IT's revenue and gross profit decreased by 1,3% and 13,7%, respectively.

Training remains a cornerstone of our workforce ecosystem, and as such, we have made strategic decisions to align the PMI and Torque IT brands more closely with our core workforce recruitment brands. This shift, to be fully realised in the coming financial year, will ensure synergies with our primary brands and enhance client outcomes.

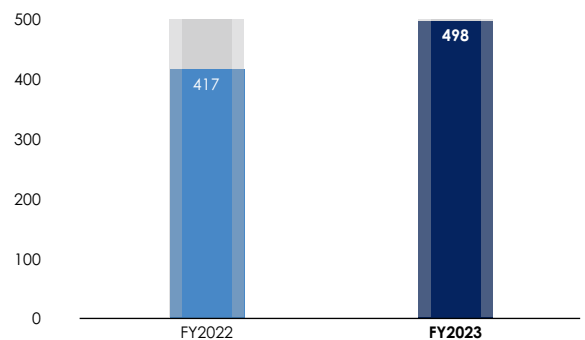
Although we have invested significantly in the ATT brand over the past two years, we've decided to wind down this artisan training brand. Despite the country's need for artisans to drive economic growth, a combination of policy inconsistencies and macroeconomic challenges has limited client company investments. This lack of investment by clients in expansion reduced demand for artisans.

Australia

Revenue (R million)



Gross profit (R million)



Our Australian division has been a beacon of outstanding growth this year, delivering impressive results against a backdrop of persistent skill scarcity challenges. Yet, our unwavering dedication to customer satisfaction, quality, and innovation has fuelled our success, enabling us to double our workforce nationwide – a testament to our strong performance.

Paxus, our technology and digital talent brand, navigated a competitive landscape with agility. While the year commenced with solid demand, particularly in permanent recruitment, we did see some slowdown later due to changing market dynamics and a dip in business confidence. However, Paxus demonstrated remarkable toughness, maintaining a robust level of demand and consistent performance throughout the year.

Financial position

Summarised consolidated statement of financial position

	Year end Feb 2023 R'000	Year end Feb 2022 R'000
Assets		
Property and equipment	30 811	37 171
Right-of-use lease assets	291 785	323 432
Intangible assets and Goodwill	636 379	638 496
Other financial assets – investment at fair value	21 074	19 597
Taxation prepaid and deferred tax asset	248 790	223 634
Trade and other receivables	1 517 278	1 537 987
Cash and cash equivalents and restricted cash	415 548	420 355
Total assets	3 161 665	3 200 672
Equity and liabilities		
Capital and reserves	1 534 677	1 472 529
Interest-bearing borrowings	–	133 336
Lease liabilities	409 410	423 965
Taxation payable and deferred tax liability	83 834	147 302
Provisions, trade and other payables	1 133 744	1 023 540
Total equity and liabilities	3 161 665	3 200 672

The right-of-use lease assets decreased by 9,8% mainly due to depreciation and amortisation over the year. No significant additions were noted during the year.

In the current year, a goodwill impairment of R34 million was noted in the Paracon goodwill (discussed earlier). However, the intangible assets and goodwill balance only decreased by 0,3% year on year and this positive movement was mainly due to the foreign exchange translation of the Australia goodwill at year end.

Trade and other receivables balances marginally reduced by 1% over the year, this is partly due to the improved collection days and continued amortisation of the enterprise technology transformation project.

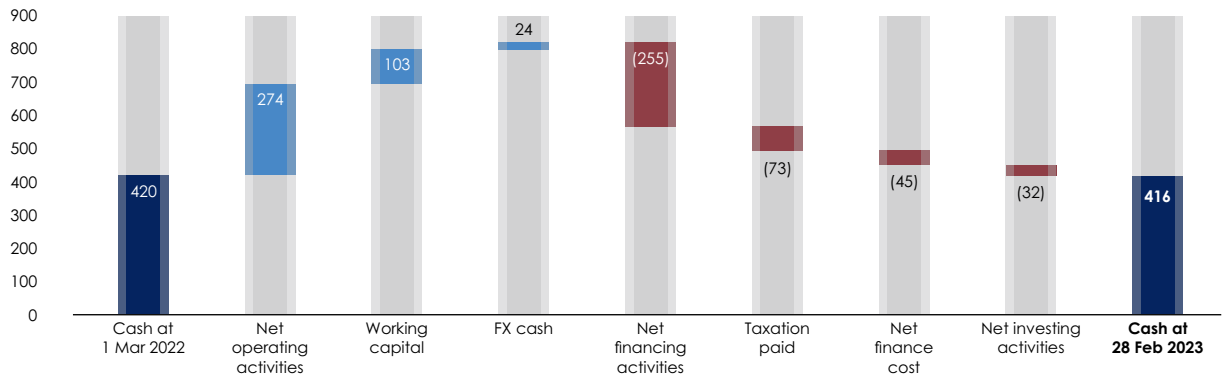


Chief Financial Officer's report continued

Summarised consolidated statement of cash flows for the year ended 28 February 2023

	Feb 2023 R'000	Feb 2022 R'000
Cash generated from operations before working capital changes	274 317	321 033
Working capital changes	103 354	(61 015)
Cash generated from operations	377 671	260 018
Net cash generated from operating activities	259 557	145 735
Net cash (outflow)/inflow from investing activities	(31 691)	128 758
Net cash outflow from financing activities	(254 886)	(368 652)
Net decrease in cash and cash equivalents	(27 020)	(94 159)
Cash and cash equivalents at the beginning of the year	420 355	498 356
Restricted cash reclassified from cash and cash equivalents	(103 856)	–
Foreign currency adjustments	22 618	16 158
Cash and cash equivalents deconsolidated	(405)	–
Cash and cash equivalents at the end of the year	311 692	420 355

Cash flow movements (R million)



Adcorp continues to present a net unrestricted positive cash position, increasing to R312 million from R198 million last year. This excludes the restricted cash of R104 million equivalent in Angola.

The Group continued to be highly cash generative during the year with cash generation from operations for the year of R378 million compared to the prior year of R260 million. Cash conversion was in excess of 100%.

Adcorp does operate in a negative working capital cycle and as revenues continually improve, we would anticipate an increase in investment in working capital. A welcome surprise was that the DSO for the Group improved to 36 days from 38 days in the prior year. The Group will strive to maintain this DSO as we continue to face relentless pressure to extend terms.

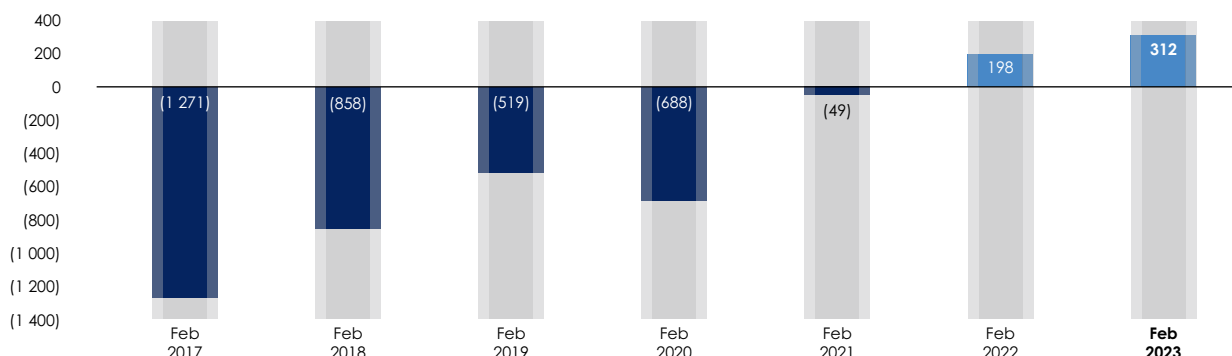
The Group continues to maintain a positive net cash position. However, it's important to note that the advancement of its capital allocation framework could potentially impact this position. This is particularly relevant when considering

the investment required in working capital and potential acquisitive growth. On a positive note, the recently declared special dividend serves to return a significant portion of cash to our shareholders. In addition, our ongoing share buyback programmes will persist, given that Adcorp's share price remains significantly below its tangible net asset value and implied intrinsic value.

As we have communicated throughout several reporting periods, Adcorp holds restricted cash in Angola, which, unfortunately, has not been able to be repatriated back to South Africa due to certain regulatory requirements. This restricted cash must be included on the face of our balance sheet. The total amount of restricted funds held in Angola at the end of 2023 amounted to R104 million. Adcorp has made significant progress in resolving many of the regulatory matters, and we anticipate being in a position during 2024 to explore options for repatriating these funds.

Net unrestricted cash

Net unrestricted cash (R million)



Adcorp encountered an existential crisis three years ago. However, through proactive measures and tenacity, the Group effectively managed its debt situation amid the challenges posed by the pandemic and economic headwinds. As a result, Adcorp has now positioned itself strongly, enabling it to concentrate on its capital allocation framework and adequately reward its shareholders for their unwavering patience throughout the years.

Dividends

In line with the principles of Adcorp's capital allocation framework the Board of Adcorp approved and declared a final gross dividend of 16,5 cents per ordinary share (2022: 47,0 cents per ordinary share) and a special gross dividend of 91,3 cents per ordinary share (2022: Nil). This is in addition to the interim gross dividend of 12,2 cents per share declared and paid during FY2023. The total gross dividend for FY2023 was 120,0 cents per share.

Appreciation

Acknowledging the invaluable contributions made by my finance colleagues throughout the preceding fiscal year is of utmost significance. Their unwavering dedication and relentless efforts have played a pivotal role in the progress we have achieved. I would also like to extend my heartfelt appreciation to the Board and my esteemed colleagues within the group's executive committee for their support and guidance during this time.

Noel Prendergast

Chief Financial Officer

30 June 2023

Professional Services

High performance wins



“Joining such a high impact, high performance and quick paced team has been the highlight of my career. The communication that runs through the business and the Group as a whole really guides us in how we should be operating, what is expected from us, and the business supports us. We all understand where everyone fits in the bigger picture, and that if everyone executes exactly as they should, it keeps the wheel turning.”

Wandile Mhlanga, recruitment manager, DAV



Five-year performance indicators

Statement of financial position

	2023 R'000	2022 R'000	2021 R'000	2020 R'000	2019 R'000
Assets					
Non-current assets	1 238 869	1 290 954	1 357 418	1 532 497	1 711 896
Property and equipment	30 811	37 171	48 286	72 212	57 647
Right-of-use asset	291 785	323 432	364 572	414 917	–
Intangible assets	123 684	125 773	144 346	177 702	231 601
Goodwill	512 695	512 723	527 216	635 609	1 188 811
Other financial assets – investment at fair value	21 074	19 597	18 971	17 620	15 247
Deferred taxation	214 833	214 187	198 832	181 171	218 590
Prepayments	43 987	58 071	55 195	33 266	–
Current assets	1 922 796	1 909 718	1 962 906	2 428 870	2 718 087
Trade receivables	1 337 049	1 336 354	1 377 823	1 924 851	2 086 490
Other receivables	136 242	143 562	101 297	91 849	103 712
Other financial assets – investment at fair value	–	–	–	36 924	31 676
Taxation prepaid	33 957	9 447	9 854	18 485	87 202
Cash and cash equivalents and restricted cash	415 548	420 355	473 932	356 761	409 007
Disposal group assets held for sale	–	–	196 553	116 039	–
Total assets	3 161 665	3 200 672	3 516 877	4 077 406	4 429 983
Equity and liabilities					
Total equity	1 534 677	1 472 529	1 352 254	1 245 847	1 976 308
Share capital and share premium	1 740 858	1 740 858	1 740 858	1 740 858	1 740 858
Treasury shares	(91 170)	(72 172)	(68 083)	(68 083)	(38 233)
Reserves	(115 011)	(196 157)	(320 521)	(426 928)	273 683
Non-current liabilities	388 936	438 004	870 459	489 676	801 203
Interest-bearing borrowings	–	–	400 000	–	690 466
Lease liabilities	331 977	348 493	369 658	404 021	–
Deferred taxation	56 959	89 511	100 801	85 655	104 077
Provisions	–	–	–	–	6 660
Current liabilities	1 238 052	1 290 139	1 273 020	2 303 024	1 652 472
Interest-bearing borrowings	–	133 336	55 823	1 001 684	194 836
Lease liabilities	77 433	75 472	75 281	93 457	–
Bank overdraft	–	–	87	182	227
Trade and other payables	898 855	819 610	908 922	1 010 646	1 111 233
Provisions	234 889	203 930	183 738	162 429	286 663
Taxation payable	26 875	57 791	49 169	34 626	59 513
Disposal group liabilities held for sale	–	–	21 144	38 859	–
Total equity and liabilities	3 161 665	3 200 672	3 516 877	4 077 406	4 429 983

Summarised statement of profit or loss

	2023 R'000	2022* R'000	2021 R'000	2020 R'000	2019 R'000
Revenue	12 048 951	11 318 048	11 716 956	12 922 325	15 065 369
Cost of sales	(10 766 543)	(10 109 805)	(10 575 140)	(11 452 501)	(13 032 499)
Gross profit	1 282 408	1 208 243	1 141 816	1 469 824	2 032 870
Other income	19 743	19 553	99 399	26 920	45 461
Operating expenses	(1 138 246)	(1 026 821)	(1 122 804)	(1 982 558)	(1 696 837)
Operating profit/(loss) before finance income and costs	163 905	200 975	118 411	(485 814)	381 494
Finance income	5 589	5 243	16 204	21 942	21 031
Finance costs	(50 981)	(69 015)	(106 854)	(127 456)	(104 624)
Profit/(loss) before taxation	118 513	137 203	27 761	(591 328)	297 901
Taxation expense	2 241	(31 890)	(22 338)	(71 977)	(35 578)
Tax rate (%)	(1,9)	23,2	80,5	(12,2%)	(11,9)
Profit/(loss) for the year from continuing operations	120 754	105 313	5 423	(663 305)	262 323
Profit from discontinued operations	(79 980)	13 644	35 906	58 553	(178)
Profit/(loss) for the year	40 774	118 957	41 329	(604 752)	262 145
Operating profit/(loss) before finance income and costs	163 905	200 975	118 411	(485 814)	381 494
Depreciation and amortisation	(85 021)	(88 734)	(130 361)	(141 997)	(79 416)
Impairments, derecognition of lease liabilities and ROUA and profits/(losses) on the disposal of businesses	(34 172)	(4 952)	(1 008)	(597 449)	(6 247)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	283 098	294 661	249 780	253 632	467 157

* Restated for discontinued operations.

Contingent Staffing

There is a foundation of trust



"In our business, culture is everything. We service various clients, which means I have to trust that my teams care about our clients and our business as much as I do. That's the Adcorp way. Each person treats their clients like their own businesses. They take ownership of their actions, and the result is that your manager trusts that you will run a portfolio or client like your own. Over the past ten years, the business has equipped me with the knowledge and training to be bold and make on-the-ground decisions, knowing that I have the company's best interests at heart."

Matilda Mojapelo, branch manager, BLU

Five-year performance indicators *continued*

Statistics and ratios

	2023	2022*	2021	2020	2019
Statistics					
Weighted number of shares	103 387 640	106 692 859	107 400 053	107 732 131	111 754 773
Headline earnings per share – total (cents)	61,1	99,4	34,2	(17,2)	245,1
Continuing operations	147,8	99,7	0,8	(71,6)	245,1
Discontinued operations	(86,7)	(0,3)	33,4	54,4	–
Earnings per share – total (cents)	37,3	109,1	35,6	(561,6)	239,9
Continuing operations	114,7	96,3	2,2	(616,0)	240,1
Discontinued operations	(77,4)	12,8	33,4	54,4	(0,2)
Ratios					
Return ratios (continuing operations)					
Return on equity (PAT)	7,9%	7,2%	0,4%	(53,2%)	13,3%
Return on total assets (PAT)	3,8%	3,3%	0,2%	(16,3%)	5,9%
ROIC (NOPAT)	10,8%	9,0%	4,0%	1,5%	13,0%
ROCE (EBIT)	10,7%	12,5%	6,5%	(21,6%)	13,3%
Margin ratios					
Gross profit margin	10,6%	10,7%	9,7%	11,4%	13,5%
Cost to income	9,4%	9,1%	9,6%	15,3%	11,3%
EBITDA margin	2,3%	2,6%	2,1%	2,0%	3,1%
Operating profit margin	1,4%	1,8%	1,0%	(3,8%)	2,5%
Net margin	1,0%	0,9%	0,0%	(5,1%)	1,7%
Leverage/gearing					
Gearing: Gross debt to equity ratio	0,0%	9,1%	33,7%	80,4%	44,8%
Gearing: Net debt to equity	(27,1%)	(19,5%)	(1,3%)	51,8%	24,1%
Equity Ratio	48,5%	46,0%	38,5%	30,6%	44,6%
Gross debt ratio	0,0%	4,2%	13,0%	24,6%	20,0%
Net debt to EBITDA	(1,47)	(0,97)	(0,07)	2,54	1,02
Gross debt to EBITDA	–	0,45	1,82	3,95	1,90
Efficiency					
Total asset turnover (times)	3,8	3,5	3,3	3,2	3,4
Debtor collection (days) (DSO)	36	38	38	48	44
Liquidity					
Asset ratios					
Current ratio	1,55	1,48	1,54	1,05	1,64
Cash ratio	33,6%	32,6%	37,2%	15,5%	24,7%
Earnings ratio					
Times interest earned ratio	3,61	3,15	1,31	(4,60)	4,56

* Restated for discontinued operations.

Cash flows

	2023 R'000	2022 R'000	2021 R'000	2020 R'000	2019 R'000
Cash generated from operations before working capital changes	274 317	321 033	281 869	334 017	442 548
Cash generated by operations	377 671	260 018	913 730	208 521	500 014
Net cash generated from/ (utilised in) operating activities	259 557	145 735	770 605	(22 669)	350 256
Net cash generated (outflow)/ inflow from investing activities	(31 691)	128 758	9 663	(72 712)	16 703
Net cash (outflow)/inflow from financing activities	(254 886)	(368 652)	(649 180)	47 101	(348 981)
Net (decrease)/increase in cash and cash equivalents	(27 020)	(94 159)	131 088	(48 280)	17 978

Share performance

	2023	2022	2021	2020	2019
Market price per share					
Highest (R)	6,50	7,39	10,08	25,00	21,35
Lowest (R)	4,38	4,65	1,35	9,50	15,50
Year-end (R)	4,41	6,00	6,49	9,50	20,00
Number of shares in issue	109 954 675	109 954 675	109 954 675	109 954 675	109 954 675
Volume traded during the period	17 637 841	25 941 579	41 065 441	23 563 882	32 834 894
Ratio of volume traded to shares issued	16,04%	23,59%	37,35%	21,43%	29,86%
Rand value traded during the period	95 196 084	155 932 759	191 056 330	391 809 738	601 388 255
Price/earnings ratio (%)	11,8	5,5	18,2	(1,7)	8,3
Earnings yield (%)	8,5	18,2	5,5	(59,1)	12,0
Dividend yield (%)	6,51	7,83	–	8,09	–
Special dividend yield (%)	20,70	–	–	–	–
Market capitalisation	484 900 117	659 728 050	713 605 841	1 044 569 413	2 199 093 500

Governance

Directorate



Independent non-executives

1. Dr Phumla Mnganga (55)

BA, BEd, MBL, PhD

Date of appointment
6 September 2018

Significant directorships

- Allied Electronics Corporation Limited;
- Lehumo Women's Investment Holdings; and
- Exxaro Resources Limited.

Skills and expertise

Phumla is the founder and managing director of Lehumo Women's Investment Holdings and currently serves on a number of boards of other public JSE listed and other private companies. Her considerable and varied experience includes human resource consulting, change management and B-BBEE investing.

Committee membership



2. Tshidi Mokgabudi (69)

CA(SA), Dip, BCompt (Hons), BCompt, BCom

Date of appointment
15 October 2020

Significant directorships

- Truworlths International Limited;
- Detonics Numerous Electronics (DENEL) SOC Limited;
- Johannesburg International Airport; and
- Lanseria International Airport.

Skills and expertise

Tshidi is a Chartered Accountant with extensive experience in Board and executive leadership, as well as governance, spanning across both the public and private sectors. She has extensive financial expertise, business acumen and leadership qualities, with more than 30 years of accounting, auditing and advisory experience within the public and private sectors.

Committee membership



3. Herman Singh (62)

BSc, GDE, MBA

Date of appointment
6 September 2018

Significant directorships

- Telkom SA Limited; and
- African Bank Holdings Limited.

Skills and expertise

Herman's focus on the convergence of technology and business has resulted in him taking on a number of key technology-focused roles at various companies both in the public and private sectors.

Committee membership



4. Ronel van Dijk (51)

CA(SA)

Date of appointment
6 June 2019

Significant directorships

- Grand Parade Investments Ltd; and
- Omnia Holdings Limited (director).

Skills and expertise

Ronel is an experienced CFO with exposure to corporate governance, internal controls and risk management, strategy development and implementation, and leadership development. She was previously CFO of Spur Corporation Limited and PPC Limited.

Committee membership



5. Melvyn Lubega (34)

BBusSc (Hons), MSc, MPP

Date of appointment
1 July 2020

Significant directorships

- National Electronic Media Institute of South Africa (NEMISA) Non-Profit Company.

Skills and expertise

Melvyn is an actuary by training and is an experienced technology entrepreneur and executive who has built businesses that serve customers worldwide. As a referenced thought leader, he has been invited to speak both abroad and locally on digital transformation, disruptive innovation, the future of the workforce, as well as business strategy.

Committee membership



Non-executive directors

6. Gloria Serobe (62)

Chairperson

BCom, MBA

Date of appointment
11 July 2017

Significant directorships

- Women Investment Portfolio Holdings Limited (WIPHOLD);
- Detonics Numerous Electronics (DENEL) SOC Limited;
- Hans Merensky Holdings Proprietary Limited;
- Transtar Hotel Proprietary Limited; and
- Solidarity Response Fund.

Skills and expertise

Gloria is the founder and executive director of WIPHOLD and an honorary member of the Actuarial Society of South Africa and she also serves as director on various public and private company boards.

Committee membership



7. Clive Smith (62)

ACIS (SA), EDP

Date of appointment
10 January 2020

Significant directorships

- Enigma Collections Proprietary Limited.

Skills and expertise

Clive was the Group CEO of Tsebo Solutions Group from January 2004 to May 2019. His experience includes oversight of complex international acquisitions and institutional private equity funding.

Committee membership



8. Timothy Olls (32)

BCom (Hons), CA(SA), CFA

Date of appointment
28 July 2022 (non-executive)

Skills and expertise

Timothy is an Associate Director at Value Capital Partners. He joined Value Capital Partners in April 2018 from PwC Mergers & Acquisitions, where he advised both local and international clients on acquisitions, disposals, capital raising and BEE.

Committee membership





Alternative non-executive

9. Sam Sithole (50)

CA(SA), CA(Z)

Date of appointment

28 July 2022 (alternate)

Significant directorships

- Sun International Limited
- Tiger Brands Limited
- Metair Investments Limited (alternate)
- Value Capital Partners (VCP) Proprietary Limited .

Skills and expertise

Sam is one of the founding partners of Value Capital Partners and is the Company's Chief Executive Officer. He was previously a Partner at Deloitte before joining Brait as the Group Financial Director.

Committee membership

None

Executive directors

10. Dr John Wentzel (56)

Chief Executive Officer

BSc, BSc (Hons), MSc, MBA, PhD

Date of appointment

1 April 2021

Significant directorships

- Finteq Proprietary Limited;
- Finteq Africa Proprietary Limited, and
- Nanuq Capital Partners Proprietary Limited.

Skills and expertise

John is an accomplished C-suite executive with over two decades of international business leadership experience. His focus has been on strategic execution having worked for multiple blue-chip companies in the banking, retail, FMCG, logistics, and workplace service industries. His board-level experience spans 20 years, including executive and non-executive roles in listed, private, and state-owned companies.

Committee membership



11. Noel Prendergast (50)

Chief Financial Officer

CA(SA), BCompf (Hons), BCom

Date of appointment

21 October 2020

Skills and expertise

Noel completed his articles at KPMG, followed by a senior corporate finance role at PwC Corporate Finance. He later held executive positions at Clientele Limited and Wings Travel Management Limited. Noel has been with the Company as interim CFO since 1 July 2020, and was subsequently appointed as Group CFO in October 2020.

Committee membership



* Chair of committee



Human capital committee (HCC)



Executive committee (Exco)



Audit and risk committee (ARC)



Social, ethics and sustainability committee (SESCoM)



Investment committee (InvestCom)

Executive



1. Dr John Wentzel

Chief Executive Officer
Joined Group: April 2021

2. Noel Prendergast

Chief Financial Officer
Joined Group: July 2020

3. Lisa Laporte

General Counsel and Company Secretary
Joined Group: June 2002

4. Vinolia Singh

Chief People Officer
Joined Group: September 2018

5. Bruce Toerien

Managing Director: Training
Appointed Managing Director: Contingent Staffing effective
1 March 2023
Joined Group: August 2003

6. Unathi Thosago

Chief Technology Officer
Joined Group: April 2022

7. Rob de Grooth

Managing Director: Industrial
Appointed Managing Director: Functional Outsourcing effective
1 March 2023
Joined Group: December 2002

8. Nick Najjar

Managing Director: Professional Services
Joined Group: May 2021

9. Praanesh Prasad

Managing Director: Adcorp Holdings Australia
Joined Group: November 2022

The Board is ultimately responsible for the ethical behaviour of the business and considers sound corporate governance as a critical driver for sustainable growth

We are committed to being a good corporate citizen and acting with the highest standards of ethical behaviour at all times. In conducting the affairs of the Group, the Board endorses the principles of fairness, responsibility, transparency and accountability advocated by King IV™.

The Board exercises and ensures effective and ethical leadership by always acting in the best interests of the Group, and at the same time concerning itself with the sustainability of its business operations, by regularly reviewing the Group's governance structures. Balancing the business' sustainability with the best interests of our stakeholders, is one of the ways the Board demonstrates effective ethical leadership.

Adcorp ensures that the board of directors, senior management, and senior members of the finance team are aware of any closed periods when they are unable to trade in Adcorp shares. Prior consent from the chairperson of the Board or a designated director is required for all directors' dealings in Adcorp stocks. The company secretary keeps track of all share transactions.

The Board oversees the Group's adherence to applicable laws, regulations, adopted non-binding norms, as well as codes and standards, in order to maintain the Group's ethics and guarantee that it continues to be a good corporate citizen.

The Adcorp Board is committed to complying with all applicable laws and regulations, and its support and application of non-binding codes, standards and plans including the United Nations Sustainable Development Goals; the South African National Development Plan (NDP); and the Confederation of Associations in the Private Employment Sector (CAPES).

Adcorp's commitment to conduct all activities with honesty, integrity, transparency, and openness is outlined in our code of ethics and corporate conduct that is evaluated on a regular basis.

The code applies to all employees and they are required to sign an acknowledgement of the code. The compliance officer is responsible for monitoring adherence. Any reported contraventions are dealt with at the managerial level.

All employees are required to complete the training modules on fraud and ethics, which training includes all codes and policies relating to anti-bribery and corruption.

The code of ethics and business conduct is regularly reviewed, and employees and other stakeholders have access to an ethics tip-off line through which behaviour that is thought to be unethical or fraudulent can be reported in confidence to an independent external service provider.

The Group's code of ethics is driven by the following principles:

- **Health and safety:** Adcorp take pride in providing and managing a safe and healthy working environment for all employees, contractors and visitors, and complies with all regulatory requirements with regard to health and safety.
- **Respect for individuality, diversity and equality:** Employees are a vital resource to the Adcorp Group; their knowledge, skills and commitment to the Group's vision and values are central to its success. Adcorp seeks to promote the individuality of its employees by respecting the dignity of each individual, valuing diversity and ensuring equality.
- **Freedom of choice of employment and association:** Adcorp does not permit forced or compulsory labour. Employees have the freedom to terminate their employment in accordance with their contractual period of notice. Adcorp respects the right of employees to come together in groups, join a trade union, appoint a representative and be elected as a union representative, or refrain from doing so.
- **Honesty and anti-corruption:** Adcorp strives to market its services based on a proven track record of honesty, quality, reliability and good value.
- **Integrity, professionalism and avoidance of conflict of interest:** All employees are public representatives of Adcorp. To this end, regardless of inherent job pressures, all employees are obliged to act responsibly and in a manner that will uphold Adcorp's reputation. Integrity is the core principal behaviour of every Adcorp employee.
- **Prohibition against child labour and employment of young workers:** Adcorp supports human rights and the effective abolition of child labour. As such, Adcorp does not subscribe to nor endorse any form of child labour or any form of human rights abuses. Adcorp has put in place practices and strict monitoring so that children are not employed, nor are there any instances of forced labour. Adcorp suppliers are also obliged to comply with applicable child labour legislation and an Adcorp supplier code of conduct. See our Human Rights Policy on page 37.

Ethical leadership continued

- **Compliance with memorandum of incorporation (Moi), laws and governance regulations:** Adcorp has positioned itself as a leader in the marketplace and as such, is committed to doing business with integrity and according to all applicable laws.
- **Respect for privacy and the protection of personal information:** The personal information of all individuals, whether such is a customer, employee, supplier or applicant, is respected and managed in line with the requirements of the Protection of Personal Information Act (POPIA) and Global Data Protection Regulation (GDPR).

The responsibility of overseeing ethics is managed by the social, ethics and sustainability committee (SESCoM). The audit and risk committee receive regular reports about any unethical lapses and fraud prevention in Adcorp and

its subsidiaries. The reports further include a report on the ethics tip-off line and during the FY2023, the tip-off anonymous hotline was extended to Australia. During the year the Deloitte tip-off line received 10 reports and there were eight internal and external escalations.

The Board confirms that the Adcorp Group has in all material respects applied and implemented the principles of King IV™ and the application register can be found on our website at www.adcorpgroup.com.

The chairperson of the Board has reported on the quality and effectiveness of our Board's leadership during the year under review and the oversight measures in place in the chairperson's report on page 05.

Professional Services

Embracing change



“Change has always been something I incorporate in my daily life. I believe it is one of the most critical factors of success. It helps us to grow and develop and be more agile, which speaks to the purpose of Adcorp. Relaunching the DAV brand is a massive opportunity and I love that I am a part of it. The brand is well positioned in the market to make a difference and Adcorp's people focus is leading that charge. The energy in the business is that we need to look after our people and trust that they will take care of the operation. When we empower and support our people, our business grows, and our clients' businesses grow.”

Khulani Mfubu, national business manager, DAV



Governance structure

Board

Independent non-executives

- Phumla Mnganga (*Lead Independent*)
- Melvyn Lubega
- Tshidi Mokgabudi
- Herman Singh
- Ronel van Dijk

Executives

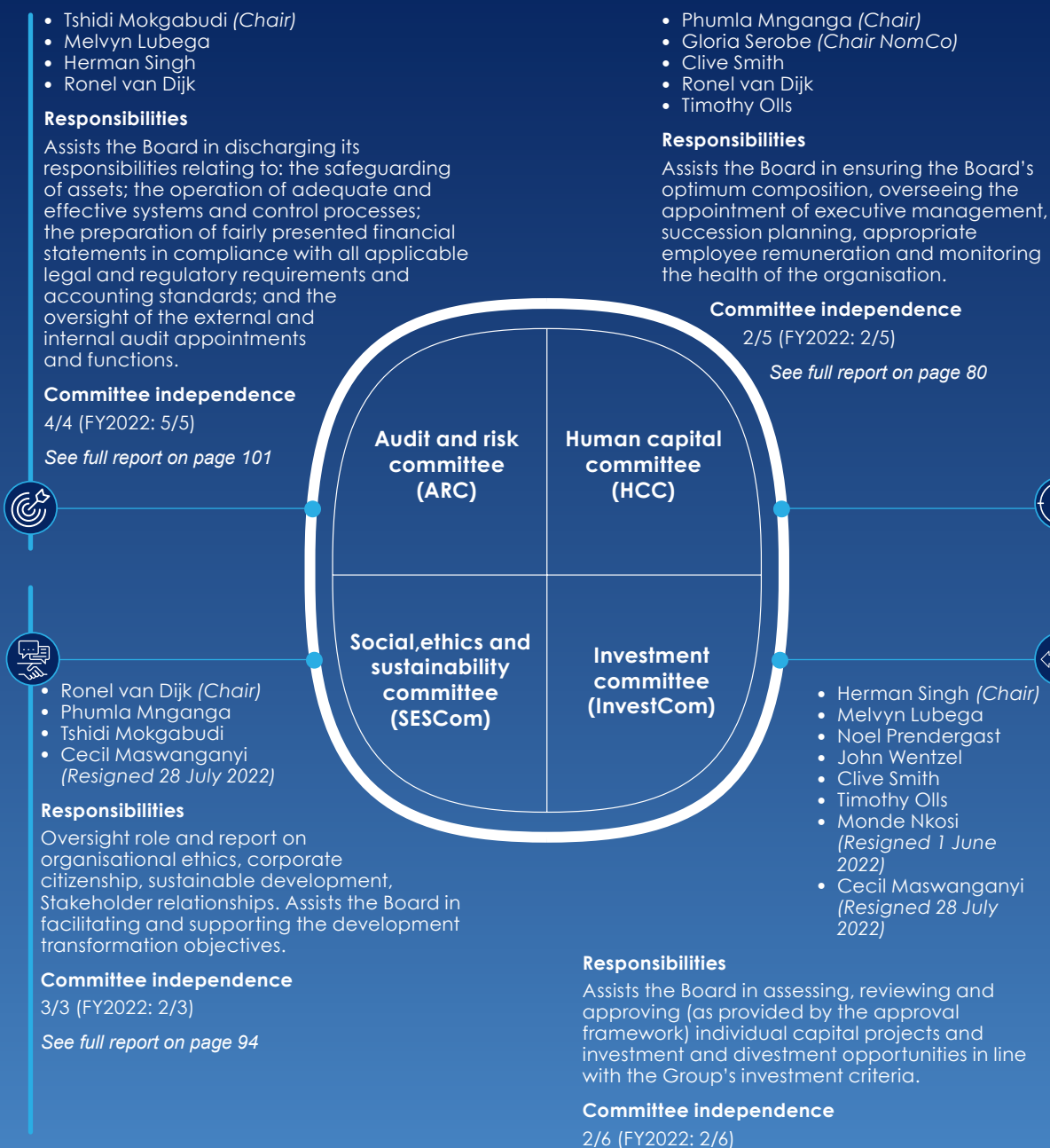
- John Wentzel – Chief Executive Officer
- Noel Prendergast – Chief Financial Officer

Non-executives

- Gloria Serobe (*Chairperson*)
- Clive Smith
- Timothy Olls
- Cecil Maswanganyi (*Resigned with effect from 28 July 2022*)
- Monde Nkosi (*Resigned with effect from 1 June 2022*)

Alternative non-executive

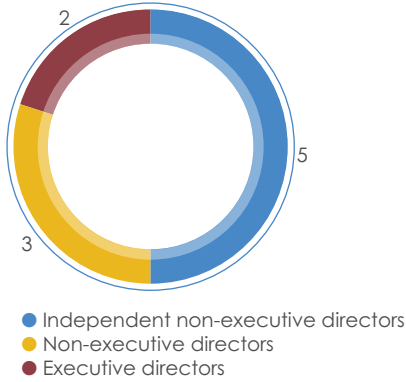
- Samuel Sithole



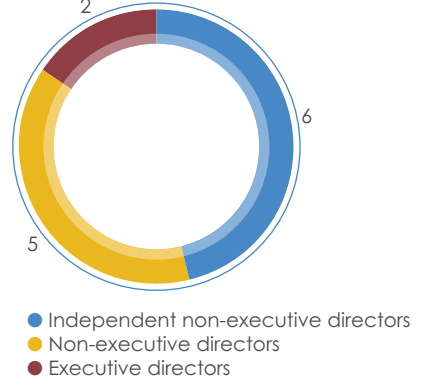
Corporate governance report continued

The Board composition at year end

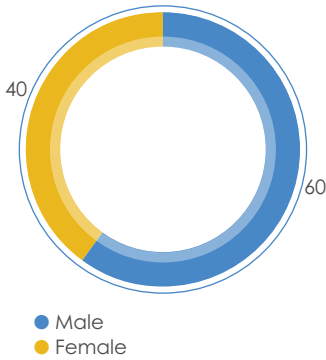
Board independence – year (FY2023)



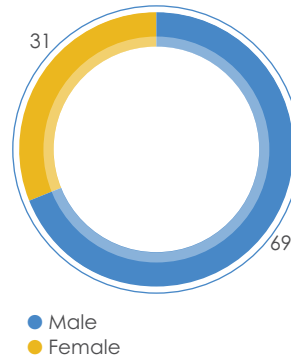
Board independence – year (FY2022)



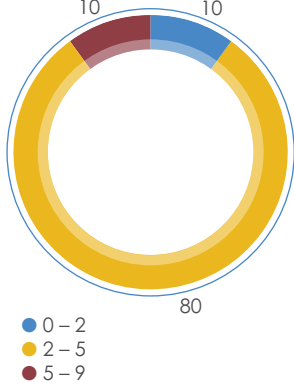
Board gender – year (%) (FY2023)



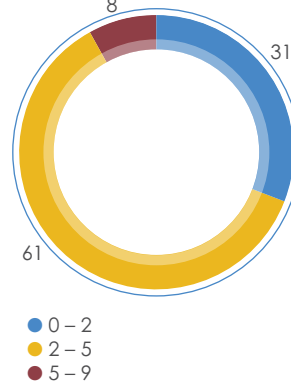
Board gender – year (%) (FY2022)



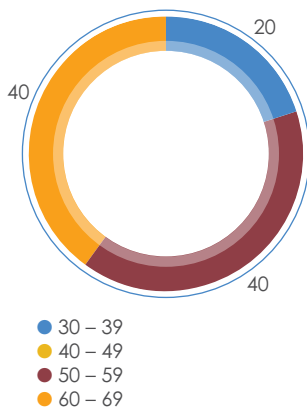
Board tenure – year (%) (FY2023)



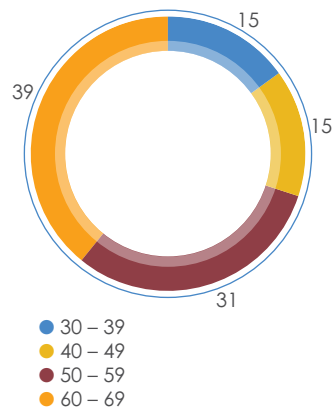
Board tenure – year (%) (FY2022)



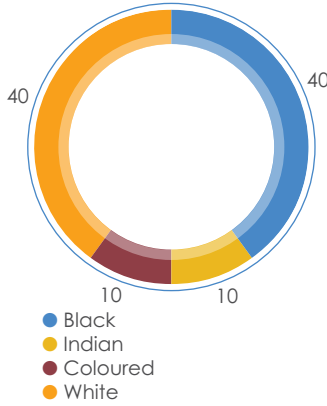
Board age diversity – year (%) (FY2023)



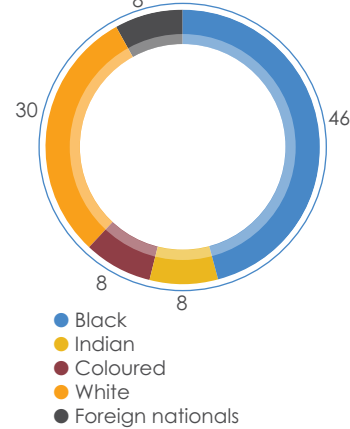
Board age diversity – year (%) (FY2022)



Board race diversity – year (%) (FY2023)



Board race diversity – year (%) (FY2022)



Board activities in FY2023 and their focus areas for FY2024

What kept the Board busy this year

- The Board continued its role in overseeing the growth strategy of the Adcorp Group;
- Oversight of the transformation of the Group's culture into one that is purpose-driven, collaborative, transparent, empowering and innovative;
- Continued improvement of the Group's ESG focus through embedding a sustainable framework and ensuring that we:
 - Minimised our environmental impact through the adoption of the 'Do no harm' approach;
 - Optimised and enhanced our social impact;
 - Adhered to best practice and attained continuous improvement on corporate governance; and
- Monitored and maintained oversight of the value-creation in the investment in technology and digital transformation.

