



INTEGRATED
ANNUAL
REPORT
2017

Salient features



Revenue for the year increased by **3%** to **R16,1 billion**



Cash generated by operations increased by **25%** to **R439,9 million**



Normalised earnings per share decreased by **76%** to **88,6 cents per share***



Cash conversion ratio improved to **178%**



Headline loss per share of **27,9 cents per share**



Debtors days at **45 days** (2016: 47 days)



Normalised **EBITDA** for the year decreased by **51%** to **R303,8 million**



Gearing ratio at **48%** (2016: 43%)

* Normalised earnings is defined as operating profit adjusted for depreciation, amortisation of intangibles, lease smoothing and one-off transaction costs relating to acquisitions.
Note: The proforma financial information, as shown in the statement of normalised earnings, should be read in conjunction with the unmodified Deloitte & Touche independent reporting accountant's report thereon, issued on 23 May 2017, which is available for inspection at Adcorp's registered office.

About our integrated annual report

Committed to transparent reporting

Adcorp is committed to and fully embraces the principles of integrated reporting as it allows our Group to demonstrate its duties of creating sustainable value for all its stakeholders aligned to the Adcorp 2.0 business strategy.

We believe that reporting in an integrated manner can help our stakeholders make decisions around investments and resource allocation.

This integrated annual report provides an overview of the capital and related performance of the Adcorp Group. The International Integrated Reporting Committee's (IIRC) Framework is used to guide the structuring of our integrated annual report.

In addition to adopting an integrated approach to our reporting, we continue to apply King III and the JSE Limited Listings Requirements in terms of measuring our progress towards sustainability. A summary of our application of King III, as well as the proactive integration of King IV, is published on our website.

Our annual financial statements, which are compliant with International Financial Reporting Standards (IFRS), start on page 69.

Deloitte & Touche has audited our annual financial statements and their unmodified audit report appears on page 71. To ensure that we provide our stakeholders with reliable information on our sustainability performance, we also engaged the services of Ibis ESG Assurance to supply independent third-party assurance over selected sustainability information, which is included in this integrated report on page 181.

Board approval

The Adcorp board has considered responsibility for ensuring the integrity of the integrated annual report, and to the best of its knowledge and belief the Adcorp integrated annual report for 2017 addresses all material issues and presents fairly the integrated performance of the organisation and its impacts.



We would welcome your feedback on our reporting for 2017 and any suggestions you have in terms of what you would like to see incorporated in our integrated annual report in the future. To do so, kindly contact cfo@adcorp.co.za

Contents

COMPANY OVERVIEW

Salient features	IFC
The business of Adcorp today	2
Our business model	3
Our strategy	4
Establishing materiality	5
Key risks and mitigating controls	6
Stakeholder engagement	8

LEADERSHIP OVERVIEW

Chairman's statement	9
Chief Executive Officer's report	10

OUR PERFORMANCE

Operational review	14
Our performance against stated targets	23
Financial capital	25
Chief Financial Officer's report	26
Wealth creation	29
Value-added statement	30
Intellectual capital	31
Human capital	33
Social capital	35
Natural capital	37

TRANSPARENCY AND ACCOUNTABILITY

Chairman's corporate governance review	38
Corporate governance	39
Board of directors	45
The Adcorp board	49
Audit and Risk Committee	50
Remuneration and Nominations Committee	51
Transformation, Social and Ethics Committee	52
Investment Committee	53
Executive Committee	54
Risk report	55
Remuneration report	59
Report of the Transformation, Social and Ethics Committee	65

FINANCIAL STATEMENTS

Six-year review	67
Definitions	68
Approval of the annual financial statements	69
Company Secretary compliance statement	70
Independent auditor's report	71
Report of the Audit and Risk Committee	76
Directors' report	79
Statement of financial position	83
Statement of comprehensive income	84
Statement of changes in equity	85
Segment report	87
Statement of cash flows	89
Notes to the annual financial statements	91
Annexure A: Details of subsidiaries and associates	137

SHAREHOLDERS' INFORMATION

Shareholders' information	143
Administration	145

ANNUAL GENERAL MEETING

Subsequent events	146
Notice of annual general meeting	147
Form of proxy	153
Explanatory notes regarding proxy	154
Annexure: Remuneration report	155

SUPPLEMENTARY INFORMATION

Establishing materiality – our approach	161
Material matters, objectives and opportunities	162
Key stakeholders	164
Human Capital	167
Natural Capital	179
Independent assurance report	181
Corporate governance – Chapter 2 of King III	183

The business of Adcorp today

Global workforce solutions company



(R'000)	South Africa	International
Revenue	9 508 789	6 564 162
Normalised EBITDA	306 529	(2 743)

Adcorp is a global workforce solutions company, offering a wide range of diverse talent management solutions across a vast spectrum of industry sectors, job types and geographic regions.

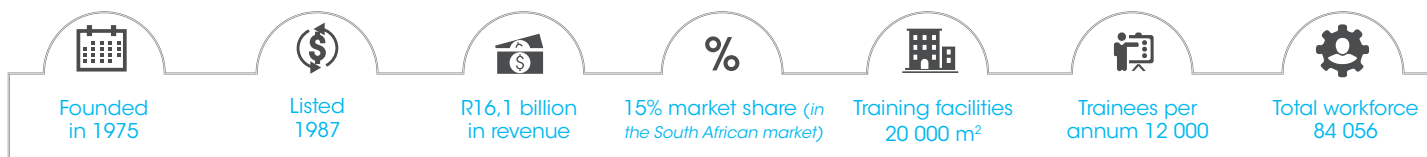
A trusted partner focused on shaping the world of work. Driven by digitisation, providing simpler, faster and better outcomes and finding common ground between people and companies by connecting the right people at the right time for any project. Specialists in the world of matching and placing talent to create workforces and workplaces with increased efficiency and engagement.

Combined human touch underpinned by business intelligence is used to predict the future demands of customers. Every day we take a step closer to co-designing workforces that exceed expectations and empower people and companies through meaningful relationships.

As a Group we strive to enrich the lives of all our stakeholders by:

- client centricity and co-designing innovative solutions;
- building long-lasting partnerships;
- evolutionary growth;
- delivering quality service through operational excellence; and
- providing thought leadership via business intelligence.

Geographic focus

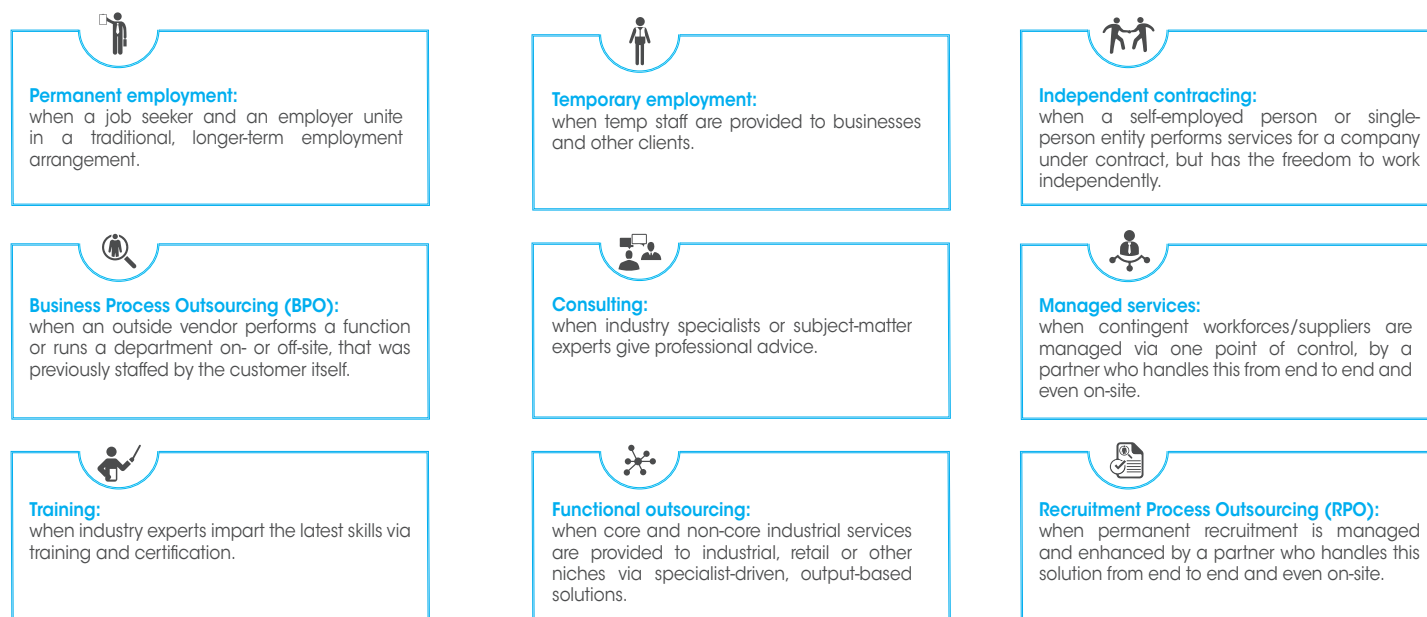


Divisions



Services and solutions

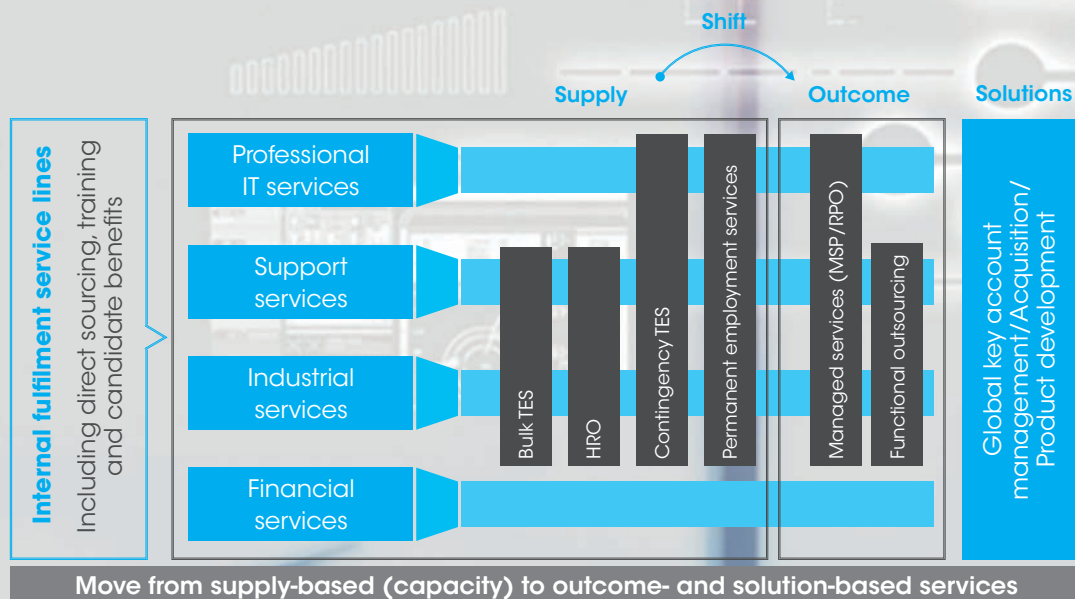
Throughout the year we have connected over 80 000 people with businesses, and over 4 500 clients with candidates through our various solutions.



Our business model

Our business model demonstrates how we create value by leveraging elements within the organisation to build a sustainable business and create shared value for our stakeholders.

Value is created from our four service lines:



Key inputs



Financial capital

Equity and debt funding supporting business operations.



Intellectual capital

Legislative mastering and innovative workforce solutions.



Human capital

Encouraging meaningful partnerships between candidates and clients.



Social capital

Collaborative and stakeholder-centric approach. Creating workforces and workplaces that add value and exceed expectations.

We have a long-standing history of changing the lives of those we touch by introducing first-time job seekers into the world of work, funding tertiary bursaries, continuously upskilling and developing our candidates through various training and graduate programmes, ensuring they succeed and grow their careers.

Our commitment to our higher purpose is what drives our day-to-day activities, knowing that we have the ability to change the lives of our clients, enrich the lives of our candidates and all those who they have influence over.



Key outputs



Financial

R16,1 billion: Contribution to the economy
R2,4 million: Invested in driving the Future of Work and Atlas of Emerging Jobs projects
R14,6 billion: Value distribution – Employees

R2,2 million: Invested in enterprises
R1,7 million: Value distribution – Corporate social investment
R19,5 million: Value distribution – Education and training



Human

3 758 permanent employees employed globally
>80 000 candidates placed globally across all industries and sectors
4 500 clients



Social

9 029 employees with access to wellness benefits
404 technical high-school teachers trained
1 771 candidates facilitated in work readiness programme
1 479 apprentices trained

176 bursaries for high-school and tertiary education
800 people in new venture creation in rural South Africa
2 460 – 71% of permanent employees are African, Indian and Coloured

79 864 – 95% of flexible employees are African, Indian and Coloured
2 698 employees upskilled via learnership
2 420 youth in learnerships
102 unemployed people in learning programmes

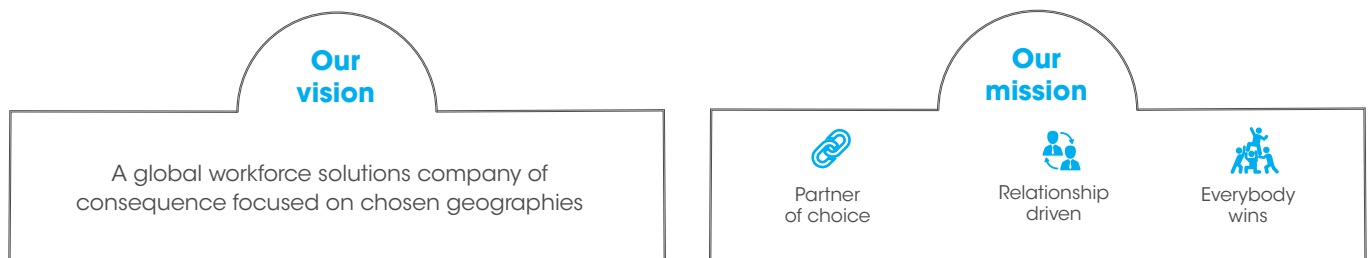
Strategy – Adcorp 2.0 transformation journey

The Group has embarked on a new strategic path known as Adcorp 2.0

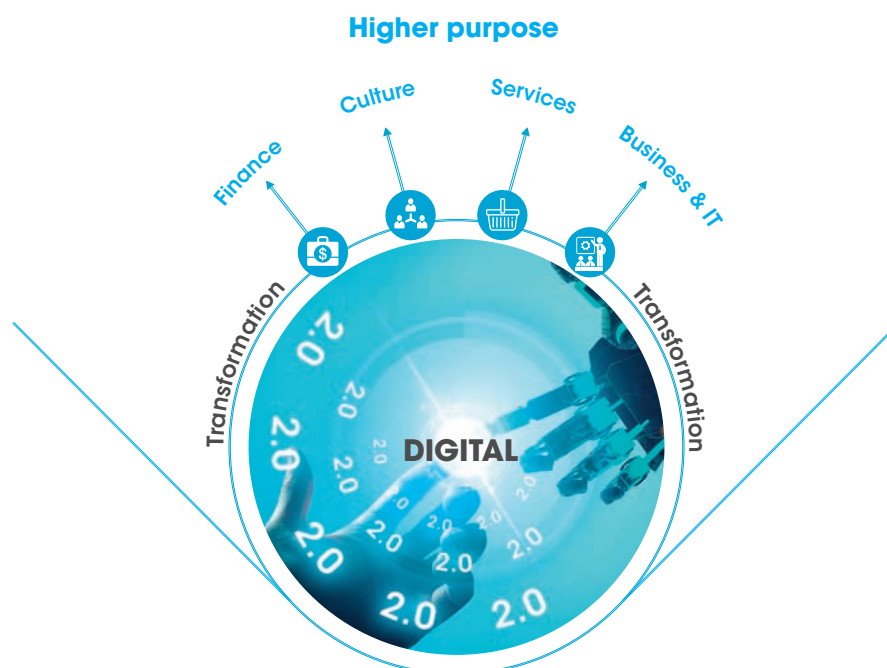
Introducing as many people to a rewarding work environment is beneficial to our economy and for society as a whole. As a Group, we contribute daily to a better society by creating workforces and workplaces that add value, exceed expectations for our clients, and to a fulfilling and rewarding career for our candidates. We have a long-standing history of changing the lives of those we touch by introducing first-time job seekers into the world of work, funding tertiary bursaries, continuously upskilling and developing our candidates through various training and graduate programmes, ensuring they succeed and grow their careers. Our commitment to our higher purpose is what drives our day-to-day activities, knowing that we have the ability to change the lives of our clients, enrich the lives of our candidates and all those who they have influence over.

Faced by a world of disruption, this created an opportunity for us to review our strategy, giving rise to Adcorp 2.0. The Internet of Everything has changed the way we think about employment, skills and recruitment. It is helping us build relationships that can connect smarter people with smarter companies and create a smarter world. The power to create outcomes that are better, faster and, most important, find common ground between people and companies by connecting the right people, at the right time, for any project.

This reality is at the forefront of the Adcorp 2.0 strategy. Our aspirations are strengthened by a single vision, mission and values culture across the Group. We believe people have the power to transform businesses into highly adaptable enterprises. Leveraging experience, human touch expertise, combined with business intelligence and a digital outlook ensures that we can continue to attract the best people for our clients to raise human performance. Increased engagement with clients and candidates alike has allowed us to co-design solutions to build workforces geared for the future generations. Such engagement has further enhanced our long-standing relationships with our stakeholders.



We have adopted a client-centric approach to selling and we are particularly well positioned in the industry and in our chosen markets. Our strategic framework, combined with our strategic priorities, will enable us to serve the interests of all our stakeholders. This also directly translates into the company's financial and growth objectives within our four divisions.



Our Adcorp 2.0 transformation journey is following a programme strategically designed by the Group's Leadership team underpinned by our higher purpose and steered by digitisation. The Adcorp 2.0 strategy has been well received across the Group and is being integrated into each and every part of the business. As our operations gear for workplaces and skills of the future, we have a clear vision of what is required of us to reach our objectives.



Establishing materiality

Adcorp defines material issues as those which have the potential to substantially impact our ability to create and sustain value for our stakeholders within the context of the Adcorp 2.0 business strategy.

Identified material matters, which also represent our primary risks and opportunities across the various industrial sectors and geographies served by the Group, have been selected from a diverse range of key factors that could have a significant impact on our ability to deliver value to our stakeholders.

Identifying and determining material matters which are important to the Group and its stakeholders is an ongoing process. The process of identifying potential material matters is a Group-wide responsibility, requiring input from all operating companies and divisions. Potential areas of impact that are assessed include financial, strategic, legislative, people, reputational, competitive, regulatory and social aspects within our core themes. We prioritise those that have the greatest relevance and the highest potential to impact the Group significantly.

The progress made on strategic priorities is submitted to the board and its various committees for executive discussion and feedback. Key business risk factors and identified opportunities are managed with the Group's stakeholders, both formally and informally, to ensure a sustainable long-term business approach.

We describe the key material issues on pages 6 to 7 and 162 to 163 of this integrated annual report in which we describe the circumstances in which we operate, the key resources and relationships on which we depend, the key risks and opportunities we face, and how our key priorities can affect our ability to create and sustain value over time.



Scope and boundary

The Adcorp Holdings Limited integrated annual report is produced and published annually. This report covers the period 1 March 2016 to 28 February 2017 and contains information relating to the performance of the Group, including both South Africa and its international operations.

This report is intended to primarily address the information requirements of long-term investors, but also presents details relevant to the various stakeholder groups.

The report provides information that Adcorp considers to be of material interest to current and potential investors and to any other stakeholder who wishes to make an informal assessment of the company's ability to generate value. The boundary of the report extends beyond financial reporting and includes non-financial performance, sustainability development opportunities, risks and outcomes attributable to or associated with all stakeholders that have a significant influence on the Group's ability to create value.

Key risks and mitigating controls

No	Key risks	Mitigating actions	12 months risk horizon
1.	Inability to access funding - Recent South Africa credit downgrade - Cost of capital likely to increase - Need to strengthen balance sheet	- Group central treasury management and optimisation - Maintaining banking relationships - Monthly monitoring of covenants - Cash flow management - Regular testing of appropriateness of the going-concern assumption	up
2.	Changes in labour legislation and incentives - Introduction of National Minimum Wage (NMW) which is likely to impact jobs in retail, logistics, food and agricultural sector with planned implementation of May 2018 - Proposed changes to LRA currently focused on strike action - Important win in the CCMA (May 2017) – MSP model - Awaiting Labour Court appeal decision – Numsa vs Assign Services - Possible changes to Seta grants and ETI	- Innovative service offerings being offered to clients under the innovative contracting banner - New compliant products and service innovation - Labour Relations Service Centre (LRSC) established to coordinate legal challenges that seek to clarify changes to labour legislations in partnership with the industry bodies - Improving client value-add to justify margins	up
3.	Client concentration Revenue spread concentrated in small number of clients	- Platinum and key clients strategy client solution/ outcome-based approach - Group strategy to put client at the centre, digitise and diversify its products and services, thereby creating additional revenue streams - Reducing the dependency of the Group on operating companies offering the core services of the Group - Alternate solutions to the TES model through (MSP, BPO, independent contractor)	down
4.	Difficulty in repatriating cash out of international businesses	- Optimum levels of cash needed to cover remuneration and other operational expenditure are set - Service agreements in place to assist with repatriation - Country-specific risks analysis performed prior to entering new countries, as well as a systematic exit strategy should there be a need	constant
5.	Economic shock and sustained downturn in commodities cycle, low economic growth and currency volatility	- Ongoing information sharing with key stakeholders - Unlocking new revenue streams, harness benefits of digitisation and automation - Targeting projects that assist in driving costs down - Promoting advantages of MSP and RPO to the multinational clients across the Group geographic spread - Winding down operations in the rest of Africa to reduce exposure to the commodities cycle	down

Key risks and mitigating controls continued

No	Key risks	Mitigating actions	12 months risk horizon
6.	Non-standard business contracts/SLA being entered into resulting in emergent risks	- Subject matter experts attend and comment on tax, Accounting, HR, insurance and health and safety - Group legal contract reviews of key clients and complex contracts - Nature and extent of outsourcing revisited	up
7.	IT system failure	- Robust physical security - Disaster recovery plans - IT oversight is centralised to have shared oversight - IT steering committee	constant
8.	Non-compliance with laws and regulations	- Assurance and compliance framework - External compliance officer for financial service business - External OHSA reviews - Internal audits	down
9.	Reputational damage with our key stakeholders	Dedicated executive focus on designing Adcorp socio-economic purpose and advocacy with targeted stakeholders at all levels	constant
10.	Key staff dependency Lack of effective and practical succession plan for key employees	- Integrated people systems and reporting, skills of the future stakeholder forums and best-in-breed employee development programmes - Targeted succession planning at required levels - Adcorp Leadership Academy is in place at an operational level to ensure that talented employees are identified and trained for growth in the organisation	down

Adcorp Executive Management has the responsibility of managing the key risks, which are also plotted on a 12-months risk horizon. Included below are the heat maps that provide the overall risk assessment using inherent and residual risk ratings. Most of the key risks have a residual rating that is within the agreed medium risk tolerance level.

		Inherent risk rating				
Impact	5			7,8	1,3,	
	4			10	2,4,5,6	
	3			9		
	2					
	1					
		1	2	3	4	5
		Likelihood				

		Residual				
Impact	5					
	4				1,3	
	3			2,4,5,7	6,8	
	2			10		
	1				9	
		1	2	3	4	5
		Likelihood				

	Risk rating	Rating
	15 – 25	High
	8 – 14	Medium
	1 – 7	Low

Stakeholder engagement

Business sustainability in the fourth industrial revolution is largely dependent on generating new ideas and being in touch with all stakeholders who may be directly or indirectly impacted by business strategy. By effectively prioritising stakeholders and their particular drivers, a relationship of inherent trust fosters agile and meaningful responses.