What will keep the Board busy in FY2024

- Oversight of the execution of the Brandshift Adcorp strategy to create and unlock value for the Company across all chosen geographies;
- Continued oversight of the deployment of the capital allocation framework to balance investment in growth and return to shareholders;
- Continued oversight of transforming the Group's culture into one that is purpose-driven while inculcating the values of teamwork, respect, customer centricity, agility, diversity, and inclusion;
- Continued improvement of the Group's ESG focus through embedding a framework that focuses on responding to climate change, being a good societal partner and adherence to good governance; and
- Continue to monitor the implementation of digital transformation across the Group, to ensure the Company is ready for a more digital future.

Board independence

Through the appointment of directors and the separation and clear definition of the roles and responsibilities of the chairperson and CEO, Adcorp has established a clear balance of power and authority at Board level. This is further supported by the lead independent director, whose role is to address any conflicts that may arise, provide guidance on and monitor the application of appropriate standards of corporate governance.

Adcorp ensures that the interests of minority shareholders are protected. Even though the current composition of the Board is not a majority independent, all directors exercise their duties with an unfettered mind and in an independent manner.

In order to assess the independence of directors who are nominated by and represent larger shareholders, the Board has reviewed the relevant sections of the JSE Listings Requirements, the Companies Act and the Institute of Directors' practice note dealing with the independence of directors and is satisfied that the directors in question apply their minds independently, in the best interests of Adcorp and are not tainted by their shareholding. The independence of directors is reassessed annually by the human capital committee and this process is overseen by the lead independent director.

The Adcorp's Board performs its duties within a framework of policies and controls that provide for effective risk assessment and management of our economic,

Corporate governance report continued

environmental and social performance. The Board charter details the roles and responsibilities of the Board, while our MoI also addresses certain of the directors' powers and responsibilities.

The MoI requires one-third of Adcorp's directors to retire from office at every annual general meeting (AGM) based on their tenure since they were previously elected or re-elected to the Board.

The roles and responsibilities of the chairperson and CEO are separate and clearly defined. The CEO is accountable to the Board for leading the implementation and execution of the Board-approved strategy, policies and business plans. As an executive director of the Adcorp's Board and chair of the Group executive committee, the CEO plays a key role in providing a link between management and the Board and ensuring Board decisions are communicated to management.

The MoI sets out the shareholders' delegation of authority to the Board, which has a formal schedule of matters reserved for its consideration and decision. Its delegation of certain matters to its committees and subsidiary companies is described in the terms of reference of these committees, which are available from the company secretary. In addition, the Board delegates authority to the Group executive committee through a Board-approved delegation of authority document.

Achieving effective control and legitimacy

Adcorp's governance framework and culture provide a solid foundation for the application of King IV™ with a focus on achieving the four corporate governance outcomes of an ethical culture, good performance, effective controls and legitimacy.

Applying King IV™ is a commitment on the part of Adcorp to stakeholder inclusivity, corporate citizenship and protecting the value we create.

Directors are required to declare their interests and to disclose any conflicts of interest when and if they arise. If a conflict is disclosed, it is managed appropriately by the Board as required by the Companies Act. A declaration of interest's register is maintained and updated by the company secretary.

Internal audit, which is outsourced to EY, provides the audit and risk committee with a written assessment of the effectiveness of the organisation's governance, risk management and control processes annually. In order to provide a fair assessment of the effectiveness, the internal audit considers the reports issued by all assurance providers and external compliance consultants that have performed assurance and compliance procedures group-wide.

The audit and risk committee obtained assurance on the financial statements, internal controls and sustainability

information included in Adcorp's integrated annual report and carried out its statutory duties set out in the Companies Act. It satisfied itself as to the expertise and experience of the CFO while in office and the financial function. The audit and risk committee assessed the independence and performance of the internal and external audit functions.

The social, ethics and sustainability committee advises and provides guidance to the Board on the effectiveness of management's efforts in respect of transformation, social and sustainable development-related matters. It also carries out its duties as prescribed in the Companies Act and reports on its discharge of its duties in this regard to the Board and stakeholders.

Assessing the Board's performance

In accordance with the Board charter, a formal evaluation of the Board and its committees is conducted every second year. Accordingly, the Board performance evaluation was undertaken in FY2023 and the next round of Board evaluation is scheduled for FY2025.

The human capital committee is responsible for ensuring that the composition of the Board meets the ability to execute the strategy as set by the Board through ethical and effective leadership.

The Board is comfortable with its diversity in the broader sense and that its composition reflects an appropriate mix of knowledge, skills, experience and independence. Adcorp has exceeded its racial diversity target of 50%.

Board committees

The various Board committees report quarterly to the Board on their statutory duties and Board-assigned responsibilities. Their responsibilities are set out in their terms of reference, which are regularly reviewed and are available from the company secretary.

Information on the board of directors and their committee memberships are included in this report on pages 62 and 63.



Board and committee meeting attendance

The Board meets at least quarterly with additional meetings convened when necessary. Board and committee meetings during the year are set out below:

	Board	Audit and risk committee**	Human capital committee**	Social, ethics sustainability committee	Investment committee
Gloria Serobe	4 of 4		2 of 4		
Phumla Mnganga	4 of 4		4 of 4	3 of 3	
Herman Singh	4 of 4	6 of 6			3 of 3
Ronel van Dijk	4 of 4	6 of 6		1 of 1	
Clive Smith	4 of 4		4 of 4		3 of 3
Tshidi Mokgabudi	4 of 4	6 of 6		3 of 3	
Melvyn Lubega	4 of 4	5 of 6			3 of 3
Timothy Olls	4 of 4		3 of 3		1 of 1 [^] 2 of 2
Cecil Maswanganyi*	1 of 1			2 of 2	0 of 1
Monde Nkosi*	1 of 1				1 of 1
John Wentzel	4 of 4	5 of 6 [^]	4 of 4 [^]	3 of 3 [^]	3 of 3
Noel Prendergast	4 of 4	6 of 6 [^]			3 of 3
Sam Sithole	1 of 1 2 of 3 [^]		1 of 1 2 of 3 [^]		

[^] Attended as an invitee.

* Cecil and Monde resigned as directors with effect from 28 July and 01 June 2022, respectively.

** Includes special meetings in addition to the regular schedule of meetings, 2/6 audit and risk committee meetings and 1/4 human capital committee meetings were special meetings.

Committee focus areas

See the social, ethics and sustainability committee report on page 94 and audit and risk committee report on page 101 for the focus areas of these committees and the remuneration report on page 80 for the focus areas of the human capital committee. For the nominations committee focus areas of the human capital committee for the period under review, please see below table.

What kept the HCC busy this year – NomCo activities FY2023	What will keep the HCC busy this year – NomCo activities FY2024
Reviewed and recommended to the Board, those directors retiring by rotation and those standing for re-election post the AGM 2022, as well as proposed members of the audit and risk committee.	Continue to review the composition of the Board sub-committees and recommend to the Board any changes, in line with good governance and best practice.
Considered and recommended the appointment of the lead independent director to the Board.	Oversee the implementation of the recommendations emanating from the FY2023 Board evaluation process.
Oversee the Board evaluation process which is conducted every two years.	Continue to oversee the succession planning for both directors and management.
Following a benchmarking exercise, reviewed and recommended the directors' fees for the ensuing year, to the Board and to the shareholders for approval at the AGM 2022.	Formal induction programme and continuous development for new directors and executive management.
Reviewed and recommended the Board sub-committee compositions (including that of Adcorp Holdings Australia board and ARC) to the Board for approval.	
Succession planning for both directors and management.	

Corporate governance report continued

Investment committee

The focus areas for FY2024 include overseeing the acquisition and or disposal of certain divisions within the Group as driven by the portfolio optimisation strategy, reviewing the capital allocation framework and weighted average cost of capital of the Group and reporting the results to the Board.

Succession planning

The human capital committee is responsible for ensuring adequate succession planning for directors and management, and that all committees are appropriately constituted and chaired. The Board is satisfied that the depth of skills of current directors meets succession requirements. In new appointments, non-executive directors are selected on the basis of their skills, business experience, sector knowledge and qualifications.

Diversity policy

Adcorp supports the principles and aims of gender diversity at Board level and a diversity policy is in place. We recognise the value that a diversity of skills, experience, background, knowledge, culture, race and gender adds to the effectiveness of the Board. The HCC has adopted the race diversity policy and the committee continues to consider gender, race, culture, field of knowledge, skills, expertise and experience when considering appointing a director or a senior executive manager. The Group is committed to using its best endeavours to ensure that the current 40% (FY2022: 31%) female representation on the Board improves over time and is considered each time a new appointment is being sought.

Share dealings and conflicts of interest

All directors and senior executives with access to financial and any other price-sensitive information are prohibited from dealing in Adcorp shares during closed periods, as defined by the JSE Listings Requirements, or while the Company is trading under cautionary. Email communication is distributed informing the relevant individuals when the Company is entering a closed period. At all other times, directors and prescribed officers are required to seek approval as provided for under the Adcorp share trading policy.

The CFO and company secretary, together with the sponsor, ensure that share dealings are published on the appropriate channels.

Financial and operating controls

The executive directors are charged with the responsibility of determining the adequacy, extent and operation of these systems. Comprehensive reviews and testing of the effectiveness of the internal control systems in operation

will be performed by management and accompanied by external audits conducted by external practitioners whose work will be overseen by, and reported to, the audit and risk committee.

Going concern

The directors consider that the Group and its subsidiaries have adequate resources to continue operating for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the Company's consolidated and Company financial statements. There are no specific material risks or uncertainties regarding future cash flows and operational results, which would impact the Company's continuity for the period of 12 months after the preparation of the report.

Adcorp management has assessed the Group's ability to continue as a going concern. The assessment included an analysis of liquidity and solvency considering a wide range of factors and was based on expected cash flows in the next 12 months, including operational, financial and investment activity.

Internal controls

To meet the Company's responsibility to provide reliable financial information, the Company maintains financial and operational systems of internal control. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, that the assets are adequately protected against material losses, unauthorised acquisition, use or disposal, and that those transactions are properly authorised and recorded.

The systems include a documented organisational structure and division of responsibility, established policies and procedures that are communicated throughout the Group, and the careful selection, training and development of people.

The Company monitors the operation of the internal control systems in order to determine if there are deficiencies. Corrective actions are taken to address control deficiencies as they are identified. The board of directors, operating through the audit and risk committee, oversees the financial reporting process and internal control systems. There are inherent limitations on the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets.

The Company, under the lead of the audit and risk committee, performs an annual assessment, as to whether in the absence of an internal audit department,

adequate alternative measures have been taken to ensure the effectiveness of internal control systems. Due to the size and complexity of the Company's operations, the executive team established an operational audit and risk forum, which was established with the intention to strengthen the Company's effectiveness of internal controls. As such, the executive team is of the opinion that the current Company's controlling structure provides adequate insight into its operations. Please refer to the report of the audit and risk committee for consideration of the CEO and CFO responsibility statement in terms of JSE Listings Requirements 3.84(k) on internal financial controls and the conclusion thereof.

A whistle-blower policy is in place to ensure employees have the possibility of reporting alleged irregularities and ethical lapses. We believe that the internal risk management and control systems provide reasonable assurance that the financial reporting does not contain any material misstatements and that the risk management and control systems worked properly in the year without any significant failings.

Company secretary

The company secretary, Lisa Laporte, is accessible to the Board and provides guidance and assistance in line with the requirements outlined in King IV™ and the JSE Listings Requirements. The company secretary provides the directors, collectively and individually, with guidance as to their duties, responsibilities and powers, and ensures that the directors are aware of all laws and legislation relevant to or affecting the Group. The Board has considered and satisfied itself with the competence, qualifications, and experience of the company secretary.

In executing her duties of governance and administration, Lisa Laporte maintains an arms-length relationship with the Board and its directors, as far as reasonably possible.

IT and information governance

The audit and risk committee is responsible for IT governance on behalf of the Board and reviews the reports from management and the external assurance providers, EY, to ensure that an adequate and effective IT system is maintained. Management is responsible for the implementation of an IT governance framework to ensure that IT expenditure and investments in IT infrastructure are managed effectively and are aligned with business objectives. IT governance at Adcorp is underpinned by King IV™ and Control Objectives for Information and Related Technology (COBIT) and is reflected within the risk and compliance framework policy. In the past year, Adcorp has implemented an Information Technology Infrastructure Library (ITIL) framework to assist with IT governance. The main reason for combining COBIT with ITIL is that while COBIT is more strategic and aims

to align IT goals and values with business objectives, ITIL is more operational, and aims to optimise IT services to best support the business.

As a company whose primary focus is on providing people-related services, Adcorp has chosen to outsource its IT function in order to reduce the risk of IT skill shortages and rising costs. By partnering with an outsourced provider, Adcorp's technology update will receive the necessary expertise to phase out outdated technology and prepare for future digital strategies. This move is expected to generate significant financial savings for Adcorp over the course of the five-year contract.

The internal control framework utilises COBIT guiding principles and the Group was audited by EY to obtain independent assurance on the effectiveness of the controls. Adcorp and EY have also developed a three-year strategy, with the scope inclusive of IT general controls, applications, data and security.

The Board delegates accountability to the risk and IT steering committees to ensure the IT strategy and business goals are aligned.

The Board plays an active role in the Skyhawk Programme, which involves a complete refresh of Adcorp Enterprise Applications. The programme steering committee comprises members from both the Board and Adcorp executive committee, who collaborate to steer the project's technology direction in alignment with the strategy and expected outcomes.

Information governance and protection is ensured through the adherence to relevant legislation, Group policies, processes, and a host of managed security services.

Adcorp IT Management submits the IT progress, and risks with mitigations reports on a quarterly basis to the audit and risk committee.

The Skyhawk Programme is scheduled to go-live in a single switch over on 1 September 2023 and is Adcorp's solution to automation as it includes artificial intelligence in order to automate aspects related to staffing and also addressing and ensuring the alignment of IT systems. After implementation, this solution will ensure efficient deployment of technology, enabling standardisation and automation of various business processes within the core workforce management function.

Companies that are already live in the Programme are BLU, Capability, FunxionO, Charisma, Quest, talentCRU, ADFusion and PMI. Over 989 unique accounts have been created and over 8 million total hours have been captured. Automation benefits have been cultivated and can be quantified as over 68 000-man hours which translates to 35 people, tasks that

Corporate governance report continued

used to take two days now take just 90 minutes. The programme looked at how Adcorp is using technology during critical business interactions with customers, and automation was then applied to those moments to increase business value.

IT developments during the year included:

- ISO 27001 – information technology gap analysis to determine Adcorp's overall conformance to the standard.
- Implementation of Backup-as-a-Service (BaaS) and Disaster Recovery-as-a-Service (DRaaS) to ensure IT continuity and enhanced cyber security capabilities.
- Progress made toward the implementation of ISO 22301: 2019 Business Continuity Management System through business continuity policies and crisis management plans across brands.
- Data maturity assessment, which ranged from ad hoc to effective was conducted.
- Dark data analysis was performed, as well as the data aging analysis in order to develop the data strategy for Adcorp and to drive the business model forward.
- Reduction of IT costs through various initiatives including the restructuring of the Dimension Data outsourcing contract was concluded.
- Implementation of the IT application support model to ensure that the business has the right operating model, structure, and level of skills to effectively execute on its priorities.
- Change management policy has been finalised and signed off. This policy ensures control in budget, schedule, scope, communication, and resources. It also minimises the impact a change can have on the business, brands, employees, customers, and other important stakeholders.

In June 2021 the President signed Act No. 19 of 2020: Cybercrimes Act into law thereby acknowledging that online threats form one of our top tier national security priorities. Organised crime is increasingly employing information and communication technologies to facilitate their illegal activities, particularly in relation to money laundering and identity crime.

Threats to IT security can take a variety of forms. Cyberthreats are constantly evolving and becoming increasingly complex and sophisticated, increasing the difficulty of detecting and successfully defending against them. Adcorp embarked on a transparent, inclusive, and collaborative governance process and the signed off cybersecurity strategy was used to address the challenges associated with an increasingly complex cyber landscape. The strategy also assisted in modernising Adcorp's infrastructure to deliver effective services that supported smart, efficient cybersecurity and enhanced Adcorp's cybersecurity risk management across the enterprise. Through this,

Adcorp harnessed the full range of resources to help protect its business operations and in turn protect the businesses they transacted with. The Group firewall and antivirus was audited by EY to obtain independent assurance on the effectiveness of the controls.

IT is responsible for the disaster recovery plan that is tested quarterly as well as the penetration testing that is conducted annually.

POPIA compliance is addressed through a combination of technical security controls, policies and procedures across the organisation. This is reviewed annually. The Adcorp Group has appointed both an Information Officer and Deputy Information Officer.

Legal compliance

Adcorp's Board considers corporate governance practices to be a critical element in delivering sustainable growth for the benefit of all stakeholders. In conducting the affairs of the Company, the Board endorses the principles of fairness, responsibility, transparency, and accountability advocated by the principles of King IV™.

The Board is ultimately responsible for ensuring compliance with laws and regulations. In regularly reviewing the Company's governance structures, the Board exercises and ensures effective and ethical leadership, always acting in the best interests of the Company and at the same time concerning itself with the sustainability of its business operations.

No material fines or non-monetary sanctions were imposed on the Group for non-compliance with any laws or regulations during the year under review, nor has the Group been party to any legal actions for anti-competitive behaviour or antitrust.

Adcorp has complied with the provision of the Companies Act particularly with reference to the incorporation provisions set out therein and has operated in conformity with Adcorp's Mol.



Risk management

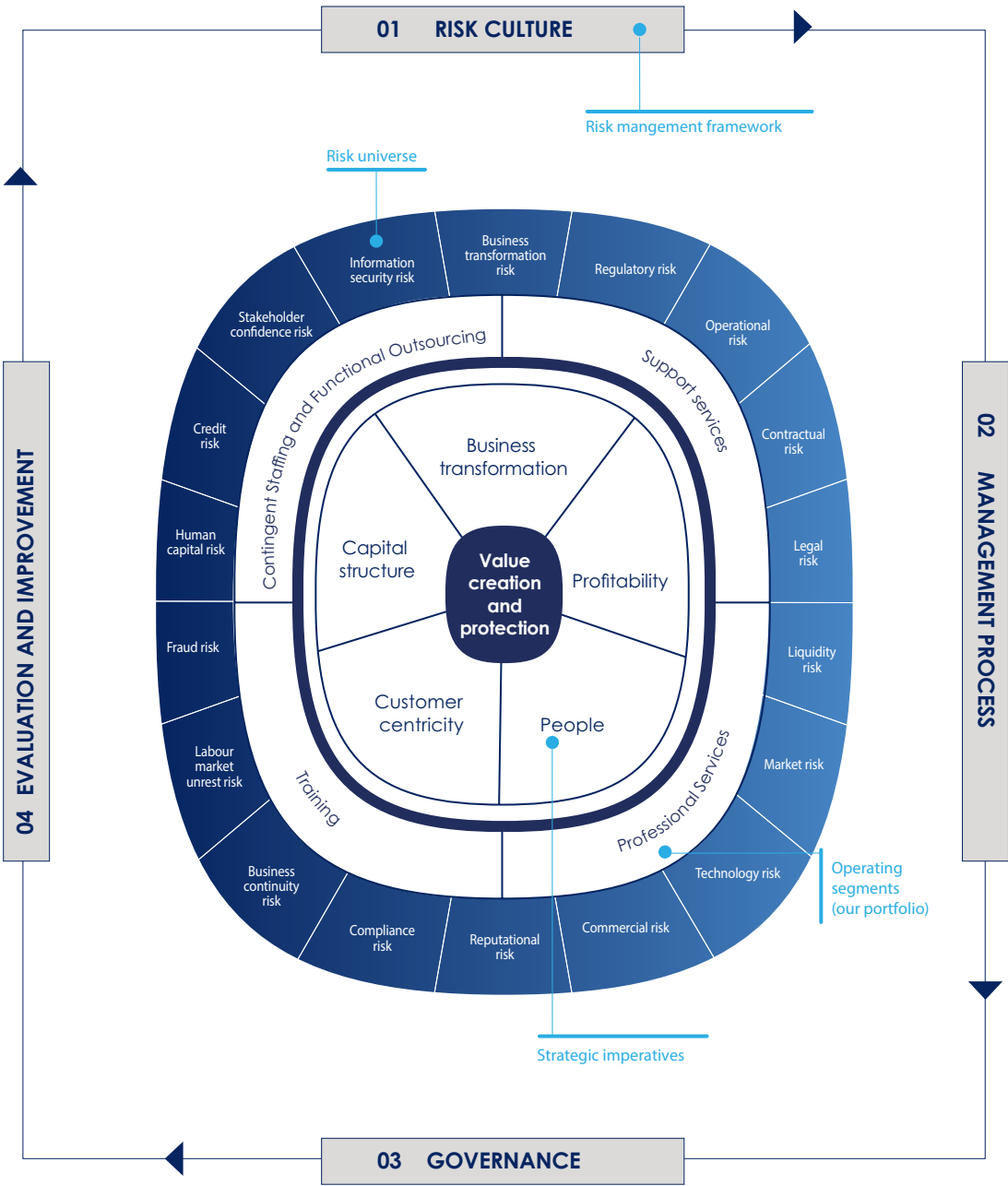
Risk management is a key focus within the Group which is why we are focused on consistently and proactively identifying, managing, mitigating and monitoring key risks on an ongoing basis.

The audit and risk committee oversees risk management on behalf of the Board and receives regular feedback from management on all risk-related activities. The audit and risk committee continually assesses all governance structures and lines of defence to ensure that roles, responsibilities and accountabilities for identifying, managing, mitigating, reporting and escalation of risks within the Group are clearly defined.

An integrated risk management process has been adopted which includes a methodical bottom-up and top-down approach process which ensures that management identifies strategic risks that were scoped and ranked and mitigated.

The Group's Enterprise Risk Management Framework is reviewed annually to ensure that it remains aligned to the Group's objectives, business needs and our governance responsibilities.

Enterprise risk management universe



Risk management continued

The Group's risk culture is set by the 'tone at the top' i.e. from Board level and down through to executive management and other management levels. This is achieved through effective and consistent communication around risks and ethics. The Group's level of risk exposures are measured against formalised risk appetite statements and are further aligned to the Group's strategic objectives.

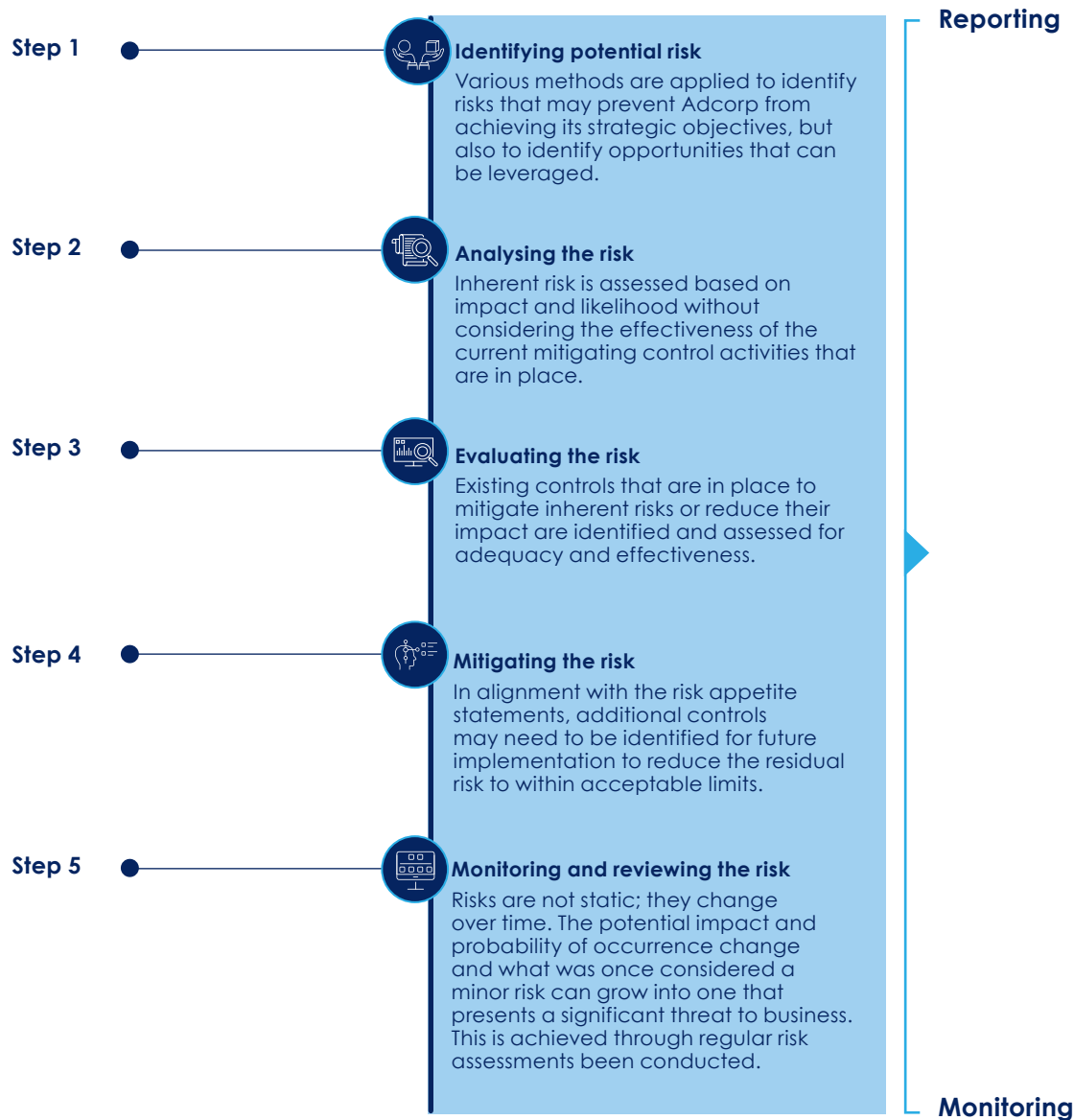
Risk management process

Adcorp risk applies the five step risk management process which encompasses the below:

1. Identify potential risks
2. Analysing the risk
3. Evaluating the risk
4. Mitigating the risk
5. Monitoring and reviewing the risk

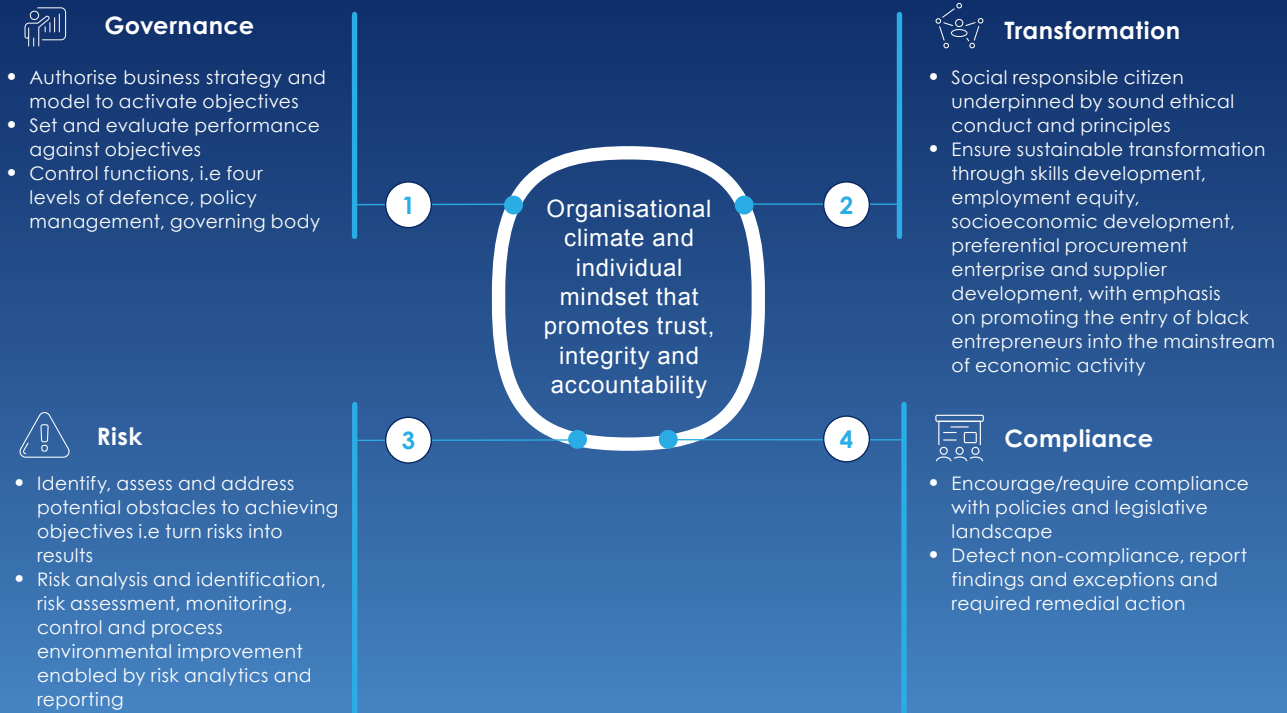
Risk appetites and tolerance are core considerations for our risk response plans as they consider the relationship between the potential impact of key risks and the effectiveness of mitigating controls or management actions.

In an endeavour to enhance the efficacy of the internal control environment, Adcorp's management established a management risk forum, chaired by the chief financial officer. This forum ensures early detection and identification of possible internal control failures at short intervals. The forum thus ensures an additional layer of identification, analysis, monitoring and mitigating of risks identified.



The risk management process is at all times aligned to the governance requirements and principles of King IV™.

Adcorp culture



King IV™ – Corporate governance, which entails ethical and effective leadership to achieve an ethical culture, good performance, effective control and ensure legitimacy.

Combined assurance

Adcorp takes into account its risk appetite and tolerance levels when assessing strategic options, establishing goals, and devising measures to handle associated risks. The integrated assurance framework facilitates efficient coordination among leadership, management, internal auditors, and external assurance providers (comprising four lines of defence) to oversee the implementation of mitigating actions and controls. The aim is to avert or minimise the effects of risk events that might jeopardise Adcorp's strategic and operational objectives. The audit and risk committee reviewed and endorsed the combined assurance framework.

During this period, several crucial strategic priorities emerged, which are as follows:

- Enhancing and solidifying the Group risk and compliance function to ensure consistent management and mitigation of critical operational and legal risks.
- Establishing and outlining comprehensive business continuity strategies and plans to ensure seamless operations during unforeseen events or disruptions.
- Conducting dedicated risk workshops with each division within the Group to address specific risks and devise appropriate risk management approaches.

The combined assurance framework promotes a shared understanding of terminology throughout the organisation and simplifies assurance practices by implementing standardised approaches across the board. This helps streamline processes and ensure consistency in how assurance is conducted across the organisation.

The framework guarantees the integration and embedding of assurance into the daily management of risk, opportunities, and decision-making processes. It ensures that there is alignment with Adcorp's risk management framework, as well as all risk-related policies and activities. This comprehensive approach ensures that assurance is effectively incorporated throughout the organisation's operations and supports the overall risk management efforts.

The current Group risk levels and issues are maintained at a low to medium residual risk level. However, Adcorp's leadership team continues to prioritise and actively work towards addressing control weaknesses and resolving previously identified findings. This dedicated effort significantly contributes to sustainable enhancements in our control environment and levels of compliance.

Considering these key areas of focus, which include but are not limited to:

- Streamlining the Group statutory structure to simplify operations and enhance efficiency.
- Establishing the management risk forum to facilitate robust discussions and proactive management of risks.
- Implementing an Enterprise Risk Management (ERM) Framework to effectively identify, assess, and mitigate risks across the organisation.
- Implementing joint processes with the Board to ensure alignment and effective decision-making.
- Undertaking the implementation of Workday in the HR department to improve HR processes and systems.
- Focusing on stabilising the finance team to ensure smooth financial operations and accurate reporting.

Risk management continued

OVERSIGHT	BOARD OF DIRECTORS									
	Executive committee			Board sub-committees				Company secretary		
4TH LINE OF DEFENCE	External audit		Regulatory audit			Global Standards Certification		Other assurance providers		
3RD LINE OF DEFENCE	INTERNAL AUDIT									
2ND LINE OF DEFENCE	Group Legal	Group GRC	Group Health and Safety	Group Commercial	ST Insurance	Group HCM	Group Finance	Transformation / CSI	Info Systems	
1ST LINE OF DEFENCE	OPERATIONAL MANAGEMENT Strategy, Delegation of authority, Sales & Marketing, Procurement, HR									

The risk appetite and risk tolerance are reviewed and refined as part of the Group's strategy development process. Adcorp uses risk appetite statements to ensure the compatibility of a course of action, or strategic and tactical decisions are always considered for alignment with the Group's risk appetite. Risk appetite refers to the maximum risk that the Group is willing to take in pursuit of its strategic objectives.

Evaluation and improvement

Adcorp undertakes regular risk assessments throughout the business. Risk performance indicators are monitored and reviewed on an ongoing basis to measure adequacy of risk management practices, which are continually improved through learning and experience.

Strategic risks and issues

Adcorp's significant strategic risks and issues have been ranked according to their residual risk ranking, i.e. based on the exposure levels after mitigating action and controls were taken into consideration.



The Group's key risks and mitigations are set out below:



Commercial risk

Description

High concentration in strategic customer portfolio resulting in revenue dependency on limited number of core customers
Continued significant losses, potential damages claims, high litigation and irreparable reputational damage in aaX - Australia

Mitigation

- Appointment of Group Sales Executive
- Key focus on growth of new business opportunities in new sectors
- Continuous monitoring of client satisfaction via a third party supplier
- Dedicated focus on commercial initiatives and implementation thereof
- Executive management relationships and involvement at a client level.
- Group CEO and CFO are personally involved in resolving the issues.
- Formal Forensic investigation completed EY.
- aaX put into voluntary administration.

Residual risk rating ●



Technology risk

Description

Implementation of new ERP system
Cybersecurity

Mitigation

- Cyber security policy and procedures in place with regular reviews
- Regular testing conducted
- Expert third party suppliers consulted
- Project plan for the implementation of the new ERP system in place
- Project sponsored by executive management (CEO & CFO)
- Fail over plan in place

Residual risk rating ●



Liquidity risk

Description

Covenants complied with as per the current facilities agreement

Mitigation

- Treasury policy in place and actively managed
- Treasury function monitoring covenant compliance
- Daily cash flow management analysis, supported by medium and long-term cash flow forecasts
- Effective collections process and strict credit limit
- Adequate credit insurance cover

Residual risk rating ✓



Human capital risk

Description

High turnover of employees as a result of tough economic conditions and our inability to attract and retain skilled employees.

Mitigation

- Active and robust plan in place to ensure a positive change in culture at all levels of the organisation
- Internal leadership courses implemented to ensure change in leadership style
- Inclusion of all levels in operating model discussions and ongoing transparent communications
- Adequate remuneration structures

Residual risk rating ●



Anti-bribery and corruption risk

Description

Proactive and early detection and prevention of corrupt activists

Mitigation

- Anti-bribery policy in place
- Anonymous tip-off line in place for all stakeholders i.e. suppliers, employees and clients
- Effective employee training and awareness campaigns

Residual risk rating ●



Compliance risk

Description

Changing legislative environment

Mitigation

- Robust risk and compliance function
- Participation and engagement with regulatory authorities

Residual risk rating ●



Residual risk rating



High



Medium



Low

Remuneration report

“Through our purpose of enabling agile, skilled and focussed workforces for the future, we are uniquely positioned to make a contribution to both shareholders and the broader society. Adcorp’s contribution to talent mobilisation and placing people in meaningful work and enabling clients to grow, allows economies and companies to thrive, creates employment and helps people have fulfilling careers. It is a purpose and legacy that we at Adcorp are proud of.”

Dr Phumla Mnganga

Chairperson of the human capital committee



Part 1: Background statement

Adcorp recognises the critical role of remuneration in attracting, retaining, and incentivising people with the required skillsets and experience. The year ended 28 February 2023 was another year of implementation where the Group’s remuneration philosophy aligns performance with sustainable value creation. In terms of the remuneration philosophy, annual incentives are dependent on the outcomes of the individual’s performance scorecard, which includes financial and individual strategic targets as reviewed and approved each year by the human capital committee (HCC or the committee). Currently the nominations committee (NomCo) and human capital committee (HCC) are executed as a combined meeting. All meetings commence with the NomCo agenda and then proceeds to the HCC agenda. This report will only address all matters of the HCC. All NomCo related matters are addressed under a separate section and can be found on page 71.

The year under review has been another unprecedented year due to the geopolitical landscape which saw high inflation rates across South Africa and Australia. Economic growth in South Africa remains low and severe load shedding has contributed to business challenges. High employee attrition was one of the biggest people challenges Adcorp has faced in South Africa and Australia during the year under review. Attracting and retaining key talent in critical roles across the business was a challenge. In the South African market attracting and retaining black candidates are becoming increasingly difficult due to business affordability. Further, the increased levels of critical skills leaving South Africa for employment abroad has exacerbated the Group’s inability to attract and retain critical skills. This has required the Group to proactively rethink some of its people practices and policies, mainly flexible working arrangements both locally and globally. Strategies deployed by management to increase communication with employees through various, means including townhall engagement sessions, CEO podcasts, in-person roadshows where the CEO and CPO shared critical business performance insights, have

improved employee sentiment. Employee morale has been improving based on the last engagement survey in SA where the Group achieved an 18% increase from the previous survey to attain a score of 64%. Australia ran its first employee engagement survey and achieved a score of 70%. Management’s intentional efforts to improve employee engagement and morale have yielded the desired results and will continue this trajectory to achieve a desired Group score of 75%. Against this backdrop the Group has produced pleasing results.

During the year under review, the Group engaged the services of a third-party remuneration consultant for benchmarking of certain executive remuneration and general market benchmarking of jobs. The Committee is satisfied that the remuneration consultants engaged were independent and objective in providing the relevant services. The outcomes of this exercise will result in targeted action plans to address critical skills and wage gaps.

Adcorp continually enhances its remuneration policy and framework in line with the King IV™ principles to remunerate fairly, responsibly and transparently. The Committee has monitored the implementation of the Group remuneration policy and framework and is of the view that there were no deviations from the policy in the year under review.

This remuneration report is structured in line with the King IV™ principles and includes:

- The remuneration philosophy and policy;
- An implementation report; and
- Non-executive director remuneration.

Remuneration governance

Adcorp’s approach to remuneration for FY2023 was implemented in line with the strategic priorities and value drivers at the start of the year. The main priorities included:

- Stabilising the business;
- Capacitating for growth;
- Focusing on a capital allocation strategy and execution;
- Ensuring revenue growth;
- Ensuring margin and earnings improvement;



- Managing the cost base;
- Strengthening the Group executive management team;
- Improving our Employee Engagement (EE) scores;
- Improving our Customer Satisfaction Scores (CSat) ; and
- Maintaining our B-BBEE level 1.

The committee supports the Board in the monitoring and oversight of remuneration-related matters of the Board, Group executive and senior management in the business in line with the remuneration policy.

The committee's mandate includes ensuring:

- The remuneration philosophy supports the execution of the Group's strategy;
- There is an appropriate balance of short-term and long-term incentives; and
- Executive remuneration practices are fair and responsible.

The HCC has discharged its duties as set out in a terms of reference that is regularly reviewed by the committee and recommended to the Board for approval.

The following key matters were addressed during the year:

- Measurement of the performance of the executive management team in terms of the short-term incentive (STI) scheme for FY2022;
- Approval of the payment related to the Share Retention Unit (SRU) scheme established in 2020. In terms of the scheme, some members of the executive and senior management team were awarded a retention bonus in 2021 payable in 2023. The SRU scheme was not performance linked;
- Approval of the financial and non-financial metrics of the scorecard for the STIs for the executive management team for FY2023;
- Consideration and approval of the LTI share allocations for FY2023;
- Continuous review of the Adcorp Group's remuneration policy as the impact, trends and effects of the future of work become clearer;
- Adjustment of the remuneration policy as may be required in this volatile economic environment and

initiatives that were put in place during the current financial year;

- Reviewing of the LTI and STI policies for the Group to ensure they are market related and serve the purposes of retaining critical talent;
- Progressing the alignment of the Adcorp talent management process with the Group's strategic imperatives and incorporating this into the revised remuneration policy;
- Review and recommendation of the non-executive directors' fees for approval by shareholders;
- Initiation of a salary benchmarking exercise in South Africa and Australia to review pay scales and job grades; and
- Interviewing and negotiation of the remuneration packages of the new executive directors and managers.

Areas of focus for FY2024 include:

- Approval of the financial and non-financial metrics of the scorecard for the STI pay out for the executive management team and business units for FY2023;
- Monitoring and reviewing the financial and non-financial metrics included in the scorecard of the Adcorp Group for FY2024;
- Monitoring and implementation of the remuneration policy and its amendments and the commensurate effects on performance within the Group;
- Aligning the remuneration structures and policies to ensure that the Adcorp Group can remain competitive in its industry and in the broader economic context so it can attract the best talent;
- Implementation of the revised STI and LTI frameworks for which work commenced in FY2023;
- Execution of action plans from the salary benchmarking exercise started in FY2023. Review and monitoring of the wage gap analysis of employees in South Africa and Australia. Establishing methods to ensure fair pay for all employees;

Remuneration report continued

- Assessment and approval of the LTIs to be awarded for FY2024; and
- Establishing shared roles and responsibilities in conjunction with the social, ethics and sustainability committee (SESCoM) in relation to Environmental, Social and Governance (ESG) matters.

Shareholder engagement and voting

The non-binding vote by shareholders on Adcorp's remuneration policy and implementation report at the AGM held on 28 July 2022, resulted in a 91,70% vote in favour of the remuneration policy and 92,99% in favour of the implementation report, thereby obtaining the required support of at least 75% of the votes cast as provided by King IV™. Adcorp values engagement with shareholders on matters relating to remuneration and will continue to encourage shareholders to share their views with the chairperson of HCC in this regard.

The implementation report is set out below on page 85 to enable shareholders to understand the Adcorp remuneration policy and how it has been applied to the executive management team in FY2023. The remuneration policy also delineates the metrics used for both STI and LTI performance measures.

The committee continues to refine the remuneration policy, disclosure of activities and the implementation of the remuneration policy. The executive directors regularly engage with shareholders openly and transparently on the Group's performance. We trust that this remuneration report provides clarity on the matters relating to remuneration and we look forward to engaging in this regard.

Dr Phumla Mnganga

Chairperson of the human capital committee

30 June 2023

Part 2: The Adcorp remuneration philosophy and policy

Adcorp's remuneration policy, framework and principles are linked to sustainable value creation. This means that remuneration must be fair and responsible, taking into account the long-term interests of the Group. This remuneration report provides an outline of the application of those policies to the Group executive management team.

Remuneration philosophy

The Group's remuneration philosophy is an integral part of its employment value proposition (EVP) and enables the achievement of Adcorp's strategic objectives. It ensures the fair, equitable and consistent application of the Group's remuneration policies and practices, guided by King IV™ Principle 14 and aims to:

- Set competitive remuneration frameworks, enabling the attraction and retention of talented high-performing employees;
- Align executive management's remuneration with the achievement of short and long-term strategic and financial performance targets;
- Enhance consistency and fairness; and
- Provide continuous development opportunities and wellness.

Remuneration structure and design

Total guaranteed package (TGP) is computed using a Cost to Company (CTC) methodology. The Group adopts the Patterson grading system and employees are remunerated according to their job grades ensuring fairness and consistency. To ensure the remuneration remains competitive and attractive, the Group commenced a benchmarking and pay scale exercise

Contingent Staffing

Leading from the front



"I believe that teams who are led by great leaders are positioned for success. When the pandemic hit, we all started working from home, but the pandemic ending didn't mean we just returned to the way things were before 2020. Adcorp's culture is to look at what's best for its people. Hybrid working and flexibility add value to our lives, which supports how well we deliver. This is all possible because of the managers and leaders in the business. We all understand the vision and direction of the business, where we fit in and that we're cared for. When you're confident that your leaders have your best interests at heart, it's only natural to want to contribute as well. There's also so much room for growth and development at Adcorp, and that motivates me as well."

Veronica Ighoraye, account manager, PMI

across South Africa and Australia. The outcomes from this exercise will result in action plans for FY2024.

All permanent employees participate in the STI scheme appropriate to their level and role in the Group. If specified minimum thresholds are not achieved STI payments are not awarded. Only the Group executive and operating segment senior managers participate in the LTIs.

LTIs are awarded as performance share units or share appreciation rights with the aim of retaining and rewarding executives and senior managers who are

key to the delivery of the Group's long-term strategy. Performance shares vest, subject to the achievement of performance conditions, over a three-year performance period and are settled in equity. The key criterion for the performance conditions is economic value added (EVA), which seeks to reward for performance that exceeds the cost of capital for the Group.

The key elements of the remuneration structure for the Group executive management team which were applied in FY2023 are shown in the table below:

	Total guaranteed package (TGP)	Short-term incentives	Long-term incentives
CEO	Market-based in line with remuneration policy	100% of TGP	100% of TGP
CFO	Market-based in line with remuneration policy	*60% of TGP	*60% of TGP
Group executives	Market-based in line with remuneration policy	60% of TGP	60% of TGP
Description	Core component of remuneration. It is set to reflect the market value of the role within a 50 th percentile. Benchmarking of TGP for executive management takes place every three years. The TGP also includes benefits such as retirement/provident fund, death and disability cover, medical aid and Group personal accident cover.	Encourage achievement of agreed set and stretch targets at a Group, division and business unit level. Targets are both financial and non-financial and based on a 12 month view of the Group. These targets are broken down into shorter-term targets and rewarded annually.	Encourage sustainable decision making that drives long-term returns for shareholders and other key stakeholders. Targets are based on a three-year view of the Group.
Purpose and link to strategy	Attraction and retention of key staff	Creating a high performing culture	Alignment of key employee interests with those of shareholders and retention
Delivery mechanism	Monthly cash payments	Annual cash payment	Unvested shares
Performance period	Reviewed annually every March and adjusted in line with inflation, affordability, market surveys as well as company and individual performance. Average increases of 5.3% for SA and 5% for Australia were awarded post year-end in March 2023 for FY2024	Aligned annually with the financial year i.e. 1 March to 28 February	Three-year performance based vesting period from date of award

Remuneration report continued

LTI in the form of share-based awards granted under the Group's share plan will be determined based on the relevant plan rules. The default treatment is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, disability, retirement or other circumstances at the discretion of the committee, "good leaver" status (as defined in the share policy) can be applied. For good leavers, the awards are reduced pro rata to reflect the proportion of the performance period actually served. However, it is envisaged that this would only be applied in exceptional circumstances. In determining whether an executive should be treated as a good leaver or not, HCC will take into account the performance of the individual and the reasons for their departure.

*Post the completion of a job evaluation for the CFO role in November 2022, the results indicated a more competitive market remuneration is required in relation to STI and LTI percentages. As such the HCC has approved from 1 March 2023 an increase to the STI and LTI caps for the CFO from 60% to 75% of TGP, ensuring a more market related remuneration offering. Further, in pursuit of competitive rewards, the Group undertook an exercise to review its STI and LTI offerings against the market practices. The outcomes from this exercise will result in changes being made to the STI and LTI offerings from FY2024 and beyond.

Executive directors' and management employment contracts

The employment contracts for the CEO, CFO and Group executive management team provide for a three-month notice period by either party. The retirement age for executive directors is 65.

Prescribed officers

The prescribed officers of Adcorp in terms of the Companies Act include the CEO, CFO and managing directors of each business unit. Remuneration of the prescribed officers is disclosed in the remuneration implementation report on page 91.

Remuneration of non-executive directors

Adcorp Board fees are based on an annual retainer structure per non-executive director. This annual retainer fee paid to non-executive directors is based on current market practice and comparative metrics. A benchmark exercise is conducted periodically to establish best practice as aligned with relative JSE listed entities with comparative metrics. The total remuneration payable to non-executive directors requires the approval of shareholders at the AGM. The last approval by shareholders in regard to the annual retainer fee structure was obtained at the AGM of shareholders on 28 July 2022. The proposed Board fees for the 2023/2024 period will be tabled for shareholder approval at the upcoming AGM on 27 July 2023.

Total remuneration to non-executive directors for FY2023 is set out in the table on page 93 and the proposed fees for FY2024 payable from the date of the AGM are included in the notice to the AGM on page 08.

Directors' loans and interests in contracts

Directors have no loans with the Group companies. A register detailing director and officers' personal financial interest is available for inspection at the Group's registered address.

Contingent Staffing

Connecting lives



"Adcorp connects lives in so many ways. Knowing that we are having a real impact is very motivating. Too often we can't look past someone's physical abilities. What I've learnt working with disabled people is how smart, driven and determined they are. They have to overcome more and it's humbling seeing how they shine when given an opportunity. It's more than the people we help though. I started out as an intern on a learnership and was given the opportunity to grow as a permanent employee. This is a company that has proven to give youth opportunities to better themselves and life. The possibility of growing a career is there. It just needs to be embraced."

S bongile Tsholofelo Mogoiva, project co-ordinator, iCan

Fair and responsible remuneration

Adcorp's approach to fair and responsible remuneration is in line with principle 14 of King IV™ that includes:

- Fair and responsible pay, free from discrimination, self-interest, prejudice or favouritism;
- Addresses inequality and ensures equal pay for work of equal value;
- Achievement of employment equity targets; and
- Reward performance and incentivise future sustainability and value creation.

The committee works together with the Social, Ethics and Sustainability Committee (SESCoM) to embed principles that govern the Group's approvals of fair pay across all levels of employees as well as our assignee and contingent workforce as discussed below.

Fair and responsible remuneration of permanent employees

At Adcorp we believe that fair and responsible remuneration ensures that our remuneration is both externally competitive and internally equitable. The HCC monitors internal pay gaps across Adcorp to ensure remuneration is fair and responsible in the context of overall employee remuneration.

The Group, which employs job grading and pay bands for different jobs, generally pays TGP in the middle quartile of the market in order to remain competitive with the TGP for comparable roles in companies of a similar complexity and size. This enables the Group to attract and retain top talent, especially in critical or strategic areas.

The Group uses external parity and benchmarking. Adcorp conducts regular salary reviews, which take into consideration changes in the scope and roles performed by individuals, changes required to meet the requirement of the remuneration policy, and the market competitiveness of the salaries and benefits provided by the Group. Salaries are adjusted to account for the results of benchmarking and individual performance and experience. To ensure the remuneration remains competitive and attractive, the Group commenced a benchmarking and pay scale exercise across South Africa and Australia. The outcomes from this exercise will result in action plans for the FY2024. Consistent job evaluation and grading of roles ensures equity of reward and facilitates both our transformation objectives and mobility within the Group.

Fair and responsible remuneration for assignees and contractors

Adcorp's commitment to our assignee workforce is to ensure that they receive equitable and fair pay at client sites. The Group advocates equal treatment policies for all its assignees and has reinforced this through products available from its partners, which deal responsibly with death, wellness and long-term savings. Currently, within the temporary staff base and outside of those staff already provided for by industry-specific bargaining councils, several assignees benefit from affordable additional employee benefits such as funeral cover, income protection and provident fund benefits.

It is pleasing to note that most of Adcorp's clients share a great sense of social responsibility, and we will continue to engage with our clients and relevant stakeholders on the ongoing discourse related to minimum wage versus living wage.

Part 3: Implementation report 2023

The committee confirms that remuneration has been implemented according to the remuneration policy during the reporting period.

Remuneration for executive directors and prescribed officers in FY2023

King IV™ requires disclosure of the potential consequences on the forward-looking total remuneration for executive directors and prescribed officers on a total, single figure basis based on achievement of minimum, on-target and stretch performance outcomes. The explanations and tables that follow outline the on-target versus stretch weightings of the Group executive management team and then provide the proportions of the pay mix based on minimum, on-target and stretch targets. The pay mix is designed to reward the achievement of short-term strategic financial and nonfinancial objectives through STIs and to reward executives and senior managers for their performance with regard to the delivery of the Group's long-term strategy through LTIs.

The HCC has designed the remuneration mix for executive managers in a manner that avoids overdependence on variable stretch and variable long-term components. This results in a high requirement for on-target performance and discourages any excessive risk-taking behaviours.

STI framework for FY2023

The Adcorp People Philosophy is a governance framework for all aspects of decisions relating to is employees. It is within this philosophy that we commit to treating our employees fairly and respectfully at all stages of the employee lifecycle, including fair remuneration practices. Adcorp has a remuneration philosophy that seeks to align the corporate objectives with the commitment and performance of individuals and reward them accordingly. To this end, remuneration structures need to recognise individual and team contribution to the achievement of such objectives and ensure that employees are fairly and responsibly remunerated.



Remuneration report continued

The table below indicates the financial metrics that have been in place for the FY2023 financial year. Financial metrics carry a 70% weighting:

Name	STI as a % of TGP	Revenue growth %	Gross margin %	EBITDA Group %	HEPS growth %	DSO %	Cost management %	ETI %	Total financial metrics %
CEO	100	20	20	10	20				70
CFO	60	10	10	10	20	10	10		70
MD Training	60	20	10	10		10	10	10	70
MD Industrial	60	20	10	10		10	10	10	70
MD Professional	60	20	10	10	10	10	10		70
MD Australia	60	20	10	10	10	10	10		70

The financial metrics above are based on Group and divisional financial targets. Divisional targets will apply to all managing directors. The grid below explains the measures that need to be attained to achieve a STI pay out. Metric achievement can be between 25% to 100%.

	Measure attainment target			
	25%	50%	75%	100%
Revenue growth (Rm)	800	900	1 000	1 100
Gross margin (%)	10,60	10,80	11,10	11,40
EBITDA pre-IFRS 16 (Rm)	208	226	244	262
HEPS (c)	96,2	109,8	123,5	150,6
DSO	41	40	39	38
ETI – Group (Rm)	50	60	70	80
Employee engagement scores (%)	54	58	62	66
Customer satisfaction scores (%)	76	78	80	82

The following non-financial strategic targets are also included in the STI scorecards, carrying a 30% weighting:

Name	STI as a % of TGP	Employee engagement score	Execute capital allocation strategy	Customer satisfaction	Strengthen leadership	Total non-financial metrics
CEO (%)	100		20		10	30
CFO (%)	60	10	20			30
MD Training (%)	60	15		15		30
MD Industrial (%)	60	15		15		30
MD Professional (%)	60	15		15		30
MD Australia (%)	60	15		15		30

Strengthen leadership	1. Appoint MD – Australia, Chief Technology Officer and Chief Commercial Officer before end of FY2023.
Employee engagement score	1. Improve the employee engagement scores from the FY2022 baseline results. 2. Launch Culture Amp in Australia to align with South Africa.
Execute capital allocation	1. Pay a normal dividend of 50% of HEPS. 2. Invest 50% of HEPS into organic growth or Investment Committee approved acquisitions. 3. Execute a share buyback programme or pay a special dividend.
Customer satisfaction	MDs will be measured against Nlighten score by division or equivalent. Support units measured against internal client scores assessed via a survey. CoSec measured against Board score for effectiveness of CoSec assessed via a survey.

Contingent Staffing

There is a foundation of trust



“There has not been a moment over the course of my 22-year career at Adcorp where I haven’t been learning something new each day. I believe in Adcorp’s vision and the difference we make in people’s lives, but it’s not just customers that Adcorp supports. The leadership from our CEO, who genuinely cares about Adcorp’s employees, has made us all feel cared for and seen. Hybrid ways of working support our work life balance and we are given so many opportunities to learn and grow.”

Annelee Whitten, regional administration manager, BLU Group

Remuneration report continued

Short-term incentive performance metrics

The table below further explains the performance measures and approach to the targets set for FY2023:

Metric – FY2023	Why it was chosen	How targets are set
Revenue growth	Drives new growth	Set annually for a 12-month period aligned to the financial period. These annual targets are considered in the context of the required three to five-year strategic goals.
Gross margin	Ensures profitable revenue is generated	Set annually for a 12-month period aligned to the financial period. These annual targets are considered in the context of the required three to five-year strategic goals.
EBITDA pre-IFRS 16	Ensures improvement in earnings	Set annually for a 12-month period aligned to the financial period. These annual targets are considered in the context of the required three to five-year strategic goals.
HEPS	Drives improvement in Company profitability	Set annually for a 12-month period aligned to the financial period. These annual targets are considered in the context of the required three to five-year strategic goals.
DSO	Drives cash availability and efficiency in the operating cycle	Set annually based on anticipated growth in revenue and cash requirements of the Group.
ETI	Ensure focus on youth employment and tax rebates	Set annually for a 12-month period aligned to the financial period
Employee engagement	Drive improvement in employee morale, productivity and retention	Set annually for a 12-month period aligned to the financial period. Improvement required on prior year engagement score
Customer satisfaction scores	Drive improvement in customer satisfaction and delivery	Set annually for a 12-month period aligned to the financial period. Must maintain a score of 82% or above
Strategic focus areas	These are quantitative and qualitative performance areas that are required to be executed in FY2023 in order to meet the strategic goals of the Group	Targets are tailored at an individual level. In FY2023 these were focused on implementing the business stabilisation initiatives. The executive leadership must be fully capacitated. Business efficiencies are to be realised through the various system implementations. The Group must maintain its B-BBEE level 1.

Business performance outcomes and impact on key remuneration decisions

It has been a challenging year for the Group, but the organisation has delivered against this backdrop. On the upside the Group's Headline Earnings Per Share (HEPS) on continuing operations have increased by 48.2% over FY2023. This improvement in earnings demonstrates the strategic effectiveness of the Group's operations and reflects its robust economic health. For the first time in six years the Company has achieved top line growth. Management has commenced execution on the Brandshift Adcorp strategy and deployed a capital allocation framework. Further the Group achieved an improved employee engagement score and delivered higher customer satisfaction. The Group marginally missed its EBITDA and gross margin targets for the year under review.

Against the FY2023 STI metrics, the Group executive team has achieved between 50% to 82,5% of their individual measures. The table below shows the achievement of STI measures.

Name	STI as a % of TGP	Revenue growth %	Gross margin %	EBITDA Group %	HEPS growth %	DSO %	Cost management %	ETI %	Total financial metrics %	Employee engagement score %	Execute capital allocation strategy %	Customer satisfaction %	Strengthen leadership %	Total non-financial metrics %	Total achieved %
CEO	100	5,0	5,0	0,0	20,0				30,0		20,0		10,0	30,0	60,0
CFO	75	2,5	2,5	0,0	20,0	10,0	10,0		45,0	10,0	20,0			30,0	75,0
MD Training	60	10,0	0,0	0,0		10,0	5,0	2,5	27,5	7,5		15,0		22,5	50,0
MD Industrial	60	10,0	0,0	2,5		10,0	5,0	2,5	35,0	15,0		7,5		22,5	57,5
MD Professional	60	10,0	7,5	0,0	10,0	10,0	10,0		47,5	15,0		15,0		30,0	77,5
MD Australia	60	20,0	10,0	10,0	10,0	10,0	0,0		60,0	15,0		7,5		22,5	82,5

Due to solid business performance and results achieved, bonuses were paid to management and employees in recognition of their efforts. Refer to Table 1 on page 91 for the executive management earnings. The MD Australia joined the Group from 1 November 2022 and hence received a pro-rated performance bonus.

Retention bonus

During 2020, the CEO flagged the flight risk of certain senior and executive managers who held critical business knowledge. The CEO at the time worked with HCC to design and implement a specific retention bonus scheme. The purpose of the scheme was to retain a selected number of key talented individuals who held critical skills, at senior and executive management level. These key individuals would play a pivotal role in stabilising the business and supporting the incoming CEO in April 2021, allowing for business continuity and a smooth CEO transition. An original list of 14 employees were identified and offered this retention bonus. The beneficiaries of this retention bonus would need to stay in the employ of Adcorp for two years in return for a bonus equivalent to one year's value of their Total Guaranteed Package. The retention period was from 1 March 2021 until 28 February 2023. At the end of February 2023, there were ten of the 14 beneficiaries still in the Group's employ who received their retention bonus. The total retention bonus paid out at the end of March 2023 was R19 463 011.



Remuneration report continued

Long-term incentive performance metrics

The table below shows the metrics for the share awards for FY2023:

LTI metric	Why it was chosen	Performance requirements for vesting	How targets are calculated
ROIC	Key indicator of the effective use of capital	<ul style="list-style-type: none"> • 50% awarded if ROIC equals WACC. • 75% awarded if ROIC exceeds WACC by 1% • 100% awarded where ROIC exceeds WACC by 2% 	Calculated on a linear scale, as the three-year average of the excess of the actual annual ROIC achieved each year, compared to the WACC of each year as determined by the investment committee in February of each year. The ROIC is based on net operating profit after tax.
HEPS	Measures the growth in the Group's core profitability	<ul style="list-style-type: none"> • No award where HEPS growth is zero or below • 50% awarded where HEPS growth is =>CPI + 3% • 100% awarded where HEPS growth is =>CPI + 6% 	Calculated on a linear scale as the three-year average HEPS growth.

During the year under review 2 556 042 share awards were awarded to 31 executives and senior managers who qualified for this benefit. The allocation has been significantly reduced compared to previous years ensuring the allocation cap was satisfied. These share awards will vest in FY2026 if the necessary performance conditions are met. The FY2020 award had vested during FY2023. Based on the actual performance criteria calculation the ROIC => WACC criteria was not met. The HEPS growth criteria was fully met hence only 50% of the total shares had vested. There were ten beneficiaries from the FY2020 award who were still in our employee and received their vested shares. A total of 176 137 shares had vested.

Malus and clawback

Adcorp continued to implement malus and clawback provisions to executive remuneration for FY2023. Malus and clawback provisions were included in both short-term and long-term incentive plans. The committee found no events or circumstances that would have made it appropriate to clawback remuneration during FY2023.

Directors and prescribed officers' earnings for FY2023

The tables below provide the actual remuneration for FY2023 and the related actual and expected cash outflow.

Table 1: Executive directors' earnings 1 March 2022 – 28 February 2023

Executive directors	Salary R'000	Bonus R'000	Other bonus (retention) R'000	Employee benefits R'000	Sub-total R'000	Realised gains on share options R'000	Notice and leave pay R'000	Total R'000
J Wentzel	5 076	4 000	–	1 206	10 282	–	–	10 282
N Prendergast	2 842	1 710	–	502	5 054	–	–	5 054
	7 918	5 710	–	1 708	15 336	–	–	15 336

Table 2: Prescribed officers' earnings 1 March 2022 – 28 February 2023

Prescribed officers	Salary R'000	Bonus R'000	Other bonus (retention) R'000	Employee benefits R'000	Sub-total R'000	Realised gains on share options R'000	Notice and leave pay R'000	Total R'000
R de Grooth	2 859	1 136	3 001	277	7 273	213	–	7 486
N Najjar	2 352	1 238	–	564	4 154	–	–	4 154
B Toerien	2 111	899	2 449	622	6 081	84	–	6 165
P Prasad (appointed 1 November 2022)	1 202	695	–	126	2 023	–	–	2 023
M Woodbury (resigned 24 June 2022)	1 036	–	–	90	1 126	–	1 150	2 276
	9 560	3 967	5 450	1 679	20 657	297	1 150	22 104



Remuneration report *continued***Table 3: Directors and prescribed officers' long-term incentive participation
1 March 2022 – 28 February 2023**

	Number of outstanding share awards as at 28 February 2022	Issue price R/share	Number of share awards granted	Issue price R/share	Number of share awards vested	Number of share awards forfeited	Number of outstanding share awards as at 28 February 2023	Vesting date
Executive directors								
Dr J Wentzel	906 095*	4,88	–	–	–	–	906 095*	01/04/2024
	949 367#	3,82	–	–	–	–	949 367#	30/06/2024
	–	–	614 878	4,25	–	–	614 878#	13/12/2025
N Prendergast	516 129#	4,26	–	–	–	(258 065)	258 064#	30/11/2023
	303 797#	3,82	–	–	–	–	303 797#	30/06/2024
	–	–	245 481	4,25	–	–	245 481#	13/12/2025
Prescribed officers								
R de Grooth	76 135#	23,93	–	–	(76 135)	–	–	01/03/2022
	483 969#	4,26	–	–	–	(241 985)	241 984#	30/11/2023
	456 713~	5,93	–	–	–	(456 713)	– ~	28/02/2023
	284 868#	3,82	–	–	–	–	284 868#	30/06/2024
–	–	184 148	4,25	–	–	–	184 148#	13/12/2025
N Najjar	261 076#	3,82	–	–	–	–	261 076#	30/06/2024
	–	–	136 953	4,25	–	–	136 953#	13/12/2025
B Toerien	372 915#	4,26	–	4,25	–	(186 458)	186 457#	30/11/2023
	372 907~	5,93	–	–	–	(372 907)	– ~	28/02/2023
	232 595#	3,82	–	–	–	–	232 595#	30/06/2024
	–	–	94 747	4,25	–	–	–	94 747#

Performance shares.

~ Retention shares converted into cash retention bonus.

* Sign-on shares.

On resignation, rights to all shares in the long-term incentive scheme are forfeited.

Non-executive directors' fees

Details of the actual feeds paid to non-executive directors during the year are as follows:

Director	Date appointed	Date resigned	FY2023 fees R	FY2022 fees R
Gloria Serobe	11 July 2017		783 000	1 037 000
Cecil Maswanganyi	1 March 2017	28 July 2022	147 000	329 000
Clive Smith**	10 January 2020		351 000	338 000
Phumla Mnganga	6 September 2018		523 000	502 000
Monde Nkosi	6 June 2019	1 June 2022	106 000	268 000
Herman Singh	6 September 2018		526 000	468 000
Samuel Sithole*	4 July 2017 (Alternate NED 28 July 2022)		142 000	494 000
Ronel van Dijk	6 June 2019		528 000	443 000
Tshidi Mokgabudi	15 October 2020		656 000	665 000
Melvyn Lubega	1 July 2020		475 000	443 000
Timothy Olls*	28 July 2022		239 000	–
Michael Spicer#	21 August 2013		–	643 000
Total NED fees as at 28 February			4 476 000	5 630 000

* Fees paid to Samuel Sithole and Timothy Olls relate to their roles as NEDs and not alternate NEDs.

** Excludes consulting fees amounting to R1 449 018.

Passed away 9 March 2022.

Details of the proposed fees for 2023/2024

	Annual retainer fee for 2022/2023 R	Proposed annual retainer fee for 2023/2024 R
Board		
Chairperson*	875 000	918 750
Lead independent non-executive	350 000	367 500
Non-executive	250 000	262 500
Audit and risk committee		
Chairperson	300 000	315 000
Non-executive	150 000	157 500
Human capital committee		
Chairperson	150 000	157 500
Non-executive: HCC	80 000	84 000
Chairperson: Nomination*	–	–
Social, ethics and sustainability committee		
Chairperson	150 000	157 500
Non-executive	80 000	84 000
Investment committee		
Chairperson	150 000	157 500
Non-executive	80 000	84 000

* The Board chairperson's fees are capped; the Board chairperson does not receive additional fees for serving on other Board subcommittees.

Social, ethics and sustainability committee report

Adcorp has continued its robust approach to social, ethical and sustainability matters under the guidance and direction of the social, ethics and sustainability committee (SESCoM or the committee).

Ronel van Dijk
Chairperson: Social, ethics and sustainability committee



Introduction

Adcorp has continued its robust approach to social, ethical and sustainability matters under the guidance and direction of the social, ethics and sustainability committee (SESCoM or the committee). The committee has an independent role and its responsibilities are set out in section 72(4) of the Companies Act. King IV expands on these responsibilities to promote the creation of value by focusing on ethics, responsible corporate citizenship, sustainable development and stakeholder relationships. The committee's mandate is elaborated upon in its approved Terms of Reference (TOR), which are aligned to the committee's statutory and other responsibilities. The TOR is reviewed annually for relevance and appropriateness. The committee further provides oversight to the company's response and actions in relation to the UN's Global Compact Principles, in particular those relating to human rights, labour, the environment and anti-corruption. Refer to page 20 for further details.

Adcorp's SESCOm supports the Board in overseeing the Group's activities in terms of legislation, regulation and codes of best practice relating to the social, ethics, sustainability, transformation, employment, health and safety, and environmental activities of the Group. Adcorp has adopted a strategic proactive approach to sustainability and as such appointed a Group Head of Sustainability. This committee had oversight on all matters in relation to both the South African and Australian business entities.

Roles and responsibilities of the committee

The overall responsibilities of the committee include:

- Compliance with the requirements of the Companies Act 71 of 2008 insofar it pertains to social and ethics committees;
- Oversight of Adcorp's transformation and employment equity performance against approved plans, including the Group's performance in relation to the Employment Equity Act and the Broad-Based Black Economic Empowerment Act;

- Reporting and ensuring that Adcorp has a productive relationship with both primary and secondary stakeholders, including monitoring the Group's engagement with key stakeholders, such as clients;
- Ongoing monitoring and oversight of an ethical culture and practices within the Group to ensure that all stakeholders of the Company operate within a coherent ethics management framework;
- Reviewing and monitoring compliance and application of legislation and practices with regard to the environment, health, public safety and wellbeing of the Group's employees, assignees and candidates;
- Ensuring the policies and practices relevant to its areas of responsibility are adequately and appropriately formulated;
- Monitoring the Group's performance as a good corporate citizen, which includes its stakeholder relations and, where possible, exceeding its social commitments, with an enhanced focus on transformation as we operate within the realms of human capital; and
- Reporting to stakeholders annually on matters relevant to the committee.

With an intentional focus on sustainability the following are related responsibilities of the committee:

- Oversee the establishment of sustainability policies and codes of practice and their effective implementation, and monitor and review their ongoing relevance, effectiveness, and further development;
- Ensure that Adcorp monitors and reviews current and emerging sustainability/ESG trends and relevant international standards and legislative requirements, and identifies how those are likely to impact on the strategy, operations and reputation of the Group and determine whether and how these are incorporated into or reflected in the Group's ESG policies and objectives;



- Oversee the development of and make recommendations to the Board regarding the Group's sustainability strategy;
- Set appropriate strategic goals, as well as shorter term KPIs and associated targets related to ESG factors and oversee the ongoing measurement and reporting of performance against those KPIs and targets;
- Work in conjunction with the audit and risk committee and the human capital committee to oversee the identification and mitigation of risks relating to sustainability, as well as the identification of opportunities related to sustainability factors;
- Make recommendations to the Board in relation to the required resourcing and funding of sustainability-related activity and, on behalf of the Board, oversee the deployment and control of any resources and funds;
- Identify the relevant sustainability factors that do or are likely to affect the operation of Adcorp and/or its strategy;
- Oversee the Group's engagement with its broader stakeholder community; and
- Ensure that the Group provides appropriate information and is transparent regarding its sustainability related policies with its stakeholders.