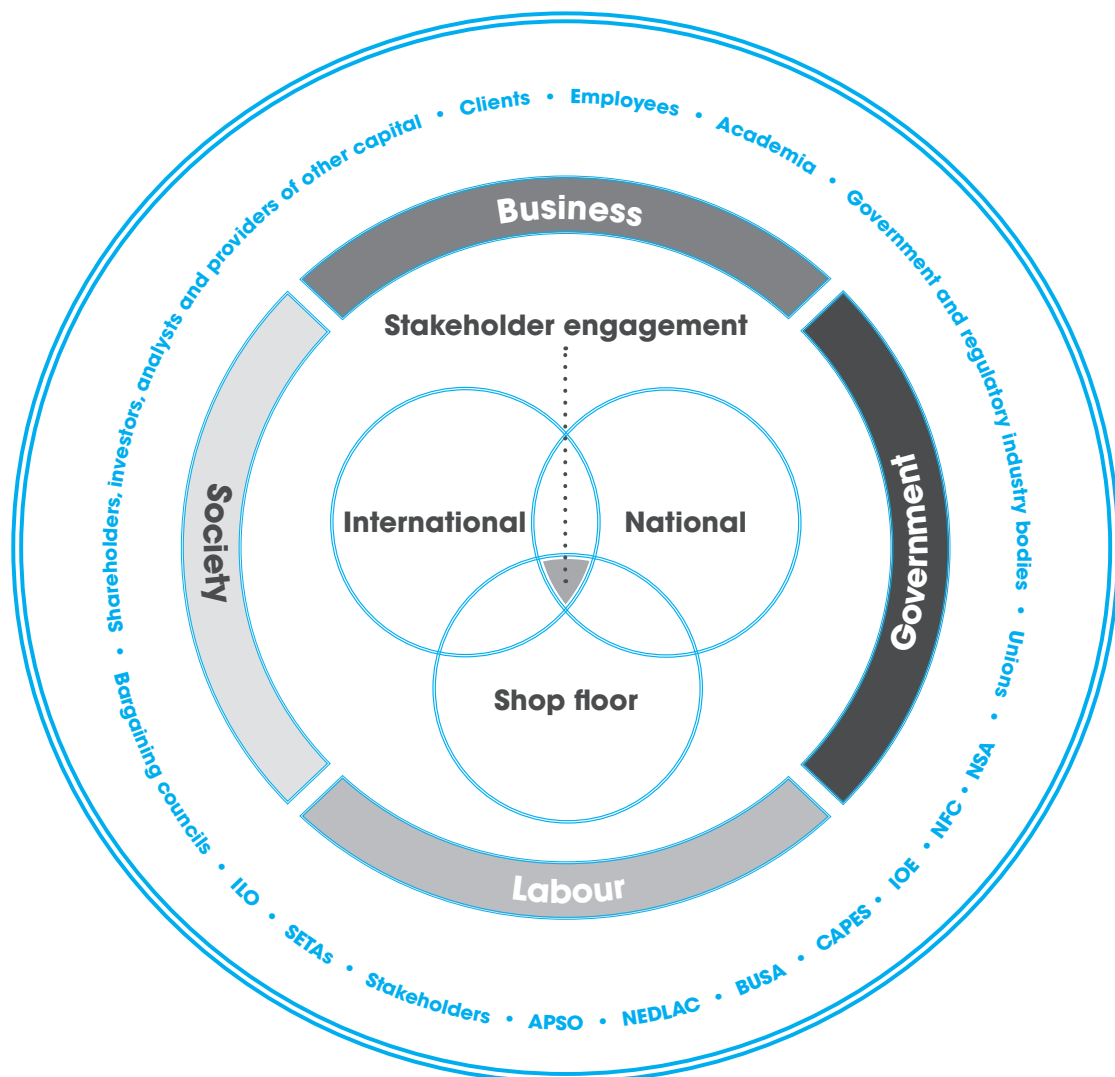
This collaborative and stakeholder-centric approach enhances governance and drives superior outcomes. However, the value of stakeholder engagement does not vest in merely accepting all stakeholder requests but rather in interpreting them and making informed decisions on strategic responses that are aligned with business objectives in an accountable way.

Matters that are traversed in stakeholder engagement activities are intentionally comprehensive in that they span

international and shop floor drivers, as well as cover all primary industries and sectors. Specifically, engagement via forums such as NEDLAC allow for a single point of contact with other business organisations, organised labour, Government and society as a whole. In this way, we address and influence economic, social, labour market and fiscal policies affecting our industry and the businesses of our clients as a whole.

Crucial to all stakeholder engagement, is building on existing relationships with investors and funders. This, particularly in light of the uncertain economic conditions, along with the need to ensure that Adcop's business strategy is supportive of their financial returns and objectives. In this regards, pay for performance is a key driver in the engagement.

Our approach - Stakeholder engagement labour market policy



Chairman's statement

JJ
NJEKE



The financial year ended 28 February 2017 proved to be an extremely challenging one for the Group.

Against the background of amendments to labour laws in Adcorp's core South African market, which negatively impacted sales volumes, earnings were also impacted by the fall in global energy prices on which the Group was heavily dependent in many of its African operations as well as in one of its Australian subsidiaries, Dare.

As a result, the Group experienced a material decline in earnings for the year.

Because there is no visibility of an improvement of the global oil price in the near term, it has become urgent to attend to the profitability of the operations servicing this industry.

Accordingly, management's attention has been primarily focused on stemming the losses from its Rest of Africa operations, reducing operating costs and restructuring the Group's debt profile in response to elevated gearing and tougher debt markets.

In addition, the Group has embarked on a new strategic path known as Adcorp 2.0, which is dealt with in the CEO's report.

The slowdown of the South African economy presents a challenging environment with regard to achieving revenue growth, and the Group will continue to focus on protecting margins by reviewing the cost base.

Given the cut-back in the Group's African operations, which will reduce Adcorp's exposure to losses from these trading operations coupled with an unlikely repeat of the one-off charges to income, the Group is well positioned to make up on some of the lost ground of the past year in the new financial year.

In addition, Adcorp 2.0 should position the Group better in its markets and, in conjunction with the projects focused on restructuring the debt profile of the balance sheet and reducing both central and operating costs, we anticipate a better year ahead for the Group as well as a strengthened balance sheet reducing the overall risk profile of the business.

I would like to express my appreciation and gratitude to the management team and fellow board members for their hard work and dedication to ensure that we deliver value to our shareholders.

A stylized, handwritten signature in black ink, appearing to read 'MJN'.

MJN Njeke | *Chairman*

30 June 2017

Chief Executive Officer's report



RICHARD
PIKE

Overview

The year ended 28 February 2017 proved to be the most difficult in the Group's 41-year-long history.

Group revenues of R16,1 billion (2016: R15,6 billion) increased by a modest 3% compared to the prior year.

Trading profits were significantly impacted as a result of volumes lost as a consequence of recent changes to South African labour laws as well as by a material trading loss incurred in the Group's African operations as a result of the cut-back in oil and gas-related projects on which the Group was heavily reliant due to the sustained, depressed global oil price. The depressed global oil price also impacted one of the Group's Australian subsidiaries, Dare.

On the back of these trading pressures, presenting a major drag on earnings, was a material year-on-year swing from a R59,0 million foreign exchange profit recorded in the prior year to a R30,2 million loss recorded in the current financial year. These foreign exchange accounting translation gains and losses emanate primarily from the Group's African operations whereby the South African rand reporting currency has strengthened in the current financial year against many of the underlying currencies of those African countries where the Group has operations.

Year-on-year comparative earnings were also negatively impacted by a net share-based payment credit of R31,2 million recorded in the prior year compared to a R7,6 million net charge to loss in the current financial year.

Normalised EBITDA of R304 million was 51% lower than reported in the previous year.

In addition, the Group's effective tax rate has been adversely impacted by the non-recognition of tax losses in Africa as well as by a deferred tax liability raised on the rest of Africa inter-company loan accounts, the recovery of which are doubtful. The combined tax effect of these items, which also negatively affected earnings, is R47,3 million.

As a consequence of these factors, normalised earnings per share of 88,6 cents decreased by 76% compared to the comparative figure of 365,3 cents in the prior year.

Given the significant retreat in earnings, the Group has embarked on a number of initiatives to ensure a return to sustainable earnings growth in order to retrace the earnings path of the past.

In this regard, the Group has restructured its operations resulting in a large number of job cuts which also negatively impacted the year's earnings by R32,6 million in respect of severance packages paid to those affected, the benefits of which will only be realised in the new financial year. The majority of these expenses were incurred towards the end of the financial year.

Also, the Group has embarked on a new and exciting strategic path known as 'Adcorp 2.0'. The main aim of this strategy are to move closer to our key clients centred on a collaborative approach, using technology, where appropriate to better and more effectively service clients with a view to growing revenues, de-risking earnings and improving margins.

Chief Executive Officer's report continued

Central to this approach is to co-design effective labour solutions with clients in a fast-evolving environment where, in future, people are likely to work alongside robotic machines using new technologies.

So far, this new strategic initiative has been well received within the Group, as well as by a number of key clients, and is starting to deliver positive results.

Following the turbulent year, the Group is better positioned from a trading perspective and certain one-off charges to income mentioned above are unlikely to be repeated.

Cash generation remains a key management focus and, in this regard, the Group's cash performance has once again been extremely positive. The Group's cash conversion ratio was a creditable 178% compared to the Group's target conversion ratio of 80%.

Despite this, given the current uncertain economic environment, the Group has recognised the need to reduce debt levels and de-gear the balance sheet. Accordingly, the Group is exploring the possibility of disposing of certain non-core assets in order to free up cash resources.

South Africa

As previously reported, the passing of the new Labour Relations Act (LRA) in 2015 initially led to a high degree of uncertainty in the South African market, resulting in volumes being negatively impacted. Hardest hit was the support services or white collar segment of the business.

The ambiguity in the new labour laws was clarified in a milestone Labour Court ruling in September 2015 subsequent to which, stability has largely returned to the Temporary Employment Services (TES) market, resulting in a recovery in volumes, albeit not yet to the levels achieved prior to the new legislation. This ruling is the subject of an appeal process.

A further positive development in this regard is a recent favourable ruling in the court providing legal legitimacy for one of the Group's important delivery models.

The lower levels of business activity have affected margins negatively, whereby the normalised EBITDA margin achieved in the South African business was 3,2% compared to the 4,8% margin achieved in the prior year.

Margins should continue to improve and retrace previous levels as volumes continue to recover.

Given the reduction in earnings, the South African operations have been the subject of restructure and rationalisation, which will reap cost benefits in the new financial year.

Rest of Africa, Asia and Australia

Australian IT specialist, Paxus, performed particularly well, showing strong earnings growth.

Australian blue collar business, Labour Solutions Australia (LSA), continues to gain new volumes and would have recorded solid year-on-year earnings growth save for a sizeable bad debt incurred. The business is well positioned in its market, should perform well in the ensuing year and is also exploring broader market opportunities beyond its traditional agriculture base.

Australian oil and gas business, Dare, which was acquired by the Group in May 2015, lost volumes due to the sustained, low oil price. Consequently, earnings from this business have declined substantially, whereby the business broke even for the year.

As a result of the lower levels of profitability in this business, the goodwill associated with Dare has been impaired by an amount of R86,1 million.

Similarly impacted by a decline in global oil prices has been the Group's African business beyond South Africa's borders, which has a high dependency on the oil and gas industry.

As mentioned above, this business was also negatively impacted by foreign exchange translation losses compared to a foreign exchange translation profit in the prior year, which pushed this operation into a sizeable loss for the year under review.

The global oil and gas industry remains an important industry sector of focus for the Group and still offers potential, even at the current lower energy prices. Accordingly, the Group has adopted a global approach to obtaining business in this industry sector, but will scale back its African operations until such time as prospects improve in the markets.

Indian associate IT solutions business, Nihilent, in which the Group owns a 34,6% stake, also experienced a difficult trading period, being negatively impacted by a reduction in business emanating from South Africa and has also been negatively impacted by currency fluctuations in Africa. Associate earnings from the business were flat year-on-year.

Other strategic initiatives

Over the recent years, the global workforce management and staffing industry has seen the rapid adoption of innovative, new delivery models, the adoption of potentially disruptive technologies, as well as a number of innovative approaches to the client interface. Coupled with this, is the imperative to remain operationally excellent and cost competitive.

Over the past years, Adcorp has invested in new technologies and methodologies in expanding its global footprint and in streamlining its operating model.

This foresight has now been rewarded in the current, tough trading environment.

In addition, the Group has adopted a far more client-centric approach to selling and is particularly well positioned in the industry in its markets of choice.

This is evidenced by some important and sizeable client wins achieved over the past year, in multiple jurisdictions, across various industry sectors and against respected global competition.

The Group has been active over the past year in trying to raise capital in order to fund the Group's international growth strategy focused on emerging markets and the Southern Hemisphere and, in particular, Africa, Asia, Australia and the Middle East.

Negotiations regarding a possible funding deal were recently halted after significant effort and resources were put in the negotiations given that the proposed funding terms were not considered optimal.

Further consideration will be given to funding the Group's international expansion plans when market conditions are considered more conducive to achieving this objective.

Outlook and prospects

On the back of a tough year, the economic environment remains challenging, particularly in the core South African market. The recent credit downgrade of South Africa's sovereign debt will further hamper economic growth and job creation in the Group's core market.

Despite this, stability has crept back into the South African TES market following the initial uncertainty created by the new South African labour laws that also contributed to a decline in earnings.

In addition, the Group is in the process of scaling back its African operations to stem losses in that part of the business and has seen an improvement in the fortunes of Australian business, Dare, which has seen a pick-up in volumes and is exploring other industrial sectors, such as renewable energy.

FY 2017's financial results have also been distorted by foreign exchange losses, losses in the Group's Africa operations and retrenchment costs, that have adversely affected earnings and are unlikely to repeat in FY2018, which should provide a major boost to earnings.

Adcorp 2.0 is starting to deliver – which has manifested itself in increased volumes and margins – while there is still scope to reduce the Group's cost base even further, which management is committed to achieving.

The need to reduce debt and to de-gear the balance sheet is seen as an imperative. In this regard, the Group is looking to shed non-core assets in order to free up cash resources as described above.

Accordingly, the Group's prospects are looking more positive due to the following factors:

- A more stable South African TES market.
- Paxus and LSA are both performing well.
- Dare is recovering.
- The non-repeat of one-off costs and charges.
- Lower gearing levels will strengthen the balance sheet.
- The Group has achieved and is working towards a lower overhead cost base.

Chief Executive Officer's report continued

Appreciation

As Adcorp's strength has always been its outstanding people, I would like to thank the directors, management and staff of the Adcorp Group for their valued contribution over the past financial period and look forward to their continued support in the future.

A handwritten signature in black ink, appearing to be 'R. Pike', written in a cursive style.

Richard Pike | *Chief Executive Officer*

30 June 2017

Operational review

The 2016/7 financial year was undoubtedly the most transformative year in the history of the Group. A number of factors contributed to this, including:

- A major strategic refresh now commonly known as ADCORP 2.0.
- A new organizational structure to facilitate the effective implementation of ADCORP 2.0.
- The adoption of a 'dual speed IT strategy' that enables digitisation and automation.
- Repositioning of the Group's value proposition and service offering in South Africa to accommodate the significant legislative and regulatory changes that were introduced during the prior reporting period.

Equally, it was an extremely challenging year for the Group. Factors that had a negative impact on the profitability of the Group include:

- The depressed global Oil and Gas market.
- The deterioration of trading conditions in Africa.
- The increased complexity of doing business on the African continent.
- The necessity to radically adjust the Group's international expansion strategy with specific reference to Asia and the Middle East.
- The unexpected strengthening of the Rand.
- The impact related to the redrafting of the South African labour laws.

Operational review continued

The operational structure has been simplified and the portfolio now consists of five uniquely positioned and focused profit generating business units and central services:

INDUSTRIAL SERVICES

Managed by Tim Smeeton



(R'000)	South Africa	International
Revenue	5 886 455	2 368 257
Normalised EBITDA	221 739	(51 959)

CAPITAL

Employ. Develop. Africa

Capital Africa

Capital is a Pan-African workforce solution business offering various workforce solutions to businesses throughout the African continent.

Sector serviced

Mining and minerals; oil and gas; construction; retail; healthcare; transport; Government

We place 'blue collar' assignees: engineers, project support staff, artisans, construction workers, logistics, manufacturing and warehousing staff.

BLU.

BLU (Formerly Capacity and Capital)

BLU is a future-forward workforce solution business offering various workforce solutions co-designed by its clients.

Sector serviced

Mining and minerals; oil and gas; forestry and paper; chemicals; steel and other metals; food processors and producers; beverages; pharmaceuticals; transport; media; telecommunications; IT and technology.

BBBEE

Level 1



staff U need

a division of Adcorp Staffing Solutions Pty Ltd

Staff U Need (Including Fortress)

Staff U Need specialises in the provision of specialised staff for power station maintenance and construction. Recruits and employs highly skilled to unskilled staff for projects throughout South Africa.

Sector serviced

General industry and Government.

BBBEE

Level 1

funxion

ADiSion | CAPability | CO-SARS.

FunxionO

FunxionO's specialist collection of functionally outsourced business solutions, in core and non-core industrial services, enables clients to accelerate productivity, ensure business continuity, and reduce costs.

Sector serviced

Fast-moving consumer goods

BBBEE

Level 2



Labour Solutions Australia

Delivering Efficient & Reliable Workforce Solutions

Labour Solutions Australia

Labour Solutions Australia specialises in outsourced workforce management solutions, labour hire and permanent recruitment.

Sector serviced

Food producers; oil and gas producers; mining; industrial transportation; industrial engineering; general industrials; construction and materials; healthcare equipment and services; food and drug retailers

DARE

Dare

Dare Contract Services is a dedicated team of professional recruiters and support staff who source highly qualified and experienced contract and permanent personnel for both local and international clients in the resources sector

Sector serviced

Mining and minerals; renewable energy; oil and gas

INNSTAFF

HOSPITALITY SPECIALISTS

InnStaff

InnStaff is a leading player in the South African hospitality industry. Services include outsourced management services, hospitality consulting, outsourced workforces

Sector serviced

Hospitality and Leisure

BBBEE

Level 1

Operational review continued

SUPPORT SERVICES

Managed by Kay Vittee


Permanent employees
736


Temporary employees
12 482

(R'000)	South Africa	International
Revenue	1 582 604	–
Normalised EBITDA	11 904	–

CHARISMA!
care2share

Charisma

Charisma Healthcare provides workforce managed solutions to the healthcare sector

Sector serviced

Healthcare

BBBEE

Level 1

We place 'white collar' support staff in nursing, clerical, admin, office and call centre positions.

Quest
Enabling Business through Talent™

Quest

Quest is South Africa's leading provider of scalable recruitment and staffing solutions for frontline customer service, sales, marketing and support staff

BBBEE

Level 2



KELLY
Rapid Talent Deployment

Kelly

Kelly is South Africa's first recruitment agency of choice for rapid permanent and contingency staffing solutions

Sector serviced

Operates across all industries and sectors

BBBEE

Level 2

rightsource
intelligent bpo solutions

Rightsource

Rightsource offers business process outsourcing that follows an outcomes-based approach to designing solutions. It provides BPO solutions primarily to its clients' desired business outcomes.

BBBEE

Level 2

Operational review continued

PROFESSIONAL IT SERVICES

Managed by Mark Jurgens



(R'000)	South Africa	International
Revenue	1 622 620	4 195 907
Normalised EBITDA	96 050	85 966



Paracon (Including Nihilent 34,6% shareholding)

Paracon is a specialised ICT consulting, resourcing and solution business

Sector serviced

Operates across all industries and sectors

BBBEE

Level 2

We are future-forward; able to place IT and digital professionals and consultants.



Mondial

Mondial provides ICT resourcing and solutions, specialising in SAP

Sector serviced

Oil and gas; telecommunications; banking and finance; IT and technology

BBBEE

Level 2



allaboutXpert

allaboutXpert provides project management-related solutions, including services, resourcing, project office, facilitations and training

Sector serviced

Consumer; banking and finance; healthcare; general industry; oil and gas; IT and technology; telecommunications; Government

BBBEE

Level 2



DAV

DAV focuses on permanent recruitment and selection. With over 40 years' experience, clients and candidates deal with an expert team invested in delivering a service of the highest quality

Sector serviced

Operates across all industries and sectors

BBBEE

Level 1



talentCRU

talentCRU offers a range of sophisticated and innovative technology solutions to facilitate all aspects of recruitment across organisations

Sector serviced

Operates across all industries and sectors

BBBEE

Level 1

PROFESSIONAL IT SERVICES continued



The Personnel Concept offers specialised permanent recruitment, placing skilled financial candidates

Sector serviced

Operates across all industries and sectors

BBBEE

Level 2



Paxus Australia

Paxus is a specialised IT contracting and recruitment business

Sector serviced

Operates across all industries and sectors



Tigertail digital

A future-forward business specialising in top-digital talent

Sector serviced

Operates across all industries and sectors

BBBEE

Level 2



Nihilent
Solving Today

Nihilent

Nihilent (34,6% shareholding) is a global consulting and solutions integration company using a holistic and systems approach to problem-solving. Nihilent has extensive experience in international consulting, IT outsourcing and IT services.

Sector serviced

Operates across all industries and sectors



Torque IT

Torque IT is a training solutions provider officially positioned as an undisputed leader in ICT education. Torque IT plays a vital role in providing its clients with learning solutions that result in reduced cost, improved efficiency and increased innovation

Sector serviced

IT and technology

BBBEE

Level 1

TRAINING SERVICES

Managed by Hein Weyers



(R'000)	South Africa	International
Revenue	251 323	-
Normalised EBITDA	14 766	-



iCan!

iCan! provides corporate disability solutions ensuring a seamless integration of persons with disabilities into mainstream workforces

Sector serviced

Operates across all industries and sectors

BBBEE

Level 2

We offer training solutions to external clients and support to other Adcorp service lines.



PMI

PMI is a training and education company registered as a Private Higher Education, Further Education and General Education Training provider

Sector serviced

Operates across all industries and sectors

BBBEE

Level 2



FINANCIAL SERVICES

Managed by Ricus Nel



(R'000)	South Africa	International
Revenue	163 670	-
Normalised EBITDA	40 916	-



FMS

FMS offers a wide range of 'life-coping' services to the employees of various companies when faced with challenges such as illness, funeral and legal disputes

Sector serviced

Healthcare; transport; insurance and assurance; support services

BBBEE

Level 4

We offer employee benefit solutions to external clients and support to other Adcorp service lines.



Adcorp Financial Services

Adcorp Financial Services sources employee and value-added benefit products for both the Group's candidates and clients workforce. An authorised financial services provider. FSP licence number 40795

Sector serviced

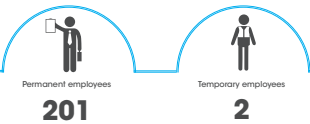
Operates across all industries and sectors

BBBEE

Level 4



CENTRAL SERVICES



(R'000)	South Africa	International
Revenue	2 115	-
Normalised EBITDA	(52 177)	(63 419)



Adcorp Head Office

The corporate office is based in Johannesburg, providing strategic direction, shared services, centralised treasury, taxation and reporting services in the Group

Sector serviced

Investment community, operating companies, Group employees, clients, capital and service providers



Operational review continued

Each business unit is exposed to distinctive and to some extent unique dynamics in each of the geographical markets of operation. Consequently, business strategy and market differentiation require specific consideration when interpreting factors like:

- Legislative and regulatory frameworks.
- Market conditions.
- Competitor landscape.
- Price and/or margin tolerances.
- Client and/or industry trends.
- Service/product offerings.

Irrespective of the challenges that confronted the Group during the financial year under review the following highlights and successes are worth noting:

- The biggest highlight was undoubtedly the performance of Adcorp Professional IT Services as operating profit increased by 35% when compared to the prior year.
- Management succeeded in establishing allaboutxpert, TalentCru and Torque IT in Australia. These businesses are gaining good traction in a highly competitive market.
- TalentCru has become a market leader in South Africa in both Recruitment Process Outsourcing (RPO) and Master Service Provider (MSP) service offerings.
- The Group has established a presence in the fast growing and very lucrative digital recruitment segment.
- Certain segments within the Industrial Services portfolio grew meaningfully. This is pleasing particularly given the challenging and tough trading environment in South Africa.
- The cash management performance was extremely positive following a reduction in DSO despite a marginal increase in sales.
- The Group held its BBBEE rating as most underlying business units either maintained or improved their respective rating against the new more stringent codes.
- The Group successfully established a division under the leadership of John Botha that focuses on strategic enablement and business optimisation by concentrating on people and people related processes.
- The investment in a business intelligence platform will unlock significant value to clients, candidates and management in years to come.

Management remains optimistic for the year ahead, while maintaining a realistic perspective on the challenges that will confront the Group.