Composition and attendance

The committee comprised the members as set out below during the reporting period and a brief description and *curriculum vitae* of each committee member is set out on page 62. During the year under review, the committee comprised of three non-executive directors, all of which are independent, as listed below:

- R van Dijk: Chairperson and independent non-executive director;
- P Mnganga: Lead independent non-executive director;
- T Mokgabudi: Independent non-executive director;
- C Maswanganyi: non-executive director (Resigned on 28 July 2022)

The Group executives – Chief Executive Officer, Chief People Officer, General Counsel and Company Secretary, and members of senior management have standing invitations to the committee meetings. In alignment with its TOR, the committee met three times, and the meeting attendance is set out on page 71. The agenda of these meetings is addressed under the key focus areas below.

Key focus areas of the committee

The committee focused on the following areas during FY2023:

Policy reviews

The committee provided a level of oversight and direction during the process of creating or updating a number of policies to ensure the Group's ethical landscape and culture are maintained. These policies included the following:

ESG Policy

The SESCom approved Adcorp Group's first formal ESG policy during the year under review. The Group's ESG policy reflects its commitment to embedding sustainability best practices into the business. The policy provides a shared understanding of the importance of ESG and its relevance to business and ensures that sustainability practices are integrated into operations and decision-making processes, including governance and oversight.

The policy identifies five ESG priority elements, namely:

- Corporate governance practices and ethics;
- Diversity, equity and inclusion;
- Environmental stewardship;
- People wellbeing; and
- Youth employment/ social accountability.

These priority elements are aligned with the eight United Nations Sustainable Development Goals (SDGs) that the Group has identified where the Group can have the most material positive impact. From an environmental perspective, environmental responsibility is prioritised and the Group embraces a "do no harm" approach. From a social perspective, the Group aims to improve lives

Social, ethics and sustainability committee report

continued

through fair and decent employment opportunities as well as quality education and training, thereby enhancing individuals' earning potential and opportunities. From a governance perspective, strong governance, ethics and risk management are taken very seriously, recognising that they are critical to our long-term value creation.

Prevention and Elimination of Harassment in the Workplace Policy

The South African Constitution protects the right to dignity, equality, and fair labour practices in terms of the Bill of Rights. South Africa regards all forms of harassment as a form of unfair discrimination that constitutes a barrier to equity and equality in the workplace. Therefore, all forms of harassment such as sexual harassment, gender-based violence and harassment, bullying, and racial, ethnic or social origin harassment must be eliminated.

In line with the introduction of the Code of Good Practice on the Prevention and Elimination of Harassment in the Workplace of 2022, Adcorp ensures the creation of a workplace (and in any activity linked to, or arising out of work) that is free of discrimination and harassment and a work environment where the dignity, integrity, privacy and the right to equality of all employees, applicants for employment, learners, and all other persons who have dealings with the Group, are respected. Similar harassment policies exist in our Australian operations and are regularly reviewed and updated.

It is against Group policy for any employee to verbally or physically harass or discriminate against another employee on the basis of an individual's race, gender, sex, pregnancy, marital status, family responsibility, ethnic or social origin, sexual orientation, age, disability, religion, HIV status, conscience, belief, political opinion, culture, language, birth or on any other characteristic protected by applicable law. Harassment of employees in the Adcorp workplace by any third party will not be tolerated either. Persons who have been or are being subjected to harassment, including sexual harassment, in the workplace have the right to lodge a grievance about it and appropriate action will be taken. This policy provides for appropriate procedures to deal with such complaints and prevent its recurrence.

Social Media Policy

This policy provides guidelines for social and digital media use for all employees both during or outside normal working hours, irrespective of whether such use takes place on the Group's premises and whether or not using company/personal devices and bandwidth. Although social and digital media can benefit Adcorp (in terms of marketing, recruitment, relationship building, brand building, brand awareness, communication) poorly judged or timed activity can jeopardise the reputation / image of the Group, and as such, strict protocols need to be adhered to.

Employees should be aware that Adcorp may observe content and information made available by employees through social media or brought to the attention of

Adcorp by the general public or authorities. Employees should use their best judgment in posting material that is neither inappropriate nor harmful to Adcorp, its employees, or clients. Although not an exclusive list, some specific examples of prohibited social media conduct include posting commentary, content or images that are defamatory, pornographic, proprietary, harassing, libellous, inciting or that can create a hostile work environment.

Health and Safety Policy

Adcorp has always placed a strong emphasis on creating a safe and healthy work environment for all its employees. To this end, the Group has reviewed and signed a comprehensive policy statement in compliance with Section 7 of the Occupational Health and Safety Act. The policy outlines Adcorp's commitment to identifying and managing risks associated with its processes and systems, complying with relevant safety and environmental regulations, improving service quality, incorporating feedback from interested parties, and providing training for employees.

The policy statement serves as a crucial tool in Adcorp's ongoing efforts to promote a culture of safety in the workplace. It provides a clear and concise set of principles and goals that embody the Group's commitment to workplace health and safety, while also serving as a guide for all Group activities.

Hybrid Working Policy

During the previous financial year, the Group introduced hybrid working and work-from-home arrangements for the first time. A staff survey was conducted and based on the survey outcome and reinforced by our experience of no loss in productivity, the Group proceeded to implement a pilot hybrid working arrangement. Following the successful 12-month pilot, Adcorp adopted the hybrid working policy as a permanent work structure in October 2022. This approach is not rigid, as from time to time some units may be required to be in the office for the entire week as business demands dictate. Effective business operations are paramount in determining the exact schedule of the business unit's hybrid working arrangements. These arrangements will be defined by each Group Executive member in consultation with senior divisional management.

This working model only applies to the roles that can operate successfully through these working arrangements. Employees deployed at client sites must follow the working policies of the client. Employees will not, however, be compelled to work in a hybrid fashion. Employees who prefer to come to the office more regularly are welcome to do so. Employees who cannot effectively work from home are welcome to work in the office daily.

Stakeholder Engagement Policy

Adcorp recognises that effective stakeholder engagement is essential to achieving our strategic priorities. The Group is committed to adding sustainable

value to all our key stakeholders and having a positive impact on broader society (i.e., promoting shared value). These specifically include shareholders, employees, customers, suppliers, regulators and communities in the context of broader society. Adcorp subscribes to the need for meaningful and sustainable engagement with all its stakeholders.

This policy seeks, within the parameters of the Group's core values, to establish a framework and principles of engagement with all stakeholders. Further it aims to ensure that the code of ethics is upheld throughout all stakeholder engagements.

Adcorp uses a decentralised stakeholder engagement model in which individual business units, legal entities and corporate functions manage their own stakeholder engagement and are responsible for identifying stakeholder concerns and taking appropriate action. Appropriate central oversight and guidance from this committee are applied. Maintaining constructive relations with legitimate and material stakeholders is a core responsibility of each business unit, legal entity and corporate function.

Conflict of Interest and Disclosure Policy

This policy seeks to protect both Adcorp and the individuals involved in its business management and operations from any appearance of impropriety and to ensure compliance to statutory and best practice requirements. The purpose of this policy is therefore to provide a framework for the prevention of conflicts of interest as far as reasonably possible. Where conflicts are unavoidable, the policy provides guidelines on how to deal with the conflicts in an ethical and responsible manner and mitigate potential risks.

The Board recognises its obligation to oversee that appropriate controls and procedures are implemented within the Group. These controls and procedures will assist Adcorp in meeting regulatory requirements both in South Africa and internationally. The policy therefore serves to fulfil the Board's responsibility in terms of principle 2.14 of the Kind IV report. Any conflict, or perceived conflict,

between the personal interests of directors or employees and the interests of Adcorp should be avoided. Employees, management, executive and non-executive directors and prescribed officers of Adcorp have a common law duty to avoid any conflict of interest and to act in the best interest of Adcorp at all times.

Whistleblowing Policy

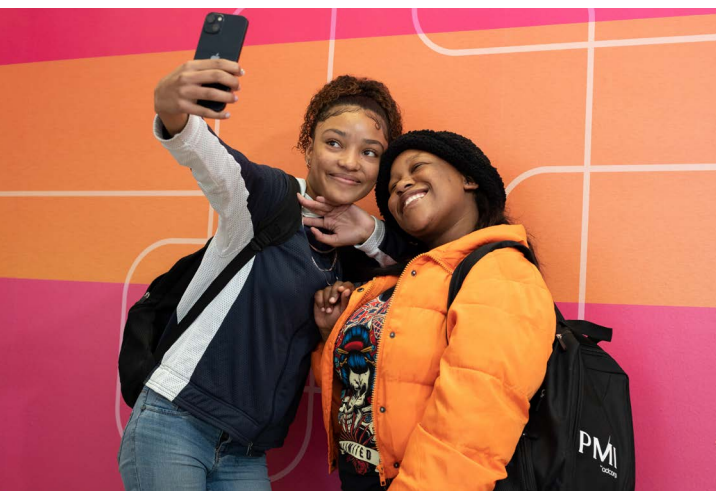
Whistleblowing is the release of information by a member or former member of, or persons associated with, an organisation that is evidence of illegal or immoral conduct in the organisation, or conduct in the organisation that is not in the public interest. Adcorp is committed to the highest standards of openness, probity and accountability and recognises that employees who raise concerns are an asset not a threat. It is important that any dishonesty, fraud, misconduct or wrongdoing by workers or officers of the organisation is reported and properly dealt with. The Group therefore encourages all individuals to raise any concerns that they may have about the conduct of others in the organisation or the way in which the organisation is run. This policy sets out the way in which individuals may raise any concerns that they have and how those concerns will be dealt with. This policy applies to all employees, workers, managers, directors and trustees of the organisation. Other individuals performing functions in relation to the organisation, such as agency workers and contractors, are also encouraged to use it.

Code of Ethics

The Code of Ethics is a guideline of principles designed to help employees conduct themselves honestly and with integrity relating to Adcorp business and in their professional capacity. The code lays the foundation for building and sustaining a strong ethical culture within the Group. The purpose of this Code of Ethics is to ensure that all of Adcorp's directors and employees uphold the integrity of the business and that they operate with transparency and efficiency. The Code is designed to guide the integrity of all employees, to entrench strong client and supplier relationships, to enhance our results and inspire excellence in our employees as well as ensure we continue as leaders and role models in the industry. The Group is an extraordinary organisation comprised of individuals who represent a diverse set of values, opinions, backgrounds, cultures and ambitions. Adcorp expects employees to respect the tradition and culture of all people and needs to draw from this to ensure it develops extraordinary teams, as teamwork is an essential part of a successful business.

Protection of Personal Information Act (POPIA) and Promotion of Access to Information Act (PAIA) Policy

In accordance with POPIA and PAIA Adcorp is committed to protecting personal information as well as ensuring that such information is used appropriately, transparently and securely, avoiding unauthorised access across the South African business. Similar mechanisms and guidelines have been implemented within the Adcorp Australia businesses, in so far as the relevant privacy laws are concerned.



Social, ethics and sustainability committee report

continued

The Group reviews its technical and operational security controls and processes on a regular basis to ensure that personal information is secure. In accordance with the policy, Adcorp has appointed an information officer who is responsible for the encouragement of compliance with the conditions for the lawful processing of personal information and other provisions of POPIA and PAIA.

Organisational ethics

The committee remains committed to embedding an ethical culture within the organisation. The committee understands and enforces the principle of setting the tone from the top of the organisation. Annual surveys will continue to be carried out throughout all geographical regions. Notwithstanding the ongoing activities aimed at improving our ethical culture, reports on any unethical behaviour are received through the tip-off line managed independently by Deloitte and management swiftly addresses the reported cases in line with the policies and procedures that are in place. All reported cases are raised at meetings of this committee. This has proved to be an effective detective mechanism to combat fraud and corruption as it encourages employees to report illegal action and ethical misconduct. The committee ensured the alignment of all policies related to ethics, anti-corruption and anti-bribery to the OECD recommendations. During the year under review, the committee monitored the progress made in the following areas:

- Development of an ethics and fraud programme, to be rolled out in the 2024 financial year;
- Development of a fraud risk management strategy;
- Ethics pledges that have been included in our onboarding of new employees; and
- A formal process of disclosure of interest and reporting of fraudulent activities.

Stakeholder engagement

The committee remains committed to effective and transparent communication with key stakeholders.

Key stakeholders have been defined under the stakeholder engagement section of this report on page 26, but these primarily comprise groups that are most likely to influence the delivery of the Group's strategy, i.e.:

- Shareholders and providers of other capital;
- Employees and clients;
- Candidates;
- Government and other regulatory bodies; and
- Communities.

The committee recognises that effective stakeholder relationships are critical for sustainable value creation and monitored the quality of these relationships to ensure the needs, expectations and concerns of stakeholders were adequately addressed by the Group. During the year under review management has commenced a project to formalise the stakeholder engagement process, to be executed on a decentralised basis while monitored centrally by the CEO's office and reported to this committee for final oversight.

Transformation

The members of the Committee actively participated in the Group's transformation programme, not only to ensure optimal B-BBEE scores for the Group and operating entities, but also to drive sustainable transformation imperatives for the Group. Progress on transformation in terms of compliance with the South African regulatory landscape through a mindful approach to true broad-based empowerment was continuously monitored and supported.

B-BBEE

The Group maintained and achieved a B-BBEE Level 1 rating for a third consecutive year. A key opportunity for the Group that was well maintained was the share scheme that encompasses external black shareholders and an internal trust called AEBT3, which was successfully registered at the master's deeds office in the prior financial year. The ownership transaction utilises a sustainable funding structure which is not reliant on external bank funding, share price appreciation or dividend payments and preserves the existing value for all shareholders. The structure ensures that the interest of the B-BBEE shareholders and other shareholders are aligned and value accretion, for both groupings, will ultimately be driven by the growth in the sustainable earnings and cash flow generation capability of the Group's South African assets. Growing the earnings and cash flow generation of these assets will drive the value of these assets and ultimately provide the B-BBEE shareholders with an opportunity to realise value over time.

This ABET 3 share trust scheme is specifically designed to facilitate ownership by female employees across the Group. Through this share scheme, Adcorp seeks to achieve the following:

- Enable real black economic advancement amongst female employees.
- Recognise, reward and retain more female Adcorp employees, while attracting exceptional talent.
- Enhance employee's participation in the future prosperity of the organisation
- Positioned to compete better in the marketplace by having 67,14% black ownership and 47,99% black women ownership including our shareholder Simeka.



During the financial year under review, the scheme had 774 beneficiaries, 100% female. Upon initial allocation 93.2% of share allocation was awarded to black beneficiaries of which 35.59% were from designated groups. Our next award in the scheme is anticipated to take place during July 2023. Six trustees were appointed to the trust, three being external independent trustees and three being nominated by the employee beneficiaries. Ongoing training on the Trust Deed is conducted with these Trustees as and when required. The first trustee meeting was held on 12 April 2022 where 5 out of 6 trustees were in attendance. Meetings are to be held at least once per annum. A Trust General Meeting was held on 10 November 2022, with 308 beneficiaries in attendance.

Amendments to the Employment Equity Act

In accordance to the amendments to the Employment Equity Act, the committee guided management to the required actions necessary for the Group to adapt. Actions to date included training to capacitate business to manage the changes to the Employment Equity Act amendments. To date, various training sessions were held by an expert and the audience included executive managers, managing directors, senior managers responsible for employment equity, HR teams and diversity, equity and inclusion (DEI) committees to support business. The purpose of these training sessions was to collaborate and capacitate the attendees so that they can take proactive and informed steps to prepare for this strategic and operationally vital legislation change anticipated from September 2023. All employment equity (EE) plans were replaced in March 2023 with plans that include the new proposed sectoral targets. As line managers prepare for the new changes, the following toolkits were shared to ensure transfer of learning and value-add:

- A model for fair discrimination;
- A framework for workforce modelling;
- A model for workforce planning;
- A model for addressing Equal Pay for Work of Equal Value;
- A checklist for ensuring governance around documentary evidence relating to the EE process; and
- Guidelines for designing the 5-year plan that will achieve the sectoral ministerial targets.

The committee had oversight of the plan and has been kept informed on the progress against the plan.

Diversity, equity and inclusion

Diversity and inclusion is one of the Group's values and we remain committed to driving and welcoming a culture that embraces a diverse range of people, perspectives, and ideas. Employees of Adcorp, irrespective of their race, sexuality, disability status, social category, age, religion, culture or other personal characteristics should feel a sense of belonging in an embracing culture in the workplace. A critical component of transformation is a sound diversity, equity and inclusion strategy. This has been incorporated in the Group's transformation policy.

Management has constituted various diversity, equity and inclusion committees across the Group. The terms of reference of these committees was tabled for the committee's approval and adoption.

Adcorp currently has seven diversity, equity and inclusion committees across the Group with a total of 90 members. The committees are made up of employee nominated employees and manager representatives of various occupational levels, race and gender of the specific companies within the Group. Each committee is made up of a senior manager responsible for employment equity and committee members. Members serve in the committee for a period of two years, following which re-election processes commence. Senior managers responsible for employment equity are appointed by the portfolio managing executives of the respective businesses. Committees meet every quarter in February, May, August and November and report back to this committee.

Social and economic development

The committee has supported the continued investment in enterprise development initiatives enabling young entrepreneurs to participate in business operations at the Group's head office site. Such initiatives include an onsite coffee shop and restaurant, an employee shuttle service to the various surrounding public transport sites, an onsite beauty spa at the Woodmead offices and a small learning platform solution business that collaborated with our PMI business, to create meaningful impact on our country's skills development gap.

Further, the committee ensured the CSI programme continued to focus on areas that supported the development and education of young people through partnership with an innovative education trust and youth development programmes especially for historically disadvantaged groups living in the rural areas, individuals living with disability and women. Please refer to page 42 for more detail on our social and economic development investment.

Decent work and fair pay

Adcorp prescribes to the International Labour Organisation (ILO) vision of promoting social justice and internationally recognised human and labour rights, pursuing its founding mission that labour peace is essential to prosperity. Adcorp does not promote child labour and will not do business with clients who do not subscribe to the minimum wage agreement.

The Group's remuneration philosophy is to recruit, develop and retain employees who believe in our core purpose, and live by our values. We endeavour to encourage innovation and growth by creating a working environment that motivates high performance so that all employees can positively contribute to the vision, mission, values, strategy and goals of the Group. As a responsible employer, Adcorp applies the principle of equal pay for work of equal value.

Social, ethics and sustainability committee report

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This is applicable to both South Africa and Australia with local legislation governing it. The Group commenced a grade benchmarking exercise in both South Africa and Australia. Adcorp uses the Patterson grading system and this exercise will ensure that we continue to pay market related salaries. The outcomes from this exercise will inform the actions we take in relation to remuneration in the next financial year.

Sustainability

Adcorp aims to contribute to a sustainable future by promoting sustainable development across economic, social and environmental dimensions. This is done in line with the 17 SDGs to end poverty, protect the planet and ensure prosperity for all by 2030. As a committed workforce solutions provider, Adcorp contributes to eight SDGs which are related to the five priority elements identified during the prior financial year through a materiality assessment involving stakeholder engagement. The global goals are a collaborative effort and the Group partners with its employees, contingent workforce, clients and other stakeholders to contribute to a more inclusive and equitable future. SDG 17 – Partnerships for the goals, underpins the group's actions and allows the Company to amplify its impact beyond what it could do alone.

Adcorp adopts a position of "Do no harm" approach to the environment, while contributing to an improved society and embedding strong governance and ethics practices. The Group prefers to partner with suppliers who take social responsibility and environmental stewardship seriously and will not partner with suppliers whose businesses damage the environment or societies without any mitigating efforts in place.

Adcorp's sustainability programme is shifting to a more strategic focus. What is measured is managed. During the year, under the guidance of the committee, the Group has identified a number of additional indicators to be measured going forward and is in the process of rolling out the mechanisms to gather accurate data to allow for complete and transparent analysis and reporting.

Highlights for the last year:

- GHG emission reduction – Adcorp head office utilises renewable energy through existing solar panels located on the roof of the buildings. This provided a 25% saving in electricity and a related reduction in scope 2 carbon emissions. Adcorp continues to operate on a working from home hybrid model which reduces employee commuting and a resultant reduction in scope 3 travel emission.
- Waste management – Adcorp partners with a waste management supplier to separate and weigh waste on site. This improves the recycling rates and reduces the amount of waste sent to landfills. Refer to page 48 for more detail.
- The group's diversity, equity and inclusion forums allow it to execute and fast track progress on its diversity, equity and inclusion strategy with the aim of providing meaningful change.

- Adcorp continued with its employee development programmes with the intention to build future-ready skills. The focus was developing women leaders, agile leadership and next generation leaders. During the year under review Adcorp invested a total of R27.8 million by affording skills development opportunities to 7 766 individuals, of which 6 885 (88.7%) were from previously disadvantaged backgrounds. R14.2 million of the total skills spend was invested towards Adcorp employees and R13.6 million was invested on non-employees. Refer to page 32 for more detail.
- The Group supports and empowers its SED suppliers towards achieving business sustainability and will continue to provide them with the necessary support.
- The Group commenced the implementation of an online environmental system to efficiently manage environmental data, including the Group's carbon footprint.
- To enhance sustainability robustness, Adcorp's focus is on incorporating relevant indicators from the Sustainability Data Transparency Index (SDTI), aligning with the JSE Sustainability Disclosure Guidelines and referring to the GRI Standards.

Focus areas for 2024

During the coming financial year, the committee will focus on the following:

- Monitor compliance with the B-BBEE act and action plans to maintain or improve upon current ratings;
- Monitor progress against the newly introduced provisions of the Employment Equity Act;
- Monitor progress on gathering environmental data for analysis and reporting purposes;
- Continue oversight and approval of material Group policies in line with the review timeline of the Group, with particular focus on policies addressing technology risks such as the risks relating to artificial intelligence and cyber security;
- Consider the wage gap strategy and framework with a focus on fairness; and
- Conduct a deep dive into stakeholder identification, engagement and management.

Ronel van Dijk

Chairperson: Social, ethics and sustainability committee

30 June 2023

Audit and risk committee report

The Group's audit and risk committee (the committee or ARC) presents its report for the financial year ended 28 February 2023. The committee's duties and objectives, as mandated by the Board, allow it to discharge its statutory and other Board-delegated duties in keeping with its terms of reference. These duties are briefly set out in this report. The committee performs the requisite statutory functions on behalf of all subsidiaries within the Group.

T Mokgabudi
Chairperson, audit and risk committee



Composition, meetings and assessment

The four members of the ARC were recommended by the Board to the shareholders and were formally appointed at the previous annual general meeting (AGM) held on 28 July 2022.

T Mokgabudi (Chairperson)
H Singh
M Lubega
R van Dijk

The ARC would like to acknowledge the services of M Spicer who sadly passed away on 9 March 2022, he was a highly regarded and respected director.

As provided for in the ARC's terms of reference, closed sessions are arranged at least once a year with key relevant parties to ensure confidential assessments and discussions can occur. Seven (7) committee meetings were held during the year, of which two (2) were special meetings and five (5) were ordinary meetings.

In line with King IV, the Board and its committees should be assessed once every two years and this was performed in the current financial year, with the recommendations to be tabled and onboarded.

Roles and responsibilities

The committee is satisfied that it has executed its responsibilities in keeping with the requirements of the Companies Act of South Africa, the JSE Listings Requirements and the recommendations of King IV, as well as additional requirements prescribed by its terms of reference, as approved by the board of directors. The ARC's key areas of responsibility include:

- Perform and fulfil the committee's duties pursuant to section 94 of the Companies Act and its responsibilities as set out in paragraph 3.84(g) of the JSE Listing Requirements, including the appointment and the assessment of the independence of the external auditor;
- Overseeing the integrated reporting process and assessing disclosures made to all stakeholders, which includes the consolidated financial statements for the year under review;

- Overseeing and evaluating the governance of risk and compliance and the related internal control environment, and considering the recommendation of the internal auditors in respect of the effectiveness of the system of internal controls;
- Monitoring and assessing all internal and external assurance providers and the non-audit services rendered during the year;
- Assessing key audit matters;
- Assessing the expertise and experience of the CFO and the resources within the financial function; and
- Reviewing and recommending the consolidated financial statements for approval by the Board.

In order to execute her responsibilities, the Chairperson of the committee met separately during the course of the year with the CFO, the Company Secretary, management, and the internal and external auditors.

External auditor appointment and independence

In accordance with the Independent Regulatory Board for Auditors' (IRBA) rule regarding mandatory audit firm rotation, the committee embarked on a "Request for Proposals" process during 2022, in respect of the provision of external audit services. Following an extensive tender process under leadership of the committee, the committee recommended and the Board endorsed its proposal to appoint KPMG as the Company's new external auditor starting 1 March 2022, with Mrs Giuseppina Aldrighetti as the designated individual auditor. The decisive factors to recommend KPMG were the consistent strong performance of the proposed team, the best perceived integrated audit approach and competitive fee proposal. The appointment of KPMG was approved by the shareholders of Adcorp at the AGM held on 28 July 2022.

The committee satisfied itself that the appointment of the external auditor has been made in accordance with the provisions of section 22 of the JSE Listings Requirements and that the information in terms of paragraph 22.15 (h) of the JSE Listings Requirements and all other requisite information in this regard has been received to enable it to arrive at this consensus.

Audit and risk committee report continued

The committee resolved to recommend to the shareholders that KPMG be appointed as the Group's registered external auditor for the 2024 financial year and Mrs Giuseppina Aldrighetti as the designated partner.

The committee satisfied itself that the external auditor of the Group is independent. The requisite assurance was sought and provided by the auditor that the internal governance processes within the audit firm support and demonstrate its claim to independence.

The committee, in consultation with executive management, agreed to the engagement letter terms, audit plan, including the materiality levels proposed, and budgeted audit fees for the year under review. There is a formal procedure and policy that governs the process whereby the auditor is considered for non-audit services.

The committee continuously assesses the impact of the overall audit professional environment and current challenges. The external auditor shared their significant risk and focus areas and responses thereto. The committee thus satisfied itself of the continued independence and competence of the auditor.

Financial statements and accounting policies

The committee has assessed the Group accounting policies and the consolidated financial statements for the year ended 28 February 2023 and is satisfied that they are appropriate and comply in all respects with the Companies Act, IFRS and the JSE Listings Requirements together with consideration of the findings from the JSE proactive monitoring of financial statements in 2022.

The committee confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act 26 of 2005. The committee did not receive any complaints relating to the accounting practices, internal audit, the content or auditing of the group's audited consolidated annual financial statements, the internal financial controls of the Group or any related matters.

The committee supports the opinion of the Board and the external auditor with regard to the consolidated financial statements, which have been approved by the Board and will be presented to shareholders at the AGM to be held on 27 July 2023.

Based on the information and explanations given by directors, the internal and external auditors, the committee believes that the accounting and internal controls, including the internal financial controls, are adequate and that the financial records may be relied upon for preparing the consolidated financial statements in accordance with IFRS and maintaining accountability for the Group assets and liabilities.

Governance of risk

The committee is responsible for overseeing the governance of risk across the group. During the year, the committee revisited the risk management framework and determined how to ensure effective cascading of integrated assurance across the various Board committees.

Nothing has come to the committee's attention to indicate that any material breakdown in the functioning of internal controls resulting in a material loss to the Group has occurred during the year and up to the date of this report.

Internal audit

The internal audit function outsourced to Ernst & Young reviews and provides assurance on the adequacy and effectiveness of internal controls and internal financial controls.

During the year under review, the committee:

- Reviewed and approved the annual internal audit coverage plan;
- Evaluated the independence, effectiveness and performance of the internal audit function in terms of its scope, execution of its plan, coverage, independence, skills, resourcing, overall performance and position within the organisation and found it to be satisfactory;
- Considered the internal audit reports on the group's systems of internal controls, including financial controls and accounting records;
- Reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to internal audit findings and considered management's responses to adverse internal audit findings;
- Met with the internal audit independently of management; and
- Assessed the adequacy of the performance of the internal audit function and found it to be satisfactory.

CEO and CFO responsibility statement

The committee evaluated the CEO and CFO's responsibility statement on the consolidated financial statements and internal financial controls as required by the JSE Listings Requirements as set out in the consolidated financial statements.

The CEO and CFO reviewed the controls over financial reporting and presented the findings to the committee. Based on this evaluation management identified certain deficiencies, including the tax accounting for the African operation, which were largely mitigated by compensating controls and did not lead to any material concerns with the financial reporting process.

A remediation plan has been developed by management to address control deficiencies as part of the group's ongoing journey towards strengthening the internal controls related to financial reporting, especially as it relates to control improvements associated with control disciplines and the implementation of a new universal ERP system.

The committee received an update on the implementation of the risk and control matrices and discussed management's conclusion and believe the internal controls can be relied upon as a reasonable basis for the preparation of the financial statements.

Going concern

In preparing the consolidated Group financial statements, the committee is responsible for evaluating the Group's ability to continue as a going concern and therefore the appropriateness of the going concern assumption in preparing the financial statements. The committee have assessed the economic environment, current financial position and the expected cash flows for the next 12 months through to the end of May 2024. The liquidity and solvency position has also been reviewed as part of this assessment.

The committee is satisfied that there are no material uncertainties that cast doubt on the group's ability to operate as a going concern. The Group has sufficient resources, or access to resources, to continue with all operating activities for the foreseeable future. Based on this assessment, the committee considers it appropriate to adopt the going concern assumption for the preparation of the 2023 financial statements and recommends the going concern assumption to the Board for approval.

Significant areas of judgement

In arriving at the figures disclosed in the consolidated financial statements, there are certain areas where judgement is needed. The ARC has considered various elements of the consolidated financial statements that require judgement and have found all judgements and estimates to be reasonable and provide additional commentary on the goodwill impairment assessment.

Goodwill and impairment assessment

Management performed the annual assessment for impairment of goodwill. The committee has considered the significant estimates and judgements applied in management's valuation and impairment assessments. The committee assessed the following factors:

- The reasonableness of management's assumptions used in determining growth rates applied to revenue and earnings before interest, taxes, depreciation and amortisation (EBITDA) and EBITDA margins;
- The terminal growth rate and discount rates applied in management's valuation; and
- The adequacy of the disclosures made in note 7 in the consolidated financial statements.

On this basis, the committee is satisfied that an impairment of R34 million (2022: Rnil) is required on the goodwill for the Paracon CGU for the current year.

Refer to note 7 in the consolidated financial statements for a detailed analysis of the factors, inputs and outcomes of results of impairment testing at the reporting date.

Evaluation of the expertise and experience of the CFO and the finance function

The committee has considered and is satisfied with the appropriateness of the expertise and experience of the CFO, Mr Noel Prendergast. The committee considered the appropriateness of the expertise, diversity and adequacy of resources of the group's finance function

and the effectiveness of the members of management responsible for the finance function.

The committee is satisfied that it has met the obligations as set out in its terms of reference.

The ARC has access to all financial information of the company, including the financial information of all entities within the Group.

Key focus areas

In addition to executing on its statutory duties and considering key audit matters, the committee also addressed the following key areas of focus during the year ended 28 February 2023:

- Continued to monitor the progress of the group's financial roadmap and approved any amendments necessitated by the turnaround strategy;
- Monitored actions taken to mitigate the continued risks of COVID-19 on the business and its stakeholders;
- Continued monitoring the risk exposure of the Group and ensured adequate and sound mitigating measures are in place;
- Ensure that the combined assurance model was in place and was applied to provide a coordinated approach to all assurance activities; and
- Evaluated initiatives implemented to monitor cyber security and security of data.

The committee has set the following key areas of focus for 2024:

- Monitor the progress of the group's financial roadmap and alignment with the group's strategy, this includes the impact of the current macro and microeconomic conditions prevailing in both South Africa and Australia;
- Continuing monitoring the risk exposure of the Group and ensuring adequate and sound mitigating measures are in place;
- Ensure that the combined assurance model is in place and is applied to provide a coordinated approach to all assurance activities;
- Evaluate the roll-out of a new ERP system in South Africa, with a focus on financial reporting; and
- Evaluating initiatives implemented to monitor cyber security and security of data.

Conclusion

Having considered all the material factors and key audit matters the committee recommended the consolidated financial statements for the year ended 28 February 2023 for approval to the Board. The Board has approved the annual financial statements which will be open for discussion at the forthcoming AGM of shareholders.

I would like to extend my appreciation to management, the external auditor, internal auditors and fellow committee members for their work and support throughout the year.

T Mokgabudi

Chairperson, audit and risk committee

30 June 2023



Consolidated financial statements

Consolidated statement of financial position

as at 28 February 2023

	Notes	2023 R'000	2022 R'000
Assets			
Non-current assets			
Property and equipment	4	30 811	37 171
Right-of-use assets	5.1	291 785	323 432
Intangible assets	6	123 684	125 773
Goodwill	7	512 695	512 723
Other financial assets – investment at fair value	8.1	21 074	19 597
Deferred taxation	9	214 833	214 187
Prepayments	13.1	43 987	58 071
Current assets		1 922 796	1 909 718
Trade receivables	12	1 337 049	1 336 354
Other receivables	13.3	136 242	143 562
Taxation prepaid	11	33 957	9 447
Cash and cash equivalents and restricted cash	14	415 548	420 355
Total assets		3 161 665	3 200 672
Equity and liabilities			
Total equity			
Share capital and share premium	15.1	1 740 858	1 740 858
Treasury shares	15.2	(91 170)	(72 172)
Reserves	16	(115 011)	(196 157)
Non-current liabilities		388 936	438 004
Lease liabilities	5.2	331 977	348 493
Deferred taxation	9	56 959	89 511
Current liabilities		1 238 052	1 290 139
Interest-bearing borrowings	17.2	–	133 336
Lease liabilities	5.2	77 433	75 472
Trade and other payables	18	898 855	819 610
Provisions	19	234 889	203 930
Taxation payable	11	26 875	57 791
Total equity and liabilities		3 161 665	3 200 672

Consolidated statement of profit or loss

for the year ended 28 February 2023

	Notes	2023 R'000	*Restated 2022 R'000
Continuing operations			
Revenue	20	12 048 951	11 318 048
Cost of sales		(10 766 543)	(10 109 805)
Gross profit		1 282 408	1 208 243
Other income	21	19 743	19 553
Loss allowance for expected credit losses – trade receivables	12	10 585	15 673
Impairment of goodwill	7	(34 463)	–
Operating expenses		(1 114 368)	(1 042 494)
Operating profit before finance income and finance costs	22	163 905	200 975
Finance income	23	5 589	5 243
Finance costs	24	(50 981)	(69 015)
Profit before taxation		118 513	137 203
Taxation	10	2 241	(31 890)
Profit for the year from continuing operations		120 754	105 313
Discontinued operations			
(Loss)/profit for the year from discontinued operations	3.1	(79 980)	13 644
Profit for the year		40 774	118 957
Profit/(loss) attributable to:			
Owners of the parent from continuing operations		118 562	102 759
Owners of the parent from discontinued operations		(79 980)	13 644
Non-controlling interest		2 192	2 554
Continuing operations basic and diluted earnings per share:			
Basic earnings per share – cents	25	114,7	96,3
Diluted earnings per share – cents	25	110,6	91,1
Discontinued operations basic and diluted earnings per share:			
Basic (loss)/earnings per share – cents	25	(77,4)	12,8
Diluted (loss)/earnings per share – cents	25	(77,4)	12,1
Total basic earnings per share			
Basic earnings per share – cents	25	37,3	109,1
Diluted earnings per share – cents	25	36,0	103,2

* The prior year comparative financial information was restated to reflect the operations of allaboutXpert Australia Proprietary Limited, together with its wholly owned subsidiaries allaboutXpert NZ Limited and allaboutXpert Technologies Proprietary Limited ("aaX") as a discontinued operation in terms of IFRS 5: Non Current Assets Held for Sale and Discontinued Operations due to aaX being deconsolidated in terms of IFRS 10 and classified as discontinued operations (refer to note 3). The published prior year results included aaX as continuing operations.