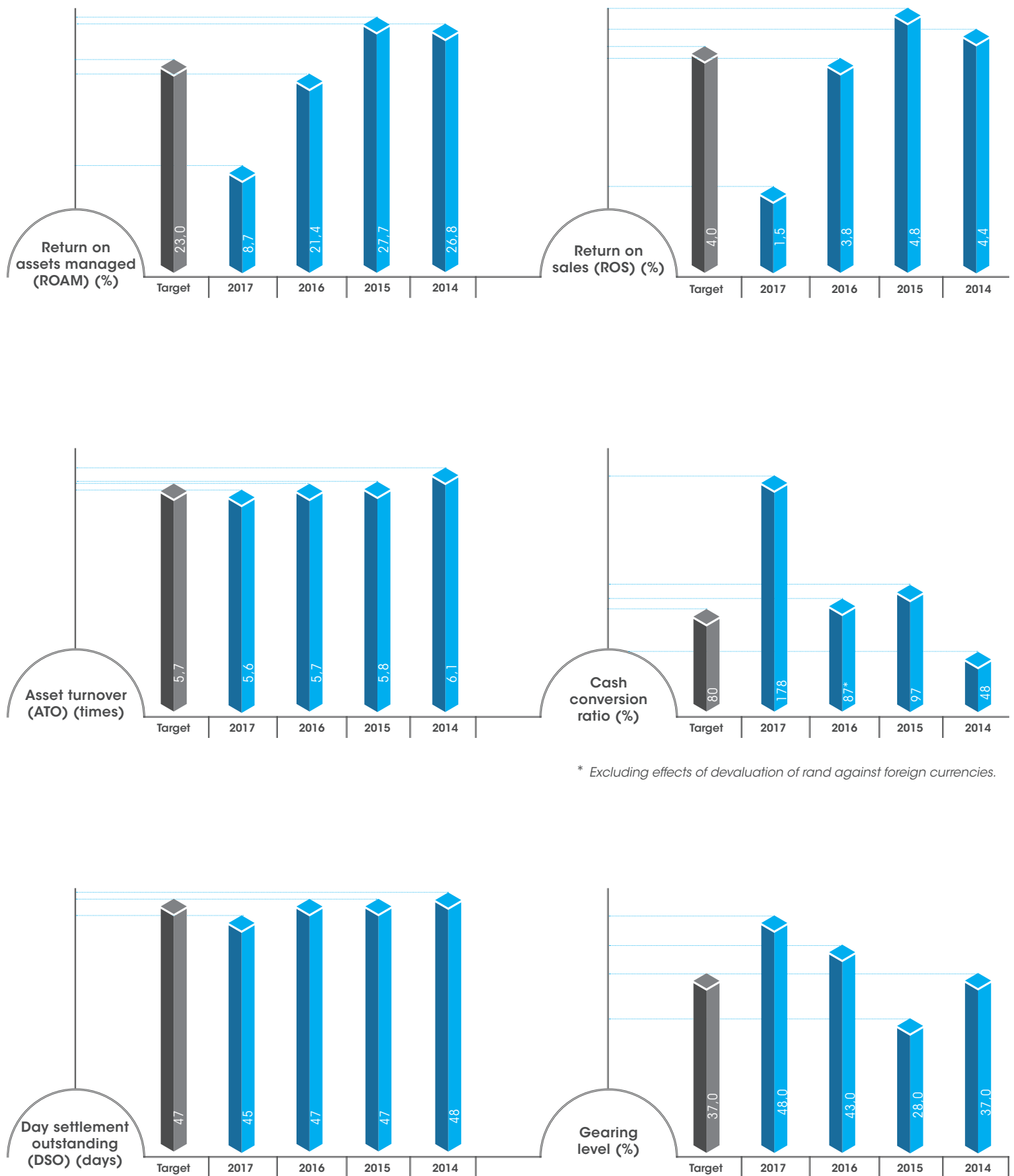
Nelis Swart

Chief Operating Officer

30 June 2017

Our performance against stated targets

Financial



Our performance against stated targets continued

Non-financial

BBBEE (%)



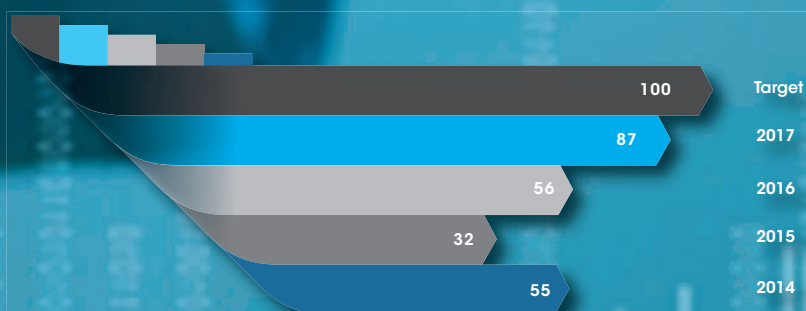
* Object to remain a level 2 contributor.

CSI spend (%)



** Net profit after tax.

Leadership Academy enrolments



Financial capital



Achievements

- Revenue increase
- Cash generation
- Improved debtors days



Challenges

- Collections environment
- Capital raising
- South African business volumes



Improvements

- Business environment
- Cash conversion



Disappointments

- Profitability
- Increased gearing
- Oil and gas sector



Chief Financial Officer's report



LIONEL WILSON

Adcorp Holdings Limited is listed in the business training and employment agencies sector of the JSE Limited. The consolidated figures in this integrated annual report include the results produced by the operating units in the statutory entities within the Group.

Statement of consolidated normalised earnings* for the year ended 28 February 2017

	Pro forma year to 28 February 2017 R'000	Pro forma year to 29 February 2016 R'000	% change
Revenue	16 072 951	15 585 751	3
Cost of sales	(13 665 757)	(13 069 007)	(5)
Gross profit	2 407 194	2 516 744	(4)
Other income	74 514	128 325	(42)
Administrative, marketing, selling and operating expenses	(2 351 398)	(2 180 302)	(8)
Operating profit	130 310	464 767	(72)
Adjusted for:			
Depreciation	37 311	35 962	(4)
Amortisation of intangible assets	107 183	105 831	(1)
Lease smoothing	2 314	1 781	(30)
Transaction costs	26 668	13 438	(98)
EBITDA (excluding lease smoothing and transaction costs)	303 786	621 779	(51)
Adjusted for:			
Depreciation	(37 311)	(35 962)	(4)
Amortisation of intangibles other than those acquired in a business combination	(19 789)	(28 345)	(30)
Normalised operating profit	246 686	557 472	(56)
Net interest paid	(139 565)	(110 053)	(27)
Normalised profit before taxation	107 121	447 419	(76)
Taxation	(32 814)	(76 125)	(57)
Normalised profit for the year	74 307	371 294	(80)
Share of profits from associates	23 396	23 078	1
Non-controlling interest	(1 682)	862	-
Total normalised profit for the year	96 021	395 234	76
Normalised effective tax rate (%)	30,63	17,01	
Normalised earnings per share – cents	88,6	365,3	(76)
Diluted normalised earnings per share – cents	86,1	352,9	(76)

* Normalised earnings is defined as operating profit adjusted for depreciation, amortisation of intangibles, lease smoothing and one-off transaction costs relating to acquisitions.
Note: The proforma financial information, as shown in the statement of normalised earnings, should be read in conjunction with the unmodified Deloitte & Touche independent reporting accountant's report thereon, issued on 23 May 2017, which is available for inspection at Adcorp's registered office.

Chief Financial Officer's report continued

Accounting policies applied

The accounting policies applied are in accordance with International Financial Reporting Standards (IFRS), as well as the South African Companies Act, No 71 of 2008, and are consistent with the accounting policies applied in the previous year.

Review of Group results

In the current year the segmental analysis was revised in line with the new strategy of managing the Group and the five reporting segments that emerged are as follows:

- Industrial services
- Support services
- Professional IT services
- Training
- Financial services

Headline earnings per share decreased from 299,6 cents to a loss of 27,9 cents per share. Earnings per share of 192,0 cents decreased to a loss of 149,5 cents in the current year.

Gross profit margin levels declined by 1% to 15% due largely to a change in business mix. The overall expense ratio increased from 14,0% to 14,6% against the backdrop of an extensive Group-wide restructuring programme of integration and rightsizing. The Group's normalised EBITDA declined by 51% to R304 million, representing an EBITDA margin of 1,9% (2016: 4,0%), with normalised earnings per share of 88,6 cents per share accounting for a 76% year-on-year decline. Included in these results are a number of significant charges relating to foreign exchange losses, restructuring and revaluations that have negatively impacted profit for the year.

The Group's overall normalised effective tax rate increased to 30,6% (2016: 17,0%) mainly as a result of the losses incurred in Africa, which are unlikely to provide future tax relief, and the raising of a deferred tax liability related to the Africa inter-company loans as mentioned. The Group tax rate is likely to revert to a lower effective rate in future. A detailed reconciliation of the actual tax for the year appears on note 36 of the financial statements.

Statement of financial position

Working capital management is a critical part of the business and an ongoing daily focus area for management. The level of cash collections underpins the ability of the Group to meet payroll obligations and service debt obligations. Days settlement outstanding (DSO) improved to 45 days (FY2016: 47 days) despite a challenging collections environment and constant pressure for extended credit terms from most major clients. The ageing of the accounts receivable book is well managed and to this extent the balances in the older than 90 days aged bucket reduced by R89 million, with the overall book reducing by R218 million despite the 3% increase in sales.

Angola's foreign exchange liquidity crisis continues and foreign exchange restrictions designed to shield the currency have made it increasingly difficult to repatriate capital. The Group's exposure to African countries with foreign exchange restrictions amount to circa R90 million.

The Group recognises the changing credit environment that it operates in and is therefore considering the various alternatives of working capital funding available to the Group. Among others the replacement of the corporate bond programme with the following, a single bank funding facility secured by the debtors book. The future viability of the corporate bond is questionable in light of:

- Significant amounts of volatility both in SA and other emerging markets, which has resulted in material movements in the debt market.
- The volatility is paired with weak economic data and a generally negative outlook, which has resulted in a number of entities evaluating the impact of the market movements where, in the majority of cases, this has resulted in a downward revision of forecasts.
- Corporates have taken a relatively conservative view against debt levels and have looked to reduce overall levels or have opted for more conservative/flexible funding packages.
- The lack of corporate issuance confirms the view that this sector is moving away from the listed space.
- Capital market sentiment has also worsened significantly with light to large investment grade borrowers.

Chief Financial Officer's report continued

In addition, the Group is investigating the possibility of the sale of a non-core asset which will unlock a sizeable amount of cash which will be used to de-gear the balance sheet.

The Group has been active over the past year in trying to raise capital in order to fund the Group's international growth strategy focused on emerging markets and the Southern Hemisphere and, in particular, Africa, Asia, Australia and the Middle East. Negotiations regarding a possible funding deal were recently halted given that the proposed funding terms were not considered optimal. Further consideration will be given to funding the Group's international expansion plans when market conditions are considered more conducive to achieving this objective.

Acquisition of business

During the current financial year, Adcorp Holdings Australia Proprietary Limited acquired WHR Solutions Proprietary Limited (WHR) with effect 1 July 2016. As such, it has been included in Group profits for eight months of this financial year. The profit after tax from WHR included in Group net profit after tax for the year ended February 2017 is R3,1 million after taking account of non-cash flow IFRS charges and acquisition-related transaction costs. Had the business combination been effective from 1 March 2016, the revenue of the Group would not have been materially impacted, while the net loss after tax would have totalled R159,0 million. The directors of the Group consider these numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

Six-year review

The six-year review of key financial indicators is set out on page 67.

Dividend

In light of the depressed financial performance and as a step towards reducing the Group's gearing ratio, the board resolved not to declare a final dividend for the year.

Going-concern assertion

The board has formally considered the going-concern assertion for Adcorp and its subsidiaries and believes that it is appropriate for the forthcoming financial year. The going-concern assertion can be found in the directors' report on page 82.



Lionel Wilson | *Chief Financial Officer*
30 June 2017

Wealth creation

At Adcorp we take our role as a leading workforce management provider very seriously, and we only undertake initiatives that enhance our brand with candidates, clients and our own employees.

Economic value-add

In FY2017, Adcorp's activities generated R16,1 billion in economic value-add. Adcorp contributes to the socio-economic environment in a variety of ways, including the payment of salaries and wages to a vast workforce, both permanent and temporary. Taxes paid by the Group accrue to the various countries and are distributed into the greater socio-economic environment. We are a significant procurer of goods and services given our scale of activities, and we aim to procure from local sources wherever possible.

As a leading provider of workforce solutions, Adcorp contributes directly to the economies in which we operate by assisting and empowering people with jobs and the ability to earn salaries and wages. Through skills development programmes Adcorp has benefited broader society by providing individuals with an ability to make an entrance into the world of work. We aim to uplift communities by hiring locally and we maintain a diversity of cultures within our organisation, so strengthening our competitive positioning. Thus, the Group makes an important contribution to the economic wellbeing of individuals and, ultimately, the economy as a whole.

Value-added statement*

for the year ended 28 February 2017

The measure of the value created by the Group is the amount of value added by its diverse activities to the costs of sales, products and services purchased.

The statement below shows the total economic value created and how it was distributed:

	2017		2016	
	R'000	%	R'000	%
Revenue from operations	16 072 951		15 585 751	
Paid to suppliers**	(1 129 293)		(848 121)	
Value added	14 943 658		14 737 630	
Income from investments	35 696		46 746	
Interest received	12 300		23 669	
Share of associate income	23 396		23 078	
Total value created	14 979 354		14 784 377	
Value distribution				
Employees	14 631 025	98	14 006 316	95
– Temporary staff	6 891 308		7 190 323	
– Independent contractors	6 364 544		5 521 307	
– Permanent staff (including directors)	1 375 173		1 294 686	
Capital providers	254 830	2	298 293	2
Interest paid	151 865		133 722	
Dividends to shareholders	102 965		164 571	
Central and local government	45 327	0	124 916	1
Company taxation	31 632		110 296	
Rates, taxes, licences and levies	3 832		3 788	
Skills development levy	9 863		10 832	
Corporate Social Investment	1 763	0	5 435	0
Education and training	19 559	0	17 880	0
Re-invested in the Group to maintain and develop operations	26 850	0	334 345	0
Depreciation and amortisation	144 494		142 601	
Income retained ((loss)/profit for year))	(160 326)		206 810	
Deferred taxation	42 682		(15 066)	
	14 979 354	100	14 784 377	100
Value-added ratios				
Number of permanent employees	3 466		4 357	
Revenue per permanent employee (R'000)	4 637		3 577	
Value created per permanent employee (R'000)	4 321		3 393	
Corporate Social Investment – % of profit after tax (Group basis)	1,6		2,6	

* Assured by Ibis ESG Assurance.

** Amounts attributable to foreign temporary staff and independent contractors have been reflected under value distributed to enhance disclosure.

Intellectual capital

Adcorp's expertise used to deliver solutions geared for workplaces of the future

Adcorp is well positioned to build on its credentials in giving effect to Adcorp 2.0.

Adcorp has an intimate understanding of the nature, extent and needs of its clients and is able to optimally allocate resources to strategies aimed at growing existing client revenue, securing new revenue streams and delivering solutions in a manner characterised by operational excellence and innovative practices.

Co-design competencies mean that solutions can be tailored to meet clients' specific needs as well as to create candidate and employee communities that allow for greater loyalty, competence and cost optimisation.

The Group's drive is to focus on customer centricity and understanding that the world of work is constantly changing. Workforce solutions providers are increasingly focusing on digitalisation, innovations and start-ups that are continuously disrupting the market.

Adcorp plays an active role in developing the industry in the long term and influencing the industry landscape by co-designing solutions with its clients. The Group's strategy is to support market and drive workforce trends by responding to our stakeholders' specific needs, including the new generation of first-time job seekers, shifting supply and demands, and increased flexibility requirements. These needs require an agile approach, new thinking and solutions designed particularly within the digital space. The Group's 2.0 strategy has clearly defined segments of the business and the landscape in which they operate, namely industrial, support, professional, financial and training.

The ability of Adcorp to diversify revenue streams across both supply-based and outcomes-based client solutions stands it in good stead to leverage growth opportunities in current clients as well as new clients. In addition, the exponential growth of the gig and shared economy, as well as freelancing and non-standard forms of employment, are a key focus area of Adcorp.

Adcorp is a people development business and, to this end, it embraces its responsibility to enable its employees to remain relevant in the labour market and to ensure that their skills sets are able to deliver against the strategic mandate. The full integration of the people function, under a People 2.0 strategy, will ensure that the people mandate is achieved in accordance with best practice and positioned with skills for the future.

Strategic realignment and resultant restructuring has resulted in an integrated and collaborative culture underpinned by strong relationships and smart trust. This allows for faster and better decision-making, focused staff and an environment where everyone stands to win. The executive remuneration policy and metrics are fully aligned to the financial and non-financial business imperatives, with the resultant benefits of shared risk and reward driving unity and common goals.

Adcorp is an acknowledged thought leader and pioneer in the workforce solutions domain, influencing labour market policy and legislative interpretation. The Group has consistently invested in strategic technologies and innovative ideas that add value to its increasingly international client base. The net effect of these investments is to ensure the Group's continued relevance as a provider of value-added services, customer service, operational excellence, labour-optimising and other workforce management solutions. Leveraging the Group's intellectual capital through discerning opportunities in other markets is a significant opportunity for the Group.

The Group was an early adopter of information technologies to track the on-the-job performance of temporary workers placed by Adcorp companies, and to offer high-performing temporary workers personalised career paths. These technologies give temporary workers registered with Adcorp companies access to career benefits, such as salary increases, perks and career advancements, that are usually reserved for traditional permanent employees. As a result, Adcorp companies have the highest employee tenure and retention rates in the industry, particularly for high-skilled workers. If one considers that many of the costs of placing a candidate in a client environment are incurred up-front (such as recruitment, training and early on-the-job performance management), whereas Adcorp's income from placing a candidate accrues over time, extending a candidate's tenure is crucial to the Group's return on its initial investment in its candidates.

Adcorp was the first workforce solutions company in the world to offer temporary workers affordable highly regulated, life-enhancing and financial services when healthcare providers, banks, insurers and other financial institutions denied these workers access to healthcare plans, saving, insurance and credit products due to their assumed uneven pattern of income. Even though the term "temporary worker" is in widespread use, it does not reflect employers' ongoing requirements for these workers. A temporary worker might work for just 12 months before finding a new job opportunity, but the work assignment filled by the worker can be, and often is, of a much longer duration. Large-scale construction projects can last anything up to 10 years. Actively scheduled work, consisting of workers who fill predetermined shifts in bank branches or retail distribution centres, can be indefinite. Adcorp's unique understanding of the nature of these work assignments allows it to manage insurance, credit and other income-smoothing products better than many banks and insurers.

Adcorp's home market, South Africa, has been an important foundation for growth and innovation. Each day the Group, through its intellectual wealth of experience and strategic partnerships, ensures that it builds workforces that add value, exceed expectations and empower people and companies through meaningful relationships.

Human capital

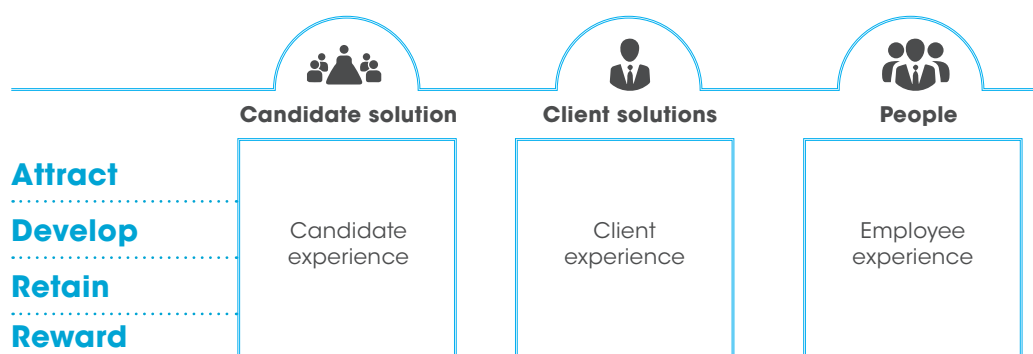


People 2.0

Top talent is the true value of our business. We take delight in working with some of the best talent in the industry. Our People 2.0 strategy attracts forward-thinking adaptable talent, capable of effectively building relationships, dealing with and responding to the disruption that workplaces around the world currently face.

It is our passion to ensure our people enjoy the best work environment and are offered all the support they need to develop to their full potential. Attracting, developing, retaining and rewarding our employees is facilitated by a strong partnership between Adcorp's leadership and the HR function.

In setting high standards it is essential that our HR function focuses on enabling business performance. By embracing innovation we do not lose sight of the human side of our business, encouraging meaningful partnerships with clients and candidates, ultimately ensuring that everybody wins.



Employment equity – South Africa

Permanent staff

for the 12 months ended 31 March 2017*

	2017	2016	2015	2014
Total workforce	3 466	4 357	3 957	2 936
Total employees with disabilities	144	145	170	150
Workforce profile				
Race and gender profile				
Non-designated group (includes foreign nationals)	417	508	579	438
White females	587	667	836	635
Black males	1 017	1 433	1 093	810
Black females	1 445	1 749	1 449	1 053
Occupational level profile				
Management (top, senior, middle and junior)	1 678	1 747	2 147	1 446
Non-management	1 788	2 610	1 810	1 490
Management profile by gender (top management, senior management, middle management, junior management)				
Females	911	962	1 260	869
Males	767	785	887	577
Management profile by race				
Black	856	823	997	658
White (includes foreign nationals)	822	924	1 150	788
Non-management profile by gender				
Females	1 153	1 485	1 061	856
Males	635	1 125	749	634
Non-management profile by race				
Black	1 606	2 359	1 545	1 205
White (includes foreign nationals)	182	251	265	285
Disability profile				
Management	15	17	20	13
Non-management	129	128	150	137
People with disabilities by gender				
Females	77	76	97	108
Males	67	69	73	42
Total employees before reporting cycle	3 958**	3 957	2 936	2 832
Add: Recruits	2 115	3 399	2 318	1 292
Less: Resignations	1 883	1 995	679	650
Non-renewal of contracts (contract employees)	530	672	471	358
Dismissals (misconduct and incapacity)	61	78	69	85
Retirements	2	10	9	8
Deaths	6	10	12	4
Retrenchments	125	234	57	83
	3 466	4 357	3 957	2 936

Adcorp Group total managed workforce

Temporary employees South Africa	74 041
Temporary employees International	3 024
Independent contractors South Africa	1 182
Independent contractors International	2 051
Adcorp Group total managed contract/temporary workforce	80 298
Permanent employees South Africa	3 466
Permanent employees International	292
Adcorp Group total permanent workforce	3 758
Total workforce	84 056

* The skills development-reporting period runs from 1 April 2016 – 1 March 2017 and the equity-reporting has been aligned to this. The presentation of this table is consistent with prior year.

** Total employees before reporting cycle excludes those persons employed in work readiness programme.

Social capital

Socio-economic development

Socio-economic development (SED) is a vital part of Adcorp’s identity and it is with a great sense of purpose that the Group is able to positively influence the lives of many, particularly marginalised learners between grades 10 and 12. As part of our commitment to the Preamble of the Constitution of South Africa, it is our intention to address the poverty, inequality and unemployment need in South Africa. Community upliftment goes hand-in-hand with focused skills development and the provision of opportunities for those looking to enter the employment market.

Our history of creating, maintaining and supporting developmental, social and environmental projects distinguishes who we are today. We find ourselves on the journey towards sustainability because of these initiatives we have consistently supported over the years. To this end, 1,55% of our annual profit (net profit after tax as verified by Empowerdex) is committed to sustainable SED projects.

In order to align these projects with our core business – workforce solutions – Adcorp continues to focus the majority of its efforts on high school educational assistance and bursary schemes. We believe that the success of an individual is the success of a community, and the focus of our ongoing community initiatives is aimed at the upliftment of disadvantaged communities through education and life-skills training.

While the bursary component spearheads our SED efforts, various other initiatives close to our heart have been established. As a Group, our main aim is not only to enrich and empower the lives of many by placing thousands of first-time jobseekers into the formal economy on a daily basis, but to use our SED initiatives as a supporting mechanism to further address the social evils in this space.

Social priorities



SED initiatives	Description	Progress/outcome
School bursaries	At Adcorp we believe education is at the heart of skills development. In this regard, we financially support a number of disadvantaged school children in rural areas countrywide. Many of these rural schools have little or no access to metropolitan areas, which provide better opportunities for further tertiary education. By giving school children in rural areas the means to focus on their tuition, we believe that we are playing a vital role in academic development in South Africa. We are designing a model to look at better integrating these students into our broader placement businesses.	The scheme was launched in 2008. Successful candidates from grades 10 to 12 are individually sponsored, with monies deposited into the schools' bank accounts for tuition, sports, academic costs and accommodation expenses. Learners from families who earn less than R14 000 per month and who achieve a minimum overall academic average of 55%, qualify for the bursaries and scholarships. Academic progress is monitored by Adcorp, as is responsible use of the monies by the schools. 173 students supported, 18 disabled. Of 173, 146 continued bursaries with Adcorp from previous year and 27 were new.
Life College	A replicable social enterprise which develops and provides development and empowerment programmes for South African youth.	To help youth and adults from disadvantaged communities gain skills to improve their academic, entrepreneurial and life performance, enabling them to tackle life with a "Champion Mentality" table item.
Fairview Primary School, Johannesburg	Improving literacy by supporting development of a library at Fairview Primary School, Central Johannesburg. (A non fee paying school)	This is a two-year programme. Funding from the first year contributed towards a physical room to be used a library. 2017/8 funding, i.e. year two will provide a starter pack of a selection of books and some desks and chairs for the library.

Natural capital

Lead industry initiator in carbon offsetting innovative technology products

Adcorp is one of the most innovative providers of workforce solutions. Adcorp's 2.0 strategy promotes digitisation and automation across the Group, introducing key digital platforms to enhance efficiencies while keeping the environment and valuing the planet. The Adcorp 2.0 strategy drives a collaborative approach with its stakeholders, using technology where appropriate, encouraging sustainable business practices continually with the environment in mind.