Consolidated statement of other comprehensive income

for the year ended 28 February 2023

	2023 R'000	*Restated 2022 R'000
Profit for the year	40 774	118 957
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:	100 884	(5 261)
Continuing operations		
Exchange differences on translating foreign operations	25 330	10 726
Exchange differences arising on the net investment of a foreign operation	72 281	(15 987)
Discontinued operations		
Exchange differences reclassified to profit or loss on disposal of foreign business (note 16.2 and 32)	3 273	–
Other comprehensive income for the year, net of tax	141 658	113 696
Non – controlling interest	309	–
Total comprehensive income for the year	141 967	113 696
Total comprehensive income attributable to:		
Owners of the parent from continuing operations	216 173	96 147
Owners of the parent from discontinued operations	(76 707)	13 644
Non-controlling interest	2 501	2 554

* The prior year comparative financial information was restated to reflect the operations of aaX as a discontinued operation in terms of IFRS 5: Non Current Assets Held for Sale and Discontinued Operations due to aaX being deconsolidated in terms of IFRS 10 and classified as discontinued operations (refer to note 3). The published prior year results included aaX as continuing operations.

Consolidated statement of changes in equity

for the year ended 28 February 2023

	Share capital R'000	Share premium R'000	Treasury shares R'000	Share-based Payment reserve R'000
Notes	15.1	15.1	15.2	16.1
Balance as at 28 February 2021	2 749	1 738 109	(68 083)	179 717
Share-based payments	–	–	–	17 381
Profit for the year	–	–	–	–
Other comprehensive income	–	–	–	–
Treasury share purchases	–	–	(4 947)	–
Share scheme settlement	–	–	858	(858)
Distributions to shareholders	–	–	–	–
Transactions with non-controlling interests	–	–	–	–
Balance as at 28 February 2022	2 749	1 738 109	(72 172)	196 240
Share-based payments	–	–	–	1 563
Transfer to retained earnings	–	–	–	(9 560)
Profit for the year	–	–	–	–
Other comprehensive income	–	–	–	–
Share scheme settlement	–	–	(19 560)	–
Treasury shares sold	–	–	562	(562)
Distributions to shareholders	–	–	–	–
Balance as at 28 February 2023	2 749	1 738 109	(91 170)	187 681

Foreign Currency translation reserve R'000	Accumulated loss R'000	Attributable to equity holders of the parent R'000	Non- controlling Interest R'000	Employees' share Scheme Reserve R'000	Total Equity R'000
16.2					
28 782	(529 095)	1 352 179	(93)	168	1 352 254
–	–	17 381	–	–	17 381
–	116 403	116 403	2 554	–	118 957
(5 124)	–	(5 124)	(137)	–	(5 261)
–	–	(4 947)	–	–	(4 947)
–	–	–	–	–	–
–	–	–	(1 991)	–	(1 991)
–	–	–	(3 864)	–	(3 864)
23 658	(412 692)	1 475 892	(3 531)	168	1 472 529
–	–	1 563	–	–	1 563
–	9 560	–	–	–	–
–	38 582	38 582	2 192	–	40 774
100 884	–	100 884	309	–	101 193
–	–	(19 560)	–	–	(19 560)
–	–	–	–	–	–
–	(61 822)	(61 822)	–	–	(61 822)
124 542	(426 372)	1 535 539	(1 030)	168	1 534 677

Consolidated statement of cash flows

for the year ended 28 February 2023

	Notes	2023 R'000	*Restated 2022 R'000
Operating activities			
Profit before taxation		38 533	153 977
From continuing operations		118 513	137 203
From discontinued operations	3.1	(79 980)	16 774
Adjusted for:			
Depreciation on property and equipment	4	14 581	18 496
Depreciation on right-of-use assets	5.1	54 534	53 645
Amortisation of intangible assets	6	15 906	16 880
Prepayment released – enterprise technology transformation project	13.2	25 472	19 844
Impairment of financial asset**		55 000	–
Impairment of right-of-use assets	5.4	–	2 770
Impairment of goodwill	7	34 463	–
(Profit)/loss on the sale of property and equipment	22	(290)	2 182
Share-based payments	16.1	12 428	19 709
Profit from the disposal of businesses	32	(9 640)	(13 950)
Fair value adjustment – investment at fair value	8.1	(1 477)	(626)
Decrease in loss allowances for expected credit losses – trade receivables	12	(10 585)	(15 673)
Finance income	23	(5 589)	(5 243)
Finance costs	24	50 981	69 022
Cash generated from operations before working capital changes		274 317	321 033
Decrease/(increase) in trade and other receivables	12 and 13	31 315	(13 658)
Increase/(decrease) in trade and other payables	18	54 290	(66 303)
Increase in provisions	19	17 749	18 946
Cash generated by operations		377 671	260 018
Finance income	23	5 589	5 243
Finance costs	24	(6 891)	(24 645)
Interest expense on lease liabilities	5.2	(44 090)	(45 087)
Taxation paid	11	(72 722)	(49 794)
Net cash generated from operating activities		259 557	145 735

* The prior year comparative financial information was restated to reflect the operations of aaX as a discontinued operation in terms of IFRS 5: Non Current Assets Held for Sale and Discontinued Operations due to aaX being deconsolidated in terms of IFRS 10 and classified as discontinued operations (refer to note 3). The published prior year results included aaX as continuing operations.

** R54 million relates to the impairment of trade and other receivables in the discontinued operations of aaX. Refer to note 3.

	Notes	2023 R'000	2022 R'000
Investing activities			
Additions to property and equipment	4	(8 052)	(10 835)
Proceeds from the sale of property and equipment		1 100	511
Additions to intangible assets	6	(7 883)	(804)
Prepayment – enterprise technology transformation project	13.2	(16 856)	(23 798)
Proceeds on disposal of businesses	32	–	163 684
Net cash (outflow)/inflow from investing activities		(31 691)	128 758
Financing activities			
Treasury shares acquired	15.2	(19 560)	(4 089)
Repayment of borrowings	17.3	(615 183)	(960 000)
Proceeds from borrowings	17.3	480 190	637 509
Distributions to external shareholders		(61 822)	–
Distributions to non-controlling interests		–	(1 991)
Cash flow on increases in ownership interests		–	(3 864)
Capital payment of lease liabilities	5.2	(38 511)	(36 217)
Net cash outflow from financing activities		(254 886)	(368 652)
Net decrease in cash and cash equivalents		(27 020)	(94 159)
Cash and cash equivalents at the beginning of the year	14	420 355	498 356
Foreign currency adjustments		22 618	16 158
Restricted cash reclassified from cash and cash equivalents	14	(103 856)	–
Cash and cash equivalents deconsolidated		(405)	–
Cash and cash equivalents at the end of the year	14	311 692	420 355

Segment report

for the year ended 28 February 2023

Information reported to the group's executive committee Chief Operating Decision Maker (CODM) to make key operating decisions, resource allocation and the assessment of segmental performance is focused on the different service offerings and geographical region of operations. The group's reportable segments under IFRS 8 are as follows:

Industrial

This operating segment provides industrial staffing solutions in the "blue-collar" and technical areas and places assignees such as engineers, project support staff, artisans, construction workers, logistics, manufacturing and warehousing staff.

Professional

This operating segment provides highly skilled information technology (IT) and digitally focused professionals. It also delivers consulting, project and management services in a number of specialist domains as well as support staffing solutions in 'white collar' areas, such as nursing, clerical, administration, office and call centre positions.

Training

This operating segment facilitates training and provides solutions to external clients and support to other Adcorp service lines.

Business support

This segment plays a pivotal support role in executing and handling specialised operational services such as finance, human resources, payroll, IT, legal, risk, compliance and marketing. This segment acts as a service centre for all other operating segments in the group to identify efficiencies that will reduce costs and create a higher degree of strategic flexibility and support.

Australia

This operating segment includes both industrial services and professional services as well as central services as described above combined into one segment as decisions taken relate to the Australian operating business as a whole.

Geographic segmentation

The geographic segment report is disclosed as (a) South Africa and (b) International (being operations in Australia).

Segment operating profit or loss before finance income and finance costs represents the profit or loss earned by each segment without allocation of central administration costs including directors' salaries, finance income, finance costs, and income tax expense applicable to the Business Support segment, however, includes internal charges between the Business Support and other segments. The finance income and finance costs include intra-group charges. This is the measure reported to the group's Chief Executive for resource allocation and assessment of segment performance. To monitor segment performance and allocate resources between segments the group's Chief Executive monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments except other financial assets (except for trade and other receivables) and taxation assets. Goodwill has been allocated to reportable segments as described in note 7.

Transactions between segments follow the group's accounting policies.

No single customer contributes more than 10% of the group's revenue.

Segment report *continued*

for the year ended 28 February 2023

		Industrial	Professional	Training	Australia	Business support
		South Africa	South Africa	South Africa	International	South Africa
Revenue						
– 2023	(R'000)	4 588 435	1 844 874	235 034	5 380 608	–
– 2022	(R'000)	4 709 665	1 854 921	239 764	4 513 698	–
Internal revenue						
– 2023	(R'000)	43 135	23 314	12 783	–	–
– 2022	(R'000)	59 515	52 995	11 388	–	–
Cost of sales						
– 2023	(R'000)	(4 161 051)	(1 630 373)	(92 903)	(4 882 216)	–
– 2022	(R'000)	(4 275 402)	(1 639 008)	(72 159)	(4 096 878)	(26 358)
Loss allowance for expected credit loss and bad debts on trade receivables income/(expense)						
– 2023	(R'000)	12 690	650	(982)	(1 773)	–
– 2022	(R'000)	10 081	4 642	176	774	–
Staff costs⁵						
– 2023	(R'000)	(100 556)	(74 440)	(83 151)	(288 311)	(110 974)
– 2022	(R'000)	(98 426)	(67 161)	(80 312)	(243 044)	(98 356)
Operating profit/(loss) before finance income and finance costs³						
– 2023	(R'000)	115 819	(11 935)	(16 491)	70 603	5 909
– 2022	(R'000)	129 246	23 906	(22 834)	70 834	(177)
Depreciation and amortisation						
– 2023	(R'000)	(2 222)	(16 940)	(6 312)	(23 432)	(36 116)
– 2022	(R'000)	(2 079)	(17 968)	(7 604)	(23 461)	(37 622)
Finance income						
– 2023	(R'000)	123	246	293	56	4 871
– 2022	(R'000)	3	12	58	–	5 170
Finance costs						
– 2023	(R'000)	(292)	21	(846)	(5 770)	(44 094)
– 2022	(R'000)	(276)	(80)	(670)	(5 657)	(62 332)
Impairment expenses⁴						
– 2023	(R'000)	–	–	–	–	(34 463)
– 2022	(R'000)	–	–	–	–	(2 770)
Taxation (expense)/income						
– 2023	(R'000)	(18 783)	4 699	44	14 006	2 275
– 2022	(R'000)	(19 340)	(417)	5 118	(19 662)	2 411
Total assets						
– 2023	(R'000)	864 447	384 899	75 232	1 235 123	601 964
– 2022	(R'000)	839 565	448 313	100 096	1 146 197	666 501
Total liabilities						
– 2023	(R'000)	385 015	157 398	139 833	474 054	470 688
– 2022	(R'000)	372 681	159 618	138 677	471 515	585 652
Additions to property and equipment						
– 2023	(R'000)	1 745	52	180	5 850	225
– 2022	(R'000)	997	147	760	8 306	625
Additions to right-of-use assets						
– 2023	(R'000)	2 285	–	–	16 647	–
– 2022	(R'000)	1 289	243	11 266	5 203	–
Additions to intangible assets						
– 2023	(R'000)	–	6 000	1 883	–	–
– 2022	(R'000)	–	–	804	–	–

¹ Relates to the trading performance and financial position of Adcorp Support Services Proprietary Limited classified as a discontinued operation in the 2022 financial year and its related asset and liabilities classified as held for sale.

² The prior year comparative financial information was restated to reflect the operations of aaX as a discontinued operation in terms of IFRS 5: Non Current Assets Held for Sale and Discontinued Operations due to aaX being deconsolidated in terms of IFRS 10 and classified as discontinued operations (refer to note 3). The published prior year results included aaX as continuing operations.

Group Continuing operations	Discontinued Operations ¹	Discontinued Operations ²	Total group	Geographical segments	
				Total	South Africa
12 048 951	–	107 106	12 156 057	6 668 343	5 487 714
11 318 048	11 024	194 900	11 523 972	6 815 374	4 708 598
79 232	–	–	79 232	79 232	–
123 898	–	–	123 898	123 898	–
(10 766 543)	–	(125 599)	(10 892 142)	(5 884 327)	(5 007 815)
(10 109 805)	(4 197)	(181 091)	(10 295 091)	(6 017 126)	(4 277 969)
10 585	–	(54 124)	(43 539)	12 358	(55 897)
15 673	–	–	15 673	14 899	774
(657 432)	–	(4 190)	(661 622)	(369 121)	(292 501)
(587 299)	(1 715)	(9 538)	(598 552)	(345 970)	(252 582)
163 905	–	(89 620)	74 285	93 302	(19 017)
200 975	4 627	(1 834)	203 768	134 768	69 000
(85 021)	–	(110)	(85 131)	(61 590)	(23 541)
(88 734)	(146)	(151)	(89 031)	(65 419)	(23 612)
5 589	–	–	5 589	5 533	56
5 243	31	–	5 274	5 274	–
(50 981)	–	–	(50 981)	(45 211)	(5 770)
(69 015)	–	(7)	(69 022)	(63 358)	(5 664)
(34 463)	–	–	(34 463)	(34 463)	–
(2 770)	–	–	(2 770)	(2 770)	–
2 241	–	–	2 241	(11 765)	14 006
(31 890)	(1 242)	(1 888)	(35 020)	(13 470)	(21 550)
3 161 665	–	–	3 161 665	1 926 542	1 235 123
3 200 672	–	–	3 200 672	2 054 475	1 146 197
1 626 988	–	–	1 626 988	1 152 934	474 054
1 728 143	–	–	1 728 143	1 256 628	471 515
8 052	–	–	8 052	2 202	5 850
10 835	–	–	10 835	2 529	8 306
18 932	–	–	18 932	2 285	16 647
18 001	–	–	18 001	12 798	5 203
7 883	–	–	7 883	7 883	–
804	–	–	804	804	–

³ Includes internal charges charged between segments within continued and discontinued operations. As a result, the amounts presented in the segmental report from continuing operations will not agree to the amounts presented in the consolidated statement of profit or loss for continuing operations. In the current financial year, the Business Support segment did not charge the remaining segment's financing costs.

⁴ Includes impairment on goodwill (note 7). 2022 includes impairment on right-of-use assets (note 5.4).

⁵ Retirement benefit costs of the group will follow a similar split across the segments.

Notes to the audited consolidated financial statements

for the year ended 28 February 2023

Corporate information

Principal activities of the group and its subsidiaries include the rendering of services in areas of permanent recruitment and flexible staffing sectors, professional IT services, as well as the provision of business process outsourcing, and training services. The group carries on business in South Africa and Australia.

1. Accounting framework

The group applies all applicable International Financial Reporting Standards (IFRS) to prepare the consolidated financial statements.

Consequently, all IFRS statements that were effective at 28 February 2023 and are relevant to its operations have been applied.

The principal accounting policies applied in preparing these consolidated financial statements are set out in each of the respective notes. Any accounting policies that are general in nature and are applicable to more than one specific note have been disclosed below.

In preparation of the financial statements, the group has assessed materiality for each item on the statement of profit or loss and statement of comprehensive income and statement of financial position. In assessing the materiality of the group, quantitative and qualitative factors were taken into account.

New and amended standards and interpretations

The group have adopted all new and amended accounting pronouncements that are relevant to its operations and that are effective for financial years commencing 1 March 2022 but these did not have a significant effect on the consolidated financial statements.

1. Accounting framework continued Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the group's financial statements, are disclosed below. The group intends to adopt these standards, if applicable, when they become effective.

Standard	Annual reporting periods beginning on or after
The following standards will unlikely have a material impact:	
Disclosure of Accounting Policies – amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates – amendments to IAS 8	1 January 2023
Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current & Deferral of Effective Date	1 January 2024
Annual improvements to IFRS 2018-2020	1 January 2023
The following standards are unlikely to have a material impact, as the change does not apply to the entity as there are currently no transactions that are recognised under these standards:	
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback	1 January 2024

2. Significant accounting policies

Any accounting policies that are general in nature and are applicable to more than one specific note have been disclosed below.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Standards), International Financial Reporting Interpretations Committee (IFRIC) interpretations effective for the Group's financial year, and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. These consolidated financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa (No. 71 of 2008) and JSE Listings Requirements. The consolidated financial statements are presented in Rand (ZAR), the currency of South Africa where Adcorp Holdings Limited is incorporated. All values are rounded to the nearest thousand in the tables presented and nearest million in explanatory notes unless otherwise stated.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. These accounting policies are consistent with those of the comparative financial year unless otherwise stated.

These consolidated financial statements were prepared under the supervision of Noel Pendergast CA(SA) in his capacity as Chief Financial Officer.

The consolidated financial statements were authorised for issue by the board of directors on 29 May 2023.

Notes to the audited consolidated financial statements continued

for the year ended 28 February 2023

2. Significant accounting policies continued

2.2 Fair value measurements and valuation processes

The group measures certain financial instruments at fair value at each reporting date (note 8.1 and 35.8).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair values of an asset or a liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs, other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in note 35.8.

2.3 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in an acquisition of a business (acquiree) comprises the fair values of the assets transferred, the liabilities assumed, the equity interests issued by the group and the fair value of contingent consideration arrangements where applicable. If the contingent consideration is classified as equity, it is not subsequently remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of contingent consideration are recognised in the income statement.

For each business combination, the group measures the non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's book value of identifiable net assets. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries). Control is achieved when the company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- The size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities when decisions need to be made, including voting patterns at previous shareholders' meetings.

2. Significant accounting policies *continued*

2.3 Basis of consolidation *continued*

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the company and non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

Changes in the group's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets and liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

The profit or loss realised on disposal or termination of an entity is calculated after taking into account the carrying amount of any related goodwill.

2.4 Foreign currency transactions and balances

Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using the functional currency.

Transactions in foreign currencies are initially recorded by the group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Subsequent to initial recognition, monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The profit or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the profit or loss on change in fair value of the item (i.e. translation differences on items whose fair value profit or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Notes to the audited consolidated financial statements continued

for the year ended 28 February 2023

2. Significant accounting policies continued

2.5 Foreign currency translations

For the purposes of presenting the consolidated financial statements, the presentation currency is the South African Rand. On consolidation, the assets and liabilities of entities with a functional currency other than the Rand are translated into Rand at the rate of exchange prevailing at the reporting date and income and expenses for each statement presenting profit or loss and other comprehensive income are translated at the average exchange rates for the period. Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially to other comprehensive income and accumulated in the foreign currency translation reserve. They are recognised in profit or loss as a reclassification adjustment through to other comprehensive income on disposal of the net investment. All resulting exchange differences are recognised in other comprehensive income and a corresponding foreign currency translation reserve.

On disposal of a foreign operation or when the group ceases to consolidate a foreign operation, the deferred cumulative amount recognised in other comprehensive income in the foreign currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

The applicable exchange rates are as follows:

	2023			2022		
	AUD	USD	AOA	AUD	USD	AOA
Exchange rate at the beginning of the year	11,11	15,39	0,0313	11,65	15,08	0,0234
Exchange rate at the end of the year	12,38	18,39	0,0363	11,11	15,39	0,0313
Average exchange rate during the year	11,51	16,70	0,0391	11,00	14,96	0,0247

AUD = Australian dollar

USD = United States dollar

AOA = Angolan kwanza

2.6 Financial instruments

2.6.1 Initial recognition and measurement

Financial assets and financial liabilities are recognised in the statement of financial position when the group becomes a party to the contractual provisions of the instrument and are initially measured at fair value. Trade receivables are recognised when they originate and measured at the transaction price when it does not have a significant financing. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2.6.2 Subsequent measurement of financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value depending on their classification of the financial asset.

The group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held with the objective to collect contractual cash flows; and
- The contractual terms of the financial asset gives rise to cash flows that are solely payments of principal and interest on principal amount outstanding.

This assessment is referred to as the solely payments of principal and interest (SPPI) test and is performed at instrument level.

The financial assets at amortised cost include trade receivables (note 12) and other receivables (note 13), and cash and cash equivalents (note 14) as the business model is to collect payment of principal and interest.

Financial assets at fair value through profit or loss include an investment in a cell captive arrangement housed within an insurance company (note 8.1).

The group currently does not recognise any financial assets through other comprehensive income.

Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

2. Significant accounting policies continued

2.6 Financial instruments continued

2.6.3 Subsequent measurement of financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss. The group currently has no financial liabilities classified as at fair value through profit or loss.

Financial liabilities at amortised cost includes lease liabilities (note 5.2), interest-bearing borrowings (note 17) and trade and other payables (note 18).

2.6.4 Financial asset write-offs

The group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

2.6.5 Derecognition of financial assets and liabilities

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains all the risks and rewards of ownership substantially and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains all the risks and rewards of ownership of a transferred financial asset substantially, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The group derecognises a financial liability when, and only when, the group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the group accounts for substantial modification of terms of an existing liability or part of it, as an extinguishment of the original financial liability and recognising a new financial liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Any costs or fees incurred are recognised as part of the profit or loss on extinguishment. If the modification is not substantial, the difference between the carrying amount of the liability before the modification and the present value of the cash flows after the modification should be recognised in profit or loss. The modification recognised within profit or loss and any costs or fees incurred adjust the carrying amount of the financial liability and are amortised over the remaining term of the modified liability.

2.6.6 Amortised cost and effective interest method

Finance income is recognised in profit or loss and presented in the finance income line item. Finance cost is recognised in profit or loss presented in the finance costs line item.

2.7 Change in accounting policy

During the current financial year there have been no changes to accounting policies made by management as a result of new and amended IFRS applicable in the current financial year.

2.8 Accounting judgements and estimates

The preparation of the consolidated financial statements necessitates the use of estimates, assumptions and judgements by management. These estimates and assumptions affect the reported amounts of assets, and liabilities at the statement of financial position date as well as the reported income and expenses for the year. Although estimates are based on management's best knowledge and judgement of current facts as at the statement of financial position date, the actual outcome may differ from these estimates. Revisions to estimates are recognised prospectively.

Notes to the audited consolidated financial statements continued

for the year ended 28 February 2023

2. Significant accounting policies continued

2.8 Accounting judgements and estimates continued

2.8.1 Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Note 3 – Classification of subsidiary as IFRS 5: Non-current Assets and Liabilities Held for Sale and Discontinued Operations, and deconsolidated in terms of IFRS 10: Consolidated Financial Statements

Note 5.3 – Lease term: whether the group is reasonably certain to exercise extension options

Note 16.1 – Accounting for share-based payment transactions

Note 20 – Accounting for revenue transactions as a principal

2.8.2 Estimates

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts assets and liabilities within in the next financial year is included in the following notes:

Note 7 – Assessment for impairment of goodwill

Note 8 – Cell captive arrangement

Note 9 – Assessing the recoverability of deferred tax assets

Note 10 – Accounting for uncertain tax positions

Note 12 – Impairment of financial assets carried at amortised cost

3. Discontinued operations

Accounting policy

The group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expenses.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately in the statement of financial position.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations,
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

allaboutXpert

As at 31 August 2022, the requirements of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations had been met for allaboutXpert Australia Proprietary Limited, together with its wholly owned subsidiaries allaboutXpert NZ Limited and allaboutXpert Technologies Proprietary Limited ("aaX"). At the interim reporting period, the assets of these companies were therefore accounted for as assets held for sale and the results of these operations were disclosed separately in the statement of profit or loss.

3. Discontinued operations continued Accounting policy continued

The group voluntarily initiated an administration process for allaboutXpert Technologies Proprietary Limited and allaboutXpert Australia Proprietary Limited whereby the independent registered administrator assumed control of these entities on 13 December 2022. As a result, the group also lost control over allaboutXpert NZ limited, a subsidiary of allaboutXpert Australia Proprietary Limited.

The administration of allaboutXpert Australia Proprietary Limited and its subsidiaries has the following implications and was considered fully by management:

- The accounting as a discontinued operation prior to administration and restating the prior year comparative results; and
- Assessing the impact of the loss of control in terms of IFRS 10 where the group holds 100% interest in the subsidiaries.

As a result of this assessment and taking into account the fact that trading has ceased, management has assessed a loss of control from the date that the administrator was appointed and have therefore classified the subsidiaries as discontinued operations up to the date of administration, thereafter the subsidiaries have been deconsolidated. The fair value of the consideration receivable is deemed to be zero as a return on administration cannot be quantified. The administration process has not been completed at year-end. Refer to note 32 for further details relating to the deconsolidation.

Adcorp Support Services Proprietary Limited

On 30 March 2021, the Group disposed of its 100% shareholding in Adcorp Support Services Proprietary Limited. At 28 February 2022, the results of this company were disclosed as discontinued operations in the statement of comprehensive income. Refer to note 32 for further details.

3.1 Financial performance of discontinued operations

The financial performance presented below relates to aaX:

Statement of profit or loss

	Notes	2023 R'000	2022 R'000
Revenue		107 106	194 900
Cost of sales		(125 599)	(181 091)
Gross (loss)/profit		(18 493)	13 809
Loss allowance for expected credit losses – trade receivables		(54 124)	–
Operating expenses		(17 003)	(15 636)
Operating loss before finance income, finance costs, taxation expense and loss on disposal of discontinued operations		(89 620)	(1 827)
Finance costs		–	(7)
Loss before taxation		(89 620)	(1 834)
Taxation expense	10	–	(1 888)
Loss after taxation		(89 620)	(3 722)
Profit on disposal of discontinued operations	32	9 640	–
Total loss for the year from discontinued operations		(79 980)	(3 722)
Attributable to:			
South Africa		–	–
International		(79 980)	(3 722)
		(79 980)	(3 722)
Other comprehensive income			
Exchange differences reclassified to profit or loss on disposal of foreign subsidiary in aaX		3 273	–
Total comprehensive loss for the year		(76 707)	(3 722)

Notes to the audited consolidated financial statements continued

for the year ended 28 February 2023

3. Discontinued operations continued

3.1 Financial performance of discontinued operations continued

The prior year relates to Adcorp Support Services Proprietary Limited, that was disposed of on 30 March 2021 and the financial performance is included below up until the disposal date.

Statement of profit or loss

	Notes	2022 R'000
Revenue		11 024
Cost of sales		(4 199)
Gross profit		6 825
Other income		158
Operating expenses		(2 356)
Operating profit before finance income, finance costs, taxation expense and profit on disposal of discontinued operations		4 627
Finance income		31
Profit before taxation		4 658
Taxation expense	10	(1 242)
Profit after taxation		3 416
Other comprehensive income		
Exchange differences arising on translating foreign operations		–
Total comprehensive income		3 416
Profit on disposal of discontinued operations	32	13 950
Total profit for the year from discontinued operations		17 366
Attributable to:		
South Africa		17 366
International		–
		17 366

Reconciliation of total profit from discontinued operations for the year:

	Notes	2023 R'000	*Restated 2022 R'000
Profit before tax of discontinued operation		(79 980)	16 774
(Loss)/profit before tax from operations		(89 620)	2 824
Profit on disposal of discontinued operation		9 640	13 950
Taxation expense from operations		–	(3 130)
Total (loss)/profit for the year from discontinued operation		(79 980)	13 644
Loss after tax of discontinued operation		(89 620)	(306)
Profit on disposal of discontinued operation	32	9 640	13 950

The prior year comparative financial information was restated to reflect the operations of aaX as a discontinued operation in terms of IFRS 5: Non Current Assets Held for Sale and Discontinued Operations due to aaX being deconsolidated in terms of IFRS 10 and classified as discontinued operations.

3. Discontinued operations *continued*

3.2 Cash flows from discontinued operations

The cash flows presented below for the current year relate to aaX and Adcorp Support Services Proprietary Limited in the prior year.

	2023 R'000	2022 R'000
Cash flow from discontinued operations:		
Net cash inflow from operating activities	3 553	1 572
Net cash (outflow)/inflow from investing activities	(46)	7 788
Net cash outflow from financing activities	(3 387)	(3 702)
Net cash inflow from discontinued operations	120	5 658
Cash and cash equivalents at the beginning of the period	285	(5 658)
Cash and cash equivalents at the end of the period	405	–

4. Property and equipment

Accounting policy

Property, leasehold improvements, computer equipment and furniture and fittings are initially recognised at cost and thereafter stated at cost, net of accumulated depreciation and accumulated impairment losses. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the group.

All other repair and maintenance costs are recognised in profit or loss as incurred.

The profit or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss.

An item of property leasehold improvements, computer equipment and fixtures and fittings is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. At the end of each reporting period, the group reviews the carrying value of property and equipment to determine whether there is an indication of impairment. If there is an indication of impairment, the recoverable amount is estimated to determine the extent of the impairment loss. The recoverable amount is the higher of its fair value less cost to sell and its value in use. An impairment loss is recognised in profit or loss.

Depreciation is calculated on a straight-line basis after taking into account residual values over the estimated useful lives of the assets, as follows:

- Computer and office equipment 1 to 5 years;
- Furniture and fittings 2 to 5 years; and
- Leasehold improvements over the lease period, and is generally recognised in profit and loss. Land is not depreciated.

The above useful lives were also applicable to the comparative period. Depreciation is recognised in profit or loss.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items of property and equipment.

An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised and the revised recoverable amount exceeds the carrying amount. The reversal of such an impairment loss is recognised in profit and loss.

Notes to the audited consolidated financial statements continued

for the year ended 28 February 2023

4. Property and equipment continued

Reconciliation of beginning and ending balances by classes of assets

	Leasehold Improvements 2023 R'000	Computer and office equipment and furniture and fittings 2023 R'000	Total 2023 R'000
Balance at the beginning of the year	20 359	16 812	37 171
Assets at cost	49 308	110 603	159 911
Accumulated depreciation	(28 949)	(93 791)	(122 740)
Current year movements			
Additions	1 844	6 208	8 052
Effect of foreign currency exchange differences	458	705	1 163
Cost	2 549	4 602	7 151
Accumulated depreciation	(2 091)	(3 897)	(5 988)
Disposals and assets derecognised	–	(994)	(994)
Cost	–	(1 263)	(1 263)
Accumulated depreciation	–	269	269
Depreciation (note 22)	(6 997)	(7 584)	(14 581)
Net book value at the end of the year	15 664	15 147	30 811
Represented by:			
Cost	53 701	120 150	173 851
Accumulated depreciation	(38 037)	(105 003)	(143 040)
Net book value at the end of the year	15 664	15 147	30 811

4. **Property and equipment** *continued*
Reconciliation of beginning and ending balances by classes of assets *continued*

	Leasehold Improvements 2022 R'000	Computer and office equipment and furniture and fittings 2022 R'000	Total 2022 R'000
Balance at the beginning of the year	26 698	21 591	48 289
Assets at cost	51 131	124 135	175 266
Accumulated depreciation	(24 433)	(102 544)	(126 977)
Current year movements			
Additions	1 340	9 495	10 835
Effect of foreign currency exchange differences	(400)	(364)	(764)
Cost	(1 122)	(1 931)	(3 053)
Accumulated depreciation	722	1 567	2 289
Disposals and assets derecognised	(80)	(2 613)	(2 693)
Cost	(2 041)	(21 096)	(23 137)
Accumulated depreciation	1 961	18 483	20 444
Depreciation (note 22*)	(7 199)	(11 297)	(18 496)
Net book value at the end of the year	20 359	16 812	37 171
Represented by:			
Cost	49 308	110 603	159 911
Accumulated depreciation	(28 949)	(93 791)	(122 740)
Net book value at the end of the year	20 359	16 812	37 171

* Note 22 depreciation differs due to the restatement of aaX as a discontinued operation.

Notes to the audited consolidated financial statements continued

for the year ended 28 February 2023

5. Leases

The group primarily leases office buildings and IT equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Accounting policy

The group assesses whether a contract is, or contains a lease, at the inception of the contract. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At commencement or on modification of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group as the lessor

The Group acts as a lessor over all its sub-tenant leases. These leases are classified as operating leases at the inception of the lease. The Group recognises lease payments received under an operating lease as income on a straight-line basis over the term as part of other income.

The property leased comprises an insignificant portion that is held to earn rental, and another portion that is substantially held for use by the group in the supply of services and for administrative purposes. These portions cannot be sold separately and are therefore not accounted for separately.

Group as lessee

The group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases and leases of low-value assets, at the date at which the leased asset is available for use. Short-term leases have a term of 12 months or less and low-value assets comprise assets with a value less than R75 000 for the South Africa business and AUD 5 000 for the Australia business. For short-term and low-value leases the group applies the permitted exceptions under IFRS 16: Leases. The group recognises the lease payments for short-term and low-value leases as an operating expense in profit or loss on a straight-line basis over the lease term. Refer to note 36.

Lease liability

The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date, discounted by using the incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed lease payments, including in-substance fixed payments, less any lease incentives;
- Lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option; and
- Penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- There has been a change to the lease term;
- If the group changes its assessment of whether it will exercise an extension or termination option;
- If there is a revised in-substance fixed lease payment;
- Interest rate benchmark reform; and
- A change in future lease payments arising from a change in rate,

in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate and a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

5. Leases continued

Accounting policy continued

Right-of-use assets

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter of the lease term of the underlying asset on a straight-line basis or the asset's useful life. The group has not entered into any leasing arrangements that contain the option to purchase leased property. Depreciation starts at the commencement date of a lease.

The group applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss. The group tests for impairment of the right-of-use assets on an annual basis when there are indicators of impairment. The group considers unproductive lease assets for impairment.

An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised and the revised recoverable amount exceeds the carrying amount. The reversal of such an impairment loss is recognised in profit and loss.

For right-of-use assets which are depreciated over their lease terms, the lease terms are presented as:

- Buildings (one to twelve years) – over the lease period; and
- Printers (two to three years) – over the lease period.

On expiry or exit of the lease arrangement, the right-of-use asset's cost and accumulated depreciation are derecognised to the profit or loss as no future economic benefits are expected to flow to the group.

Notes to the audited consolidated financial statements continued

for the year ended 28 February 2023

5. Leases continued

5.1 Right-of-use assets

Reconciliation of beginning and ending balances by classes of assets

	Buildings 2023 R'000	Printers 2023 R'000	Total 2023 R'000
Balance at the beginning of the year	320 278	3 154	323 432
Cost	454 541	7 603	462 144
Accumulated depreciation	(125 604)	(4 449)	(130 053)
Accumulated impairments	(8 659)	–	(8 659)
Additions	18 932	–	18 932
Depreciation (note 22)	(52 196)	(2 338)	(54 534)
Foreign exchange movements	3 955	–	3 955
Cost	9 443	–	9 443
Accumulated depreciation	(5 488)	–	(5 488)
Balance at the end of the year	290 969	816	291 785
Represented by:			
Cost	482 916	7 603	490 519
Accumulated depreciation	(183 288)	(6 787)	(190 075)
Accumulated impairments	(8 659)	–	(8 659)
Balance at the end of the year	290 969	816	291 785

	Buildings 2022 R'000	Printers 2022 R'000	Total 2022 R'000
Balance at the beginning of the year	358 825	5 747	364 572
Cost	440 176	7 603	447 779
Accumulated depreciation	(75 462)	(1 856)	(77 318)
Accumulated impairments	(5 889)	–	(5 889)
Classified as held for sale	–	–	–
Additions	18 001	–	18 001
Depreciation (note 22)	(51 052)	(2 593)	(53 645)
Impairment (note 22)	(2 770)	–	(2 770)
Right-of-use assets derecognised	(481)	–	(481)
Cost	(481)	–	(481)
Accumulated depreciation	–	–	–
Foreign exchange movements	(2 245)	–	(2 245)
Cost	(3 157)	–	(3 157)
Accumulated depreciation	912	–	912
Balance at the end of the year	320 278	3 154	323 432
Represented by:			
Cost	454 541	7 603	462 144
Accumulated depreciation	(125 604)	(4 449)	(130 053)
Accumulated impairments	(8 659)	–	(8 659)
Balance at the end of the year	320 278	3 154	323 432

5. Leases *continued*

5.2 Lease liabilities

Reconciliation of beginning and ending balances by classes of assets

	Buildings 2023 R'000	Printers 2023 R'000	Total 2023 R'000
Current lease liabilities	76 359	1 074	77 433
Non-current lease liabilities	331 977	–	331 977
Carrying value	408 336	1 074	409 410
Reconciliation of beginning and ending balances			
Balance at the beginning of the year	420 332	3 633	423 965
Additions	18 932	–	18 932
Payments	(79 827)	(2 774)	(82 601)
Interest expense	43 875	215	44 090
Foreign exchange movements	5 024	–	5 024
Balance at the end of the year	408 336	1 074	409 410

	Buildings 2022 R'000	Printers 2022 R'000	Total 2022 R'000
Current lease liabilities	72 809	2 663	75 472
Non-current lease liabilities	347 523	970	348 493
Carrying value	420 332	3 633	423 965
Reconciliation of beginning and ending balances			
Balance at the beginning of the year	438 709	6 230	444 939
Additions	18 323	–	18 323
Repayments	(78 229)	(3 075)	(81 304)
Interest expense	44 609	478	45 087
Foreign exchange movements	(3 080)	–	(3 080)
Balance at the end of the year	420 332	3 633	423 965

Notes to the audited consolidated financial statements continued

for the year ended 28 February 2023

5. Leases continued

5.3 Maturity analysis of lease liabilities

	Buildings 2023 R'000	Printers 2023 R'000	Total 2023 R'000
Minimum lease payments	641 688	1 113	642 801
Within one year	117 486	1 113	118 599
Between two and five years	237 973	–	237 973
More than five years	286 229	–	286 229
The present value of the lease obligation is due as follows:	408 336	1 074	409 410
Within one year	76 359	1 074	77 433
Between two and five years	97 466	–	97 466
More than five years	234 511	–	234 511
The present value of the interest payments is due as follows:	233 352	39	233 391
Within one year	41 127	39	41 166
Between two and five years	140 507	–	140 507
More than five years	51 718	–	51 718

	Buildings 2022 R'000	Printers 2022 R'000	Total 2022 R'000
Minimum lease payments	703 750	3 909	707 659
Within one year	116 346	2 897	119 243
Between two and five years	226 634	1 012	227 646
More than five years	360 770	–	360 770
The present value of the lease obligation is due as follows:	420 332	3 633	423 965
Within one year	72 809	2 663	75 472
Between two and five years	76 268	970	77 238
More than five years	271 255	–	271 255
The present value of the interest payments is due as follows:	283 418	275	283 693
Within one year	43 539	236	43 775
Between two and five years	150 364	39	150 403
More than five years	89 515	–	89 515

5. Leases continued

5.3 Maturity analysis of lease liabilities continued

The group does not face a significant liquidity risk with regard to its lease liabilities.

Key estimates and judgements

A summary of the policies applied to the group's leases is as follows:

Extension and termination options

The group has considered such extension and termination options within a lease where it is reasonably certain to exercise such extension and termination options. The options held are exercisable only by the group and not by the respective lessor. Consideration of whether extension options should be included in determining the lease term is a significant area of judgement. In determining the lease term, the group considers all facts and circumstances that create economic incentive to exercise an extension option.

Incremental borrowing rate

In determining the incremental borrowing rate, the group made use of recent third-party financing received as a starting point, and adjusted the cost of borrowing to reflect changes in financing conditions since third-party financing was received and made adjustments for entity-specific risk within the group. The determination of the incremental borrowing rate applied to lease transactions is a significant area of judgement and management estimation. The incremental borrowing rate ranges between 1,9% – 12,4% for the group.

5.4 Right-of-use assets impaired

The following right-of-use assets have been impaired:

	2023 R'000	2022 R'000
Adcorp segments		
Business support	–	(2 770)
Total impairment	–	(2 770)

An impairment of R Nil (2022: R2,8 million) has been recognised in the current financial year relating to the Woodmead head office premises which arose as a result of a portion of the building being sub-leased at rates below the lease contract obligation. The impairment assessment was prepared using the discounted cash flow method. This method takes the projected cash flows of the rental receivable and lease contract obligation and discounts them at the incremental borrowing rate.

Notes to the audited consolidated financial statements continued

for the year ended 28 February 2023

6. Intangible assets

Accounting policy

Intangible assets acquired separately

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis in profit or loss over the estimated useful lives of the intangible assets after taking into account any residual values. The estimated useful lives and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally generated intangible assets

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is recognised in profit or loss in the period in which the expenditure is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised when all of the following criteria can be demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure the expenditure attributable to the intangible asset reliably during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately. Profits or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Indicators of impairment include, but are not limited to: significant underperformance relative to expectations based on historical or projected future operating results, significant changes in the manner of use of the assets or the strategy for the group's overall business and significant negative industry or economic trends. An impairment loss is recognised in profit and loss when the carrying amount of an asset exceeds its recoverable amount. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised and the revised recoverable amount exceeds the carrying amount. The reversal of such an impairment loss is recognised in profit or loss.

6. Intangible assets continued Accounting policy continued

Trademarks are regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Management perform annual impairment assessments to test the recoverability of the carrying amounts of the trademarks. The impairment assessments are performed for internally generated intangibles and the recoverable amount is assessed as the higher of the fair value less costs to sell and value in use. The impairment assessment performed for the trademark in Australia, has been included as part of the Paxus Australia CGU assessed under goodwill. Refer to note 7.

Reconciliation of beginning and ending balances by classes of assets

	Capitalised development 2023 R'000	Trademarks 2023 R'000	Customer Base 2023 R'000	Other ¹ 2023 R'000	Total 2023 R'000
Balance at the beginning of the year	7 710	78 256	38 031	1 776	125 773
Assets at cost	68 569	139 386	554 243	1 882	764 080
Accumulated amortisation	(60 859)	(61 130)	(516 212)	(106)	(638 307)
Additions	–	–	–	7 883	7 883
Amortisation expense (note 22)	(1 781)	(5 898)	(8 205)	(22)	(15 906)
Disposal	–	–	–	–	–
Cost	(157)	–	–	–	(157)
Accumulated amortisation	157	–	–	–	157
Net foreign exchange movements	–	5 821	–	113	5 934
Cost	–	5 821	23 924	124	29 869
Accumulated depreciation	–	–	(23 924)	(11)	(23 935)
Net book value at the end of the year	5 929	78 179	29 826	9 750	123 684
Represented by:					
Assets at cost	68 412	145 207	578 167	9 889	801 675
Accumulated amortisation and impairments	(62 483)	(67 028)	(548 341)	(139)	(677 991)
Net book value at the end of the year	5 929	78 179	29 826	9 750	123 684

¹ Other intangible assets relate mainly to accreditation training programme costs capitalised.

Notes to the audited consolidated financial statements continued

for the year ended 28 February 2023

6. Intangible assets continued

Accounting policy continued

Reconciliation of beginning and ending balances by classes of assets continued

	Capitalised development 2022 R'000	Trademarks 2022 R'000	Customer Base 2022 R'000	Other ¹ 2022 R'000	Total 2022 R'000
Balance at the beginning of the year	10 476	86 604	46 236	1 030	144 346
Assets at cost	68 569	141 836	564 312	1 130	775 847
Accumulated amortisation	(58 093)	(55 232)	(518 076)	(100)	(631 501)
Additions	–	–	–	804	804
Amortisation expense (note 22)	(2 766)	(5 898)	(8 205)	(11)	(16 880)
Net foreign exchange movements	–	(2 450)	–	(47)	(2 497)
Net book value at the end of the year	7 710	78 256	38 031	1 776	125 773
Represented by:					
Assets at cost	68 569	139 386	554 243	1 882	764 080
Accumulated amortisation and impairments	(60 859)	(61 130)	(516 212)	(106)	(638 307)
Net book value at the end of the year	7 710	78 256	38 031	1 776	125 773

Key estimates and judgements

A summary of the policies applied to the group's intangible assets is as follows:

	Capitalised development Finite (10 to 15 years)	Trademarks Finite (7 to 15 years)	Trademarks (Australia) Indefinite	Customer base Finite (13 to 15 years)	Other intangible assets Finite (4 years)
Useful lives					
Amortisation method used	Amortised on a straight-line basis over its estimated useful life	Amortised on a straight-line basis over its estimated useful life	Not amortised	Amortised on a straight-line basis over its estimated useful life	Amortised on a straight-line basis over its estimated useful life
Internally generated or acquired	Internally generated	Acquired	Acquired	Acquired	Acquired

7. Goodwill

Accounting policy

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill arising on the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Goodwill and other indefinite useful life intangible assets are assessed annually for impairment.

For impairment testing, goodwill is allocated to each of the group's cash-generating units (CGU) (or groups of CGUs) that are expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently, when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata, based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The estimated future cash flows and discount rates used are pre-tax, based on an assessment of the current risks applicable to the specific CGU.

The weighted average cost of capital is derived from taking into account market risks and the cost of debt. The variables used in the model are established on the basis of management judgement and current market conditions.

The variables used in the model are established on the basis of management judgement and current market conditions. Management judgement is also applied in estimating the future cash flows of the CGUs.

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value-in-use calculation is based on a discounted cash flow (DCF) model. Impairment losses recognised in the comparative financial year were based on the value in use of the relevant cash-generating units.

The cash flow inputs to the DCF were derived from the budget and forecasts for the next four years and do not include restructuring activities that the group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested.

The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate used for the terminal-value calculation. The key assumptions used to determine the recoverable amount for the different CGUs are discussed further in this note.

The table below illustrates the discount rate, growth rates and terminal growth rate used in the valuation calculation to determine the headroom for each CGU.

Segmental CGU	Pre- tax discount rate		Growth rates range		Terminal growth rate		Headroom	
	2023 %	2022 %	2023 %	2022 %	2023 %	2022 %	2023 R'000	2022 R'000
Industrial								
<i>BLU</i>	27,9	24,4	1 – 8	5 – 9	2,5	2,5	122 005	122 000
Professional								
<i>Paracon</i>	26,2	24,2	5 – 21	5 – 12	2,5	2,5	–	45 000
Australia								
<i>Paxus</i>	17,1	17,1	6 – 9	2 – 12	2	2	337 898	347 000
<i>TalentCru</i>	20,0	20,0	10 – 111	2 – 10	2	2	2 627	66 000
<i>Labour</i>								
<i>Solutions</i>	20,0	17,1	10 – 25	2 – 10	2	2	362 129	45 000

Notes to the audited consolidated financial statements continued

for the year ended 28 February 2023

7. **Goodwill** continued **Key estimates and assumptions**

Key assumptions include the discount rate, terminal growth rate and cash flows used to determine the value in use. Future cash flows are estimated based on the most recent budgets and forecasts approved by management covering a period of five years and are extrapolated over the useful life of the asset to reflect the long-term plans for the group using the estimated growth rate for the specific business which is determined with reference to long-term country specific gross domestic product ("GDP") rates.

An annual impairment test was performed on the 28 February 2023 for all CGU's. An impairment of R34 million relating to the Paracon CGU was recognised in the current financial year (2022: Rnil).

Sensitivity analysis

The impairment calculations are most sensitive to the following assumptions:

- Discount rates.
- Terminal growth rates.
- Growth rates applied to revenue, earnings before interest, taxes, depreciation and amortisation (EBITDA) and EBITDA margin.

Cash flows

Only the plans that are committed to and given effect to at 28 February 2023 were affected in the projected cash flows.

Discount rates

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the group's investors. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. Adjustments to the discount rates were made at 28 February 2023 to reflect the appropriate level of risk at the reporting date.

Appropriate sensitivity analyses were performed on all CGUs, which included fluctuations in growth rates applied to revenue, EBITDA in the cash flow forecast, terminal growth rates and discount rates.

Industrial Services segment CGUs

BLU

A change of 10% in growth rates applied to revenue and EBITDA in the cashflow forecast would result in a valuation difference of R68 million (2022: R64 million), which would not result in an impairment if the deviation in earnings is negative (2022: Rnil).

A change of 1% on the discount rate would result in a R14 million (2022: R28 million) difference in the valuation, which would not result in an impairment if the rate increased by 1% (2022: Rnil).

A change of 1% on the terminal growth rate would result in a R16 million (2022: R18 million) difference in the valuation, which would not result in an impairment if the rate decreased by 1% (2022: Rnil).

Professional Services segment CGUs

Paracon a division of Fortress Administration Proprietary Limited

A change of 10% in growth rates applied to revenue, and EBITDA in the cashflow forecast would result in a valuation difference of R23 million (2022: R37 million), which would result in a further impairment if the deviation in earnings is negative (2022: Rnil).

A change of 1% on the discount rate would result in a R6 million (2022: R20 million) difference in the valuation, which would result in a further impairment if the rate increased by 1% (2022: Rnil).

A change of 1% on the terminal growth rate would result in a R7 million (2022: R13 million) difference in the valuation, which would result in a further impairment if the rate decreased by 1% (2022: Rnil).

7. Goodwill continued

Australia segment CGUs

Paxus Australia

A change of 10% in growth rates applied to revenue, and EBITDA in the cashflow forecast would result in a valuation difference of R102 million (2022: R133 million) which would not result in an impairment if the deviation in earnings is negative (2022: Rnil).

A change of 1% on the discount rate would result in a R87 million (2022: R74 million) difference in the valuation, which would not result in an impairment if the rate increased by 1% (2022: Rnil).

A change of 1% on the terminal growth rate would result in a R48 million (2022: R44 million) difference in the valuation, which would not result in an impairment if the rate decreased by 1% (2022: Rnil).

TalentCru in Australia

A change of 10% in growth rates applied to revenue, and EBITDA in the cashflow forecast would result in a valuation difference of R1 million (2022: R12 million) which would not result in an impairment if the deviation in earnings is negative (2022: Rnil).

A change of 1% on the discount rate would result in a R1 million (2022: R7 million) difference in the valuation, which would not result in an impairment if the rate increased by 1% (2022: Rnil)

A change of 1% on the terminal growth rate would result in a R1 million (2022: R5 million) difference in the valuation, which would not result in an impairment if the rate decreased by 1% (2022: Rnil).

Labour Solutions Australia

A change of 10% in growth rates applied to revenue, and EBITDA in the cashflow forecast would result in a valuation difference of R61 million (2022: R24 million), which would not result in an impairment if the deviation in earnings was negative (2022: Rnil).

A change of 1% on the discount rate would result in a R53 million (2022: R19 million) difference in the valuation, which would not result in an impairment if the rate increased by 1% (2022: Rnil).

A change of 1% on the terminal growth rate would result in a R63 million (2022: R9 million) difference in the valuation, which would not result in an impairment if the rate decreased by 1% (2022: Rnil).

Reconciliation of beginning and ending balances

	2023 R'000	2022 R'000
Cost		
Opening balances at the beginning of the year	1 468 290	1 482 783
Foreign currency movement	34 435	(14 493)
Closing balances at the end of the year	1 502 725	1 468 290
Impairments		
Opening balances	(955 567)	(955 567)
Impairment of goodwill during the year (note 22)	(34 463)	–
Closing balances at the beginning of the year	(990 030)	(955 567)
Carrying amount at the end of the year	512 695	512 723

After recognition of impairment losses, the carrying amount of goodwill is attributable to the following material CGUs:

	2023 R'000	2022 R'000
Industrial Services	83 109	83 109
Adcorp BLU, a division of Adcorp Workforce Solutions Proprietary Limited	83 109	83 109
Professional Services	94 149	128 612
Paracon, a division of Fortress Administration Proprietary Limited	94 149	128 612
Australia	335 437	301 002
Paxus Australia	252 774	226 820
Labour Solutions Australia	72 138	64 737
Talentcru Australia	10 525	9 445
Total	512 695	512 723

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8. Other financial assets

8.1 Investment at fair value

Accounting policy

Investments in securities are recognised on a trade date basis and are initially measured at fair value. The investment in the cell captive arrangement detailed below, is classified as held at fair value through profit or loss and measured subsequently at each reporting date at fair value. Refer additionally to note 2.2 Fair value measurements and valuation processes.

Reconciliation of beginning and ending balances

	2023 R'000	2022 R'000
Investment at fair value		
Balance at the beginning of the year	19 597	18 971
Fair value gain	1 477	626
Balance at the end of the year¹	21 074	19 597

¹ Refer to note 35.8 for additional disclosure relating to the investment.

The investment at fair value represents an investment in a cell captive arrangement which is housed within an insurance company where the group owns a special class of shares that entitles the group to participate in the administration, risk and economic result of the agreed insurance business introduced to the insurance company. The investment in the unlisted shares is not traded in an active market.

Key estimates and judgements

Under this cell captive arrangement Adcorp is insured against future adverse events by investing in shares issued by the insurer. The insurer utilises the capital received from Adcorp to purchase a portfolio of income-generating assets. Claims initiated by Adcorp against the insurer are settled from the portfolio of assets and are typically limited to the funds available from the portfolio.

The group has determined that it does not have control over its insurance cell captive as the assets and liabilities are controlled by the insurer. The group does not have the ability to direct the relevant activities of the cell captive arrangement or influence returns and the cell captive has therefore not been consolidated. There have been no changes during the current financial year to the cell captive arrangement.

9. Deferred taxation

Accounting policy

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred taxation liabilities are generally recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that sufficient taxable profits will be available against which deductible temporary differences, carry forward of unused taxation credits and unused taxation losses can be utilised. Such deferred taxation assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and those deferred taxation liabilities in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future and deferred taxation assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled, based on enacted or substantively enacted rates at the reporting date.

Deferred taxation assets and liabilities are offset when they arise from the same tax reporting entity, and relate to the same authority and when there exists a legal right to offset.

The carrying amount of the deferred taxation assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred taxation asset to be utilised.

Unrecognised deferred taxation assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred taxation asset to be recovered. Deferred taxation is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred taxation is also recognised in other comprehensive income.

The following is the analysis of the deferred tax balances (after offset) per legal entity for financial reporting purposes:

	2023 R'000	2022 R'000
Aggregate net deferred taxation assets	214 833	214 187
Aggregate net deferred taxation liabilities	(56 959)	(89 511)
Net deferred taxation assets	157 874	124 676

Key estimates and judgements

Significant management judgement is required to determine the amount of deferred taxation assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

In evaluating the group's ability to recover deferred taxation assets in the jurisdiction from which they arise, all available evidence is considered, including projected future taxable income and results of operations.

In projecting future taxable income, historical results are adjusted for the results of discontinued operations where applicable and incorporate assumptions about the amount of future operating income, adjusted for items that do not have taxation consequences. The assumptions about future taxable income requires the use of significant judgement and are consistent with the plans and estimates the group is using to manage the underlying businesses. The assumptions take into account historical performance of the group as well as future expected growth.

The estimates of the future taxable income used for determining the recognition of deferred taxation assets, are based on forecast cash flows from operations, assumptions regarding economic growth, inflation rates and the application of existing tax laws. The group remains confident of its ability to generate future taxable income and thus judgement is applied with regard to the timing of the utilisation of the deferred taxation assets. The taxation losses can be carried forward indefinitely, with no expiration date, for as long as the entity is trading. As a result, the group has recognised R183 million (2022: R259 million). The unrecognised taxation losses amount to R737 million (2022: R776 million) at the end of the financial year.

Notes to the audited consolidated financial statements continued

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9. Deferred taxation continued

The following are the major categories of deferred tax assets and liabilities recognised by the group and movements thereon during the current and comparative reporting period:

	As at 28 February 2022 R'000	Profit or loss movements R'000	Profit or loss rate change R'000	Other comprehensive income movements R'000	Foreign exchange movements R'000	Prior year under/over R'000	As at 28 February 2023 R'000
Provisions	39 406	5 858	(1 704)	(401)	–	15 336	58 495
Operating lease timing adjustments	3 288	(3 288)	–	–	–	–	–
Computed losses	70 743	(19 075)	(199)	–	–	(2 140)	49 329
Income received in advance	18 661	7 060	(797)	–	–	(3 399)	21 525
Lease liabilities	102 124	(1 702)	(5)	–	–	–	100 417
Intangible assets	31 891	1 384	–	–	–	–	33 275
Other	85	(186)	7	–	–	–	(94)
Deferred taxation assets	266 198	(9 949)	(2 698)	(401)	–	9 797	262 947
Prepayments	(3 090)	(1 095)	128	–	–	(127)	(4 184)
Intangible asset – software	(21 735)	4 420	–	–	–	–	(17 315)
Section 24C future expense deduction	(7 079)	(3 760)	311	–	–	2 133	(8 395)
Translation adjustment of foreign loan	(18 938)	–	–	18 938	–	–	–
Accrued revenue	(10 178)	6 143	–	–	–	–	(4 035)
Right-of-use asset	(78 193)	9 552	70	–	–	–	(68 571)
Interest	(2 203)	–	–	–	–	–	(2 203)
Foreign exchange movements	–	(7 752)	–	–	7 752	–	–
Other	(106)	(264)	–	–	–	–	(370)
Deferred taxation liabilities	(141 522)	7 244	509	18 938	7 752	2 006	(105 073)
Net deferred taxation assets	124 676	(2 705)	(2 189)	18 537	7 752	11 803	157 874

	As at 28 February 2021 R'000	Profit or loss movements R'000	Profit or loss rate change R'000	Other comprehensive income movements R'000	Other comprehensive income rate change R'000	Foreign exchange movements R'000	Prior year under/over R'000	As at 28 February 2022 R'000
Provisions	40 034	(600)	–	–	–	–	(28)	39 406
Operating lease timing adjustments	4 695	(1 407)	–	–	–	–	–	3 288
Computed losses	92 870	(20 262)	(1 651)	–	–	–	(214)	70 743
Income received in advance	16 180	3 137	–	–	–	–	(656)	18 661
Lease liabilities*	106 785	(3 511)	(1 150)	–	–	–	–	102 124
Intangible assets	35 821	(3 930)	–	–	–	–	–	31 891
Other	20	65	–	–	–	–	–	85
Deferred taxation assets	296 405	(26 508)	(2 801)	–	–	–	(898)	266 198
Prepayment	(1 857)	(1 233)	–	–	–	–	–	(3 090)
Intangible asset – software	(26 156)	4 421	–	–	–	–	–	(21 735)
Section 24C future expense deduction	(6 600)	(747)	–	–	–	–	268	(7 079)
Translation adjustment of foreign loan	(26 128)	–	–	6 490	700	–	–	(18 938)
Accrued revenue	(46 084)	35 906	–	–	–	–	–	(10 178)
Right-of-use asset*	(88 974)	10 781	–	–	–	–	–	(78 193)
Interest	(2 285)	–	82	–	–	–	–	(2 203)
Foreign exchange movements	–	900	–	–	–	(900)	–	–
Other	(290)	184	–	–	–	–	–	(106)
Deferred taxation liabilities	(198 374)	50 212	82	6 490	700	(900)	268	(141 522)
Net deferred taxation assets	98 031	23 704	(2 719)	6 490	700	(900)	(630)	124 676

*Restated prior year to split the deferred taxation on lease liabilities and right-of-use asset that was previously netted.

	2023 R'000	2022 R'000
Reconciliation of estimated taxation losses available in the group:		
Estimated taxation losses at the beginning of the year	1 034 171	1 082 519
Increases in taxation losses for the year	25 619	49 392
Taxation losses utilised during the year	(140 374)	(97 740)
Estimated taxation losses at the end of the year	919 416	1 034 171
Consisting of:		
Taxation losses recognised	182 695	258 549
Taxation losses not recognised	736 721	775 622
	919 416	1 034 171

Notes to the audited consolidated financial statements continued

for the year ended 28 February 2023

10. Taxation Accounting policy

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or OCI.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax assets and liabilities are offset only if certain criteria are met.

The tax rates and tax laws used to compute the amount of taxation are those that are enacted or substantively enacted, at the reporting date in the countries where the group operates and generates taxable income.

	2023 R'000	*Restated 2022 R'000
Continuing operations		
Current taxation		
– Current year	6 598	55 935
– Prior year (over)/under provision	(1 929)	475
Deferred taxation		
– Current year	4 893	(25 229)
– Prior year (over)/under provision	(11 803)	630
Foreign taxation		
– Foreign withholding taxes	–	79
Taxation expense from continuing operations in profit or loss	(2 241)	31 890
Taxation recognised in the other comprehensive income		
Deferred taxation:		
– Exchange differences of net investment of foreign operations	(18 537)	(7 190)
Taxation income from continuing operations recognised in other comprehensive income	(18 537)	(7 190)

* The prior year comparative financial information was restated to reflect the operations of aaX as a discontinued operation in terms of IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations due to aaX being deconsolidated in terms of IFRS 10 and classified as discontinued operations.

10. **Taxation** continued
Taxation reconciliation on continuing operations

	2023 R'000	*Restated 2022 R'000
Profit before taxation	118 513	137 203
South African standard tax rate (%)	28	28
Normal tax at standard rate	33 184	38 417
Adjustment for the tax effect at the standard rate for the following items:		
Exempt income		
– Employment Tax Incentive (ETI) income	(13 812)	(17 851)
Non-deductible items charged against income:		
– Non-deductible expenses ¹	21 349	7 841
– Share-based payments – permanent	3 498	3 808
Non-taxable income	(1 268)	(190)
Fair value adjustments	(413)	(175)
Special allowances claimed:		
– Learnerships	(3 141)	(5 792)
Current year taxation losses not recognised	19 593	14 039
Prior year unrecognised taxation losses utilised in current year	(26 529)	(8 540)
Rate change adjustment	2 189	4 149
Other	(764)	(4 921)
Tax attributable to disposal of foreign operations ²	(22 395)	–
Prior year (over)/under provision of current and deferred taxation	(13 732)	1 105
Actual taxation charge for the year	(2 241)	31 890
Taxation expense relating to discontinued operations		
Current taxation		
– Current year	–	2 885
Deferred taxation		
– Current year	–	245
Total group	(2 241)	35 020

¹ Includes non-deductible consulting fees, tax penalties and impairment of goodwill.

² Tax shield from the disposal of aaX during the financial year due to the application of the Australian income tax consolidation regime.

* The prior year comparative financial information was restated to reflect the operations of aaX as a discontinued operation in terms of IFRS 5: Non Current Assets Held for Sale and Discontinued Operations due to aaX being deconsolidated in terms of IFRS 10 and classified as discontinued operations.

It was announced that the corporate tax rate will be reduced from 28% to 27% with effect from years of assessment ending on or after 31 March 2023. The corporate tax rate in Australia is 30%.

This rate change will only have an impact on Adcorp's current tax rate for the year of assessment ending February 2024. Thus the rate for current tax purposes will remain at 28% for the reporting period February 2023.

Key estimates and assumptions

The Group considered whether it has any uncertain tax positions at year end, particularly those relating to the deductibility of related party interest, interest on a foreign loan and a tax position in a closed down African operation. The Group has maintained a provision for these positions based on the current available facts and circumstances surrounding these uncertainties.

Notes to the audited consolidated financial statements continued

for the year ended 28 February 2023

11. Taxation paid

	2023 R'000	2022 R'000
Net amount payable at the beginning of the year	(48 344)	(39 951)
Amounts charged to statement of comprehensive income including discontinued operations	(4 669)	(59 374)
Interest due from the South African Revenue Services	262	177
Foreign currency movement	(12 889)	1 010
Net amount (receivable)/payable at the end of the year	(7 082)	48 344
Net cash taxation payment	(72 722)	(49 794)

12. Trade receivables

Accounting policy – initial recognition and subsequent measurement

Refer to note 2.6 *Financial instruments*.

Accounting policy – impairment

The group recognises expected credit losses (impairment allowances) on financial assets measured at amortised cost and accrued income balances. The group assesses, on a forward-looking basis, the impairment allowances associated with these financial assets and makes use of provision matrices relevant to its various operations in establishing impairment allowances, specifically for trade receivables.

The group recognises a loss allowance for ECLs applying the simplified approach and measures the loss allowance at an amount equal to the lifetime ECLs. Lifetime expected credit losses are those losses that result from all possible default events over the expected life of the financial instrument. As there is no significant financing component to trade receivables, the group uses a specific identification and provision matrix when measuring ECL on the trade receivables.

The simplified approach is forward looking and takes into account historical credit loss experience, time value of money and future economic factors including inflation. Losses are recognised in the statement of profit or loss and in an impairment allowance account. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of profit or loss. The gross carrying amount of the trade receivable is reduced by the impairment loss allowance and is written off when the group has no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. When a trade receivable is uncollectible, it is written off and recognised in profit or loss.

	2023 R'000	2022 R'000
Gross trade receivables	1 363 910	1 373 800
Allowance for ECLs	(26 861)	(37 446)
Trade receivables	1 337 049	1 336 354
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:		
South Africa	784 247	740 235
Australia	552 802	596 119
Trade receivables	1 337 049	1 336 354
The ageing of trade receivables at the reporting date was:		
Current	1 089 444	1 072 686
0 – 30 days from invoice date	214 056	212 030
31 – 60 days from invoice date	32 650	30 941
61 – 90 days from invoice date	9 345	17 226
91 – 365 days from invoice date	18 414	40 917
Gross trade receivables	1 363 909	1 373 800
Movement in the allowance for ECLs		
Balance at the beginning of the year	37 446	53 119
Allowance adjustment	(3 700)	(2 804)
Amounts released during the year	(6 885)	(12 869)
Balance at the end of the year	26 861	37 446

12. Trade receivables *continued*

Accounting policy – impairment *continued*

The trade receivables are provided as security for all banking facilities available to the group as disclosed in note 17. The eligible receivables are defined as those with outstanding invoices aged up to 90 days. Under the terms agreed to, the group is restricted from invoice discounting and any other factoring arrangements on the eligible receivables.

Exposure to credit risk

The following table details the risk profile of trade receivables based on the group's provision matrix. As the group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the allowance for ECLs, based on past due status, is not further distinguished between the group's different customer base. The group's expected credit loss rate is 2,0% (2022: 2,7%).

	2023		2022	
	R'000	ECL per ageing category	R'000	ECL per ageing category
The ageing of the expected credit loss at the reporting date was:				
Current	2 096	0,2%	2 244	0,2%
0 – 30 days from invoice date	1 445	0,7%	1 399	0,6%
31 – 60 days from invoice date	654	2,0%	617	1,4%
61 – 90 days from invoice date	495	5,3%	1 366	8,0%
91 – 365 days from invoice date	6 769	36,8%	7 836	18,9%
Specifically identified	15 402	**	23 984	**
Total allowance for ECLs	26 861	2,0%	37 446	2,7%

** Fully provided for based on specific identification criteria: customers' financial difficulty, inability to pay and when it is perceived that there is no realistic prospect of recovery.

Before accepting any new customer, the South African operations make use of an external credit bureau to assess the potential customer's credit quality and defines credit limits by customer, whereas, Australia only make use of an external credit bureau when vetting customers that trade outside of professional sectors. Customers that trade within professional services are usually government, tier 1 agencies or well-known and established entities within our geography, as such, they are subject to contract review only and not credit sign off.

A customer is considered to be in default when the amount based on customer credit terms is due but is unpaid. The group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

The group's credit terms to clients range between seven to 180 days with an average collection period of 36 days (2022: 38 days) and no interest is charged on the trade receivables.

The carrying value approximates the fair value due to their short-term nature.

Key estimates and assumptions

To measure the ECLs, trade receivables are grouped based on shared credit risk characteristics and the days past due. The probability of a customer defaulting and the realised loss with defaulted accounts has been determined using historical data of 12 months.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors when affecting the ability of the customers to settle the receivables. The measurement of the ECLs also reflects the recovery expected from any credit risk insurance relating to trade receivables. The insured portion of the South African trade receivables are not impaired and insured at 85% (2022: 85%) of their value against default. The value insured is R595 million (2022: R594 million) capped at claims of R350 million annually.

Notes to the audited consolidated financial statements continued

for the year ended 28 February 2023

12. Trade receivables continued

Key estimates and assumptions continued

Historical estimated losses are calculated as the average losses for the past year. The estimated loss value is adjusted to be forward-looking by taking into account the group's credit control measures and collection policies. When measuring ECLs the group uses reasonable and supportable forward-looking information based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. The group has considered quantitative forward-looking information such as the core inflation rate, economic growth (GDP), unemployment rates and interest rates. Qualitative assessments have also been performed, of which the impact was found to be immaterial. The forward-looking adjusted loss rate is applied to each receivables terms' bucket based on the unpaid balance by the total estimated loss rate. The expected loss rate is applied to the outstanding buckets to derive the allowance for ECLs. A qualitative assessment of the impact of forward-looking information has been performed and found to be immaterial.

There have not been any changes in the estimation techniques or significant assumptions applied during the current financial year.

13. Other receivables and non-current prepayments

13.1 Non-current prepayments

Accounting policy

Costs for software development to customize, develop, or modify the software, during the development phase is capitalised as a prepayment and amortised over the term of the hosting arrangement. The term of that arrangement is the initial non-cancellable period, as well as any extension periods, as long as it is reasonably certain to be exercised.

	2023 R'000	2022 R'000
Prepayment – enterprise technology transformation project	43 987	58 071
Total non-current prepayments	43 987	58 071

13.2 Reconciliation of current and non-current prepayments – enterprise technology transformation project

	2023 R'000	2022 R'000
Balance at the beginning of the year	80 303	76 349
Additions	16 856	23 798
Amounts released during the year	(25 472)	(19 844)
Foreign currency movement	411	–
Balance at the end of the year	72 098	80 303
Non-current	43 987	58 071
Current ¹	28 111	22 232
Total non-current prepayments	72 098	80 303

¹ Current prepayment relating to the enterprise technology transformation project is included in prepayments in other receivables in note 13.3.

13. Other receivables and non-current prepayments *continued*

13.3 Other receivables

Accounting policy – initial recognition and subsequent measurement

Refer to note 2.6 *Financial instruments*.

Accounting policy – impairment

The group recognises a loss allowance for ECLs applying the simplified approach and measures the loss allowance at an amount equal to the lifetime ECLs. As there is no significant financing component to other receivables, the group uses a specific identification and provision matrix when measuring ECL on the other receivables.

	2023 R'000	2022 R'000
Deposits	2 425	2 557
Prepayments ¹	60 528	60 392
Sundry billings	58 389	59 529
Lease receivable	3 500	3 367
Sundry loans	1 680	3 139
Value added taxation	4 132	815
Other ²	5 588	13 763
Total other receivables	136 242	143 562

¹ Includes R28 million (2022: R22 million) relating to the enterprise technology transformation project (note 13.2).

² Comprises SETA government grants and other incentives receivable.

The group considered changes in risk and the fact that no material write-offs have been made on other receivables in the past and raised no expected credit loss on these financial assets.

The carrying value approximates the fair value due to their short-term nature.

Notes to the audited consolidated financial statements continued

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14. Cash and cash equivalents and restricted cash

Accounting policy – initial recognition and subsequent measurement

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at amortised costs and stated at carrying amount which reflects its fair value.

Certain bank accounts are provided as security for banking facilities available to the Group as disclosed in Note 17.

Refer to note 2.6 Financial instruments.

Cash and cash equivalents and restricted cash comprise the following:

	2023 R'000	2022 R'000
Cash resources ¹	311 692	330 997

Restricted cash comprises of:

Value of restricted cash held in Angola ^{2,3}	103 856	89 358
Total cash and cash equivalents and restricted cash per statement of financial position	415 548	420 355
Total cash and cash equivalents per statement of cash flows	311 692	420 355

¹ The counterparties have a South African Moody's Ratings of Ba2, and Australian Moody's ratings of Aa2.

² The counterparties have an Angolan Moody's Ratings of B3.

³ The Group reassessed the classification of restricted cash held in Angola due to regulatory restrictions placed on the ability of the subsidiary to access the cash in Angola at year-end, and as a result, cash and cash equivalents per the statement of cash flows excludes the restricted cash at year-end. At the date of approval of these financial statements access remains restricted. These restrictions were not in place in the prior year.

Credit risk

The maximum exposure to credit risk is represented by the carrying amount of cash and cash equivalents. The group only deposits short-term cash surpluses with financial institutions of high-quality credit standing. The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates. As at 28 February 2023 the group held the majority of its cash and cash equivalents with local and international banks with a 'B3' credit rating or higher.

Liquidity risk

The cash in Angola is restricted due to sovereign exchange controls and completion of certain administrative processes, as a result the group's ability to remit money out of Angola is limited.

Currency risk

The risk of having to face further currency fluctuation on cash held in Angola is very real considering the current tight foreign exchange restrictions in Angola and the current economic activity. The group continues to hold cash until such time as these can be remitted back to South Africa or utilised within Angola.

15. Share capital and share premium

15.1 Share capital and share premium

Accounting policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from equity.

	2023 R'000	2022 R'000
Authorised share capital:		
183 177 151 ordinary shares of 2,5 cents each (2022: 183 177 151)	4 579	4 579
16 822 849 "B" ordinary shares of 2,5 cents each (2022: 16 822 849)	421	421
Total authorised share capital	5 000	5 000
Number of ordinary shares ('000):		
Opening balance at the beginning of the year excluding treasury shares	106 693	107 400
Ordinary shares at the beginning of the year	109 955	109 955
Treasury shares at the beginning of the year	(3 262)	(2 555)
Increase in treasury shares	(3 305)	(707)
Closing balance at the end of the year	103 388	106 693
Consisting of:		
Total ordinary shares in issue	109 955	109 955
Less: Treasury shares	(6 567)	(3 262)
Closing balance at the end of the year excluding treasury shares	103 388	106 693
Number of "B" ordinary shares ('000):		
Number at the beginning of the year	6 729	6 729
Shares repurchased	–	–
Number at the end of the year	6 729	6 729

	2023 R'000	2022 R'000
Issued share capital and premium comprises:		
109 954 675 ordinary shares of 2,5 cents each (2022: 109 954 675)	2 749	2 749
Total issued share capital	2 749	2 749
Share premium	1 738 109	1 738 109
Total share capital and share premium	1 740 858	1 740 858
Reconciliation of share capital and premium movement:		
Balance at the beginning of the year	1 740 858	1 740 858
Balance at the end of the year	1 740 858	1 740 858

Voting and dividend rights

In terms of the memorandum of incorporation, both ordinary and B ordinary shareholders have voting rights, however only ordinary shares shareholders are entitled to a dividend.