The world is moving through a period of unprecedented change, therefore client-centricity and understanding our customers' needs is key. As a Group we adapt ourselves to the fast pace change that the market requires, introducing efficiencies in the workforce management process. Workforce costs, being the biggest expense for most employers, are declining as is the use of technology in human resource procurement and management, as well as an outcomes-based approach which is gaining momentum.

The ecological footprint's primary imbalance is brought about by the need for paper. Automation through technology has brought about a significant change, and we encourage a paperless environment. The Group is not yet in a position to boast a wholly paperless environment; however moving reporting schedules to electronic base systems accounts for our decline in the paper usage reported in this financial period under review.

It is Adcorp's ambition to become a leading initiator in carbon offsetting by offering diverse logical solutions enterprise-wide that facilitate workforce optimisation and unlock optimum client benefits to promote greater environmental responsibility.

Carbon-neutral initiatives

A long-standing joint partnership with one of our office automation suppliers has offered Adcorp a programme that assists in neutralising our environmental impact caused by the Group's printers and copiers in a simple, auditable and sustainable manner.

It allows the Group the ability to promote a carbon-neutral footprint on all its in-house printing. This has entrenched Adcorp's commitment to implement Group-wide initiatives that collectively boost the Group's 'green credentials', support environmental sustainability and add value to our clients by being an environmentally responsible supplier.

An amount of R0,01 (one cent) per page consumed has been donated to the Kariba REDD+ Project. Through a 100% guaranteed verification process offered by a recognised and accredited provider, certified offset monthly certificates are issued endorsing the offset amount or CO₂ equivalent.

'Green' corporate citizen

Most of our businesses in our organisation do not have a large environmental footprint and therefore do not pose significant threats to the environment. We are, however, committed to reducing whatever environmental impact we have as this approach is aligned with our commitment to good corporate citizenship. Acting in an environmentally responsible manner is also directly linked to our ability to derive cost savings, which is an important focus across all areas of our business.

While we have not quantified the full financial impact that climate change could have on our business, we are aware of the multiple ways in which it could negatively impact our operations.

Our aim is to embed a culture of social and environmental responsibility among our employees through training and awareness campaigns, duplex printing, electronic communication and car-pooling.

We continue to seek external assurance on our environmental indicators and now that we have a stable baseline benchmark to work from, we will look at implementing reduction targets across the Group. These targets will focus on a 'reduce, reuse, recycle' approach, which encourages commitment to and a focus on reducing the Group's carbon footprint.

Transparency and accountability



JJ
NJEKE

Chairman's corporate governance review

The board of directors (the board) is committed to best practice in corporate governance and understands its role and responsibilities contained in the Companies Act; conduct recommended by King III and the additional governance requirements of the JSE. Furthermore, the board places strong emphasis on achieving the highest standards of reporting as well as financial and operational risk management.

We have strong and experienced independent non-executive directors and our board benefits from their expertise and the different perspectives and thinking they bring to our deliberations.

During the year under review, the Remuneration Committee successfully finalised the design and development of the executive remuneration policy as well as its implementation and reporting implications. This was achieved via collaboration with a leading outside consultant, presentations to the investment community and engagement with the executive managers concerned. We are satisfied that the policy has been benchmarked against other comparable businesses and that the performance metrics drive superior performance. Pay-for-performance and shared risk and reward are key principles, and the policy is aimed at attracting and retaining outstanding performers. For further details refer to the remuneration report on pages 59 to 64.

The Transformation, Social and Ethics Committee played a pivotal role in co-designing initiatives that drive centralised strategies, externally benchmarked programmes and real-time business intelligence to facilitate a better monitoring and evaluation of transformation across the Group. Areas of particular focus include career and succession planning, an integrated skills database, equal treatment and transformation at senior and top management levels.

Stakeholder engagement has been prioritised based on business imperatives, and particularly focused initiatives were aimed at shareholders, clients, Government, unions, funders, candidates and assignees. We are well represented at various international and national stakeholder forums and continue to influence labour market and related policies.

In order to obtain independent advice on the Group's corporate governance, an internal evaluation of the board and its committees was facilitated by an external service provider, which highlighted some areas for improvement.

As Chairman of Adcorp, I am satisfied that the board continues to lead the Adcorp Group to achieve high standards of business integrity, ethics and corporate governance in the pursuit of its business objectives.

A handwritten signature in black ink, appearing to read 'MJN Njeke'.

MJN Njeke | *Chairman*
30 June 2017

Corporate governance



Our approach to corporate governance

Adcorp understands that sound and robust governance practices are fundamental to earning the trust of stakeholders and ensuring business sustainability. The approach to governance standards throughout our organisation is characterised by continuous focus and reviews as it is critical to achieving targeted performance metrics in the short, medium and long term, thereby preserving shareholder value. We also recognise that strategy, performance, sustainability and risk are inseparable.

Our values-driven culture and code of ethics underpin Adcorp's governance framework, committing the company to high standards of business integrity and ethics in all its activities.

Application of King III principles and moving toward King IV

To ensure that we consistently practise effective corporate governance throughout the Group, our board applies the principles of King III. In terms of the King III principles, the board must consider the concerns and priorities of its wider stakeholder environment in its strategic guidance and decision-making processes. A comprehensive assessment of our application of these principles is provided in our corporate governance King III compliance register which appears on our website www.adcorpgroup.com, and a summary thereof appears on pages 183 to 187. These practices also necessitate the internal alignment of key people practices such as workforce planning, career and succession strategies, skills development with a focus on skills and jobs of the future and performance-based remuneration practices.

We review our governance structures and processes regularly and adapt them to accommodate internal developments and reflect national and international best practice. In some areas the board is of the view that, while recommended practice is being applied, further enhancements are regularly considered, in line with our objective of continuously improving Adcorp's corporate governance practices.

Adcorp is committed to entrenching the highest levels of corporate governance by:

- continuing to make progress in implementing structures, policies and procedures aimed at strengthening governance;
- recognising the principle of transparency as a critical element of effective sustainability reporting;
- successfully entrenching King III principles throughout the Group; and
- proactively embracing King IV in the coming year.

Transparency and accountability continued

Establishing materiality

Adcorp follows the Global Reporting Initiative's principle of materiality, which encourages companies to establish and report on their most relevant and important issues, which we define as our key priorities. We define our key priorities as those which have the potential to substantially impact our ability to create and sustain value for our stakeholders.

Role of the board

The overriding role of the board is strategic leadership that results in long-term sustainability and success for the mutual benefit of all stakeholders. This includes the setting, monitoring and review of strategic targets and objectives, the approval of material capital expenditure, acquisitions and disposals, oversight of governance, internal controls and risk management, as well as stakeholder engagement.

The board's responsibilities are outlined in the company's Memorandum of Incorporation and the board charter which is reviewed and adopted by the board annually. All the board committees operate under board-approved terms of reference which are updated annually to keep them aligned with current best practice. All our board committees are chaired by independent non-executive directors. The chairpersons of these committees attend our annual general meeting to respond to any shareholder queries. If the chairpersons are not available, then another committee member attends in their stead. The charters and terms of reference governing the board and its committees are available from the Adcorp secretariat. The Audit and Risk Committee and the Transformation, Social and Ethics Committee are statutory committees in terms of the Companies Act. Shareholders are required to elect the members of the Audit and Risk Committee at the company's annual general meeting. The members of other committees are appointed by the board.

Board members have unrestricted access to all company information and property and may seek independent advice in connection with their duties.

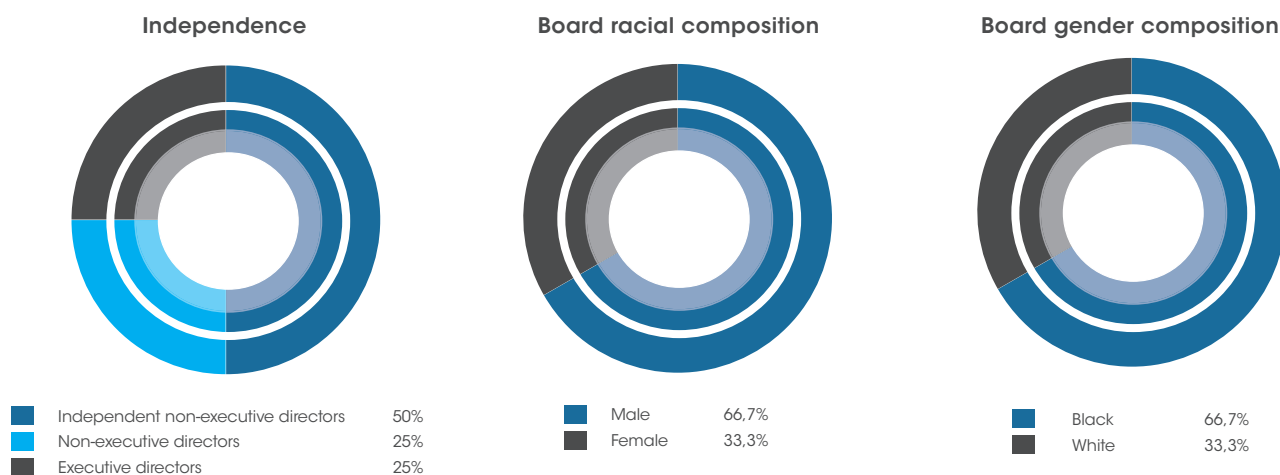
The board performs its duties within a framework of policies and controls which provide for effective risk assessment and management of our economic, environmental and social performance. It also plays an important role in setting ethical standards of conduct. Adcorp has several wholly owned subsidiaries. The Group's operating business units operate as divisions of these unlisted legal entities. Each of the Group's subsidiary companies has a separate board of directors; however, the main board and its committees oversee all significant aspects and transactions of the subsidiaries. The subsidiaries are also governed by the thresholds set by the board, which are set out in our limits of authority.

Board proceedings

The board meets at least four times a year, with additional meetings when necessary. The strategies of Adcorp are discussed and agreed on with executive management during an annual strategy session.

Board composition

The Group has a unitary board, the composition of which promotes the balance of authority and precludes any one director from dominating decision-making. Our board membership at year-end comprised six independent non-executive directors, three non-executive directors and three executive directors. Eight of our board members are black, of which four are women. The board, through input from its Nominations Committee, has a policy that at least 30% of the non-executive directors should be female.



Appointment and rotation of directors

New directors are appointed pursuant to the recommendations of the Remuneration and Nominations Committee, which conducts an assessment of the credentials of each candidate. Newly appointed directors are elected at the next annual general meeting following their appointment and stand for approval by shareholders. Newly appointed directors are given formal induction by means of a presentation detailing the Group's business, board matters, their duties and governance responsibilities as directors. This process is overseen by the Company Secretary. Directors are briefed on legal developments and changes in risk and the general business environment.

Each year, in terms of the company's Memorandum of Incorporation, one-third of Adcorp's non-executive directors retire at each annual general meeting, and their re-election is subject to the approval of the shareholders. The reappointment of non-executive directors is subject to eligibility and performance. The board has determined that the directors to stand for re-election at this annual general meeting are JA Boggenpoel and C Maswanganyi.

The board's policy is that the mandatory retirement age for directors is 73 years, which can be increased to 75 years at the discretion of the board.

Board evaluation

The board and its committees underwent an internal evaluation, facilitated by an external consultant, on their effectiveness during the year under review. The evaluation assessed the appropriateness of the board structure and its effectiveness, as well as its professional development.

Some of the matters for attention arising out of the board evaluation include:

- Additional emphasis to be placed on succession planning by the Remuneration and Nominations Committee. In this regard an independent adviser is facilitating this process.
- More robust and open discussions at board level.

The Chairman evaluates the independence of the directors classified as independent non-executive directors annually. The board has delegated certain functions to committees without abdicating any of its own responsibilities. This process of formal delegation involves approved and documented terms of reference which are reviewed annually.

Remuneration of directors

Non-executive directors receive fees for their services as directors, including fees for their membership of committees. These fees are approved by shareholders at the annual general meeting.

Further details of the executive and non-executive directors' remuneration and fees are included in note 44 to the annual financial statements.

Directors' interests

At each meeting directors are required to declare their interests and to disclose any conflicts of interest when and if they arise. Once a conflict has been disclosed, it is managed appropriately by the board as required by the Companies Act. The declaration of interests register is maintained and updated by the Company Secretary.

Dealings in shares and closed periods

The board, senior management and any persons that may be privileged to sensitive information are made aware of closed periods and periods not to trade. Closed and prohibited periods remain in force until the publication of results on SENS. Any period where the company is trading under cautionary is also classified as a closed period. All directors' dealings require the prior approval of the Chairman or a designated director, and the Company Secretary retains a record of all share dealings.

Company Secretary

The Company Secretary is responsible for the effective processes and procedures to support the board and the performance of its committees in the discharge of their duties and responsibilities. The board is satisfied with the competence, qualifications and experience, as well as the arm's length nature, of the Company Secretary in relation to the board.

Board statement of effectiveness of controls

Based on the formal review and the report by the chief audit executive covering the Group's system of internal controls and risk management and considering the information responses and explanations given by management, together with discussions with the external auditor on the results of their audit, nothing has come to the attention of the board that caused it to believe that the Group's system of internal controls and risk management is not effective, or that the internal financial control does not form a sound basis for the preparation of reliable financial statements. The board's opinion is supported by the Audit and Risk Committee.

Ethics

The board's ethical leadership provides the foundation for the values which is central to the way Adcorp does business. Adcorp's decisions and actions are based on these values and they form the basis of Adcorp's Code of Conduct. Directors are guided by five values in performing their stewardship role: conscience, care, competence, commitment and courage.

The company has an independent, confidential and safe ethics tip-off line provided by an independent external service provider, through which employees or other parties can report unethical behaviour. These calls are monitored and progress on their resolution is reported to the Audit and Risk Committee and, where such matters are specifically labour-related, they are referred to the Transformation, Social and Ethics Committee for resolution.

Stakeholder engagement

Adcorp subscribes to the stakeholder management principles set out in King III. The board has a clear understanding of its responsibilities to internal and external stakeholders and delegates its governance of stakeholder engagement to the Transformation, Social and Ethics Committee. Adcorp's stakeholders are defined as those entities and individuals significantly affected by the Group's activities and those that have the ability to significantly impact the Group's capacity to achieve its objectives. A table setting out these stakeholders and our stakeholder engagement can be found on pages 8 and 164.

While the board delegates some of its responsibilities for engagement with our stakeholders and potential investors to the Adcorp management team, its members interact with stakeholders at our annual general meetings and at presentations made by Adcorp's Executive Management team when we release our annual and half-year results.

Sustainability

Sustainability is an integral part of how Adcorp does business. There is an enhanced focus on client and candidate centricity, as well as to achieving operational excellence in a safe and responsible way, as this is crucial to ensure sustainable benefits for all our stakeholders. Our efficient use of resources, together with the provision of a safe and healthy working environment, contributes to the sustainability of our business and the environment.

The board ensures at all times that the company is, and is seen to be, a responsible corporate citizen. The board not only considers the financial performance of the company, but also strives to enhance and invest in the economic life of the communities in which it operates, society in general and the environment.

The board's Audit and Risk Committee, working in conjunction with the Transformation, Social and Ethics Committee and Remuneration Committee, oversaw the establishment of the relevant management structures and processes to achieve and improve the objectives of Adcorp's sustainability policy. The policy provides a framework for all Adcorp's current and future sustainability activities.

Government and regulatory industry bodies

Adcorp works closely with Government, regulators and lawmakers in order to protect its stakeholders' interests, avoid reputational damage and mitigate any potentially negative impact new statutes, regulations or changes to existing ones may have.

Compliance with all relevant regulations affecting the business activities of the Group is regarded as being of the utmost importance. Certainty with regard to the promulgation of the SA labour laws is of particular significance to the Group.

The directors have adopted the 'apply or explain' principle contained in King III (and are moving toward the apply and explain principle under King IV) and required in terms of the JSE Listings Requirements. The assessment of the application and implementation of King III, including current levels of compliance in respect of the guidance and oversight of risk, governance and compliance management across the Group, is ongoing. Adcorp is compliant and complied throughout the year with all aspects of King III.

Transparency and accountability continued

Adcorp is a founding member of the Confederation of Associations in the Private Employment Sector (CAPES). Established in 2003, CAPES represents the unified voice of the private employment sector to other stakeholders, which are primarily the South African Government, labour organisations and trade unions. In addition, CAPES is active in addressing matters such as the professionalisation of our industry, union agreements and social security as parallel initiatives to ensure that a decent work agenda is tabled and debated.

CAPES is a full member of Business Unity South Africa (BUSA) and has a number of representatives participating at the National Economic Development and Labour Council (NEDLAC).

Further to this, Adcorp has representation at international and national forums addressing labour market policies in respect of matters such as migration, decent work, artisan training, skills of the future, employment services and the like.

Compliance

The board, through the Audit and Risk Committee, has satisfied itself with the extent of the company's compliance with the King III report and with the JSE Listings Requirements. Adcorp's Governance Register, as developed by the Institute of Directors of South Africa (IODSA), was completed. The overall score for Adcorp was AAA – highest application. The overall score as rated by the IoDSA Governance Assessment Instrument (GAI) is shown below.

Summary governance result – Overall

ADCORP HOLDINGS LIMITED
REGISTRATION NUMBER:
1974/001804/06

i The assessment criteria of the IoDSA web-based tool, the Governance Assessment Instrument (GAI), have been based on the practice recommendations of the King III report. These criteria are intended to assess quantitative aspects of corporate governance only, and not qualitative governance. Full disclaimer at www.iodsa-gai.co.za

AAA – Highest application
AA – High application
BB – Notable application
B – Moderate application
C – Application to be improved
L – Low application



Board and committee attendance for the financial year ended 28 February 2017*

Members	Attendance				
	Board	Audit and Risk Committee	Remuneration and Nominations Committee	Transformation, Social and Ethics Committee	Investment Committee
Independent non-executive directors					
MJN Njeke (Chairman of the board and the Nominations Committee)	3/4		4/4		1/1
SN Mabaso-Koyana (Chairman of the Remuneration Committee)	4/4	4/4	4/4		1/1
ME Mthunzi (Chairman of the Transformation, Social and Ethics Committee)	3/4	4/4		3/3	
TDA Ross (Chairman of the Audit and Risk Committee)	4/4	4/4	+		1/1
MW Spicer	4/4	3/4	4/4		
J Boggenpoel (appointed 01/01/2017)	2/2	2/2			
Non-executive directors					
GP Dingaan	3/4				1/1
NS Ndhrazi	4/4			3/3	
MR Ramaite (director for the year and then appointed alternate director to C Maswanganyi on 01/03/2017)	1/1		1/1		
C Maswanganyi (alternate director for the year and then appointed a director on 01/03/2017)	3/3		3/3	3/3	
Executive directors					
RL Pike (Chief Executive Officer)	4/4	+	+	+	1/1
PC Swart (Chief Operations Officer)	4/4		+	+	
AM Sher (Chief Financial Officer) (resigned 31/01/2017)	2/2	+	+		0/1
BE Bulunga (Executive Director: Business Development and Corporate Affairs)	4/4			+	
A Guharoy (Chief Executive Officer: Adcorp International) (resigned 01/10/2016)	1/1				1/1

* For the period 25 May 2016 to 23 May 2017 (ie when the board approved the year-end results for release on SENS).

+ Invitee.

Board of directors



Mfundiso Johnson Ntabankulu ("JJ") Njeke (59)

Independent Non-executive Chairman

BCom, BCompt (Hons), CA(SA)

Appointment: 1 July 2010

JJ is currently the Executive Chairman of Silver Unicorn Trading 33 Proprietary Limited. He was previously Managing Director of Kagiso Trust Investments from 1994 to 2010, a partner of PricewaterhouseCoopers, Chairman of the Institute of Chartered Accountants and its Education Committee. He served as a member of the Katz Commission of Inquiry into Taxation in South Africa, the General Committee of the JSE Limited, the Audit Commission – Supervisory Body of the Office of the Auditor General, the Audit Committee of National Treasury and the Editorial Board of the Journal of Accounting Research. JJ currently chairs the boards of MMI Holdings and Black Management Forum Investment Company Limited (BMFI). He serves on the boards of Datatec Limited, Delta Property Fund and Sasol.



Sindisiwe Ntombenhle ("Sindi") Mabaso-Koyana (47)

Non-executive Director

BCom, CTA, CA(SA)

Appointment: 14 September 2012

Sindi is the founder member of African Women Chartered Accountants and was instrumental in the creation of its investment arm AWCA Investment Holdings. Sindi is currently the Executive Chairperson of AWCA Investment Holdings and serves on the board of Toyota SA. Previously, she was Group Chief Financial Officer of Transnet and the Passenger Rail Agency of South Africa, which she joined from Ernst & Young where she was an executive partner heading up the Government and public sector division across Africa.



Michael Wolseley Spicer (64)

Non-executive Director

BA and MA degree in History

Appointment: 21 August 2013

Michael is currently a director of Accelerate Cape Town, the Deputy Chairman of Wesgro, the Western Cape Tourism Trade and Investment promotion agency, the Chairman of the Board of Governors of Rhodes University and a trustee of the Birdlife National Trust. Michael spent 20 years at Anglo American plc ending in the capacity as an Executive Vice President and a non-executive director and Chairman of Anglo American South Africa. He brings a wealth of business experience to the Adcorp board. He previously was the Vice President of Business Leadership South Africa from 2011 to 2014, having previously been its Chief Executive Officer for six and a half years. He was also Non-executive Chairman of BDFM from March 2011 to June 2013.



Timothy Dacre Aird ("Tim") Ross (72)

Independent Non-executive Director

CTA, CA(SA)

Appointment: 1 September 2009

Tim currently serves on the boards of Mpact and PPC. Tim retired from Deloitte & Touche in May 2008, where he had been a partner since 1972. In 1988, he was appointed to the board of Deloitte Haskins and Sells, and after the merger in 1989/90 with Pim Goldby, he served on the joint board. He was partner in charge of the Johannesburg audit practice and a lead client service and advisory partner for several of Deloitte's large corporate clients. He also served on the Deloitte Remuneration Committee between 1994 and 1997, and was National Client Service Director and a member of the Deloitte Management Committee. He also headed up the Deloitte World Cup initiative before retiring from Deloitte in 2008. Tim served as a non-executive director of Liberty Group until his retirement in 2015.



Mncane Esau Mthunzi (45)

Independent Non-executive Director

BCom, PMD, EDP, AMP (Harvard)

Appointment: 28 February 2010

Mncane is a director at Massbuild and the President of the Black Management Forum. He was previously the Group Africa Food Retail and Supplier Development Executive for Massmart, a subsidiary of Wal-Mart. He joined Massmart from the Consumer Goods Council of South Africa, where he was Chief Executive Officer. Before joining the Council he was the Managing Director of the Black Management Forum for three years, Sales Executive at Microsoft, a senior manager at PricewaterhouseCoopers and a management consultant at Accenture for seven years.



Jesmane Arnel Boggenpoel (44)

Independent Non-executive Director

CA(SA), MPA (Harvard)

Appointment: 1 January 2017

Jesmane is currently the Head of Business Engagement Africa at the World Economic Forum and is a non-executive director at Cell C and Chairperson of Cell C's Audit and Risk Committee. She has over 16 years' work experience mainly in investments and private equity across three continents (Africa, USA and Europe). She has also served as a non-executive director of various major institutions in South Africa in the public and private sectors, including a major commercial agri-business and an agricultural development finance institution. In addition, Jesmane co-founded and exited an investment holding company that undertook investments in the financial services and information technology sectors.



Nontobeko "Nonto" Sanelisiwe Ndhrazi (42)

Non-executive Director

BCom (Hons) (Accounting)

Appointment: 16 August 2011

Nontobeko is the Group Chief Financial Officer of Women Investment Portfolio Holdings Limited (WIPHOLD) which she joined in 2011. Nontobeko is also a non-executive director of Landis and Gyr, University of Stellenbosch Business School – Executive Development Limited (USB-Ed) and BuiltAfrica Holdings as well as an alternate director of Sasol Mining and Imvelo Concession Company. She is also an Audit Committee member and Chairman of the Remuneration Committee of USB-Ed and sits on the Sasol Mining Governance Committee. Prior to joining WIPHOLD, she worked for the Special Services Group (SSG) at Deloitte where she was a director. Before being appointed a director, Nontobeko was a manager at Deloitte and also completed her articles there.



Gugulethu Patricia ("Gugu") Dinga (41)

Non-executive Director

BCom, CA(SA) and Executive Development Programme Certificate (USB-Ed: Stellenbosch Business School)

Appointment: 18 August 2010

Gugu is the Investment Executive at WIPHOLD where she is responsible for growing WIPHOLD's investment portfolio. Gugu is a non-executive director of the Distell Group, SA Corporate Real Estate Fund Managers (SAC), Landis and Gyr and an Audit Committee member of Distell, SAC, and Landis and Gyr, as well as a Remuneration Committee member of SAC. She is also the Chairman of the Distell Social and Ethics Committee and Khulisani Foundation. Since joining WIPHOLD in 2001, she has been involved in mergers and acquisitions, transaction structuring and valuations. Before WIPHOLD, she completed her articles with audit and assurance services group PricewaterhouseCoopers.