Notes to the audited consolidated financial statements continued

for the year ended 28 February 2023

15. Share capital and share premium continued

15.2 Treasury shares

Accounting policy

Where subsidiaries hold Adcorp Holdings Limited ordinary shares, the consideration paid to acquire those shares, including attributable incremental costs, is deducted from shareholders' equity and presented separately as treasury shares. When treasury shares are sold, reissued or cancelled subsequently, the amount received is an increase in equity and the resulting surplus or deficit on the transaction is recognised in share premium.

As part of the group's capital allocation framework, one of the levers to return value to shareholders is through share buybacks, if the share price is materially below intrinsic value.

	2023 R'000	2022 R'000
Adcorp Fulfilment Services Proprietary Limited – 556 605 shares (2022: 556 605)	(22 834)	(22 834)
Torque IT Proprietary Limited – 6 010 428 shares (2022: 2 705 209)	(68 168)	(49 170)
Adcorp Employee Benefit Trust 2 (AEBT 2) consolidated – 6 729 140 "B" shares (2022: 6 729 140)	(168)	(168)
Total treasury shares	(91 170)	(72 172)

16. Reserves

	2023 R'000	2022 R'000
The reserves consist of:		
Share-based payment reserve (note 16.1.1)	187 681	196 240
Foreign currency translation reserve (note 16.2)	124 542	23 658
Accumulated loss	(426 372)	(412 692)
Non-controlling interest	(1 030)	(3 531)
Employee share scheme reserve (note 16.1.2)	168	168
Total reserves	(115 011)	(196 157)

16.1 Share-based schemes

Accounting policy

Share-based payment schemes are all settled by providing shares of the group to the recipients. The group accounts for all share-based payments as equity settled.

Equity-settled share-based payment transactions are measured at the fair value of the equity instruments granted. The fair value is measured at the grant date. IFRS 2 defines the grant date as the date at which the entity and another party agree to a share-based payment arrangement, being when the entity and counterparty have a shared understanding of the terms and conditions of the arrangement.

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense in profit and loss, with a corresponding increase in equity, over the vesting period of the awards.

16. Reserves continued**16.1 Share-based schemes** continued**16.1.1 Share-based payment reserve**

A reconciliation of the share-based payment reserve (per share scheme) for the year is provided below:

	2023 R'000	2022 R'000
Balance at the beginning of the year	196 240	179 717
Senior management long-term incentive scheme	27 630	18 313
AEBT 2 and Broad-Based Black Economic Empowerment (B-BBEE) shareholders' trust	165 023	157 817
AEBT 3 transaction	3 587	3 587
Share-based expense recognised during the year	12 428	19 709
Senior management long-term incentive scheme	5 222	12 503
AEBT 2 and B-BBEE shareholders' trust	7 206	7 206
Transfer to retained earnings*	(9 560)	–
Senior management long-term incentive scheme	(9 560)	–
Other movement in share-based payment reserve**	(11 427)	(3 186)
Senior management long-term incentive scheme	(11 427)	(3 186)
Balance at the end of the year	187 681	196 240
Made up of:		
Senior management long-term incentive scheme	11 865	27 630
AEBT and B-BBEE shareholders' trust	172 229	165 023
AEBT 3 transaction	3 587	3 587
Total share-based payment reserve	187 681	196 240

* Relates to vesting of share awards.

** Includes retention shares converted to performance bonuses.

Notes to the audited consolidated financial statements continued

for the year ended 28 February 2023

16. Reserves continued

16.1 Share-based schemes continued

16.1.1 Share-based payment reserve continued

Key estimates and judgements

The assessed fair value at grant date of share awards granted during the 28 February 2023 financial year is disclosed below. Retention shares (RS) and the performance shares (PS) at grant date are independently determined with the present value of future expected dividends discounted at a risk-free rate. The valuation models take into account the exercise price, the term of the share award, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the share award and the correlations and volatilities of the peer group companies.

Senior management long-term incentive scheme

The group awards shares under the scheme as part of the retention policy and to align management remuneration with the achievement of short and long-term strategic and financial performance targets.

The plan includes two types of awards:

- PS: a conditional right to Adcorp shares, the vesting of which is subject to the fulfilment of service conditions as well as performance conditions. As specified in the award letter, participants will not be entitled to dividends or have any voting rights on the PS until the awards vest. Vesting periods are three years from date of award.
- RS: these are similar to PS but are not conditional on the performance of the group. These were converted to performance bonuses during the financial year.

The following reconciles the outstanding share awards granted under the senior management long-term incentive scheme at the end of the financial year:

	Number of share awards 2023	Weighted Average grant price 2023	Number of share awards 2022	Weighted average grant price 2022
Senior management long-term incentive scheme				
Outstanding balance at the beginning of the year	13 435 079	5,11	6 354 260	7,21
Granted during the year	2 556 041	4,25	9 142 712	4,92
Vested during the year	(162 205)	23,46	(264 370)	17,47
Forfeited during the year	(6 386 882)	5,76	(1 797 523)	8,81
Outstanding balance at the end of the year	9 442 033	3,92	13 435 079	5,11

The following share awards were issued under the senior management long-term incentive scheme in the current and comparative financial years:

	Number	Grant date	Vesting date	Type	Fair value at grant date
Issued in 2021	1 909 213	2020/12/01	2023/11/30	PS	4,26
Issued in 2022	906 095	2021/04/01	2024/04/01	PS	4,88
Issued in 2022	4 070 684	2021/06/30	2024/06/30	PS	3,82
Issued in 2023	2 556 041	2022/12/14	2025/12/13	PS	4.52
	9 442 033				

16. Reserves continued**16.1 Share-based schemes** continued**16.1.1 Share-based payment reserve** continued**Key estimates and judgements** continued*Senior management long-term incentive scheme continued*

The fair values at grant date are independently determined using a binomial model. The inputs to the model determining the fair value of the shares awarded at grant date are set out below:

	2023	2022
Spot price (R)	5,34 – 24,94	5,20 – 24,94
Expected volatility (%)	32,67 – 93,04	34,06 – 109,32
Expected life (years)	3 – 6	3 – 6
Risk-free rate (%)	4,20 – 8,80	4,20 – 7,76
Expected dividend yield (%)	1,77 – 10,27	0 – 10,27

2020 B-BBEE Empowerment transaction

In the 2021 financial year, a B-BBEE transaction was completed and a new company was established, Adcorp Group South Africa Proprietary Limited and a trust registered, Adcorp Employee Benefit Trust 3 (AEBT 3) as contemplated by the B-BBEE transaction. As a result of the B-BBEE transaction, Adcorp Group South Africa Proprietary Limited became the new holding company of Adcorp Management Services Proprietary Limited (which was an indirect subsidiary of Adcorp Holdings Limited) and Adcorp Workforce Management Solutions Proprietary Limited (which was a direct subsidiary of Adcorp Holdings Limited). AEBT 3 was issued with 23,95% of the issued ordinary no par value shares in Adcorp Group South Africa Proprietary Limited, Thornbird Trade and Invest 33 Proprietary Limited 4,16% and Quest Strategic Partners Proprietary Limited 7,31% with Adcorp Holdings Limited holding 64,58% of Adcorp Group South Africa Proprietary Limited ordinary shares and 100% of the "A" preference shares in Adcorp Group South Africa Proprietary Limited.

Thornbird Trade and Invest 33 Proprietary Limited and Quest Strategic Partners Proprietary Limited have effectively received an option in Adcorp Group South Africa Proprietary Limited as consideration for Adcorp Group South Africa Proprietary Limited receiving empowerment credentials.

Notes to the audited consolidated financial statements continued

for the year ended 28 February 2023

16. Reserves continued

16.1 Share-based schemes continued

16.1.1 Share-based payment reserve continued

Key estimates and judgements continued

The AEBT 3 trust is consolidated in the current financial year as Adcorp Holdings Limited has control over the trust as it has the ability to direct the relevant activities of the Trust through the drafting of the trust deed which sets out the decision making powers relevant to the Trust which are pre-determined in the trust deed. Through the trust deed Adcorp Holdings Limited has exercised power to direct the relevant activities of the Trust. Adcorp Holdings Limited will furthermore obtain variable returns through access to future resources or future contracts from maintaining the group's B-BBEE credentials. Furthermore, the beneficiaries of the Trust are employees of the group which exposes the group to variable returns through their employment services.

The group applied its judgement in determining the appropriate IFRS 2 expense that should be recognised as a result of the B-BBEE transaction as approved by the shareholders on 14 December 2020 utilising the principles as outlined in IFRS 2: Share-based Payment. In determining the share-based expense, the group obtained an expert valuation. This valuation was then subjected to a sensitivity analysis based on the assumptions applied in the model. The valuation model is sensitive to the expected percentage volatility and the expected dividend yield percentage assumptions.

The group determined that additional information surrounding the impact of the sensitivities on these key assumptions should be disclosed to the users of these financial statements to understand the magnitude of changes. Due to the nature of the scheme, the share-based payment expense is non-recurring and has vested fully during the current period.

16.1.2 Employee share scheme reserve

AEBT 2 and B-BBEE shareholders' interest

In terms of the Black Economic Empowerment (BEE) transaction in 2013 (2013 B-BBEE transaction), Adcorp has authorised and issued a total of 6 729 140 "B" ordinary shares (2022: 6 729 140) to its empowerment shareholder (AEBT 2) at a value of 2,5 cents per share.

In the 2014 financial year, Adcorp Holdings Limited entered into a share repurchase agreement with Thornbird Trade and Invest 33 Proprietary Limited and Wiphold Financial Services Number Two Proprietary Limited whereby Adcorp Holdings Limited repurchased all the B ordinary shares held by Thornbird Trade and Invest 33 Proprietary Limited and Wiphold Financial Services Number Two Proprietary Limited respectively for R0,102 million

	2023 R'000	2022 R'000
Issued "B" class shares in Adcorp Holdings shares		
6 729 140 "B" ordinary shares of 2,5 cents per share (2022: 6 729 140) at the beginning of the year	168	168
6 729 140 "B" ordinary shares of 2,5 cents per share (2022: 6 729 140) at the end of the year	168	168

In 2021, the group implemented a new BEE transaction (refer to 2020 B-BBEE Empowerment transaction) on page 155.

16. Reserves continued**16.1 Share-based schemes** continued**16.1.2 Employee share scheme reserve** continued**AEBT 2 and B-BBEE shareholders' interest** continued

In respect of the 2013 B-BBEE transaction, the fair value of the cancelled and new B-BBEE scheme issued on the date of modification was calculated using the Black Scholes option-pricing model. The inputs to the model are set out below:

	2014
Weighted average share price (R)	34,86
Weighted average exercise price (R)	42,17
Expected volatility (%)	24,47
Expected life (years)	10,00
Risk-free rate (%)	7,99
Expected dividend yield (%)	4,07

Using the modification cost principles under IFRS 2 Share-based Payment, the total modified cost of the B-BBEE scheme is R146 million. The total value to be amortised over the 10-year period is the aggregate of (a) 40% of the modification cost plus (b) the unamortised value relating to the 2007 B-BBEE deal. Details of the amounts expensed over the remaining period of the scheme are as follows:

	2023 R'000	2022 R'000
One year	7 206	7 206
Year two to five	–	7 206

The following reconciles the outstanding share awards granted under the AEBT 2 at the beginning and end of the financial year:

	Number of Share awards 2023	Weighted Average exercise price 2023	Number of share awards 2022	Weighted average exercise price 2022
Outstanding balance at the beginning of the year	6 729 140	42,17	6 729 140	42,17
Outstanding balance at the end of the year	6 729 140	42,17	6 729 140	42,17

Notes to the audited consolidated financial statements continued

for the year ended 28 February 2023

16. Reserves continued

16.2 Foreign currency translation reserve

	2023 R'000	2022 R'000
Balance at the beginning of the year	23 658	28 782
Arising on translation of foreign operations	97 611	(5 124)
Exchange difference reclassified to profit or loss on disposal of foreign subsidiary (note 32)	3 273	–
Balance at the end of the year	124 542	23 658

Exchange differences relating to the translation from the functional currencies of the group's foreign subsidiaries into Rand amounts are brought to account by entries made directly to the foreign currency translation reserve.

17. Interest-bearing borrowings

17.1 Current interest-bearing borrowings

	2023 R'000	2022 R'000
ZAR revolving credit facility	–	100 000
AUD borrowing base facility	–	33 336
Current interest-bearing borrowings	–	133 336

ZAR Revolving credit facility

The revolving credit facility of R400 million matured on 31 August 2022 and the group renegotiated its facilities to include a revolving credit facility of R150 million (ZAR Revolving credit facility), an overdraft facility of R100 million and an accordion facility of R100 million which became effective on 1 September 2022 maturing in three years.

Interest is compounded monthly in arrears at an agreed margin plus JIBAR which is determined on each measurement date being the last day of each month. Any amount outstanding on the ZAR Revolving credit facility is to be repaid on the last day of the interest period. Any amount on the accordion facility which remains outstanding on the maturity date, will be repaid in full on that date.

The agreement sets out various events of default. For as long as an event of default has occurred and is continuing, the margin shall be the applicable margin plus 2% per annum. The financial covenants set out in the agreement includes the following:

Financial covenant ratio	Requirement
Interest cover ratio (ratio of adjusted consolidated EBITDA to consolidated net finance costs)	>3
Current ratio (ratio of consolidated current assets divided by consolidated current liabilities)	>1,1
Tangible net asset value ('000)	R1 200 000

As at the reporting date, no events of default had occurred and the group has complied with all financial covenants.

The accordion facility was not utilised during the current financial year.

Trade receivables with a carrying value of R552 million are used as security to secure funding relating to the borrowing base facility. The eligible receivables are defined as those with outstanding invoices aged up to 90 days. Under the terms agreed to, the group is restricted from invoice discounting and any other factoring arrangements on the eligible receivables.

As security for the borrowing base facility, a shared security agreement was entered into that holds a cession over the trade receivables and bank accounts between specified operating subsidiaries of the Adcorp group.

17. Interest-bearing borrowings *continued*

17.1 Current interest-bearing borrowings *continued*

AUD borrowing

The AUD borrowing base facility consists of a revolving borrowing base facility, a letter of credit and bank guarantee that matures on 10 March 2024. Further details of each are presented below:

Revolving borrowing base facility

The revolving borrowing base facility is AUD20 million. It matures on 10 March 2024 with interest payable quarterly at the applicable base rate as determined with reference to the Australian Reserve Bank rates at the time of drawdown plus a margin of 1.60% per annum. Interest is compounded monthly and the facility is limited to a maximum of four draws outstanding at any one time. The facility can be prepaid in whole or in part at any time and unless otherwise agreed must be for a minimum of AUD100,000 and an integral multiple of AUD50,000.

Letter of credit and bank guarantee

The facility limit is AUD2 million and unless otherwise agreed, the letter of credit instrument must have a term of at least one month. Repayments must be a minimum of AUD50,000. The facility is restricted to no more than five letter of credit instruments and the minimum draw must be AUD50,000 and the letter of credit instrument must have a term of at least one month. Prepayments must be a minimum of AUD50,000 unless otherwise agreed.

Financial covenants on the AUD borrowings include a level of debt service cover ratio and a level of interest cover ratio up until the maturity dates and the borrowing base facility at any time may not exceed the lessor of the borrowing base facility and the receivables borrowing base applicable at the time and the consolidated net worth of the Australian Group does not fall below the greater of AUD55 million and 85% of the consolidated net worth of the Australian Group for the previous financial year. The receivables borrowing base is an amount equal to 80% of eligible receivables.

The Australian Group only made use of the borrowing base facility during the financial year and the amount outstanding at the reporting date was RNil (AUD Nil) as disclosed in the tables in note 35.6.

As security for the AUD borrowings, a shared security agreement was entered into that holds a cession over the trade receivables between specified operating subsidiaries of the Adcorp Australia Group.

As at the reporting date, no events of default had occurred and the Australia Group has complied with all financial covenants during the current financial year.

17.2 Reconciliation of movements on interest-bearing borrowings

	2023 R'000	2022 R'000
Opening balances at the beginning of the year	133 336	455 823
Interest accrued	2 258	16 803
Interest paid	(2 258)	(16 803)
Repayments on facilities during the year	(615 183)	(960 000)
Proceeds from facilities during the year	480 190	637 509
Foreign currency movements ¹	1 657	4
Closing balance at the end of the year	–	133 336

¹ Non-cash movements.

Notes to the audited consolidated financial statements continued

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18. Trade and other payables

	2023 R'000	2022 R'000
Trade creditors	124 707	153 707
Value added taxation	200 233	180 675
Operating expense accruals	157 775	130 688
Payroll accruals	312 922	268 811
Income received in advance from customer contract liabilities	79 720	52 685
Other creditors	23 498	33 044
Trade and other payables	898 855	819 610

Trade and other payables do not carry interest and are stated at their nominal value. The carrying amount approximates the fair value. The average credit period on trade and other payables is 30 days. All amounts will be settled within 12 months and are therefore considered to be short term in nature.

The group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

18.1 Income in advance from customer contract liabilities

Amounts recognised in the income received in advance relate to monies received in advance from customers. The group has recognised the following current liabilities related to contracts with customers.

	Performance obligation (timing)	2023 R'000	2022 R'000
Customer liabilities – training	Revenue is recognised over time as the training is provided	76 942	52 587
Customer liabilities – permanent placements	Revenue is recognised at the point in time when placed candidates begin employment	2 406	74
Customer liabilities – temporary placements	Revenue is recognised over time as the services are rendered	372	24
Total income received in advance from contract liabilities		79 720	52 685

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities where performance obligations were satisfied in the current year.

	2023 R'000	2022 R'000
Balance at the beginning of the year	52 685	57 785
Income in advance recognised as liability	263 988	216 485
– Training	146 296	112 237
– Permanent placements	86 948	68 007
– Temporary placements	30 744	36 241
Revenue recognised during the period	(236 953)	(221 585)
– Training	(121 940)	(110 294)
– Permanent placements	(84 615)	(67 933)
– Temporary placements	(30 398)	(43 358)
Balance at the end of the year	79 720	52 685

18. Trade and other payables continued**18.1 Income in advance from customer contract liabilities** continued**Training**

Revenue from training is recognised as the contracted service is rendered to a client, which is over a period of time. Consideration received from clients who pay for training services in full, at the beginning of the service contract, is recognised as a contract liability. Revenue from the contract liability is recognised over the period of the training contract.

Permanent placements

Revenue from permanent placements is recognised at a point in time when a qualified candidate has been placed and begins permanent employment with a client. Consideration received is recognised net of a "contingency allocation" for permanent placement candidates who may not remain with a client through a specified contingency period. This contingency is recognised as a contract liability. Revenue from the contract liability is recognised at the point when the contingency period has lapsed.

Temporary placements

Revenue from temporary placements is recognised as the contracted service is rendered to a client, which is over a period of time. Consideration received from clients who pay for temporary placement services in full, at the beginning of the service contract, is recognised as a contract liability. Revenue from the contract liability is recognised over the period of the temporary placement contract.

Notes to the audited consolidated financial statements continued

for the year ended 28 February 2023

19. Provisions

Accounting policy

Provisions are recognised when the group has a present (legal or constructive) obligation as a result of a past event, it is probable that the group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provision for leave pay

The provision for leave pay is measured at the group's best estimate of the expenditure required to settle the obligation at the reporting date in accordance with the Basic Conditions of Employment Act. The provision includes both temporary and permanent employees.

Bonuses

The bonus provision includes both temporary and permanent staff. The group rewards the meeting of strategic financial and non-financial objectives through bonuses to permanent employees. The provision is utilised when the bonus is approved and paid out in May of the following financial year. Temporary staff bonuses are raised based on contractual obligations with our assignee and candidate base.

Other

Other provisions represent the directors' best estimate of future economic benefits that may be required to cover claims on services rendered by the group. The provisions have been determined based on assessments and estimates by management. Actual results could differ from estimates and there is no certainty regarding the timing of these cash flows.

	As at 28 February 2022 R'000	Provisions raised 2023 R'000	Provisions utilised 2023 R'000	Foreign exchange movement 2023 R'000	As at 28 February 2023 R'000
Leave pay	93 181	193 712	(143 569)	2 596	145 920
Bonuses	78 278	82 664	(90 970)	2 601	72 573
Other	32 471	16 478	(33 999)	1 446	16 396
Total	203 930	292 854	(268 538)	6 643	234 889

	As at 28 February 2021 R'000	Provisions raised 2022 R'000	Provisions utilised 2022 R'000	Foreign exchange movement 2022 R'000	As at 28 February 2022 R'000
Leave pay	105 216	113 163	(124 417)	(781)	93 181
Bonuses	53 198	82 991	(57 194)	(717)	78 278
Other	25 324	14 275	(6 467)	(661)	32 471
Total	183 738	210 429	(188 078)	(2 159)	203 930

20. Revenue

Accounting policy

The group is in the business of providing services to clients which include permanent placements, temporary placements to flexible staffing sectors, professional IT services, as well as the provision of business process outsourcing and training. Revenue is measured based on the consideration to which the group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when the performance obligations are met.

Credit risk is accounted for separately as part of the impairment consideration for financial instruments.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the group transfers the related services. Contract liabilities are recognised as revenue when the group performs under the contract (i.e. transfers the related services to the customer). Refer to note 18.1 Income received in advance from customer contract liabilities for details of the liabilities recognised by the group arising from contracts from customers.

The group does not enter into arrangements with deferred payment terms that exceed 12 months, therefore there is no significant financing component accounted for.

The group makes use of the practical expedient option in paragraph 121 in IFRS 15 as the right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date. The service contracts bill a fixed amount for each hour of service provided.

Performance obligation	Description	Timing	2023 R'000	*Restated 2022 R'000
Permanent placement	Permanent placement involves placing candidates in full-time employment with prospective employers. Once candidates are placed, the group has no further obligations to the customer.	Revenue is recognised at the point in time when placed candidates begin employment.	79 911	73 006
Temporary placement	Adcorp provides temporary employment services to customers – the services are described as a “solution”. The services contracted include procurement, screening, payroll administration, maintenance of records, management reporting, labour-related matters etc. Additional services may be required on an ad hoc basis, the terms of which are to be agreed upon between the parties.	Revenue is recognised over time as the services are rendered.	9 968 012	9 192 923
Training	The group provides disability, technical, higher and technological training as well as other ancillary services. There are no contracts with variable consideration components as well as multiple performance obligations.	Revenue is recognised over time as the training is provided.	235 034	239 764
Outsourced-based solutions	This is focused on managing a wide range of business processes through qualified professionals who use automation and optimisation tools to help improve efficiency, reduce operational costs and increase productivity, while capitalising on process automation technologies. This could also include providing clients with contract management and vendor disbursements for client suppliers.	Revenue is recognised at the point of time the solution has been delivered to the customer.	1 765 994	1 812 355
Total revenue from continuing operations			12 048 951	11 318 048

* The prior year comparative financial information was restated to reflect the operations of aaX as a discontinued operation in terms of IFRS 5: Non Current Assets Held for Sale and Discontinued Operations due to aaX being deconsolidated in terms of IFRS 10 and classified as discontinued operations.

Notes to the audited consolidated financial statements continued

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20. Revenue continued Disaggregation of revenue by geographical region

Region	Segment	Performance obligation	2023 R'000	*Restated 2022 R'000
South Africa			6 668 343	6 804 350
	Industrial		4 588 435	4 709 665
		Temporary placement	3 640 948	3 728 716
		Permanent placement	44	–
		Outsourced-based solutions	947 443	980 949
	Professional		1 844 874	1 854 921
		Temporary placement	986 335	994 237
		Permanent placement	39 988	29 280
		Outsourced-based solutions	818 551	831 404
	Training	Training	235 034	239 764
Australia			5 380 608	4 513 698
	Australia		5 380 608	4 513 698
		Temporary placement	5 340 729	4 469 972
		Permanent placement	39 879	43 726
Total revenue from continuing operations			12 048 951	11 318 048

The timing of revenue recognition is as follows:

	2023 R'000	*Restated 2022 R'000
Over time	10 203 046	9 432 689
At a point in time	1 845 905	1 885 359
Total revenue from continuing operations	12 048 951	11 318 048

* The prior year comparative financial information was restated to reflect the operations of aaX as a discontinued operation in terms of IFRS 5: Non Current Assets Held for Sale and Discontinued Operations due to aaX being deconsolidated in terms of IFRS 10 and classified as discontinued operations.

In certain cases the group uses output-based methods to determine when the revenue for performance obligations is recognised over time.

Key estimates and judgements

The group is a principal if it controls the specified service before the service is rendered to a customer. The group is an agent if the entity's performance obligation is to arrange for the provision of the service by another party. The following factors were considered in determining that the group is a principal:

- Primary responsibility for providing the services to the customer or for fulfilling the order; and
- Latitude in establishing prices, either directly or indirectly, for example by providing additional goods or services which they will bill for.

21. Other income

Accounting policy for government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the group recognises as expenses related costs for which the government grant is intended to compensate. A government grant is not recognised until there is reasonable assurance that the group will comply with conditions attaching to it and the grants will be received. Government grants which are unconditional are presented on the consolidated statement of profit or loss in other income.

	2023 R'000	2022 R'000
Other income comprises:		
Other income ¹	9 563	12 439
Sub-lease rental income ²	10 180	7 114
Total other income	19 743	19 553

¹ Includes training levies recovered and Bureau income (government grants).

² Refer to accounting policy included in note 5.

22. Operating profit before finance income and finance costs

Operating profit before finance income and finance costs includes the following items:

	2023 R'000	*Restated 2022 R'000
Auditors' remuneration	(20 184)	(21 016)
Retirement benefits	(61 764)	(57 855)
Leasing and rentals (note 36)	(10 400)	(11 286)
Staff costs	(657 432)	(587 299)
Depreciation and amortisation	(85 021)	(88 734)
Depreciation on property and equipment (note 4)	(14 581)	(18 209)
Depreciation on right-of-use assets (note 5.1)	(54 534)	(53 645)
Amortisation of intangible assets (note 6)	(15 906)	(16 880)
Impairment of right-of-use assets (note 5.4)	–	(2 770)
Impairment of goodwill (note 7)	(34 463)	–
Enterprise technology transformation project costs	(25 472)	(19 844)
Foreign exchange (losses)/gains	(2 965)	2 988
Profit/(loss) on the sale of property and equipment	290	(2 182)

* The prior year comparative financial information was restated to reflect the operations of aaX as a discontinued operation in terms of IFRS 5: Non Current Assets Held for Sale and Discontinued Operations due to aaX being deconsolidated in terms of IFRS 10 and classified as discontinued operations.

Notes to the audited consolidated financial statements continued

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23. Finance income

Finance income comprises:

	2023 R'000	2022 R'000
Bank deposits	5 177	5 222
Other	412	21
Interest income	5 589	5 243

24. Finance costs

Finance costs comprises:

	2023 R'000	*Restated 2022 R'000
Financial instruments held at amortised cost		
Bank overdrafts	(3 312)	(4 069)
Interest-bearing borrowings	(3 579)	(19 859)
Interest on lease liabilities ¹	(44 090)	(45 087)
Interest expense	(50 981)	(69 015)

¹ Refer to note 5.2 lease liabilities.

* The prior year comparative financial information was restated to reflect the operations of aaX as a discontinued operation in terms of IFRS 5: Non Current Assets Held for Sale and Discontinued Operations due to aaX being deconsolidated in terms of IFRS 10 and classified as discontinued operations.

25. Earnings per share Accounting policy

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the group by the weighted average ordinary shares outstanding during the financial year excluding treasury shares.

Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account:

- The after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

The group discloses headline earnings per share as determined in accordance with Circular 1/2021, pursuant to the JSE Listings Requirements. Headline earnings represents net profit for the year attributable to the group's equity holders, excluding certain defined separately identifiable remeasurements relating to, among others, impairments of tangible assets, intangible assets (including goodwill) and equity-accounted investments, gains and losses on acquisitions and disposals of investments as well as assets, dilution gains and losses on equity-accounted investments, remeasurement gains and losses on disposal groups classified as held for sale and remeasurements included in equity-accounted earnings, net of related taxes (both current and deferred) and the related non-controlling interests. These remeasurements are determined in accordance with Circular 1/2021, headline earnings, as issued by the South African Institute of Chartered Accountants, at the request of the JSE Limited in relation to the calculation of headline earnings and disclosure of a detailed reconciliation of headline earnings to the earnings numbers used in the calculation of basic earnings per share in accordance with the requirements of IAS 33 – Earnings per Share, under the JSE Listings Requirements.

25. Earnings per share *continued* Accounting policy *continued*

Basic headline earnings per share are determined by dividing the headline earnings described above by the weighted average ordinary shares outstanding during the financial year excluding treasury shares.

Diluted headline earnings per share are determined by dividing the diluted headline earnings by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

In the event that the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation without consideration, the calculation of the basic and diluted earnings per share for the comparative period are adjusted retrospectively.

The calculation of earnings per share on continuing operations attributable to the ordinary equity holders of the parent is based on profits of R118,6 million (2022: R102,8 million), loss from discontinued operations of R80,0 million (2022: profit R13,6 million), and ordinary shares of 103 387 640 (2022: 106 692 859), being the weighted average number of shares relative to the above earnings.

	2023 R'000	*Restated 2022 R'000
Continuing operations:		
Basic earnings per share (cents)	114,7	96,3
Diluted earnings per share (cents)	110,6	91,1
Discontinued operations:		
Basic (loss)/earnings per share (cents)	(77,4)	12,8
Diluted (loss)/earnings per share (cents) – anti-dilutive	(77,4)	12,1
Total basic earnings per share		
Basic earnings per share (cents)	37,3	109,1
Diluted earnings per share (cents)	36,0	103,2
Weighted average number of ordinary shares outstanding during the period		
Reconciliation of weighted average number of ordinary shares outstanding to the weighted average diluted number of shares outstanding during the period		
Weighted average number of ordinary shares outstanding during the period	103 387 640	106 692 859
Adcorp employee share schemes – dilution ¹	7 587 746	12 204 416
Adcorp employee share schemes – anti-dilutive shares excluded ¹	(3 793 873)	(6 102 208)
Diluted weighted number of ordinary shares outstanding during the period	107 181 513	112 795 067

¹ The dilution of shares results from the potential exercise of share awards in the employee share scheme. The potential exercise of share awards considered to be anti-dilutive is excluded.

* The prior year comparative financial information was restated to reflect the operations of aaX as a discontinued operation in terms of IFRS 5: Non Current Assets Held for Sale and Discontinued Operations due to aaX being deconsolidated in terms of IFRS 10 and classified as discontinued operations.

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25. Earnings per share continued Accounting policy continued

	2023 R'000	*Restated 2022 R'000
Reconciliation of headline earnings from continuing operations²		
Profit for the year	118 562	102 759
(Profit)/loss on sale of property and equipment	(290)	2 182
Taxation recovered on the sale of property and equipment	81	(611)
Impairment of right-of-use assets	–	2 770
Taxation on impairment of right-of-use assets	–	(776)
Impairment of goodwill	34 463	–
Headline earnings from continuing operations	152 816	106 324
Headline earnings per share (cents)	147,8	99,7
Diluted headline earnings per share (cents)	142,6	94,3
Reconciliation of headline earnings from discontinued operations²		
(Loss)/profit for the year	(79 980)	13 644
Profit from the disposal of businesses	(9 640)	(13 950)
Headline loss from discontinued operations	(89 620)	(306)
Headline losses per share (cents)	(86,7)	(0,3)
Diluted headline losses per share (cents)	(86,7)	(0,3)
Reconciliation of headline earnings from total operations		
Profit for the year attributable to ordinary shareholders	38 582	116 403
(Profit)/loss on sale of property and equipment	(290)	2 182
Taxation recovered on the sale of property and equipment	81	(611)
Impairment of right-of-use assets	–	2 770
Taxation on impairment of right-of-use assets	–	(776)
Impairment of goodwill	34 463	–
Profit from the disposal of businesses	(9 640)	(13 950)
Headline earnings	63 196	106 018
Headline earnings per share (cents)	61,1	99,4
Diluted headline earnings per share (cents)	59,0	94,0

¹ The dilution of shares results from the potential exercise of share awards in the employee share scheme. The potential exercise of share awards considered to be anti-dilutive is excluded.

² Headline earnings per share is based on the earnings adjusted for the profit on the sale of assets, impairment of goodwill and right-of-use assets, net of tax.

^{*} The prior year comparative financial information was restated to reflect the operations of aaX as a discontinued operation in terms of IFRS 5: Non Current Assets Held for Sale and Discontinued Operations due to aaX being deconsolidated in terms of IFRS 10 and classified as discontinued operations.

26. Directors' and prescribed officers' emoluments

Executive directors 2023	Salary R'000	Bonus R'000	Employee benefits R'000	Sub-total R'000	Notice and leave pay R'000	Total R'000
Dr J Wentzel	5 076	4 000	1 206	10 282	–	10 282
N Prendergast	2 842	1 710	502	5 054	–	5 054
	7 918	5 710	1 708	15 336	–	15 336
Executive directors 2022						
Dr J Wentzel (appointed 1 April 2021)	4 409	6 088	1 157	11 654	–	11 654
N Prendergast	2 723	1 440	517	4 680	–	4 680
P Roux (resigned 31 March 2021)	500	–	40	540	353	893
	7 632	7 528	1 714	16 874	353	17 227

Prescribed officers 2023	Salary R'000	Bonus R'000	Other¹ bonus (retention) R'000	Employee benefits R'000	Sub-total R'000	Realised gains on share awards R'000	Separa- tion costs R'000	Notice and leave pay R'000	Total R'000
R de Grooth	2 859	1 136	3 001	277	7 273	213	–	–	7 486
N Najjar	2 352	1 238	–	564	4 154	–	–	–	4 154
B Toerien (appointed 2 December 2022)	2 111	899	2 449	622	6 081	84	–	–	6 165
M Woodbury (Australia) (resigned 24 June 2022)	1 036	–	–	90	1 126	–	–	1 150	2 276
P Prasad (Australia) (appointed 1 November 2022)	1 202	695	–	126	2 023	–	–	–	2 023
	9 560	3 968	5 450	1 679	20 657	297	–	1 150	22 104
Prescribed officers 2022									
R de Grooth	2 715	1 350	–	301	4 366	298	–	–	4 664
K Vittee (resigned 28 February 2022)	2 440	–	–	666	3 106	615	3 069	877	7 667
N Najjar (appointed 1 April 2021)	1 798	1 638	–	471	3 907	–	–	–	3 907
M Woodbury	2 768	665	–	247	3 680	–	–	–	3 680
	9 721	3 653	–	1 685	15 059	913	3 069	877	19 918

¹ A retention bonus was paid to select senior and executive managers to support the incoming CEO in 2020, 10 individuals were paid including the afore noted Prescribed Officers. The retention period was from 1 March 2021 until 28 February 2023. The beneficiaries of this retention bonus were required to stay in the employee of Adcorp for 2 years in return for a bonus equivalent to one year's value of their Total Cost to Company.

Notes to the audited consolidated financial statements continued

for the year ended 28 February 2023

27. Directors' and prescribed officers' participation in long-term incentive scheme

	Number of outstanding share awards as at 28 February 2022	Issue price R/share	Number of share awards granted	Issue price R/share	Number of share awards vested	Number of share awards forfeited	Number of outstanding share awards as at 28 February 2023	Vesting date
Executive directors								
Dr J Wentzel	906 095*	4,88	–	–	–	–	906 095*	01/04/2024
	949 367#	3,82	–	–	–	–	949 367#	30/06/2024
	–	–	614 878	4,25	–	–	614 878#	13/12/2025
N Prendergast	516 129#	4,26	–	–	–	(258 065)	258 064#	30/11/2023
	303 797#	3,82	–	–	–	–	303 797#	30/06/2024
	–	–	245 481	4,25	–	–	245 481#	13/12/2025
Prescribed officers								
R de Grooth	76 135#	23,93	–	–	(76 135)	–	–	01/03/2022
	483 969#	4,26	–	–	–	(241 985)	241 984#	30/11/2023
	456 713~	5,93	–	–	–	(456 713)	–	28/02/2023
	284 868#	3,82	–	–	–	–	284 868#	30/06/2024
	–	–	184 148	4,25	–	–	184 148#	13/12/2025
N Najjar	261 076#	3,82	–	–	–	–	261 076#	30/06/2024
	–	–	136 953	4,25	–	–	136 953#	13/12/2025
B Toerien	372 915#	4,26	–	–	–	(186 458)	186 457#	30/11/2023
	372 907~	5,93	–	–	–	(372 907)	–	28/02/2023
	232 595#	3,82	–	–	–	–	232 595#	30/06/2024
	–	–	94 747	4,25	–	–	94 747#	13/12/2025

Performance shares.

~ Retention shares converted into cash retention bonus.

* Sign-on shares.

On resignation, rights to all shares in the long-term incentive scheme are forfeited.

27. Directors' and prescribed officers' participation in long-term incentive scheme continued

	Number of outstanding share awards as at 28 February 2021	Issue price R/share	Number of share awards granted	Issue price R/share	Number of share awards vested	Number of share awards forfeited	Number of outstanding share awards as at 28 February 2023	Vesting date
Executive directors								
Dr J Wentzel	–	–	906 095	4,88	–	–	906 095*	01/04/2024
	–	–	949 367	3,82	–	–	949 367#	30/06/2024
N Prendergast	516 129#	4,26	–	–	–	–	516 129#	30/11/2023
	–	–	303 797	3,82	–	–	303 797#	30/06/2024
Prescribed officers								
R de Grooth	35 000#	17,99	–	–	(17 500)	(17 500)	–	01/03/2020
	68 671#	17,16	–	–	(34 336)	(34 336)	–	20/06/2021
	76 135#	23,93	–	–	–	–	76 135#	01/03/2022
	483 969#	4,26	–	–	–	–	483 969#	30/11/2023
	–	–	456 713	5,93	–	–	456 713~	28/02/2023
	–	–	284 868	3,82	–	–	284 868#	30/06/2024
K Vittee**	139 650#	17,99	–	–	(69 825)	(69 825)	–	01/03/2020
	74 132#	17,16	–	–	(37 066)	(37 066)	–	20/06/2021
	62 262#	23,93	–	–	–	(62 262)	–	01/03/2022
	469 965#	4,26	–	–	–	(469 965)	–	30/11/2023
	–	–	443 498	5,93	–	(443 498)	–	28/02/2023
	–	–	277 562	3,82	–	(277 562)	–	30/06/2024
N Najjar	–	–	261 076	3,82	–	–	261 076#	30/06/2024
T Fowler	64 779#	17,16	–	–	–	(64 779)	–	20/06/2021
	52 751#	23,93	–	–	–	(52 751)	–	01/03/2022

Performance shares.

~ Retention shares converted into cash retention bonus.

** K Vittee resigned on 28 February 2022.

Notes to the audited consolidated financial statements continued

for the year ended 28 February 2023

28. Non-executive directors' emoluments

2023	Directors' Fees R'000
Non-executive directors	
GT Serobe	783
P Mnganga	523
H Singh	526
C Maswanganyi**	147
S Sithole***	142
MM Nkosi#	106
R van Dijk	528
C Smith	351
T Olls^	239
T Mokgabudi	656
M Lubega	475
	4 476
2022	
Non-executive directors	
GT Serobe	1 037
P Mnganga	502
H Singh	468
C Maswanganyi	329
S Sithole	494
MW Spicer*	643
MM Nkosi	268
R van Dijk	443
C Smith	338
T Mokgabudi	665
M Lubega	443
	5 630

* Passed away on 9 March 2022.

** Resignation effective 28 July 2022.

***Resigned as NED effective 28 July 2022 and became Alternate NED effective 28 July 2022.

Resigned effective 1 June 2022.

^ Resigned as Alternate NED effective 28 July 2022 and became NED effective 28 July 2022.

29. Schedule of directors' interests – Adcorp Holdings Limited

	2023			2022		
	Direct Number of shares	Indirect Number of shares	Total Number of shares	Direct Number of shares	Indirect Number of shares	Total Number of shares
Directors' names						
Dr J Wentzel	19 100	–	19 100	19 100	–	19 100
S Sithole*	–	–	–	–	34 258 743	34 258 743
MW Spicer	–	–	–	–	48 000	48 000
C Smith	–	1 601 463	1 601 463	–	1 601 463	1 601 463
T Olls*	–	34 258 743	34 258 743	–	–	–
Alternate directors						
MM Nkosi* (Resigned effective 1 June 2022)	–	34 258 743	34 258 743	–	34 258 743	34 258 743
S Sithole*	–	34 258 743	34 258 743	–	–	–
T Olls*	–	–	–	–	34 258 743	34 258 743
	19 100	104 377 692	104 396 792	19 100	104 425 692	104 444 792
Less duplicate counting for Value Capital Partners (VCP)	–	(68 517 486)	(68 517 486)	–	(68 517 486)	(68 517 486)
	19 100	35 860 206	35 879 306	19 100	35 908 206	35 927 306

* Interest held through VCP.

Note: There have been no changes in directors' interest post-year-end to the date of this report.

30. Dividends

30.1 Dividend paid

The prior year final gross dividend of 47,0 cents, and the declared interim dividend of 12,2 cents was paid in the current financial year (2022: Rnil). The group has elected to disclose dividends paid under financing activities in the consolidated statements of cash flows.

30.2 Dividend declared

The board of directors of Adcorp has approved and declared a final gross dividend of 16,5 cents per ordinary share (2022: 47,0 cents) and a special gross dividend of 91,3 cents per ordinary share, on 25 May 2023 from income reserves, for the year ended 28 February 2023. The special dividend is subject to the required South African Reserve Bank approval being obtained for the declaration.

31. Related parties

The group did not enter into any transactions with group parties other than those with subsidiaries which were eliminated on consolidation. Refer to Annexure A for details of significant subsidiaries.

31.1 Trading transactions

During the year, group entities entered into the following transactions:

	Sale of services		Holding company management fees		Accounting and information technology fees	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Subsidiaries of Adcorp Holdings Limited	79 232	123 898	106 803	130 754	282 128	261 430

Notes to the audited consolidated financial statements continued

for the year ended 28 February 2023

31. Related parties continued

31.2 B-BBEE shareholders' interest

Certain directors of the group are directors of the group's B-BBEE partners (refer to note 16.1.2).

GT Serobe, is a director of Quest Strategic Partners Proprietary Limited, being one of the group's B-BBEE partners.

For key management interest disclosures, please refer to notes 26, 27, 28 and 29.

31.3 Consulting fees

Consulting fees of R1,4 million (2022: R1.5 million) have been paid to a non-executive director (C Smith) for consulting services rendered during the year.

32. Profit or loss from the disposal of businesses

	2023 R'000	2022 R'000
Profit on the sale of Adcorp Support Services Proprietary Limited	–	15 196
Gain on net asset value (NAV) derecognised	15 580	–
Costs expensed on disposal	(2 667)	(1 246)
Exchange differences reclassified to profit or loss	(3 273)	–
Net profit from the sale of businesses and deconsolidation of subsidiary	9 640	13 950

Deconsolidation of subsidiary

The group voluntarily initiated an administration process for allaboutXpert Technologies Proprietary Limited and allaboutXpert Australia Proprietary Limited whereby the independent registered administrator assumed control of these entities on 13 December 2022. As a result, the group also lost control over allaboutXpert NZ limited, a subsidiary of allaboutXpert Australia Proprietary Limited.

The administration of allaboutXpert Technologies Proprietary Limited and allaboutXpert Australia Proprietary Limited has the following implications and was considered fully by management:

- The accounting as a discontinued operation prior to administration and restating the prior year comparative results; and
- Assessing the impact of the loss of control in terms of IFRS 10 where the group holds 100% interest in both subsidiaries.

As a result of this assessment and taking into account the fact that trading has ceased, management has assessed a loss of control from the date that the administrator was appointed and have therefore classified the subsidiaries as discontinued operations up to the date of administration, thereafter the subsidiaries have been deconsolidated. The fair value of the consideration receivable is deemed to be zero as a return on administration cannot be quantified. The administration process has not been completed at year-end.

	2023 R'000
Fair value of consideration receivable	–
Net asset value (NAV)	(16 090)
Foreign currency movements	509
Gain on NAV derecognised	(15 580)
Costs expensed for the disposal	2 667
Foreign currency translation reserve reclassified to profit or loss (note 16.2)	3 273
Total profit on deconsolidation of subsidiary	(9 640)

Refer to note 3, for the financial performance and cashflow information for the period controlled.

32. Profit or loss from the disposal of businesses continued Deconsolidation of subsidiary continued

The carrying amounts of assets and liabilities as at the date of deconsolidation were:

	2023 R'000
Non-current assets disposed of	184
Property and equipment	184
Current assets disposed of	1 122
Trade and other receivables	717
Cash and cash equivalents	405
Current liabilities disposed of	(17 396)
Trade and other payables	(16 343)
Provisions	(1 053)
Net liabilities disposed of	(16 090)

33. Management of capital

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the group consists of debt, which includes the interest-bearing borrowings disclosed in note 17, cash and cash equivalents disclosed in note 14, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 15 and 16.

The group's investment committee has considered the cost of capital and the risks associated with each class of capital. The Group's favourable gearing ratio is 19,5% (2022: 19,5%). The gearing ratio is determined as net debt (being interest-bearing borrowings less unrestricted cash and cash equivalents) excluding finance leases as a percentage of total equity. The investment committee believes that the appropriate leverage ratio for the nature of the business is the gross debt-to-EBITDA ratio and has a target of 1,0x. This is reviewed on an ongoing basis as the strategic transformation of the group progresses.

34. Financial instruments by category

34.1 Financial assets by category

	Amortised cost R'000	Fair value through profit or loss R'000	Total R'000
As at 28 February 2023			
Investments at fair value (note 8.1)	–	21 074	21 074
Trade receivables (note 12)	1 337 049	–	1 337 049
Other receivables (note 13)	71 582	–	71 582
Cash and cash equivalents (note 14)	415 548	–	415 548
	1 824 179	21 074	1 845 253
As at 28 February 2022			
Investments at fair value (note 8.1 and 8.2)	–	19 597	19 597
Trade receivables (note 12)	1 336 354	–	1 336 354
Other receivables (note 13)	82 355	–	82 355
Cash and cash equivalents (note 14)	420 355	–	420 355
	1 839 064	19 597	1 858 661

Notes to the audited consolidated financial statements continued

for the year ended 28 February 2023

34. Financial instruments by category continued

34.2 Financial liabilities by category

	Amortised cost R'000	Total R'000
As at 28 February 2023		
Lease liabilities (note 5.2)	409 410	409 410
Trade and other payables (note 18)	305 980	305 980
	715 390	715 390
As at 28 February 2022		
Lease liabilities (note 5.2)	423 965	423 965
Interest-bearing borrowings (note 17.1)	133 336	133 336
Trade and other payables (note 18)	317 441	317 441
	874 742	874 742

35. Financial risk management

35.1 Financial risk management objectives

The group's activities expose it to a variety of financial risks such as market risk (including foreign currency exchange risk), interest rate risk, credit risk and liquidity risk. These include the effects of changes in debt and equity markets, foreign currency exchange rates and interest rates. The group's executive and head office treasury function provides services to the business, coordinates access to domestic financial markets, and monitors and manages the financial risks relating to the operations of the group. The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The head office treasury function reports quarterly to the board, which monitors risks and policies implemented to mitigate risk exposures.

35.2 Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmark is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). As at 28 February 2023, the group's IBOR exposure is indexed to JIBAR and the Australian base rate, based on the ZAR revolving credit facility and AUD borrowing base facility respectively.

The South African Reserve Bank (SARB) has indicated their intention to move away from JIBAR and to create an alternative reference rate for South Africa; however, there is currently no indication of when the designated successor rate will be made available and the group continues to make use of JIBAR.

Management continues to stay abreast of the changes and will assess impacts once the changes have been finalised.

35. Financial risk management *continued*

35.3 Foreign currency management

As the group operates in various countries and undertakes transactions denominated in foreign currencies, exposures to foreign currency fluctuations arise. The group does not hold foreign exchange contracts in respect of foreign borrowings, as its intention is to repay these from its foreign income stream or subsequent divestment of its interest in the operation. Foreign exchange differences relating to investments, net of their related borrowings, are reported as translation differences in the group's net other comprehensive income until the disposal of the net investment, at which time exchange differences are recycled through profit or loss.

The group was exposed to foreign currency exchange movements related to the investment carried at amortised cost in the prior financial year and cash and cash equivalents denominated in US dollars and Angolan Kwanza in the current and prior financial year.

Foreign currency sensitivity

At 28 February 2023, in respect of the cash and cash equivalents denominated in Angolan Kwanza, if the South Africa Rand had weakened/strengthened 5% against the Angolan Kwanza, with all other variables held constant, profit or loss for the year would have increased/decreased by R5 million (2022: R4 million).

The group's presentation currency is the South African rand (ZAR), but as it operates internationally with investments in foreign operations, it is exposed to a number of currencies, of which the exposure to the Australian dollar (AUD) is the most significant.

The table below analyses the impact on the group's revenue and post-tax profit from continuing operations and net asset value. The analysis is based on the assumption that the ZAR had strengthened/weakened by 10% against the foreign currency with all variables held constant.

	Rand weakened		Rand strengthened	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Impact on revenue				
AUD	548 771	470 861	(548 771)	(470 861)
Impact on profit/(loss) after tax				
AUD	6 525	4 179	(6 525)	(4 179)
Impact on assets/liabilities				
AUD	10 295	83 014	(10 295)	(83 014)

35.4 Interest risk management

Interest rate risk results from the cash flow and financial performance uncertainty arising from interest rate fluctuations.

Financial assets and liabilities affected by interest rate fluctuations include bank and cash deposits as well as bank borrowings. At the reporting date, the group cash deposits were accessible immediately or had maturity dates up to six months. The interest rates earned on these deposits closely approximate the market rates prevailing. The group is exposed to interest rate risk because it has interest-bearing borrowings (note 17) that attract interest at a floating rate.

Interest rate sensitivity

At 28 February 2023, if interest rates had been 1% higher/lower and all other variables were held constant, the profit or loss for the year would have decreased/increased by R1 million (2022: decreased/increased by R1 million).

The sensitivity analyses have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting year. The analysis is prepared assuming the average of the outstanding interest-bearing borrowings for the whole year.

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for the year ended 28 February 2023

35. Financial risk management continued

35.5 Credit risk management

Credit risk arises from the risk that a counterparty may default or not meet its obligations timeously. The group limits its counterparty exposure arising from financial instruments by only dealing with well-established institutions of high credit standing. The group does not expect any counterparties to fail to meet their obligations given their high credit ratings. Credit risk in respect of the group's customer base is controlled by the application of credit limits and credit monitoring procedures. Certain significant receivables are monitored on a daily basis.

The maximum exposure to credit risk is represented by the carrying amount of trade receivables (note 12) and short-term cash and cash equivalents (note 14). The credit risk management of the group is disclosed within note 12 and 14 respectively.

35.6 Liquidity risk management

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The group's objective when managing liquidity is to ensure sufficient cash and availability of funding through adequate credit facilities, to enable the group to meet its liabilities when they are due.

The group has the following facilities available:

	2023 R'000	2022 R'000
Non-interest-bearing facilities		
Intra-day settlement facility with First National Bank non-interest-bearing	100 000	100 000
Non-interest-bearing facilities	100 000	100 000
Total interest-bearing borrowing facilities available South Africa	350 000	550 000
– ZAR new revolving credit and overdraft facility	250 000	400 000
– Accordion facility	100 000	150 000
Australia – AUD borrowing base facility	247 654	244 471
Total interest-bearing borrowing facilities available	697 654	794 471
Interest-bearing borrowing facilities utilised South Africa	–	100 000
– ZAR new revolving credit and overdraft facility	–	100 000
– Accordion facility	–	–
Australia – AUD borrowing base facility	–	33 336
Total interest-bearing borrowing facilities utilised	–	133 336
Unutilised interest-bearing borrowing facilities South Africa	350 000	450 000
– ZAR new revolving credit and overdraft facility	250 000	300 000
– Accordion facility	100 000	150 000
Australia	247 654	211 135
Total unutilised interest-bearing borrowing facilities	697 654	661 135

Interest-bearing borrowings

Refer to note 17 for additional disclosures.

Cash and cash equivalents

Refer to note 14 for additional disclosures and cash and cash equivalents available and any restrictions applicable thereto. Restricted cash is excluded.

35. Financial risk management *continued*

35.7 Maturity analysis of non-derivative financial liabilities (including interest)

The following tables detail the group's remaining contractual maturity for non-derivative financial liabilities.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group will be required to pay. The table includes both interest and principal cash flows.

	2023 R'000	2022 R'000
Trade and other payables (note 18)	305 980	317 441
Interest-bearing borrowings (note 17.2)	–	133 336
Lease liabilities	118 599	80 396
Total due within one year	424 579	531 173
After one year but within two years	68 349	75 002
After two years but within three years	56 639	68 959
After three years but within four years	57 376	62 037
After four years but within five years	55 609	62 797
After five years	286 229	352 679
Total due after one year	524 202	621 474
Total debt	948 781	1 152 647

35.8 Financial instruments measured at fair value

Some of the group's financial assets are measured at fair value at the end of each reporting period. The primary valuation models utilised by the group for valuing unlisted portfolio investments are market-related net asset value of investments. The market-related net asset value used is dependent on independent third party valuations. The following table gives information about how the fair value of these financial assets are determined (in particular, the valuation technique(s) and inputs used):

	2023 R'000	2022 R'000	Valuation technique(s) and key inputs	Fair value hierarchy	Relationship of unobservable inputs to fair value
Financial assets					
Investment	21 074	19 597	Fair value – market valuation	Level 3	The fair value is determined based on the net asset value of the insurance cell captive at the reporting date. The net asset value is determined from financial information received from the insurer

Notes to the audited consolidated financial statements continued

for the year ended 28 February 2023

36. Operating lease arrangements

The group has the following short-term and low-value lease commitments:

	2023 R'000	2022 R'000
The group as lessee		
Short-term lease expenses	2 658	5 675
Low value assets lease expenses	7 742	5 611
Minimum lease payments under operating property and IT-related leases recognised as an expense in the year (note 22)	10 400	11 286
At the statement of financial position date, the group has outstanding commitments under non-cancellable operating leases which fall due as follows		
Within one year	9 963	8 051
Between two and five years	24 426	5 767
Total commitments under non-cancellable leases	34 389	13 818
Average lease terms of short-term leases (months)	12 months or shorter	12 months or shorter
Average lease term remaining for low value assets	34 months	21 months

37. Contingent liabilities and commitments

	2023 R'000	*Restated 2022 R'000
The bank has issued guarantees to creditors to the value of:	44 007	46 407
The group has commitments relating to information technology development of:	–	11 081

* Restated to include Australia's guarantees.

38. Events after reporting period

No event which is material to the understanding of the consolidated financial statements has occurred between year-end and the date of the annual financial statements other than:

The board of directors has approved and declared a final gross dividend of 16,5 cents per ordinary share (2022: 47,0 cents per share), from income reserves, for the year ended 28 February 2023 and a special gross dividend of 91,3 cents per ordinary share (2022: Nil), which special dividend is subject to the required South African Reserve Bank approval being obtained for the declaration of same.

39. Going concern

In preparing the consolidated financial statements, the directors are responsible for evaluating the group's ability to continue as a going concern and as a consequence the appropriateness of the going concern assumption in the preparation of the financial statements. The directors have assessed the economic environment, current financial position, and the group's expected cash flows for the next 12 months through to the end of May 2024.

There has been no event of default over the past 12 months on any of the company's debt facilities. No facilities available to the group have been withdrawn at the reporting date and remain committed by our lenders; and the group has forecast that it will achieve the required debt to adjusted EBITDA and interest cover ranges as per the debt covenants agreed with its lenders for the following 12 months.

Solvency

On 28 February 2023, the total assets of the group exceeded the total liabilities by R1 534 million and the current ratio as at 28 February 2023 was 1,6. The group is expected to remain solvent after considering the approved budget and expected performance. There are no events anticipated in the year ahead that indicate any risk to the group's solvency position.

Liquidity

In assessing the liquidity position, cash flow forecasts were prepared, covering the period up until the end of May 2024. Based on the short and long term forecasts (as per the budget approved by the group's board of directors), the group is expected to be able to meet all its short-term obligations through a combination of the cash generated by operations and the utilisation of the current facilities available to the group. The cash position is monitored daily by management and the group is comfortable with its liquidity levels.

Going concern conclusion

The board, after considering the factors described above, has concluded that the group will be able to discharge its liabilities as they fall due in the normal course of business and is therefore of the opinion that the going concern assumption is appropriate in the preparation of the consolidated financial statements.

Annexure A: Details of significant subsidiaries

for the year ended 28 February 2023

Name of subsidiary	Nature of business/status
Adcorp Fulfilment Services Proprietary Limited	Holding company
Adcorp Group South Africa Proprietary Limited	Holding company
Adcorp Group South Africa Proprietary Limited	Holding company
Adcorp Holdings Australia Proprietary Limited	Holding company
Adcorp Management Services Proprietary Limited	Shared services
Adcorp Staffing Solutions Proprietary Limited	Holding company
Adcorp Staffing Solutions Proprietary Limited	Holding company
Adcorp Technical Training Proprietary Limited	Training
Adcorp Workforce Management Solutions Proprietary Limited	Holding company
Adcorp Workforce Management Solutions Proprietary Limited	Holding company
Adcorp Workforce Solutions Proprietary Limited	Flexible staffing
Adfusion Contract Management Services Proprietary Limited	Flexible staffing
All About Xpert Australia Proprietary Limited	Project management products and services
All About Xpert Technologies Proprietary Limited	Project management products and services
Fortress Administration Solutions Proprietary Limited	Outsourcing solutions
Fortress Administration Solutions Proprietary Limited	Outsourcing solutions
Inn-Staff Swaziland Proprietary Limited	Flexible staffing
Labour Solutions Australia Agri Proprietary Limited	Flexible staffing
Labour Solutions Australia Proprietary Limited	Flexible staffing
Paxus Australia Proprietary Limited	Supplier of IT services
Production Management Institute of Southern Africa Proprietary Limited	Training
Quest Staffing Solutions Proprietary Limited	Flexible staffing
Quest Staffing Solutions Proprietary Limited	Flexible staffing
TalentCru Proprietary Limited (Australia)	Emergent business
Torque Technical Computer Training Proprietary Limited	Supplier of IT services

The table of significant subsidiaries excludes subsidiaries disposed during the current financial year, dormant subsidiaries and subsidiaries in a deregistration process.

A full list of the Group's dormant subsidiaries and trusts is available on request from the Company's registered office.

Share type	Authorised share capital of subsidiary/associate		Issued share capital of subsidiary/associate		Number of shares held by Adcorp	
	February 2023 Number	February 2022 Number	February 2023 Number	February 2022 Number	February 2023 Number	February 2022 Number
Ordinary	20 000	20 000	9 000	9 000	9 000	9 000
Ordinary	100 000	100 000	10 000	10 000	6 458	6 458
Redeemable preference	10 000	10 000	1 592	1 592	1 592	1 592
Ordinary	30 000 100	30 000 100	30 000 100	30 000 100	30 000 100	30 000 100
Ordinary	4 000	4 000	400	400	400	400
Ordinary	4 000	4 000	100	100	100	100
Class "A" redeemable preference	225 000	225 000	–	–	–	–
Ordinary	1 000	1 000	100	100	100	100
Ordinary	900 000 000	900 000 000	349 716 709	349 716 709	349 716 709	349 716 709
Convertible redeemable preference	100 000 000	100 000 000	–	–	–	–
Ordinary	1 000 000 000	1 000 000 000	100 000 000	100 000 000	100 000 000	100 000 000
Ordinary	4 000	4 000	2 100	2 100	2 100	2 100
Ordinary	100	100	100	100	100	100
Ordinary	100	100	100	100	100	100
Ordinary	4 000	4 000	2 550	2 550	2 550	2 550
A' ordinary	450	450	450	450	–	–
Ordinary	100	100	100	100	100	100
Ordinary	1 000	1 000	1 000	1 000	1 000	1 000
Ordinary	60 530 464	60 530 464	60 530 464	60 530 464	60 530 464	60 530 464
Ordinary	152 856	152 856	152 856	152 856	152 856	152 856
Ordinary	4 000	4 000	100	100	100	100
Ordinary	1 000	1 000	700	700	700	700
A' ordinary	1 000	1 000	400	400	400	400
Ordinary	1 000	1 000	100	100	100	100
Ordinary	1 000	1 000	100	100	100	100

Shareholder information

Shareholder analysis

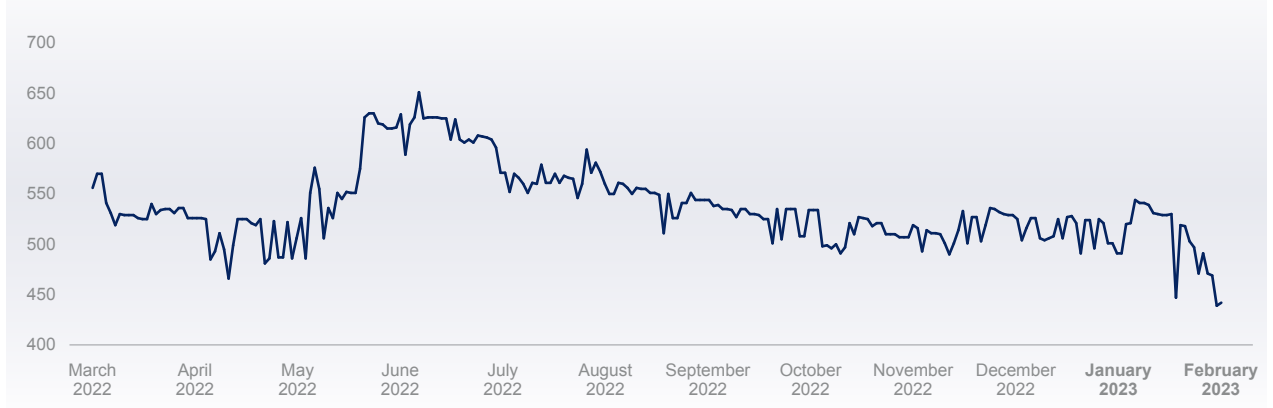
Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	7 033	91,37	410 550	0,37
1 001 – 10 000	378	4,91	1 233 097	1,12
10 001 – 100 000	183	2,38	6 762 055	6,15
100 001 – 1 000 000	78	1,01	27 686 578	25,18
Over 1 000 000	25	0,32	73 862 395	67,18
Total	7 697	100,00	109 954 675	100,00
Distribution of shareholders				
Assurance Companies	16	0,21	7 705 277	7,01
Close Corporations	15	0,19	104 843	0,10
Collective Investment Schemes	42	0,55	30 155 285	27,43
Control Accounts	1	0,01	108	0,00
Custodians	8	0,10	431 926	0,39
Foundations & Charitable Funds	17	0,22	1 754 567	1,60
Hedge Funds	4	0,05	17 347 023	15,78
Insurance Companies	3	0,04	254 946	0,23
Investment Partnerships	17	0,22	1 439 452	1,31
Managed Funds	10	0,13	211 663	0,19
Medical Aid Funds	4	0,05	430 559	0,39
Organs of State	1	0,01	991 098	0,90
Private Companies	37	0,48	2 251 405	2,05
Public Companies	2	0,03	240 387	0,22
Retail Shareholders	7 313	95,01	3 714 223	3,38
Retirement Benefit Funds	110	1,43	34 786 543	31,64
Scrip Lending	2	0,03	550 042	0,50
Stockbrokers & Nominees	14	0,18	190 418	0,17
Treasury	2	0,03	6 567 033	5,97
Trusts	69	0,90	827 287	0,75
Unclaimed Scrip	10	0,13	590	0,00
Total	7 697	100,00	109 954 675	100,00
Shareholder type				
Non-public shareholders	9	0,12	42 519 548	38,67
Directors and associates (direct holding)	5	0,06	92 309	0,08
Directors and associates (indirect holding)	2	0,03	35 860 206	32,61
Treasury	2	0,03	6 567 033	5,97
Public shareholders	7 688	99,88	67 435 127	61,33
Total	7 697	100,00	109 954 675	100,00

Fund managers with a holding greater than 5% of the issued shares	Number of shares	% of issued capital
Value Capital Partners	34 258 743	31,16
Camissa Asset Management	21 445 399	19,50
Allan Gray	17 578 321	15,99
PSG Asset Management	8 462 415	7,70
Steyn Capital Management	8 235 028	7,49
Total	89 979 906	81,83
Beneficial shareholders with a holding greater than 5% of the issued shares		
H4 Collective Investments	12 597 917	11,46
Allan Gray	9 873 829	8,98
PSG	8 462 415	7,70
Kagiso	7 344 491	6,68
Sentinel Mining Industry Retirement Funds	6 010 428	5,47
Eskom Pension & Provident Fund	5 593 596	5,09
Total	49 882 676	45,37

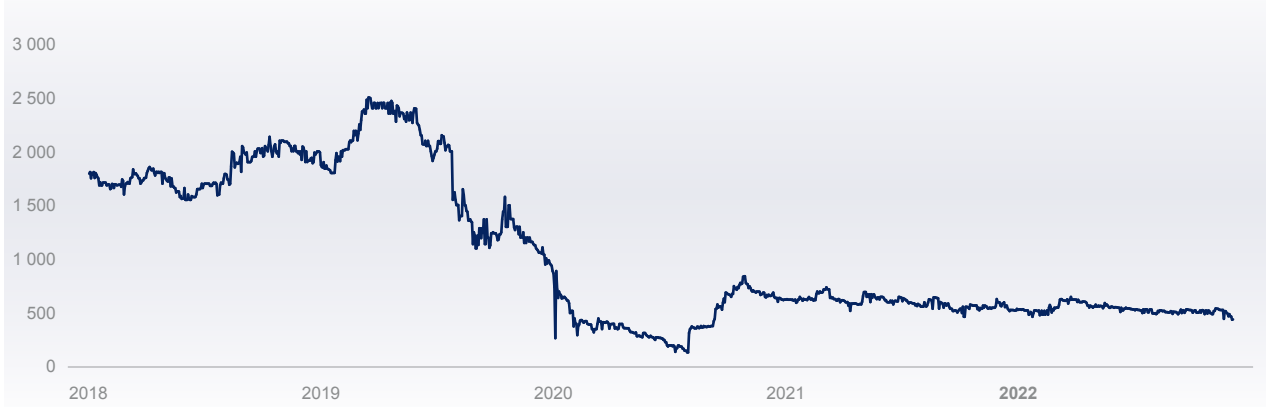
Total number of shareholdings	7 697
Total number of shares in issue	109 954 675
Share price performance	
Opening price 1 March 2022	R5,96
Closing price 28 February 2023	R 4,41
Closing high for the period	R 6,50
Closing low for the period	R 4,38
Number of shares in issue	109 954 675
Volume traded during the period	17 637 841
Ratio of volume traded to shares issued (%)	16,04%
Rand value traded during the period	R 95 196 084
Price/earnings ratio as at 28 February 2023	4,49
Earnings yield as at 28 February 2023	22,29
Dividend yield as at 28 February 2023	10,74
Market capitalisation at 28 February 2023	R 484 900 117

Shareholder analysis continued

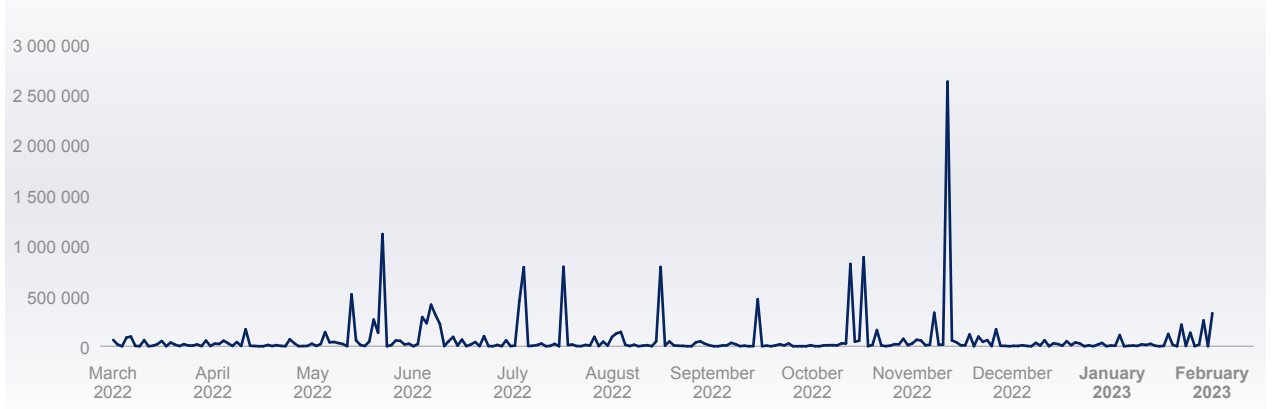
Adcorp price chart – daily closing price (cents)



Five-year share price performance (cents)



Adcorp price chart – 1 March 2022 to 28 February 2023 (volume)



Shareholders' diary

Financial year-end	28 February
Annual results announcement	30 May 2023
Annual report posted	30 June 2023
Annual general meeting	27 July 2023
Interim results announcement	31 October 2023



Definitions

Abbreviation	Description
Adcorp/the Company	Adcorp Holdings Limited
Adcorp Group/the Group/the business	Adcorp Group of companies
AFS	Annual financial statements
AGM	Annual general meeting
ARC	Audit and risk committee
Assignees	Temporary employees that are recruited, screened, trained and employed by the Temporary Employment Services provider, then assigned to client organisations
ATR	Average True Range
Board	The board of directors of Adcorp
KPMG	The external auditors for the Adcorp Group
Business/the business	The business conducted within the Adcorp Group
B-BBEE	Broad-Based Black Economic Empowerment
Candidate	A job applicant or prospective employee
Chair/Chairperson	The chairperson of the Board
CIPC	Companies and Intellectual Property Commission
Companies Act	Companies Act 71 of 2008
Contingent employees	All employees whether on independent, temporary or permanent contracts of employment, who are deployed to Adcorp customer sites as part of a commercial outsourcing contract
Deployed Permanent Employee	A permanent employee that has been deployed/outsourced to a client company
DSO	Days Sales Outstanding is a measure of the average number of days that it takes a company to collect payment after a sale has been made
EPS	Earnings Per Share is the portion of the Company's profit allocated to each outstanding share.
EBITDA	Earnings (i.e. operating profit) before interest, tax, depreciation and amortisation
EE	Employment equity
ESG	Environmental, Social and Governance
ETI	Employment Tax Incentive is a SARS tax incentive which reduces the cost of hiring young people by reducing the amount of PAYE owed by the employer to SARS without affecting the employees' wages
FY2022	Year ended 28 February 2022
FY2023	Year ended 28 February 2023
FY2024	Year ending 28 February 2024
FO	Functional Outsourcing
GHG	Greenhouse gases
GDP	Gross Domestic Product
GRI	Global Reporting Index
HCC	Human capital committee
HEPS	Headlines earnings per share
IAR	Integrated annual report
IIRC	International Integrated Reporting Council
IFRS	International Financial Reporting Standards

IPA	Individual Performance Appraisals
Independent Contractor	An independent contractor is a self-employed individual performing services for a company under contract rather than as an employee, either on-or off-site
Insourced Temporary Employees	Employees that are hired from outside agencies and managed through the MSP model to render services to customer companies
JSE	Johannesburg Stock Exchange Limited
King IV™/King IV™ Report	King IV™ Report on Corporate Governance for South Africa 2016 the copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved
LRA	Labour Relations Act 66 of 1995 is a South African statute that regulates labour relations and collective bargaining in the workplace. The LRA contains provisions outlining the labour relations rights and responsibilities of employers, trade unions and employees
LTI	Long-term incentive
LTIFR	Lost Time Injury Frequency Rate
MSP	Managed service provision is a service whereby a company takes on primary responsibility for managing an organisation's contingent workforce programme, including overall programme management, reporting and tracking, supplier selection and management, order distribution and consolidated billing
NMW	National minimum wage
NomCo	Nominations committee
PALM	Pacific Australia Labour Mobility scheme
PBT	Profit before tax
Permanent employee	An employee who works for and is paid directly by a specific employer without a predetermined end date for the employment arrangement. Permanent employees are often eligible for employment benefits e.g. paid leave, health insurance and retirement plan access
PMI	Production Management Institute of Southern Africa (Pty) Ltd
POPIA	Protection of Personal Information Act (POPI Act)
Remco	Remuneration committee
Report/IAR	Adcorp integrated annual report for the year ended 28 February 2023
ROIC	Return on invested capital is the percentage return that a company makes over its invested capital
ROUA	Right-of-use asset
RPO	Recruitment Process Outsourcing is the partial or full outsourcing of a company's internal recruitment function to a third-party specialist provider, for all its direct hire (permanent workers) recruitment needs
SESCoM	Social, ethics and sustainability committee
SENS	Stock Exchange News Service
SETA	Sector Education and Training Authority in South Africa which govern skills development through learnerships, internships, unit-based skills programmes, and apprenticeships
SHEQ	Safety, Health, Environment and Quality
STI	Short-term incentive

Definitions continued

TGP	Total guaranteed package calculated using a total cost to Company methodology.
Torque IT	Torque Technical Computer Training Proprietary Limited
WACC	Weighted average cost of capital

Corporate information

Adcorp Holdings Limited

Registration number 1974/001804/06
Listed 1987
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ISIN: ZAE000000139
Website: www.adcorpgroup.com

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A copy of our notice of AGM is available on our website <https://www.adcorpgroup.com/notice-of-agm-2023/>