Cecil Maswanganyi (51)

Non-executive Director

BCompt, MBL (UNISA), Postgraduate Diploma in Taxation, Advanced Diploma in Management Accounting (CIMA)

Appointment: 1 March 2017

Cecil is an executive director at Simeka where he fulfils the role of the Group Chief Financial Officer for the Simeka Group of Companies. He also has extensive experience in the public sector having worked in the Gauteng Provincial Government Treasury, at Transnet as Group General Manager: Strategy, as well as at Accenture focusing on public sector consulting. Since joining Simeka, Cecil has served on a number of boards, including Simeka Group, Simeka Capital Holdings, Verge Management Services, Vusani Properties, Gobodo Forensic and Investigative Accountants. He also serves as a member of the Audit Committee for United Manganese of Kalahari.



Richard Linden Pike (55)

Executive Director – Chief Executive Officer

BCom (Hons), CA(SA)

Appointment: 18 October 2000

Richard has been the Chief Executive Officer of Adcorp since his appointment in April 2001, after joining the Group as Deputy Chief Executive Officer in 2000 when Adcorp acquired Acumen Holdings Limited. He is an experienced public speaker, is the author of two published books, has written widely on business and current affairs and is a former fellow of the University of Warwick. In 1999, he listed Acumen Holdings on the JSE Limited, having co-founded that company in 1995. Before starting this venture, he served as Financial Director of HL&H Mining Timber, having been the Group Financial Manager of the Hunt Leuchars & Hepburn Group and serving his articles at Deloitte Haskins & Sells.



Petrus Cornelis ("Nelis") Swart (55)

Executive Director – Chief Operating Officer

MCom

Appointment: 9 September 2002

Nelis is Adcorp's Chief Operating Officer who was appointed in 2002 after having joined the Group in 1999. He was previously Divisional Director for Flexible Staffing and Managing Director of Quest Flexible Staffing Solutions. Before joining Adcorp, Nelis was the Commercial Director of Beier Industries Proprietary Limited. He also worked with Deloitte & Touche and Byrne Fleming during his seven years in the management consulting industry, lectured at the University of Pretoria and was a co-founder of the marketing research business Konsulta.



Bhabhalazi Enock Bulunga (61)

Executive Director – Business Development and Corporate Affairs

BA Social Science

Appointment: 27 February 2014

Bhabhalazi is Adcorp's Executive Director for Business Development and Corporate Affairs. He brings a deep understanding of business development and transformation to the board of Adcorp. He joined the Group from Eskom where he was Group Executive responsible for human resources from 2010 to 2014, having previously been General Manager: Human Resources at South African Airways. While working at BHP Billiton between 2001 and 2007, Bhabhalazi's role as Human Resources Manager included managing CSI projects in KwaZulu-Natal and Mozambique and stakeholder relationships, in particular with communities and Government. He assumed the role of General Manager: Business Transformation for the South African Revenue Service after being deeply involved in transformation during the nine years he worked for Gillette, first as Human Resources Manager, then as Human Resources Director responsible for the company's human resource functions in India, the Middle East and Eastern Europe.

SUMMARY OF THE ROLES AND RESPONSIBILITIES OF THE BOARD AND ITS COMMITTEES

Adcorp board

Role and responsibilities of the board

As fiduciaries, the board is accountable to shareholders as a whole and also owe a duty of care and diligence to the Group. It acts in the best interests of the company and its shareholders.

The board responsibilities and duties include the following:

- Exercises effective leadership underpinned by an ethical foundation based on fairness, accountability, responsibility and transparency and ensuring that the company's ethics are applied and managed effectively.
- Approves the long-term and short-term strategies and budgets for the business, ensuring that an adequate budgeting and business planning process exists that is aligned with the Group's strategic imperative and that performance is monitored against budgets and plans.
- Being accountable by providing open, prompt and meaningful reporting to shareholders and other stakeholders on financial and non-financial matters and by encouraging attendance at general meetings.
- Oversees the establishment and administration of the Group's system of corporate governance and acting as the focal point for and custodian of corporate governance.
- Ensures that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.
- Ensures the integrity of the company's integrated annual report.
- Establishes a framework for the delegation of authority which is reviewed on an annual basis. This framework includes all matters reserved for board approval in addition to those specified in the Act and the MOI.
- Ensures that the company is and is seen to be a responsible corporate citizen by protecting, enhancing and investing in the wellbeing of the economy, society and the natural environment.
- Elects a chairman who is an independent non-executive director.
- Elects a lead independent director.
- Appoints the Chief Executive Officer, Chief Operating Officer and the Chief Financial Officer through a formal process and ensuring a proper process of performance management and succession planning exists in respect of these positions. The board, via the Remuneration and Nominations Committee, receives notification and, where appropriate, provides input regarding senior executive management appointments, remuneration and succession plans. Senior executives include senior personnel reporting directly to the Chief Executive Officer and the Chief Operating Officer.
- Conducts the induction and ongoing training and development of directors through formal processes.
- Evaluates the performance of the board, its committees, individual directors and the Company Secretary every year.
- Being responsible for information technology (IT) governance, including aligning IT with the performance and sustainability objectives of the company, and monitoring and evaluating significant IT investments and expenditure.
- Uses its best endeavours to familiarise itself with issues of concern to its relevant stakeholders and strives to achieve the appropriate balance between the legitimate interests and expectations of the various stakeholders, in its decision-making process, to be in the best interests of the company.
- Appreciates that stakeholders' perceptions affect the company's reputation and therefore ensures proper management of the relationship between the company and all its stakeholders so as to protect and, where possible, enhance the reputation of the company.
- Formulates, implements and monitors the progress of the company's strategy.
- Being responsible for Adcorp's approach to corporate citizenship, safety, health, the environment, ethics, risk and compliance with applicable legislation.

To fulfil these responsibilities, board members participate in rigorous and effective debate and discussion.



Summary of key focus areas for the financial year

ended 28 February 2017

- Enhanced transparency and closer alignment with shareholders' returns for executive remuneration.
- Early intervention to reduce costs due to the impact of the recent labour legislation.
- Steps taken to progress transformation within the Group.

ending 28 February 2018

- Further cost-reduction initiatives.
- Progress transformation further within the Group.
- Further improvement in executive remuneration governance.

SUMMARY OF THE ROLES AND RESPONSIBILITIES OF THE BOARD AND ITS COMMITTEES continued

Audit and Risk Committee

Role and responsibilities of the Audit and Risk Committee

The Audit and Risk Committee is a statutory committee. Its members are independent non-executive directors.

The Audit and Risk Committee:

- reviews the Group's integrated reporting and financial statements;
- oversees risk management and IT governance;
- appoints, approves the planning, monitors the reasonableness of the fees and determines the independence in respect of the external audit function;
- assesses the performance of the external auditors and recommends, if deemed appropriate, their reappointment at the AGM by the shareholders;
- appoints and assesses the performance of the internal audit function;
- obtains assurance on the financial statements, internal controls and sustainability information included in the integrated annual report;
- oversees the effectiveness of the system of internal controls;
- carries out its statutory duties set out in section 90 of the Companies Act, 2008;
- satisfies itself as to the expertise and experience of the Chief Financial Officer and the financial function; and
- satisfies itself that the external auditor of the Group was independent and that the extent of other work undertaken by the auditor was in compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors.

The Audit and Risk Committee report can be found on page 50 of the financial statements included in this report. The risk report can be found on page 55.



Summary of key focus areas for the financial year

ended 28 February 2017

- Improvement of risk assessment and mitigating factors.
- Improvement in IT governance with the appointment of an external IT adviser to the Committee who also sits on the IT steering committee.

ending 28 February 2018

- Enhance the industry and company knowledge of the new Committee member to ensure a smooth transition when the chairman retires.
- Oversee improvements in the management of the Group compliance function.
- Improve financial reporting.
- Strengthen the financial function.

SUMMARY OF THE ROLES AND RESPONSIBILITIES OF THE BOARD AND ITS COMMITTEES continued

Remuneration and Nominations Committee

Role and responsibilities of the Remuneration Committee

The Committee is a regulatory committee with a majority of independent non-executive members whose duties are delegated to it by the board of directors. The Committee is chaired by an independent non-executive director of the board, who is not the Chairman of the board. The Committee is required to have a minimum of two meetings a year to fulfil its responsibilities. The Remuneration Committee successfully designed and implemented an Executive Remuneration Policy which is aligned to international best practice, King III and significant elements of King IV. It sets out the performance metrics and other factors associated with annual remuneration, short-term incentives and long-term incentives. A copy of the policy can be found on pages 155 to 160 as Annexure to the notice of AGM.

The Remuneration Committee:

- is responsible for appraising and assessing the performance and remuneration of the executive directors and senior management annually;
- ensures appropriate, transparent disclosure of remuneration;
- proposes to shareholders the level of remuneration of non-executive directors for approval at the annual general meeting;
- ensures that the mix of fixed and variable pay, in cash, shares and other elements, meets the company's needs and strategic objectives;
- sets performance targets and monitors achievements against specific parameters;
- satisfies itself that the recorded performance measures that govern the vesting of long-term incentives are accurate;
- reviews long-term incentive schemes, by adjudicating on the allocation of performance shares (PFs) to ensure the continued contribution to shareholder value and that administration is in terms of the rules and is on a fair and equitable basis; and
- oversees the preparation of the remuneration report and recommends it to the board for inclusion in the integrated annual report.

The remuneration report can be found on page 59.

Role and responsibilities of the Nominations Committee

The Committee is composed of a majority of independent non-executive members whose duties are delegated to it by the board of directors. The Committee is required to have a minimum of two meetings a year to fulfil its responsibilities. The Committee is chaired by the Chairman of the board and its responsibilities are:

- to ensure that the appointment of directors is formal and makes appropriate recommendations to the board when vacancies arise by considering experience, diversity, skills and demographics;
- to ensure that appropriate consideration is given to succession planning for the Chief Executive Officer, other executive directors, the Chairman of the board and any other key positions within the Group;
- to appraise and/or recommend directors who are retiring by rotation to be put forward for re-election based on past performance, contribution and objectivity and is tasked with identifying new candidates as the need arises;
- to assist the board in its determination and evaluation of the adequacy, efficiency and appropriateness of the corporate governance structure and practices within the Group;
- to establish and maintain a board continuity programme by regularly reviewing the required skills, experience, race, gender and other qualities of directors;
- to ensure, with the assistance of the Company Secretary, that the proper process is followed for the appointment of new directors to the board; and
- to ensure induction and ongoing training of directors.



Summary of key focus areas for the financial year

ended 28 February 2017

- A significant amount of time and effort was undertaken to enhance the executive remuneration policy through engagement with an external consultant as well as with shareholders.
- Enhanced succession planning.
- Revised executive contracts.

ending 28 February 2018

- Ensure succession planning is performed effectively.
- Further review the executive remuneration policy to ensure that it is relevant, appropriate and market-related.
- Strengthen performance management at all levels.

SUMMARY OF THE ROLES AND RESPONSIBILITIES OF THE BOARD AND ITS COMMITTEES continued

Transformation, Social and Ethics Committee

Role and responsibilities of the Transformation, Social and Ethics Committee

The Committee is comprised of independent and non-executive directors. The non-executive directors include representatives of Adcorp's BEE partners and the Committee is chaired by an independent non-executive director.

The Transformation, Social and Ethics Committee monitors the company's activities with regard to:

- transformation strategies, objectives and targets and advises the board accordingly;
- transformation of procurement spend, enterprise development and socio-economic development;
- identifying stakeholder groups and overseeing these relationships;
- social and economic development, including the company's standing in terms of goals and purposes of:
 - the 10 principles set out in the United Nations Global Compact Principles;
 - the OECD recommendations regarding corruption; and
 - the Employment Equity and Skills Development Acts;
- the Broad-Based Black Economic Empowerment Act;
- good corporate citizenship, including the Group's:
 - promotion of equality, prevention of unfair discrimination and reduction of corruption;
 - contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
 - record of sponsorship, donations and charitable giving;
- the environment, health and safety, including the impact of the company's activities and of its products or services;
- stakeholder engagement; and
- labour and employment, including:
 - the company's standing in terms of the International Labour Organisation Protocol on decent work and working conditions; and
 - the company's employment relationships and its contribution toward the educational development of its employees.

The Committee's report can be found on page 65.



Summary of key focus areas for the financial year

ended 28 February 2017

- Improvements in transformation within the Group.
- Integrated stakeholder interaction.
- Development of framework for equal pay for work of equal value.
- Played a leading role in labour market stakeholder engagement forums locally and internationally.

ending 28 February 2018

- Implementation of further substantive initiatives in support of transformation based on engagement and learning from leading businesses.
- * Enhanced transformation through the newly established integrated people function.
- * Optimisation of BI in the people and transformation domain.
- Targeted and bespoke stakeholder management.
- Launch a transformation ombudsman function to support the monitoring of transformation objectives.

SUMMARY OF THE ROLES AND RESPONSIBILITIES OF THE BOARD AND ITS COMMITTEES continued

Investment Committee

Roles and responsibilities of the Investment Committee

The Committee is comprised of five directors, four non-executive and one executive, with the Chairman being an independent non-executive director.

The Investment Committee has the following roles and responsibilities:

- To satisfy itself that the Company's project and investment valuation guidelines, including appropriate strategic, operational, financial and sustainability guidelines, and other procedures for the allocation of capital are consistently and properly applied;
- In respect of any borrowing, disposal, encumbrance or investment to be made by the Company, or any of its subsidiaries, considered observance and adherence to all regulatory approvals;
- Consider projects, acquisitions and disposal of assets in line with the Company's overall strategy;
- Review and evaluate all investment (and related financing), divestment, corporate restructuring and financing proposals that exceed the delegated authority levels of the Executive Management and which require prior approval of the board;
- Review and, if necessary, evaluate all capital investment and disposal requests submitted by management in order to satisfy itself that such requests meet with the Company's investment guidelines;
- To perform such other investment-related functions as may be determined by the board from time to time; and
- To ensure that appropriate due diligence procedures are followed when investing in assets, or acquiring or disposing of assets.



Summary of key focus areas for the financial year

ended 28 February 2017

- Review and evaluation of international expansion opportunities.

ending 28 February 2018

- Evaluate potential investment opportunities, ensuring they fit in with Adcorp's strategic objectives and that the required regulatory and commercial procedures are followed prior to investment.
- Ensure independent advice is obtained prior to approving an investment.

SUMMARY OF THE ROLES AND RESPONSIBILITIES OF THE BOARD AND ITS COMMITTEES continued

Executive Committee

The Adcorp Executive Committee (the Committee), which meets monthly, is the most senior executive decision-making body in the Group. The CEO chairs the Committee, and its membership consists of:

Membership

RL Pike

Chief Executive Officer (CEO)

PC Swart

Chief Operating Officer (COO)

L Wilson

Acting Chief Financial Officer (CFO) and Chief Risk Officer

BE Bulunga

Corporate Affairs and Business Development Director

R van der Horst

Chief Client Officer (CCO)

JM Botha

Global Executive: Human Resources

H Lamprecht

Chief Audit Executive (CAE) (ex officio by invitation)

Role and responsibilities of the Executive Committee

Adcorp's Executive Committee is responsible for:

- strategic planning and implementation of Group strategy;
- analysis of market trends, industry developments and competitive activity;
- identifying key risk areas of the Group and assuring compliance with appropriate mitigating policies, procedures and internal controls;
- monitoring the integrity of Group-wide IT governance;
- tracking and managing company performance and taking action in this regard where necessary;
- optimising the Group's capital structure, managing the cash-to-cash (working capital) cycle and margins;
- ensuring Group-wide adherence to the Adcorp Code of Conduct and general corporate governance principles;
- driving human capital and BBBEE initiatives, transformation and employment equity; and
- production of transparent Group reporting and stakeholder engagement.



Summary of key focus areas for the financial year

ended 28 February 2017

- Strategy.
- Cost reduction and improving headcount where volumes reduced.
- Transformation.
- Stakeholder engagement.
- Establishment of an integrated people function across the Group.

ending 28 February 2018

- Strengthen balance sheet.
- Cost reduction.
- Maintain market leading status.
- Client-centricity.
- Strategic enablement and business optimisation via people and technology.

RISK REPORT

Risk governance

The board is responsible for the governance of risk and determining levels of risk appetite and is committed to protecting shareholder value by managing risks and opportunities within a predefined framework. The board has delegated this responsibility to the Adcorp Group Audit and Risk Committee.

Adcorp's Chief Executive Officer (CEO) is accountable to the board for the management of risks facing Adcorp and is supported by the operating managing executives in the management of these risks. The board has adopted the four lines of defence model for managing risk. This model enables the Group to embed risk management at all levels of the organisation.

The risk management function is responsible for guidance, challenge, advice and support of management, as well as reporting to the Executive Committee and Audit and Risk Committee. The objective of risk management is to identify and manage risks on a holistic basis to enable the Group to achieve its financial and non-financial business objectives and to maximise its reward for the level of risk accepted by the business.

Risk categorisation

The high-level risk categories used by Adcorp, and their definitions are the following:

Political/environmental risks

These risks arise from the environment in which Adcorp operates, including the internal and external environment. These include unstable economic, political and social conditions.

Strategic risk

In this category, all factors that might prevent the Group and/or company from achieving its strategic goals and direction are considered. The risk factors might influence (change) the strategic direction, or Adcorp's ability to implement and execute the strategy.

Operational risk

This category includes risks associated with the people, processes and techniques used to manage the day-to-day business.

Financial risk

Financial risks are related to the processes, techniques and systems used to plan, allocate and manage Adcorp's finances and assets, including tax governance.

Compliance risk

Compliance risks arise as a result of the failure to comply with regulations/legislation, as well as the risk of not responding to change in the regulations/legislation.

Information technology risk

Also known as 'cyber' risk, it includes any risk that may arise due to failure of information-related processes – for example, system failure, data loss, unauthorised access to information and unavailability of information, etc.

Fraud risk

The risk that fraud will undermine Adcorp's business objectives. The risk of fraud is inherently present in most business processes. Certain controls are specifically designed to reduce the possibility of fraudulent activities.

Reputational risk

This risk category includes any event that might damage Adcorp's reputation and, as a result, might impact future business opportunities.

RISK REPORT continued

Risk Management Framework

The board has approved the Adcorp Risk Management Framework (RMF), which is intended to:

- set risk management objectives;
- define governance structures;
- categorise risks;
- specify risk management processes;
- articulate the risk appetite statement;
- determine risk appetite and tolerance;
- explain risk management tools and technology; and
- provide a framework for combined assurance.

The RMF has been developed in line with the COSO Integrated Control Framework, which will take into account the adoption of King IV in the coming year.

Adcorp's risk management objectives include:

- To protect shareholder value.
- Improve risk awareness and understanding of risks at all levels.
- Embed risk management in all the areas of the business.
- Instil a culture of risk management and risk ownership being practised as everyone's responsibility.
- Develop a standard risk reporting process that can be used to aggregate relevant risk management information across the Group.
- Applying a more confident and rigorous basis for decision-making and planning.
- To proactively manage risks and opportunities, thereby avoiding big surprises.
- Improve compliance with the requirements of the King code and best practice.

Risk management process

The risk management process consists of sections 1 to 4, as depicted in the adjacent diagram. The risk management process is designed and operated to identify, assess, monitor, manage and report on all foreseeable material risks over a suitable planning period of the business in a timely manner. It takes into account the probability and potential impact of risks. Risks identified are recorded in the risk register and are ranked in terms of significance. Significance is determined by an analysis of the likelihood and impact of each risk. Existing controls and management actions and their effectiveness and efficiency are also taken into account in determining the residual risk. The ultimate goal is that all the top-ranked risks of the Group are reported to the board and relevant committees. Operational risks with a high residual risk rating are reported to the Group Executive Committee and the Audit and Risk Committee. Operating entities undertake to continuously monitor and review risk areas as part of their day-to-day activities.



RISK REPORT continued

Risk appetite and tolerance

The board set the risk appetite in line with the overall Adcorp strategic objectives and this was detailed in the RMF. The risk appetite serves as input for strategic planning and ensures that the stakeholders' expectations remain realistic.

The board has evaluated the strategic risks to ensure that these fall within the overall risk tolerance. The risk tolerance is set relative to each risk and measures the risk that Adcorp is prepared to tolerate in achieving these objectives. If the residual risk exceeds the risk tolerance, additional mitigating activities are considered to ensure that they fall within the risk tolerance levels.

Report on activities for 2017

During the year under review, the following specific key risk management actions were taken:

- The governance, risk framework and identification of risk appetite and risk tolerance was improved.
- The risk department engaged with operational business units and established operational risk registers which are reviewed on a regular basis.
- The key Capital Africa geographies now have detailed operational risk registers, which are reviewed regularly. The Capital Africa audit and risk working group also reviews the consolidated Capital Africa risk register on a quarterly basis.
- The Adcorp Group Risk Register was reviewed and updated by Adcorp MANCO on a quarterly basis.
- The Audit and Risk Committee reviewed amendments to the Adcorp Group Risk Register at their quarterly committee meeting.

A new strategy relating to short-term insurance cover was implemented during the year under review, which resulted in the consolidation of legacy policies into Group level policies. The revised insurance strategy now reflects enterprise risk appetite, which in turn resulted in cost savings.

Initiatives for 2018

Key risk initiatives that are in progress includes the following:

- Developing of key risk indicators (KRIs) that will improve the continuous monitoring of risks to measure early signals of increasing or decreasing risk exposure in various areas of the business.

In terms of the Adcorp strategy, there are five key operating portfolios:

- Industrial Services.
- Support Services.
- Professional IT Services.
- Training.
- Financial Services.

A consolidated view of these portfolios' key risks and mitigations are currently in progress to focus on the external and internal risks.

In line with the current IT objectives of simplification, standardisation, manageability and affordability, the associated risks and mitigations are being developed.

Information technology governance

The board has delegated IT governance to the Audit and Risk Committee (ARC), and IT governance is a standing item on the ARC agenda.

An independent IT governance consultant has been engaged by the Audit and Risk Committee to provide guidance on IT governance matters.

In addition, the IT steering committee (ITSC) was established consisting of key business executives focusing on critical strategic decisions, which impact the Adcorp Group. The independent IT consultant sits on this committee and assists Executive Management and the board on the strategic alignment of IT initiatives with strategic objectives.

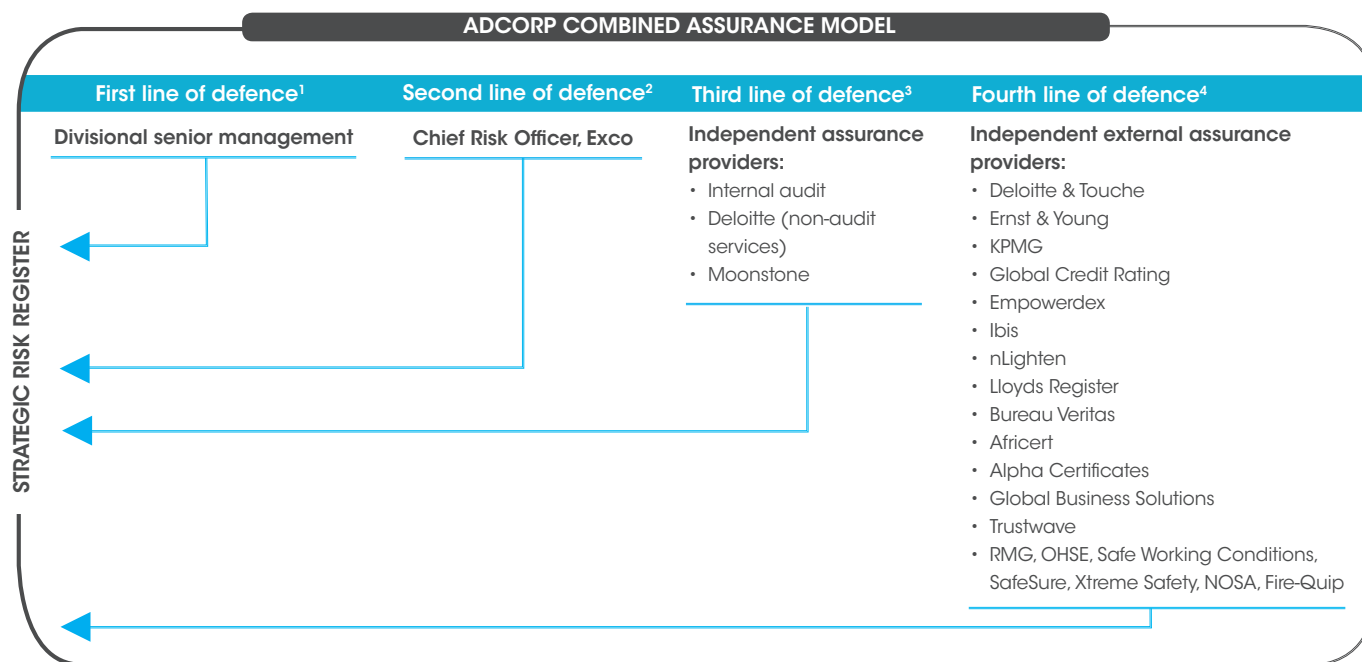
More details on specific Adcorp Group risks can be found on page 6 under the section headed 'key risks and mitigating controls'.

Combined assurance

The objective of combined assurance is to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers on the risk areas affecting the Adcorp Group.

A combined assurance committee (CAC) was formed consisting of members from internal audit, risk and compliance functions with a mandate of coordinating and integrating all assurance activities within the Group.

Internal audit reviews each strategic risk to establish if sufficient assurance has been obtained from the four lines of defence, as illustrated below.



1. Comprises Portfolio Global Executive that operates the business and is directly responsible for the processes that constitute the value chain, ie applying appropriate procedures, internal controls and Group policies, and reporting issues to the Chief Risk Officer (CRO), the Audit and Risk Committee (ARC) or other governance bodies.
2. The CRO is a member of Exco and is accountable for the effective and objective functioning of the Group risk management function. The CRO reports to the CEO, and has direct and unrestricted access to the ARC Chairman. Development of Group-wide risk management policies, overseeing their implementation, and reporting on risk issues to Exco, ARC and the board form a key component of this role.
3. Independent assurance providers, which includes internal audit, provides assurance on all aspects of risk management. The internal audit function has unrestricted access to the Chairman of the ARC, Exco and members of the board.
4. Independent external assurance providers. This includes external auditors, regulators and other credible assurance providers. Internal audit and the external auditors meet formally on a regular basis, ensuring optimal alignment.

The Chief Audit Executive considers the abovementioned model to develop a written assessment on the effectiveness of the Group's system of internal controls and risk management, as required by the King Code.

The Committee, having fulfilled its oversight role regarding the risk management process, is satisfied that it has met the requirements of its terms of reference.

Signed on behalf of the board.

TDA Ross

Chairman, Audit and Risk Committee

30 June 2017

REMUNERATION REPORT

Adcorp revised the Remuneration Policy during the year. The Executive Remuneration Policy is driven by performance and it rewards executives and senior divisional management for the value they add and the resultant shareholder returns. Financial performance and non-financial measures, as outlined in scorecards, determine the extent of the rewards provided to executives and senior divisional management.

Remuneration review

The Remuneration and Nomination Committee has spent considerable time and effort over the previous year engaging with a well-recognised remuneration consultant to formulate a new remuneration policy for senior executives. This was communicated to shareholders via SENS and then additional comments were received from shareholders that have been taken into account. It should be noted that this policy is a significant improvement from the previous policy which was underpinned by fixed employee contracts; however that being said, the Committee recognises that this is still work in progress. The new remuneration policy, which is still being finalised can be found as an annexure to the notice of AGM, which will be voted on by shareholders at the upcoming AGM.

In addition, as reported on SENS, the fixed-term executive employment contracts of the Group CEO, Richard Pike, and Group COO, Nelis Swart, expired at the end of February 2017.

New employment contracts have been concluded with both the Group CEO and the Group COO.

The key features of these contracts are as follows:

- The employment contracts continue on an enduring basis subject to three months' notice of termination served by either the employee or the employer.
- Remuneration consists of a total guaranteed package (TGP), a short-term incentive (STI) and a long-term incentive (LTI). TGP, STI and LTI are in line with the Group's revised remuneration policy.
- Unlike the pre-existing executive employment contracts whereby the STI component was guaranteed to be no less than 80% of the previous year's STI, there is no guarantee of the STI, which is entirely performance-driven in terms of the revised executive remuneration policy.
- As distinct from the previous employment contracts, there is no guaranteed allocation of shares contained in the new employment contracts with regard to the issue of LTI incentives. In terms of the new employment contracts, these two individuals will now participate in the revised LTI scheme which forms part of the new remuneration policy.
- In terms of the pre-existing executive employment contracts, which were five-year fixed-term contracts, both of the contracted executives were entitled to a restraint-of-trade payment at the end of the contractual period (28 February 2017). This restraint payment obligation on the company was equivalent to one-year's TGP at that date plus an amount equivalent to the average STI in respect of the past two years.
- The two executives have agreed to forgo this February 2017 restraint payment obligation on the company. Accordingly, no payment has been made to these individuals as was required in terms of these contracts.
- In terms of the new employment contracts, on termination of the employment contract, should the company, at its sole election, wish to enforce a restraint-of-trade obligation on either or both of these individuals, the company shall only then be obliged to make a restraint payment. In such instance, a restraint payment will be equivalent to one-year's TGP at that date plus an amount equivalent to the average STI in respect of the past two years.
- The rest of the terms and conditions contained in the executive employment contracts are the typical, standard terms for such executive employment contracts with regard to hours of work, leave entitlement and basic conditions of employment.

To ensure that the Group's remuneration levels are fairly benchmarked and in line with market norms, Adcorp commissions an independent external specialist survey of remuneration levels every second year. This is in line with the Group's remuneration philosophy and policy. The latest remuneration survey by independent external specialists was commissioned during the 2016 financial year-end. The scope, size and complexity of the executive and senior management roles were addressed and benchmarked against market trends. A non-executive survey was also undertaken. The conclusion was that, save for the requirement for certain adjustments, most of the company's remuneration was largely in line with market norms except for two cases which were found to be above the norm, and these have been addressed by the Committee.

The Adcorp team continues to pay special attention to how it balances the company's need for financial performance with achieving its long-term strategic objectives. Our approach to remuneration is, as far as possible, to align the interest of management, employees and shareholders. Adcorp's remuneration policy seeks to endorse a performance culture so as to attract and retain suitable talent to ensure sustainable value creation for shareholders, while keeping within best-practice guidelines.

A summary of the remuneration activities/decisions taken during the year under review are as follows:

- Ensured that key remuneration practices and policies support the delivery of the business strategy.
- Approved the Group's average increase in salary and wages for the Group's global operations.
- Approved the short-term incentive for executive directors and senior divisional management for the financial year ended 28 February 2017.
- Adjudicated the allocation of performance shares (PFs) in terms of the Adcorp Holdings Limited 2006 Share Plan (Adcorp Share Plan).
- Reviewed and approved the basis of calculation of the short-term incentive to be adopted for executive directors in respect of the financial year ending 28 February 2017. This is now contained in the new remuneration policy.
- Agreed on the selection of a peer group of companies in order to compare the remuneration of Adcorp's executive and non-executive directors.
- Reviewed non-executive directors' remuneration for the financial year ending 28 February 2017 and recommended it to shareholders for approval.

Remuneration philosophies and policies

The remuneration function of the Remuneration and Nominations Committee, in compliance with the principles of King III, assists the board of directors in setting and administering remuneration policies. The remuneration policies within the Adcorp Group are reviewed annually by the Committee to ensure that they support the achievement of the company's overall business objectives, remain in line with best practice and fairly reward individuals for their contribution to the business. The Committee oversees compliance by the company and its non-listed subsidiary companies with the principles set out in King III and the Companies Act in relation to the remuneration of directors.

Adcorp's key remuneration philosophies and policies:

- are designed to support key business strategies and create a strong performance-orientated environment while aiming to attract, motivate and retain talented employees;
- set remuneration levels for executive directors and senior divisional management, taking cognisance of the remuneration policies and practices of comparable companies;
- gear a significant portion of executive directors' and senior divisional management's remuneration toward company performance, ensuring strong alignment with shareholder interests; and
- adopt the principle that non-executive directors do not receive remuneration or incentive awards related to share price or corporate performance, and that non-executive directors' fees are approved by shareholders each year.

Executive remuneration ethos

As a primarily sales-driven organisation, Adcorp values and rewards individual contribution. Financial reward is, therefore, by its nature, individualistic and performance-based. While seven key financial targets (the 'seven keys') are applied, as set out on page 62, in addition, each executive director and senior divisional manager's remuneration is aligned with distinct targets relevant to his/her core business responsibility. Accordingly, the guaranteed component of executive remuneration is coupled with a larger variable component paid against the specific predetermined and agreed key performance indicators (KPIs) set for each individual.

Our remuneration is structured into the following broad categories:

- An annual total-cost-to-company (TCTC) package, which is reviewed annually and adjusted during March each year.
- A performance-based annual cash incentive bonus awarded under the Short-term Incentive Scheme (STIS).
- A retention-driven Long-term Incentive Scheme (LTIS).

In addition, all permanent employees are members of defined contribution pension/provident fund schemes governed by the relevant legislation. The assets of the pension/provident funds are managed independently and therefore separate from the Group's assets.

All permanent employees are required to belong to a medical aid scheme. The necessary deductions are drawn monthly from the fixed component of remuneration, in accordance with regulations and legislation.

Overview of remuneration

Adcorp's pay scales are benchmarked against Patterson's Modern Ranges, using the following grades:

- Grade 1: CEO.
- Grade 2: Executive directors.
- Grade 3: Prescribed officers and senior divisional managers.
- Grade 4: General managers.
- Grades 5 to 7: Heads of departments, professionals and specialists.

Remuneration structure

The table below summarises the elements of the total remuneration package paid to executive directors and senior divisional management in respect of the financial year ended 28 February 2017:

Element	Fixed/variable	Policy
TCTC (includes salary, car allowance, retirement, life insurance and medical aid contributions)	Fixed	The company generally pays TCTC in the upper quartile of the market and is targeted to be competitive for comparable roles in companies of similar complexity and size, taking cognisance of the individual.
Short-term incentive (STI)	Variable	Short-term incentive payments aim to create a pay-for-performance culture by considering personal and company performance targets over a one-year period. The STI is used to determine annual payments.
Long-term incentive (LTI)	Variable	To create direct alignment between the interests of shareholders and participants, and to act as a retention tool over a three-year period. No LTIs were issued during the year.

Salaries are adjusted taking cognisance of the benchmarks depending on individual performance and experience and are reviewed each year. The review considers changes in the scope and roles performed by individuals, changes required to meet the principles of the remuneration policy and market competitiveness of salaries and benefits. Attention is paid to consistent job evaluation and grading of roles throughout the Group to ensure equity of reward, to facilitate transformation objectives and to ensure mobility within the company.

The TCTC percentage increase from FY2016 to FY2017 was 6% for executives in South African, 5% in Singapore and 3% in Australia.

Salary and benefit adjustments for executive directors and senior divisional management were reviewed and approved by the Committee, while the CEO, COO and CFO approve adjustments for all other employees.

Benefits

The table below details benefits provided to employees as part of TCTC:

Benefit	Detail
Retirement/provident fund	Participation in the Adcorp retirement/provident fund is compulsory for all permanent employees. The fund is independently managed and supplies risk cover for death and disability.
Medical aid	All employees are required to belong to either a choice of company-selected external medical aids or to be a member of a spouse's/life partner's medical aid.
Group personal accident cover	All employees (permanent and fixed-term) are covered 24/7 for death, medical and disability expenses as a result of an accident.
Car allowance	Employees who need to use their motor vehicle during the course of their duties can elect to allocate a portion of their TCTC as a car allowance.

Short-term Incentive Scheme (STIS)

Performance-based rewards

The structure of annual performance incentives is primarily determined by Group performance conditions, and more specifically the seven key performance areas:

1. Normalised EPS performance against budget
2. Return on assets managed (ROAM)
3. Cash conversion
4. Strategic contribution
5. Individual performance
6. Transformation
7. Governance, risk, compliance and Group values

The exact key performance areas are revisited and reset annually by the Remuneration and Nominations Committee. The weighting allocated to each key area depends on the level of each employee and his/her sphere of influence on that criterion. The above areas have been updated from the prior year to more closely align management's goals with shareholders' interests.

STIS bonuses for executive directors and prescribed officers

Each executive director and senior divisional manager received a performance rating on their personal scorecard. Details of the actual STIS payment to executive directors and prescribed officers can be referred to note 44 and 45 in the notes to the annual financial statements.

Long-term Incentive Scheme (LTIS)

The Group has in place an incentive share scheme designed to align the objectives of executive directors and senior divisional management with those of stakeholders for a win-win scenario that will generate long-term sustainability.

The allocation of performance shares (PFs) under the Adcorp Share Plan is described below.

In terms of the Group's LTIS, PFs are awarded as long-term incentives to executives and senior divisional managers. PFs vest after a prescribed vesting period and the achievement of various performance criteria.

No LTIs were issued during the year under review and details of movements in the Adcorp Share Plan for the year under review appear in note 45 on page 131.

No non-executive directors have been granted PFs under the Adcorp Share Plan.

Retention payments or severance lump sums

Retention payments or severance lump sums are only considered in exceptional circumstances. Where these payments are made, approval is sought from the Committee. No such payments were made in the year under review.

Employment contracts – executive directors

The employment contracts of the Chief Executive Officer and the Chief Operating Officer have been successfully renegotiated and their terms of employment are aligned to the Executive Remuneration Policy which will take effect on 1 March 2017. This provides continuity and improved governance.

Other executive directors and senior divisional management are employed in terms of standard employment contracts.

Total emoluments for the year ended 28 February 2017

Remuneration paid to executive directors and prescribed officers for the current and comparative year is detailed in note 44 on pages 129 and 130.

Further details of long-term incentives

Details of long-term incentives awarded to executive directors and prescribed officers can be found in note 45 on page 131.

Appointment of executive and non-executive directors

Both executive and non-executive directors are subject to ratification by shareholders at the first annual general meeting following their appointment and are then required to submit their resignation by rotation in accordance with the company's MOI.

The appointment of a non-executive director may be terminated without compensation if that director is not re-elected by shareholders, or otherwise in accordance with the company's MOI.

Non-executive fees

Non-executive directors are appointed to the board based on their ability to contribute competence, insight and experience appropriate to assisting the Group to set and achieve its objectives. Consequently, fees are set at levels to attract and retain the calibre of director necessary to contribute to a highly effective board. Non-executive directors receive fees for their services as directors and for services provided as members of board committees. They do not receive short-term incentives, nor do they participate in long-term incentive schemes.

As suggested by King III, board fees comprise both a retainer fee and an attendance fee. The level of fees paid to non-executive directors is based on current market practice and similar comparators. The total remuneration payable to non-executive directors requires approval of shareholders at the annual general meeting. The last approval by shareholders was obtained at the annual general meeting of shareholders on 25 August 2016.

No increase is proposed for non-executive directors' fees for 2018 at the upcoming AGM.

The main reason for no increase in the non-executive directors' fees lies in the need to adopt a balanced and considered response to the financial performance of the Group. It is the 'right thing to do'.

Transparency and accountability continued

REMUNERATION REPORT continued

Total emoluments to non-executive directors were as follows:

	Chairman fees	Board meetings	Audit and Risk Committee meetings	Remuneration and Nominations Committee meetings	Transformation, Social and Ethics Committee meetings	Special meetings	Total*
28 February 2017							
MJN Njeke	858 792	-	-	100 832	-	40 000	999 624
GP Dingaan	-	253 831	-	-	-	37 500	291 331
SN Mabaso-Koyana	-	216 319	150 894	128 454	-	60 000	555 667
C Maswanganyi	-	128 791	-	39 923	39 923	2 500	211 137
ME Mthunzi	-	253 831	150 894	-	93 523	17 500	515 748
NS Ndhlahi	-	253 831	-	-	59 303	17 500	330 634
MR Ramaite	-	125 040	-	39 923	19 380	17 500	201 843
TDA Ross	-	253 831	301 784	-	-	47 500	603 115
MW Spicer	-	253 831	127 257	79 846	-	22 500	483 434
	858 792	1 739 305	730 829	388 978	212 129	262 500	4 192 533
29 February 2016							
MJN Njeke	787 138	-	-	77 858	-	2 500	867 496
GP Dingaan	-	161 712	-	-	-	2 500	164 212
SN Mabaso-Koyana	-	202 752	141 368	87 664	-	-	431 784
ME Mthunzi	-	237 810	141 368	-	87 689	-	466 867
NS Ndhlahi	-	161 712	-	-	55 604	2 500	219 816
MR Ramaite	-	161 712	-	56 872	33 870	-	252 454
TDA Ross	-	237 810	282 735	-	-	2 500	523 045
MW Spicer	-	237 810	141 368	56 872	-	2 500	438 550
	787 138	1 401 318	706 839	279 266	177 163	12 500	3 364 224

* Details of director's remuneration appear in note 44 of the annual financial statements.

Interests of directors in share capital

The aggregate holdings of directors of the company and their immediate families in the issued ordinary shares of the company can be found on note 46 of the annual financial statements, page 132.

Directors' loans

Directors have no loans with the company.

Interest of directors in contracts

A register detailing directors' and officers' personal financial interest is available for inspection at the company's registered address.

The Committee has conducted its affairs in compliance with the board-approved terms of reference and has discharged its responsibilities contained therein.

The Committee is satisfied that the overall principles laid down by King III and the Companies Act have been adhered to, unless specifically stated.

Signed on behalf of the board



SN Mabaso-Koyana

Chairperson, Remuneration Committee

30 June 2017

REPORT OF THE TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE

The Committee met three times in this financial year. The Committee is satisfied that it has performed well in establishing a good foundation for taking its activities forward in FY2018.

Implementation of sustainability principles

The United Nations Global Compact (UNGC) and the OECD Guidelines driving the implementation of sustainable business practices were complied with, and positive results were achieved in respect of audits across the following key areas:

- Human rights
- Labour law and relations
- The environment
- Anti-corruption
- Corporate citizenship
- Consumer responsibility
- Protection of personal information (POPI)
- Related legislative compliance (BBBEE Act and Codes as well the Employment Equity Act).

BBBEE

Adcorp adopted a proactive and robust approach in ensuring that it maintained and/or improved on its BBBEE verification status in the face of the material BBBEE Code amendments. This work was appropriately rewarded by Adcorp achieving a BBBEE level 2 and 1 verification level for 67% and 15% of its subsidiaries respectively and is a product of a sustainable transformation strategy. TSEC will oversee the ongoing drive to take Adcorp's transformation status to even higher levels.

Employment equity

The need to sustainably and effectively address the management control element of the BBBEE Scorecard has been a material focus area of TSEC, and a solid foundation has been established in that the following activities and programmes have been set in motion to ensure greater and more meaningful transformation at management levels:

- Transformation-related objectives across all management levels in the business with clearly defined KPAs and metrics.
- A recruitment process outsourcing (RPO) model that requires all permanent staff recruitment to be conducted centrally on a tracking system that provides 'real-time' data on the demographics of candidates as well as process efficiencies.
- A database of prospective management candidates emanating from leadership and management programmes with leading higher-education institutions.
- Greater career and succession planning activities focusing on career pathing and competency mapping.
- Engagements with external consultants, particularly with regard to senior and top management succession planning.
- Supporting initiatives, such as climate surveys, the planned appointment of a transformation ombudsman and a transformation summit at which, inter alia, non-executive directors will speak.
- The launch of a Power BI application to track transformation and equal pay for work of equal value, as well as a communications platform that links most of the staff to events set out above.

Skills development

Adcorp allocated R49 million toward developing the skills of its staff for the financial year. The need to address the skills of the future was a core focal area, and the objective will be to refine what this means to Adcorp and how these critical skills can be infused into learning delivery by both internal and external providers. Adcorp views its responsibility in attempting to ensure that its staff's competencies remain relevant as vital and also requires this as a strategic imperative to ensure sustainability in a rapidly changing business environment.

Stakeholder engagement

Stakeholder engagement was based on a holistic, yet prioritised, methodology based on materiality and strategic drivers. Crucial to stakeholder engagement over the past financial year has been targeted collaboration with shareholders and funders, Government in respect of labour market policies around youth employment creation (including the jobs summit), skills development and decent work. Furthermore, ongoing collaboration with business, Government and labour via Adcorp's representation at Business Unity South Africa (BUSA) in respect of the Employment Services Act, Compensation for Occupational Injuries and Diseases and UIF in particular was front of mind.

Transparency and accountability continued

REPORT OF THE TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE continued

Candidate- and client-centricity, as well as user experience in general, was the order of the day as a priority area within the Adcorp 2.0 strategic framework. The reality that strong results are underpinned by strong client relationships, combined with the rapidly changing environment in which our clients find themselves, dictates that Adcorp understands and co-designs solutions to ensure sustainability as well as relevance.

Fundamentally, the above stakeholder engagement was aligned with creating a sustainable business and therefore creating value for our valued shareholders. This was underpinned by regular and detailed interactions with the shareholders.

Adcorp's executive were lead facilitators at various labour market policy engagements at international forums such as the International Labour Organisation (ILO) and CIETT. Matters under discussion included international migration, casualisation across supply chains, skills and workplace of the future.

Engagements with a multiplicity of unions, as well as dispute resolution forums, yielded great success in ensuring fair labour practices and the enforcement of law in the post-Labour Relations Act Amendments (January 2015) period. The role of unions in the non-standard employment domain is receiving significant attention as these forms of work arrangement need to operate within a decent work regulatory environment.

Ethics

This Committee addressed the matters referred to it via the anonymous tip-off line and in the normal course of business.

Signed on behalf of the board



ME Mthunzi

Chairman, Transformation, Social and Ethics Committee

30 June 2017

Six-year review

for the year ended 28 February 2017

	2017	2016	2015	2014	2013	2012
Statement of comprehensive income						
Revenue (R'000)	16 072 951	15 585 751	13 322 398	11 802 415	8 616 842	6 423 229
Normalised earnings before IFRS adjustments, depreciation, amortisation, share-based payments, lease smoothing and establishment and transaction costs (normalised EBITDA) (R'000)*	303 786	621 521	668 468	544 381	422 541	309 267
Normalised operating profit (R'000)*	246 686	557 214	615 921	497 950	380 768	272 741
Normalised effective tax rate (%)*	30,6	17,0	19,7	25,0	20,1	15,8
Total normalised earnings (R'000)*	96 021	394 976	451 754	358 572	269 466	195 358
Modified total normalised profit (R'000)*	-	395 234	362 641	-	-	-
(Loss)/profit before taxation (R'000)	(117 364)	260 740	330 479	256 133	232 430	164 762
(Loss)/profit for the year (R'000)	(160 326)	206 810	244 202	162 504	179 361	135 702
Statement of financial position						
Fixed and other non-current assets (R'000) (excluding deferred taxation)	2 289 367	2 539 848	2 180 606	2 066 066	1 783 043	1 382 865
Deferred taxation (R'000)	149 712	96 568	145 582	98 196	77 427	57 774
Current assets (R'000)	3 304 993	3 741 744	3 018 440	2 527 794	2 267 426	1 399 800
Total assets (R'000)	5 744 072	6 378 160	5 344 628	4 692 056	4 127 896	2 840 439
Ordinary shareholders' interest (R'000)	2 306 560	2 690 811	2 468 153	2 099 675	1 888 652	1 438 764
Minority and BEE shareholders' interest (R'000)	(4 573)	(5 510)	(3 121)	(2 095)	7 009	2 223
Non-current liabilities (R'000) (excluding deferred taxation)	651 220	1 393 690	1 018 163	915 631	85 879	192 394
Deferred taxation (R'000)	107 030	113 634	132 099	97 611	83 696	77 439
Current liabilities (R'000)	2 683 835	2 185 535	1 729 334	1 581 234	2 062 660	1 129 619
Total equity and liabilities (R'000)	5 744 072	6 378 160	5 344 628	4 692 056	4 127 896	2 840 439
Profitability						
Return on assets managed (ROAM) (%)	8,7	21,4	27,7	26,8	27,9	29,5
Return on equity (%)	4,7	15,3	19,8	18,0	16,2	15,9
Return on sales (operating margin) (%)	1,5	3,8	4,8	4,4	4,6	4,5
Normalised EBITDA/revenue (%)	1,9	4,0	5,0	4,6	4,9	4,8
Asset turnover	5,6	5,7	5,8	6,1	6,0	6,6
Expense ratio (%)	14,6	14,0	13,8	14,3	15,5	16,9
Number of employees	3 466	4 357	4 222	2 936	2 987	2 768
Liquidity						
Cash generated by operations to normalised operating profit (%)	178,0	63,0	97,0	47,7	99,6	78,9
Current ratio	1,2	1,7	1,7	1,6	1,1	1,2
Total net interest-bearing liabilities (R'000)	1 105 955	1 162 469	702 490	777 602	470 347	409 969
Gearing (%)	48,0	43,2	28,5	37,1	24,8	28,4
Net interest-bearing debt to normalised EBITDA	3,6	1,87	1,05	1,43	1,11	1,32
Net interest-bearing debt to tangible asset value	3,5	2,78	1,28	3,83	2,03	2,47
Days settlement outstanding	45	47	47	48	41	36
Statistics						
Weighted average number of shares in issue ('000)	108 383	108 189	103 415	93 299	78 989	65 236
Total number of shares in issue ('000)	109 955	109 955	109 371	100 092	91 812	77 374
Normalised earnings per share (cents)*	88,6	365,1	436,8	384,3	341,1	299,5
Modified normalised earnings per share (cents)*	-	365,3	350,7	-	-	-
(Loss)/earnings per share (cents)	(149,5)	192,0	236,5	176,9	221,6	208,0
Headline (loss)/earnings per share (cents)	(27,9)	299,6	298,5	188,6	236,7	209,1
Annual dividend/capital/scrip distribution (cents)	20	135	148	140	140	137
Dividend/capital/scrip distribution cover (times) based on normalised EPS	4,4	2,7	3,0	2,7	2,4	2,2
Net asset value (R'000)	2 301 987	2 685 301	2 465 032	2 097 580	1 895 661	1 440 987
Net tangible asset value (R'000)	312 863	418 498	549 110	202 792	231 230	166 229
Net asset value per share (cents)	2 094	2 442	2 254	2 096	2 065	1 862
Net tangible asset value per share (cents)	285	381	502	203	252	215

* Normalised earnings is defined as operating profit adjusted for depreciation, amortisation of intangibles, lease smoothing and one-off transaction costs relating to acquisitions. The Group's primary measure of performance is normalised earnings.

Definitions

Asset turnover

Revenue divided by average tangible assets.

Cash generated by operating activities to operating profit (cash conversion ratio)

Cash generated by operations as a percentage of normalised operating profit.

Current ratio

Total current assets divided by total current liabilities.

Days settlement outstanding (debtors days)

Debtors days are calculated using the peel-back method, whereby the trade debtors balance is reduced by monthly sales (including VAT) until the balance is exhausted.

Dividend/capital/scrip distribution cover

Normalised earnings per share divided by the annual dividend/capital/scrip distribution per share.

Earnings per share

Profit attributable to owners of the parent, divided by the weighted average number of shares in issue.

Expense ratio

The aggregate of administrative, marketing, selling and operating expenses as a percentage of revenue.

Gearing

Total net interest-bearing debt divided by total ordinary shareholders' interest.

Headline earnings per share

Headline earnings per share is profit attributable to owners of the parent, adjusted for profit or loss on sale of property and equipment (net of tax) and impairments divided by the weighted average number of shares in issue.

International Financial Reporting Standards (IFRS) adjustments

IFRS adjustments include non-cash flow items, share-based payments, amortisation of intangibles and lease smoothing.

Modified normalised profit

Total normalised operating profit adjusted for share-based payments and business establishment costs.

Net asset value per share

Ordinary shareholders' interest, divided by the number of shares in issue at the year-end.

Net tangible asset value per share

Ordinary shareholders' interest less intangible assets and goodwill, divided by the number of shares in issue at the year-end.

Normalised earnings before interest, tax, depreciation and amortisation (EBITDA)

Operating profit adjusted for depreciation, amortisation of intangibles, share-based payments, lease smoothing, business establishment and one-off transaction costs relating to acquisitions.

Normalised EBITDA margin

Normalised EBITDA as a percentage of revenue.

Normalised operating profit

Normalised EBITDA adjusted for depreciation and amortisation of intangibles, other than those acquired in business combinations.

Normalised profit

Normalised operating profit after interest and normalised taxation.

Normalised taxation

Actual tax charge adjusted for tax on amortisation of intangibles arising on business combinations and lease smoothing.

Return on assets managed (ROAM)

Normalised operating profit adjusted for amortisation of intangibles other than those acquired in a business combination, divided by the average total of property and equipment, trade and other receivables and taxation prepaid.

Return on equity

Total normalised profit divided by average equity of shareholders.

Return on sales (operating margin)

Normalised operating profit adjusted for amortisation of intangibles, other than those acquired in a business combination divided by revenue.

Total normalised profit

Normalised operating profit after interest and normalised taxation adjusted for share of profits from associates and non-controlling interest.

Approval of the annual financial statements

To the shareholders of Adcorp Holdings Limited

The board of directors is responsible for the preparation of the consolidated and separate financial statements of Adcorp Holdings Limited.

The board acknowledges its duty to ensure balanced content and fair presentation in the consolidated and separate financial statements so that it provides a comprehensive assessment of the performance of the company and Group for the financial year ended 28 February 2017.

The consolidated and separate financial statements are prepared in accordance with the provisions of the South African Companies Act, and comply with International Financial Reporting Standards (IFRS) and incorporate full and reasonable disclosure in line with the accounting policies of the Group. They fairly present the state of affairs of the company and the Group as at the end of the financial year, and the net income and cash flows for the year. It is the responsibility of the independent auditors to report on the fair presentation of the consolidated and separate financial statements and their report is contained on page 71 to 75.

These consolidated and separate financial statements have been audited in compliance with the requirements of the South African Companies Act.

The directors are ultimately responsible for the internal controls of the Group. Management enables the directors to meet these responsibilities. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity, objectivity and fair presentation of the consolidated and separate financial statements and related financial information presented and to adequately safeguard, verify and maintain accountability for shareholder investments and Group assets. Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties. Systems and controls are monitored throughout the Group. Further details of such, including the operation of the internal audit function, are provided in the corporate governance section of the integrated annual report.

Based on the information and explanations provided by management and the internal auditors, the directors are of the opinion that the accounting and internal controls are adequate and that the financial records may be relied upon for preparing the consolidated and separate financial statements in accordance with IFRS and maintaining accountability for the Group's assets and liabilities. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review and up to the date of this integrated annual report.

The directors have a reasonable expectation that the company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, accounting policies supported by judgements, estimates and assumptions in compliance with IFRS are applied on the basis that the Group and company shall continue as a going concern.

These consolidated and separate financial statements were prepared by: A Viljoen (BCom Honours), and supervised by the Acting Group Chief Financial Officer, L Wilson (CA)(SA).

The consolidated and separate financial statements for the year ended 28 February 2017, were approved by the board on 23 May 2017 and signed on its behalf by:



MJN Njeke
Chairman

Johannesburg
23 May 2017



RL Pike
Chief Executive Officer

Company Secretary compliance statement

I certify, that to the best of my knowledge and belief, the company has lodged with the Companies and Intellectual Property Commission (CIPC) all such returns as are required of a public company in terms of the Companies Act, No 71 of 2008, as amended, in respect of the year ended 28 February 2017 and that all such returns appear to be true, correct and up to date.

A handwritten signature in black ink, appearing to read 'K Fihrer', with a horizontal line drawn underneath the signature.

Kevin Fihrer
Company Secretary

Johannesburg
23 May 2017

Independent auditor's report

To the shareholders of Adcorp Holdings Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Adcorp Holdings Limited set out on pages 83 to 142, which comprise the statements of financial position as at 28 February 2017, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 28 February 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
Impairment of goodwill (consolidated and separate financial statements)	
Goodwill comprises 24% of the total assets of the Group. These assets have been recognised in the consolidated statement of financial position as a consequence of acquisitions by the Group.	We focused our testing of the impairment of goodwill on the key assumptions made by the directors. Our audit procedures included:
As required by the applicable accounting standards, the directors conduct annual impairment tests to assess the recoverability of the carrying value of goodwill. This is performed using the discounted cash flow ("DCF") or EBITDA valuation models.	• Testing the design and implementation of relevant controls over the goodwill impairment assessment. • Engaging our internal specialists to assist with: – Critically evaluating whether the models used by the directors to calculate the value in use of the individual cash generating are aligned with IAS 36: <i>Impairment of Assets</i> (IAS 36); and – Validating the assumptions used to calculate the discount rates and EBITDA multiple and independently recalculate the discount rate. • Analysing the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current economic climate and expected future performance of the cash generating units. • Comparing the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to test the accuracy of the directors' projections.
As disclosed in note 6 of the consolidated and separate financial statements, there are a number of key sensitive judgements made in determining the inputs into these models. The carrying amount of the goodwill as at 28 February 2017 is R1,4 billion after an impairment charge of R86 million that has been recognised in the current year.	
The assumptions and inputs with the most significant impact on the valuation models include:	
• Growth rates applied to operating profits, which is highly subjective since it is based on the directors' experience and expectations rather than observable market data. • The discount rates applied to the projected future cash flows. The discount rate is subjective and the calculation is complex. • EBITDA multiples which represent the directors' best estimate based on available market data.	

Key audit matter	How the matter was addressed in the audit
Impairment of goodwill (consolidated and separate financial statements)	
The directors have engaged specialists to assist with the determination of the discount rates and the EBITDA multiples for the significant cash-generating units to which the goodwill relates. The impairment test of goodwill is considered to be a key audit matter.	Our audit procedures highlighted a control deficiency around the review of the goodwill impairment models, however, this has not resulted in an additional impairment of goodwill. We found that the assumptions used by the directors were comparable with historical performance and the expected future outlook, and the discount rates and EBITDA multiples used were appropriate in the circumstances. The disclosure of the goodwill is consistent with the requirements of IFRS 3: <i>Business Combinations</i> (IFRS 3) and IAS 36.
Recoverability of accounts receivables (consolidated and separate financial statements)	
Gross trade accounts receivable comprise 44% of the total assets of the Group. These assets have been recognised in the consolidated statement of financial position. As disclosed in note 13 in the consolidated and separate financial statements, the gross trade receivables balance as at 28 February 2017 is R2,5 billion, the aged gross outstanding debtors (past due 91+ days) was R157 million, and the provision for doubtful debts raised is R86 million. The assumptions with the most significant impact on the assessment of the recoverability of the accounts include: • Type of debtors and considerations on whether these are historical slow-paying debtors. • Collection of cash receipts after year-end. • Arrangements made with debtors in financial difficulty. We identified the recoverability of accounts receivable as a key audit matter as a result of the judgement required to be applied by the directors.	We performed the following audit procedures: • Testing of inputs into the calculation of the doubtful debts, including the ageing, validity and completeness of the amounts included in the calculation for doubtful debts. • Assessing the recoverability, taking into account the type of debtors and historical payment terms. • Performing a retrospective review of the provision previously raised against the actual bad debts write-off in the current year. • Testing the collection of subsequent receipts received after year-end. • Performing an independent assessment of the provision taking into account the factors above. We found the determined provision for doubtful debts to be acceptable. Based on the testing undertaken, the presentation and disclosures in respect of the trade receivables balance are consistent with the requirements of IFRS 9: <i>Financial Instruments</i>.

Independent auditor's report continued

Key audit matter	How the matter was addressed in the audit
Acquisition of WHR Solutions Proprietary Limited (WHR) (consolidated and separate financial statements)	
The Group acquired WHR in the current year through Adcorp Holdings Australia (AHA) Group. Significant judgement is required by the directors in assessing in determining the fair value of the net assets acquired, which includes the identification of intangibles assets and goodwill. The consideration was determined to be R15,7 million, and the resulting goodwill arising from the acquisition was R9,3 million. The assumptions with the most significant impact on the acquisition of WHR included: • Identification of assets and liabilities acquired. • Determination of the fair value at acquisition date of the assets and liabilities acquired. • Allocation of the purchase price to the assets and liabilities acquired and resultant goodwill. • Determination of earn-out payments to be included or excluded as part of the purchase consideration. We have identified the acquisition of WHR as a key audit matter as a result of the judgement required to be applied by the directors.	• We involved our Corporate Finance specialists to assist with the audit of the purchase price allocation. This included assessing whether the appropriate acquired intangible assets have been identified and recorded at fair value at acquisition date, as well as the determination of the goodwill and identification of the cash-generating unit to which the goodwill should be allocated to. • We tested the inputs into the purchase price allocation report against historical performance. • We tested the determination of the earn-out payments, taking into account the likelihood of the payments to be made as well as to record these at their present value. • We reviewed the disclosure in the annual financial statements against IFRS 3. The accounting standards and assumptions were correctly and consistently applied. Based on the testing undertaken, the presentation and disclosures in respect of the acquisition of WHR are consistent with the requirements of IFRS 3.
Africa tax matters (consolidated and separate financial statements)	
Income tax Due to the multiple tax jurisdictions within which the Group operates and the ambiguity of certain tax laws, determining the amounts which should be recognised for tax is subject to judgement and is thus a key audit matter. The directors' judgement includes consideration of regulations by various tax authorities with respect to transfer pricing regulations, tax implications on intercompany transactions, loans and other tax positions. Where there is uncertainty, the directors make provision for tax based on the most probable outcome. Income tax disclosures are contained in note 36 in the consolidated and separate financial statements.	We involved our tax specialists to evaluate the recognition and measurement of the current and deferred tax assets and liabilities. This included: • Analysing the current and deferred tax calculations for compliance with the relevant tax legislation. • Evaluating the directors' assessment of the estimated manner in which the timing differences, including the recoverability of the deferred tax assets, would be realised by comparing this to evidence obtained in respect of other areas of the audit, including cash flow forecasts, business plans, and minutes of directors meetings and our knowledge of the business. • Challenging the assumptions made by the directors for uncertain current and deferred tax positions to assess whether appropriate current and deferred tax provisions have been recognised and are based on the most probable outcome. Based on the procedures performed and information available, we found the tax balances recorded and the disclosures thereof to be appropriate. Based on the testing undertaken, the presentation and disclosures in respect of the tax balances are consistent with the requirements of IAS 12: <i>Income Taxes</i>.
Deferred tax As disclosed in note 12 and note 36 of the consolidated and separate financial statements, the Group has recognised deferred tax assets in respect of certain entities to the extent that it is probable that historical tax losses will be realised. This requires the directors' judgement in estimating future taxable income and is accordingly a key audit matter.	

Other information

The directors are responsible for the other information. The other information comprises the directors' report, the Audit Committee's report and the Company Secretary's certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the integrated report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going-concern basis of accounting unless the directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going-concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Independent auditor's report continued

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475, dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Adcorp Holdings Limited for 16 years.

A stylized, handwritten-style signature of 'Deloitte & Touche' in dark blue ink.

Deloitte & Touche

Registered Auditor

Per: MLE Tshabalala

Partner

23 May 2017

Report of the Audit and Risk Committee

for the year ended 28 February 2017

The company's independent Audit and Risk Committee ("ARC" or the "Committee") presents its report for the financial year ended 28 February 2017. 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. Further information can be found in the transparency and accountability section.

Composition, meetings and assessment

The four members of the ARC were recommended by the board to shareholders and were formally appointed at the previous annual general meeting held on 25 August 2016. An additional member, Jesmane Boggenpoel, was appointed to the Committee on 1 January 2017.

Closed sessions are arranged with key relevant parties and private sessions of members are held from time to time to ensure confidential assessments and discussions can occur. Four Committee meetings are held during the year.

The Committee's terms of reference prescribe that the effectiveness of the Committee, its chairperson and individual members is assessed annually. The outcome of the internal evaluation, facilitated by an external provider, during 2017 was positive.

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 III, as well as its additional requirements prescribed by its terms of reference which have been endorsed by the board of directors. Its key areas of responsibilities are to:

- perform its statutory duties as prescribed by the Companies Act of South Africa, including the appointment and the assessment of the independence of the external auditors;
- oversee the integrated reporting process and assess disclosures made to all stakeholders, which included the consolidated and separate financial statements for the year under review and recommended it to the board for approval;
- oversee and evaluate the governance of risk and related internal control environment, and considered the recommendation of the Chief Audit Executive in respect of the effectiveness of the system of internal controls;
- monitor and assess all internal and external assurance providers;
- obtain assurance from internal audit on the effectiveness of internal controls;
- assess the expertise and experience of the Chief Financial Officer (CFO) and the resources within the financial function; and
- recommend the consolidated and separate financial statements and integrated annual report for approval by the board.

In order to execute his responsibilities, the Chairman of the ARC met separately during the course of the year with the Chief Financial Officer, Chief Audit Executive, the Company Secretary, the Chief Risk Officer, management and the external auditors.

External auditor appointment and independence

The Committee has satisfied itself that the external auditor of the Group was independent. The requisite assurance was sought and provided by the auditor that 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 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 has nominated, for election at the annual general meeting, Deloitte & Touche as the external audit firm for the 2017 financial year with Mr MLE Tshabalala as the designated partner. The Committee has satisfied itself that the audit firm and designated auditor are accredited as such on the JSE Limited list of auditors and advisers.

Financial statements and accounting policies

The Committee has assessed the Group's accounting policies and the consolidated and separate financial statements, as well as the integrated annual report for the year ended 28 February 2017, and is satisfied that they are appropriate and comply in all respects with International Financial Reporting Standards (IFRS). The Committee supports the opinion of the board and the external auditor with regard to the consolidated and separate financial statements which have been approved by the board and will be presented to shareholders at the annual general meeting to be held on 23 August 2017.

Report of the Audit and Risk Committee continued

for the year ended 28 February 2017

Based on the information and explanations given by management and the internal and external auditors, the Committee is of the opinion 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 and separate financial statements in accordance with IFRS and maintaining accountability for the Group's assets and liabilities.

Integrated annual report

The Committee fulfils an oversight role regarding the integrated reporting process.

Accordingly, the Committee:

- has considered the integrated annual report and has assessed the consistency with operational, financial and other information known to the Committee members, and for consistency with the consolidated and separate financial statements;
- is satisfied that the integrated annual report is materially accurate, complete and reliable and consistent with the consolidated and separate financial statements; and
- recommended for approval on 30 June 2017, the integrated annual report for the year ended 28 February 2017 for approval by the board.

Governance of risk

The Committee is responsible for overseeing the governance of risk across the Group. The risk management framework has been revised and adopted by the board based on the Committee's recommendations, and its continued implementation will be managed by the Chief Risk Officer. In addition, a combined assurance framework was approved by the Committee during the year and, based on this framework, management has set up a working group to manage this framework and to report back to the Committee as to their adherence thereto.

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

Internal audit

The Committee is mandated to ensure that the internal audit function is independent, properly resourced and effective within the Group. The internal audit function is performed by the in-house audit team, led by H Lamprecht, the Chief Audit Executive (CAE). To maintain independence, the CAE reports functionally to the Committee and, only from an administrative perspective, to the CFO.

Significant areas of judgement

In arriving at the figures disclosed in the consolidated and separate financial statements, there are many areas where judgement is needed. The ARC has considered the quantum of the assets and liabilities on the statement of financial position and other items that require significant judgement and decided to expand on the following:

- Goodwill and intangible assets
- Trade receivables
- Acquisitions
- Tax

Goodwill and intangible assets

Goodwill and other indeterminate useful life intangible assets are assessed annually for impairment. The key assumptions used are cash flow projections, growth rates and discount rates applied. The cash flow projections are approved by senior management. The discount rates are established taking into account the geographic and other risk factors relating to the particular cash-generating unit being assessed. The ARC considered the impairment tests, noting the assumptions used, their sensitivities and the head room.

The Committee agreed with the impairment of the goodwill and intangible assets and that the carrying value of the goodwill is fairly stated.

Trade receivables

The major risk relating to this asset is credit risk. Credit extension assessment processes are the responsibility of management. The Audit Committee has assessed that these are adequate and has examined the aging of the Group's trade receivables. Based on the aging and management's judgement of the receivables' collectability, a provision for doubtful debts is raised.

The Committee considers the carrying value of trade receivables to be fairly stated.

Acquisitions

The ARC applies the principles of IFRS 3 and designates assets acquired and liabilities assumed on the basis of the contractual terms, economic conditions, operating and accounting policies, and other pertinent conditions existing at the acquisition date.

Acquired intangible assets are recognised and measured at fair value in accordance with the principles if it is separable or arises from other contractual rights.

The Committee considers the accounting for the acquisition made during the year to be fairly stated.

Tax

The Group operates in different jurisdictions with complex tax legislation requiring judgements in recognising tax liabilities. There are also judgements needed in recognising deferred tax assets.

The ARC questioned management on the computation and tax risks relating to the Group. Where appropriate, the ARC also considers the opinions of the Group's independent tax advisers. The ARC considers the probability of the recovery of significant deferred tax assets, based on forecasts prepared by management.

The effective tax rate of 31% was up compared to 17% in the prior year, mainly due to higher impairment of goodwill and other intangible assets which are not tax deductible and the deferred tax liability as mentioned above.

Evaluation of the expertise and experience of the Chief Financial Officer and the finance function

The Committee has considered and is satisfied with the appropriateness of the expertise and experience of the CFO. The Committee believes that the adequacy of resources within the finance function needs to be strengthened.

Going concern

Based on the results of management's assessment of the solvency and liquidity and the applicability of the going-concern assertion as to the affairs of the Group, the Committee concluded to the board that the company shall be a going concern for the foreseeable future.

The Committee is satisfied that it has met the requirements of its terms of reference.



TDA Ross

Chairperson, Audit and Risk Committee

23 May 2017

Directors' report

for the year ended 28 February 2017

The directors have pleasure in submitting their report and consolidated and separate financial statements for the year ended 28 February 2017.

Nature of business

Adcorp Holdings Limited is an investment holding company whose subsidiaries carry on business in South Africa, rest of Africa, Singapore and Australia. Areas of activities include the permanent recruitment and flexible staffing sectors, professional IT services, as well as the provision of business process outsourcing, training and financial services.



Share capital

The authorised share capital is 183 177 151 ordinary shares of 2,5 cents per share. The issued share capital of the company at 28 February 2017 was 109 954 675 shares of 2,5 cents per share.

Movements in share capital during the year are shown below:

Group	Number 000's	R'000
Opening balance 1 March 2015	109 371	2 734
Issue of shares: Employee share scheme	584	15
Opening balance 1 March 2016	109 955	2 749
Closing balance 28 February 2017	109 955	2 749

Share premium

Movements in share premium during the year are shown below:

	2017 R'000	2016 R'000
Opening balance 1 March 2016	1 738 109	1 718 856
Employee share option scheme:		
583 875 shares issued at premium of R32,98 per share	-	19 253
Closing balance 28 February 2017	1 738 109	1 738 109

Dividend

An interim dividend of 20 cents per share was paid on 5 December 2016.

In the current financial year no final dividend was declared.

Adcorp Holdings 2006 Share Trust

Under the Adcorp Holdings 2006 Share Trust, eligible employees were awarded conditional allocations of share appreciation rights (SARs). The scheme also makes provision for the award of performance shares (PFs).

As at 28 February 2017, only PFs were allocated. On the assumption of being equity settled into the future, it is not possible to determine the quantity of ordinary shares required to discharge this commitment in full. There is no amount payable by participants on exercise. They will receive shares, or be cash-settled, equal to the value of the share price on the future exercise date.

Opening balance 1 March 2016				Option granted/(cancelled)/(exercised)			Closing balance 28 February 2017		
Quantity	Price (R)	Value (R)	Date option granted (R)	Quantity PFs granted	Price (R)	Value (R)	Quantity	Price (R)	Value (R)
1 716 000	33,80	58 000 800 [#]	27/02/2014	(266 000)	33,80	(8 281 000)	1 450 000	33,80	49 010 000
2 002 500	31,64	63 359 100 [#]	19/02/2015	(367 400)	31,64	(3 322 200)	1 635 100	31,64	51 734 564
100 000	32,50	3 250 000 [#]	01/07/2015	(100 000)	32,50	-	-	32,50	-
3 818 500		124 609 900		(733 400)		(88 388 860)	3 085 100		100 744 564

[#] PFs

Summarised as follows:

PFs	(733 400)	3 085 100
-----	-----------	-----------

Adcorp Employee Benefit Trust 2 (AEBT2)

As advised in the circular to shareholders dated 18 April 2013, Adcorp concluded the 2007 BBBEE transaction prior to the global financial crisis, and the growth assumptions and other variables which were applied in the then deal subsequently turned out to be inappropriate for the post-global financial crisis environment. As a result, the 2007 BBBEE transaction was unlikely to materialise any value to Adcorp's strategic 2007 BBBEE partners by 2017, which was the end date of the 2007 BBBEE transaction.

On 20 May 2013, shareholders approved the 2013 BBBEE transaction and the unwinding of the 2007 BBBEE transaction. As a consequence thereof, authority was obtained to repurchase the Adcorp 'A' ordinary shares and to issue Adcorp 'B' ordinary shares to a new trust called Adcorp Employee Benefit Trust 2 (AEBT2).

As at 28 February 2017, AEBT2 owns 6 729 140 (2016: 6 729 140) Adcorp 'B' ordinary shares on behalf of the employees of Adcorp. These shares are represented by units which were allocated to all Adcorp employees in the Group at the time of the initial allocation, which was August 2013.

Units which are forfeited due to employees leaving early are reallocated to employees, however, the total number of 'B' ordinary shares does not change. Based on the amount of the notional debt that has been paid down as at 28 February 2017 and using the same share price at that date, given the 10-year vesting period, the theoretical number of shares that would have vested is 6 729 140.

Further details of the issue of the Adcorp 'B' ordinary shares to AEBT2 appears on page 112.

Subsidiaries and associates

Details of the company's operating subsidiaries and associates are set out in Annexure A on pages 137 to 142.

The summarised attributable interest of the company in the profits and losses of its subsidiary companies is as follows:

	2017 R'000	2016 R'000
Total profit after taxation	440 686	453 847
Total losses after taxation	(577 041)	(236 787)
	(136 355)	217 060

Directors' report continued

for the year ended 29 February 2016

Significant shareholders

Details of significant shareholders are included on page 143.

Special resolutions

At the annual general meeting (AGM) held on 25 August 2016, Adcorp's shareholders passed the following special resolutions during the year for the purposes indicated:

- Special resolution 1: To approve, in terms of section 66(8) read with section 66(9) of the Companies Act of South Africa, the remuneration payable to executive and non-executive directors for their services as directors.
- Special resolution 2: To approve that the Company and/or any subsidiary of the Company be authorised to repurchase shares issued by the Company.
- Special resolution 3: To approve, in terms of section 44 read with section 45 of the Companies Act of South Africa, that the Company provide financial assistance for the subscription of any debt securities and the provision of any loans or other financial assistance to present or future related and inter-related companies.

Statutory information

The company was incorporated in the Republic of South Africa on 16 July 1974. The registration number is 1974/001804/06. For details of the registered office, acting Company Secretary and auditors refer to the inside back cover.

Directors

The directors during the year are as follows:

Name	Designation	Gender	Nationality	Resigned/appointment
RL Pike	Executive	Male	South African	
A Guharoy	Executive	Male	Singaporean	Resigned 31 October 2016
BE Bulunga	Executive	Male	South African	
AM Sher	Executive	Male	South African	Resigned 31 January 2017
PC Swart	Executive	Male	South African	
MJN Njeke	Non-executive	Male	South African	
JA Boggenpoel	Non-executive	Female	South African	Appointed 1 January 2017
GP Dingaen	Non-executive	Male	South African	
SN Mabaso-Koyana	Non-executive	Female	South African	
C Maswanganyi **	Non-executive	Male	South African	
ME Mthunzi	Non-executive	Male	South African	
NS Ndhlahi	Non-executive	Male	South African	
MR Ramaite *	Non-executive	Male	South African	
TDA Ross	Non-executive	Male	South African	
MW Spicer	Non-executive	Male	South African	

* MR Ramaite is the alternate director to C Maswanganyi, effective from 1 March 2017, and was previously a director.

** C Maswanganyi was previously an alternate director to MR Ramaite.

Directors' remuneration and interests held

Details of directors' remuneration and interests held appear on pages 129 to 132 of the consolidated and separate financial statements.

Directors' interest in contracts

No material contracts involving directors' interests were entered into in the current year. The directors had no interest in any third party or company responsible for managing any of the business activities of Adcorp.

Events after reporting date

Cheryl-Jane Kujenga was appointed as the Group Chief Financial Officer with effect 1 July 2017.

Other than the appointment of the Group Chief Financial Officer, no events subsequent to the end of the financial year ended 28 February 2017 and prior to the approval of these consolidated and separate financial statements, no material transactions or events took place.

Going concern

The directors have a reasonable expectation that the company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, accounting policies supported by judgements, estimates and assumptions in compliance with International Financial Reporting Standards are applied on the basis that the Group and company shall continue as a going concern.

Auditors

The Audit and Risk Committee has nominated, for re-election at the annual general meeting of shareholders, Deloitte & Touche continue in office in accordance with section 94(7) of the Companies Act of South Africa.

Directorate and secretary

The names of the directors, and any changes to the directorate is set out above, and Company Secretary are set out on pages 45 to 48 and 70.

Statement of financial position

as at 28 February 2017

		CONSOLIDATED		SEPARATE	
		2017	2016	2017	2016
Notes		R'000	R'000	R'000	R'000
Assets					
Non-current assets		2 439 079	2 636 416	1 213 838	1 213 838
Property and equipment	4	111 950	137 796	-	-
Intangible assets	5	615 962	753 170	-	-
Goodwill	6	1 373 162	1 513 633	-	-
Investments	7	10 000	10 000	10 000	10 000
Investment – available-for-sale	8	-	-	-	-
Investment in subsidiaries	9	-	-	1 203 838	1 203 838
Investment in associates	10	140 808	125 249	-	-
Other financial assets	11	37 485	-	-	-
Deferred taxation	12	149 712	96 568	-	-
Current assets		3 304 993	3 741 744	2 897 795	2 875 075
Trade, other receivables and prepayments	13	2 538 182	2 795 262	450	1 591
Other financial assets	11	931	29 728	-	-
Amounts due by subsidiary companies	14	-	-	2 896 923	2 868 245
Taxation prepaid		42 709	70 690	-	4 745
Cash resources	51	723 171	846 064	422	494
Total assets		5 744 072	6 378 160	4 111 633	4 088 913
Equity and liabilities					
Capital and reserves		2 301 987	2 685 301	2 534 492	2 450 289
Share capital	15	2 749	2 749	3 170	3 170
Share premium	16	1 738 109	1 738 109	1 738 109	1 738 109
Treasury shares	17	(36 963)	(36 963)	-	-
Non-distributable reserve	18	-	-	119 918	119 918
Share-based payment reserve		128 993	121 787	128 993	121 787
Foreign currency translation reserve	19	24 289	110 737	-	-
Cash flow hedging reserve		(1 102)	(2 971)	-	-
Accumulated profit		450 485	757 363	544 302	467 305
Equity attributable to equity holders of the parent		2 306 560	2 690 811	2 534 492	2 450 289
Non-controlling interest		(5 249)	(6 186)	-	-
BEE shareholders' interest	20	676	676	-	-
Non-current liabilities		758 250	1 507 324	655 017	879 407
Other non-current liabilities – interest-bearing	21	1 991	650	-	-
Long-term loan – interest-bearing	22	649 229	1 349 502	649 229	857 322
Derivative financial instrument	23	-	4 245	-	-
Share-based payment liability	42	-	38 625	-	-
Obligation under finance lease	24	-	668	-	-
Deferred taxation	12	107 030	113 634	5 788	22 085
Current liabilities		2 683 835	2 185 535	922 124	759 217
Non-interest-bearing current liabilities		1 505 929	1 527 822	389 707	255 856
Trade and other payables	25	1 147 265	1 188 716	2 669	3 111
Share-based payment liability	42	39 067	-	-	-
Amounts due to subsidiary companies	14	-	-	384 249	252 745
Provisions	26	263 585	281 186	-	-
Other vendor payables	27	-	26 078	-	-
Derivative financial instrument	23	1 574	-	-	-
Taxation		54 438	31 842	2 789	-
Interest-bearing current liabilities		1 177 906	657 713	532 417	503 361
Current portion of other non-current liabilities	24	17 256	15 170	-	-
Short-term loans	22	720 603	274 382	272 387	223 361
Bank overdraft	51	440 047	368 161	260 030	280 000
Total equity and liabilities		5 744 072	6 378 160	4 111 633	4 088 913

Statement of comprehensive income

for the year ended 28 February 2017

	Notes	CONSOLIDATED		SEPARATE	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
Revenue	28	16 072 951	15 585 751	-	-
Cost of sales	30	(13 665 757)	(13 069 007)	-	-
Gross profit		2 407 194	2 516 744	-	-
Other income	31	74 514	128 325	536	644
Administration expenses		(1 388 777)	(1 233 713)	(23 967)	(15 834)
Marketing and selling expenses		(692 003)	(685 545)	-	(2 303)
Other operating expenses		(270 618)	(261 044)	-	-
Operating profit/(loss)	32	130 310	464 767	(23 431)	(17 493)
Interest received	33	12 300	23 669	137 622	100 783
Interest paid	34	(151 865)	(133 722)	(118 602)	(98 653)
Dividend received		-	-	232 946	510 000
Gain on bargain purchase	50	-	3 999	-	-
Impairment of intangible assets, goodwill and loans	32	(132 519)	(34 721)	-	-
Impairment of investment – available-for-sale	8	-	(54 922)	-	-
Share of profits from associates	10	23 396	23 078	-	-
Loss on sale of business	35	-	(30 056)	-	-
Loss on the sale of shares		-	(361)	-	-
Profit/(loss) on sale of property and equipment		1 014	(991)	-	-
(Loss)/profit before taxation		(117 364)	260 740	228 535	494 637
Taxation	36	(42 962)	(53 930)	(5 175)	(4 099)
(Loss)/profit for the year		(160 326)	206 810	223 360	490 538
Other comprehensive (loss)/income*					
Exchange differences on translating foreign operations	19	(86 448)	106 445	-	-
Realised foreign exchange gains through profit and loss on disposal of business	35	-	7 734	-	-
Exchange differences arising on the net investment of a foreign operation		(41 905)	63 456	(41 905)	63 456
Fair value adjustment of derivative financial instrument		1 869	(580)	-	-
Non-controlling interest		(1 682)	862	-	-
Other comprehensive (loss)/income for the year, net of tax		(128 166)	177 917	(41 905)	63 456
Total comprehensive (loss)/income for the year		(288 492)	384 727	181 455	553 994
(Loss)/profit attributable to:					
Owners of the parent		(162 008)	207 672	223 360	490 538
Non-controlling interest		1 682	(862)	-	-
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(288 492)	384 727	181 455	553 994
Non-controlling interest		1 682	(862)	-	-
(Loss)/earnings per share					
Basic (cents)	37	(149,5)	192,0	-	-
Diluted (cents)	37	(145,3)	185,4	-	-
Approved dividends to shareholders		95	148	-	-
Interim dividend (cents)		20	60	-	-
Final dividend (cents) in respect of prior year		75	88	-	-

* All items included in other comprehensive (loss)/income will be reclassified to profit and loss upon derecognition.

Statement of changes in equity

for the year ended 28 February 2017

	Share capital R'000	Share premium R'000	Treasury shares R'000	Non- distributable reserve R'000
Consolidated				
Balance as at 28 February 2015	2 733	1 718 856	(12 990)	-
Issue of ordinary shares under employee share option plan	16	19 253	-	-
Dividend distributions	-	-	-	-
Recognition of BBBEE and staff share-based payments	-	-	-	-
Treasury shares acquired during the year	-	-	(23 973)	-
Movement in BEE shareholders' interest	-	-	-	-
Profit for the year	-	-	-	-
Other comprehensive income/(loss) for the year	-	-	-	-
Realised foreign exchange gains through profit and loss on disposal of business	-	-	-	-
Minority interest	-	-	-	-
Balance as at 29 February 2016	2 749	1 738 109	(36 963)	-
Dividend distributions	-	-	-	-
Recognition of BBBEE and staff share-based payments	-	-	-	-
Loss for the year	-	-	-	-
Other comprehensive (loss)/income for the year	-	-	-	-
Minority interest	-	-	-	-
Balance as at 28 February 2017	2 749	1 738 109	(36 963)	-
Separate				
Balance as at 28 February 2015	3 154	1 718 856	-	119 918
Issue of ordinary shares under employee share option plan	16	19 253	-	-
Dividend distributions	-	-	-	-
Recognition of BBBEE and staff share-based payments	-	-	-	-
Profit for the year	-	-	-	-
Other comprehensive income for the year	-	-	-	-
Balance as at 29 February 2016	3 170	1 738 109	-	119 918
Dividend distributions	-	-	-	-
Recognition of BBBEE and staff share-based payments	-	-	-	-
Profit for the year	-	-	-	-
Other comprehensive income for the year	-	-	-	-
Balance as at 28 February 2017	3 170	1 738 109	-	119 918

Share-based payment reserve R'000	Foreign currency translation reserve R'000	Cash flow hedging reserve R'000	Retained earnings R'000	Attributable to equity holders of the parent R'000	Non- controlling interest R'000	BEE share- holders' interest R'000	Total R'000
114 581	(3 442)	(2 391)	650 806	2 468 153	(4 042)	921	2 465 032
-	-	-	-	19 269	-	-	19 269
-	-	-	(164 571)	(164 571)	-	-	(164 571)
7 206	-	-	-	7 206	-	-	7 206
-	-	-	-	(23 973)	-	-	(23 973)
-	-	-	-	-	-	(245)	(245)
-	-	-	207 672	207 672	(862)	-	206 810
-	106 445	(580)	63 456	169 321	-	-	169 321
-	7 734	-	-	7 734	-	-	7 734
-	-	-	-	-	(1 282)	-	(1 282)
121 787	110 737	(2 971)	757 363	2 690 811	(6 186)	676	2 685 301
-	-	-	(102 965)	(102 965)	-	-	(102 965)
7 206	-	-	-	7 206	-	-	7 206
-	-	-	(162 008)	(162 008)	1 682	-	(160 326)
-	(86 448)	1 869	(41 905)	(126 484)	-	-	(126 484)
-	-	-	-	-	(745)	-	(745)
128 993	24 289	(1 102)	450 485	2 306 560	(5 249)	676	2 301 987
114 581	-	-	79 329	2 035 838	-	-	2 035 838
-	-	-	-	19 269	-	-	19 269
-	-	-	(166 018)	(166 018)	-	-	(166 018)
7 206	-	-	-	7 206	-	-	7 206
-	-	-	490 538	490 538	-	-	490 538
-	-	-	63 456	63 456	-	-	63 456
121 787	-	-	467 305	2 450 289	-	-	2 450 289
-	-	-	(104 458)	(104 458)	-	-	(104 458)
7 206	-	-	-	7 206	-	-	7 206
-	-	-	223 360	223 360	-	-	223 360
-	-	-	(41 905)	(41 905)	-	-	(41 905)
128 993	-	-	544 302	2 534 492	-	-	2 534 492

Segment report

for the year ended 28 February 2017

	Industrial	Support services	Professional services	Training
Revenue				
- 2017 (R'000)	8 254 712	1 582 604	5 818 527	251 323
- 2016 (R'000)	9 021 122	1 438 836	4 785 485	176 298
Internal revenue				
- 2017 (R'000)	117 320	83 302	4 343	40 539
- 2016 (R'000)	71 354	90 038	-	68 459
Operating profit/(loss)				
- 2017 (R'000)	116 296	8 838	153 625	11 972
- 2016 (R'000)	400 128	65 228	113 453	12 234
Normalised* EBITDA excluding lease-smoothing and transaction costs				
- 2017 (R'000)	169 780	11 904	182 016	14 766
- 2016 (R'000)	446 007	68 991	160 834	16 091
Normalised* EBITDA excluding lease-smoothing and transaction costs				
- 2017 (%)	2,1	0,8	3,1	5,9
- 2016 (%)	4,9	4,8	3,4	9,1
Normalised* EBITDA excluding lease-smoothing, transaction costs as a contribution % to Group normalised* EBITDA				
- 2017 (%)	55,9	3,9	59,9	4,9
- 2016 (%)	71,7	11,1	25,9	2,6
Depreciation and amortisation				
- 2017 (R'000)	63 131	13 629	28 816	4 255
- 2016 (R'000)	57 980	12 175	47 805	5 641
Interest income				
- 2017 (R'000)	41 989	8 567	11 424	186
- 2016 (R'000)	41 816	8 015	2 486	102
Interest expense				
- 2017 (R'000)	(49 109)	(9 313)	(52 418)	(4 328)
- 2016 (R'000)	(53 046)	(3 436)	(17 795)	(5 027)
Taxation expense/(income)				
- 2017 (R'000)	20 927	1 805	9 057	(1 462)
- 2016 (R'000)	28 068	1 650	2 247	(2 211)
Net asset values				
- 2017 (R'000)	1 629 435	178 243	856 311	71 795
- 2016 (R'000)	1 793 487	234 032	701 166	40 517
Asset carrying value				
- 2017 (R'000)	2 297 125	354 308	1 358 394	97 002
- 2016 (R'000)	2 555 311	379 170	1 123 355	66 425
Liabilities carrying value				
- 2017 (R'000)	667 690	176 065	502 083	25 207
- 2016 (R'000)	761 824	145 138	422 189	25 908
Additions to property and equipment				
- 2017 (R'000)	4 645	670	19 190	542
- 2016 (R'000)	26 740	4 677	14 766	1 522
Tangible assets				
- 2017 (R'000)	54 544	5 476	26 486	1 668
- 2016 (R'000)	77 051	10 734	21 070	2 533

* Normalised earnings is defined as operating profit adjusted for depreciation, amortisation of intangibles, lease-smoothing and one-off transaction costs relating to acquisitions.

** International represents operations in Africa, Australia and Asia-Pacific regions.

*** In the current year Financial services is disclosed separately from BPO and training for better disclosure.

In the current financial year, operating entities are reallocated from Industrial to Support services, Support services to Professional IT services and Central/Shared services were combined to reflect how the Group is managed in the current year. Comparative figures are disclosed on the same basis.

Financial services***	Subtotal	Central	Total	International**	South Africa	Total
163 670 162 019	16 070 836 15 583 760	2 115 1 991	16 072 951 15 585 751	6 564 162 5 778 324	9 508 789 9 807 427	16 072 951 15 585 751
- -	245 504 229 851	823 1 777	246 327 231 628	- -	246 327 231 628	246 327 231 628
38 744 42 771	329 475 633 814	(199 165) (169 047)	130 310 464 767	(103 702) 90 794	234 012 373 973	130 310 464 767
40 916 45 397	419 382 737 320	(115 596) (115 541)	303 786 621 779	(2 743) 150 083	306 529 471 696	303 786 621 779
25,0 28,0	2,6 4,7	- -	1,9 4,0	(0,0) 2,6	3,2 4,8	1,9 4,0
13,5 7,3	138,1 118,6	(38,1) (18,6)	100,0 100,0	(0,9) 24,1	100,9 75,9	100,0 100,0
2 266 2 533	112 097 126 134	32 397 15 659	144 494 141 793	74 313 62 797	70 181 78 996	144 494 141 793
18 660 15 645	80 826 68 064	(68 526) (44 395)	12 300 23 669	4 838 19 422	7 462 4 247	12 300 23 669
(2 312) (849)	(117 480) (80 153)	(34 385) (53 569)	(151 865) (133 722)	(53 466) (25 156)	(98 399) (108 566)	(151 865) (133 722)
11 837 11 426	42 164 41 180	798 12 750	42 962 53 930	55 811 41 275	(12 849) 12 655	42 962 53 930
202 727 193 717	2 938 511 2 962 919	(636 524) (277 618)	2 301 987 2 685 301	1 189 584 1 137 045	1 112 403 1 548 256	2 301 987 2 685 301
220 467 214 353	4 327 296 4 338 614	1 416 776 2 039 546	5 744 072 6 378 160	2 227 237 2 412 659	3 516 835 3 965 501	5 744 072 6 378 160
17 740 20 636	1 388 785 1 375 695	2 053 300 2 317 164	3 442 085 3 692 859	1 037 653 1 275 614	2 404 432 2 417 245	3 442 085 3 692 859
2 442 1 439	27 489 49 144	5 337 27 034	32 826 76 178	7 995 27 872	24 831 48 306	32 826 76 178
4 161 3 117	92 335 114 505	19 615 23 291	111 950 137 796	43 284 64 137	68 666 73 659	111 950 137 796

Statement of cash flows

for the year ended 28 February 2017

	Notes	CONSOLIDATED		SEPARATE	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
Operating activities					
(Loss)/profit before taxation and dividends		(117 364)	260 740	(4 411)	(15 363)
Adjusted for:					
Dividend received		-	-	232 946	510 000
Depreciation		37 311	35 962	-	-
Gain on bargain purchase		-	(3 999)	-	-
Impairment of intangible assets, goodwill and loans		132 519	34 721	-	-
Impairment of investment – available-for-sale		-	54 922	-	-
Share profits from associates		(23 396)	(23 078)	-	-
Loss on sale of business		-	30 056	-	-
Loss on the sale of shares		-	361	-	-
(Profit)/loss on disposal of property and equipment		(1 014)	991	-	-
Amortisation of intangible assets		107 183	105 831	-	-
Amortisation of intangible assets – acquired in a business combination		87 394	77 486	-	-
Amortisation of intangible assets – other than those acquired in a business combination		19 789	28 345	-	-
Share-based payments		7 647	(31 164)	7 206	-
Share-based payment expense	42	7 206	43 514	7 206	-
Revaluation of share-based payment liability		441	(74 678)	-	-
Unrealised foreign exchange gains		30 231	(11 859)	-	-
Non-cash portion of operating lease rentals		2 314	1 781	-	-
Increase in bad debt provision	13	(26 608)	-	-	-
Interest received		(12 300)	(23 669)	(137 622)	(100 783)
Interest paid		151 865	133 722	118 602	98 653
Cash generated from operations before working capital changes		288 388	565 318	216 721	492 507
Decrease/(increase) in trade and other receivables and prepayments		222 935	(343 661)	1 142	2 255
Increase in bad debt provision	13	-	(1 861)	-	-
Increase in other financial assets		(8 688)	(29 728)	-	-
(Decrease)/increase in trade and other payables		(45 088)	126 090	(442)	1 438
(Decrease)/increase in provisions	26	(17 601)	37 148	-	-
Net movement in holding and fellow subsidiaries intercompany accounts		-	-	44 624	(709 319)
Cash generated/(utilised) by operations		439 946	353 306	262 044	(213 119)
Interest received		12 300	23 669	137 622	100 783
Interest paid		(151 865)	(133 722)	(118 602)	(98 653)
Taxation paid	47	(31 632)	(110 296)	2 359	(5 019)
Cash settlement of share options exercised		-	(74 678)	-	-
Dividend paid	48	(102 965)	(164 571)	(104 458)	(166 018)
Net cash generated/(utilised) by operating activities		165 784	(106 292)	178 965	(382 026)

		CONSOLIDATED		SEPARATE	
	Notes	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Investing activities					
Additions to property, equipment and intangible assets	49	(81 692)	(102 331)	-	-
Proceeds from sale of property and equipment		5 874	13 821	-	-
Acquisition of businesses	50	(12 152)	(267 214)	-	-
Net proceeds on the sale of business	35	-	6 953	-	-
Acquisition of investment		-	(10 000)	-	(10 000)
Dividends received from associates		7 837	-	-	-
Minority interest		(745)	(1 282)	-	-
Net cash utilised by investing activities		(80 878)	(360 053)	-	(10 000)
Financing activities					
Issue of shares under employee share option scheme		-	19 269	-	19 269
Treasury shares acquired		-	(23 973)	-	-
Net processed of repurchase of 'A' shares		-	(607)	-	-
Loans repaid		(300 853)	(124 081)	(300 853)	-
Loans raised		46 801	490 085	141 786	163 041
Other liabilities – interest-bearing		445	(1 028)	-	-
(Decrease)/increase in vendor payables		(26 078)	13 458	-	-
Net cash (utilised)/generated by financing activities		(279 685)	373 123	(159 067)	182 310
Net increase in cash and cash equivalents		(194 779)	(93 222)	19 898	(209 716)
Cash and cash equivalents at the beginning of the year		477 903	571 125	(279 506)	(69 790)
Cash and cash equivalents at the end of the year	51	283 124	477 903	(259 608)	(279 506)

Notes to the annual financial statements

for the year ended 28 February 2017

1. Accounting framework

The Group applies all applicable International Financial Reporting Standards (IFRS) in preparation of the financial statements.

Consequently, all IFRS statements that were effective at 28 February 2017 and are relevant to its operations have been applied.

At the date of authorisation of these financial statements, the following standards, which have not been applied in these financial statements, were in issue but not yet effective:

Standards not yet effective

New/revised International Financial Reporting Standards		Effective date
IFRS 1: <i>First-time Adoption of International Financial Reporting Standards</i>	39AD Annual Improvements to IFRS Standards 2014–2016 Cycle, issued in December 2016, amended paragraphs 39L and 39T and deleted paragraphs 39D, 39F, 39AA and E3–E7. An entity shall apply those amendments for annual periods beginning on or after 1 January 2018.	Annual period beginning on or after 1 January 2018
IFRS 9: <i>Financial Instruments</i>	This Standard supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013). However, for annual periods beginning before 1 January 2018, an entity may elect to apply those earlier versions of IFRS 9 instead of applying this Standard if, and only if, the entity's relevant date of initial application is before 1 February 2015. Despite the requirement in paragraph 7.2.1, an entity that adopts the classification and measurement requirements of this Standard (which include the requirements related to amortised cost measurement for financial assets and impairment in Sections 5.4 and 5.5) shall provide the disclosures set out in paragraphs 42L–42O of IFRS 7 but need not restate prior periods. The entity may restate prior periods if, and only if, it is possible without the use of hindsight. If an entity does not restate prior periods, the entity shall recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application in the opening retained earnings (or other component of equity, as appropriate) of the annual reporting period that includes the date of initial application. However, if an entity restates prior periods, the restated financial statements must reflect all of the requirements in this Standard. If an entity's chosen approach to applying IFRS 9 results in more than one date of initial application for different requirements, this paragraph applies at each date of initial application (see paragraph 7.2.2). This would be the case, for example, if an entity elects to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss in accordance with paragraph 7.1.2 before applying the other requirements in this Standard.	Annual period beginning on or after 1 January 2018

New/revised International Financial Reporting Standards	Effective date
IFRS 15: <i>Revenue from Contracts with Customers</i> The Standard should be applied in an entity's IFRS financial statements for annual reporting periods beginning on or after 1 January 2017. Earlier application is permitted. An entity that chooses to apply IFRS 15 earlier than 1 January 2017 should disclose this fact in its relevant financial statements when it has done so. There are also transitional exemptions and practical expedients available to entities on initial adoption of IFRS 15. The Standard should be applied in an entity's IFRS financial statements for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. An entity that chooses to apply IFRS 15 earlier than 1 January 2018 should disclose this fact in its relevant financial statements. [IFRS 15:C1] When first applying IFRS 15, entities should apply the standard in full for the current period, including retrospective application to all contracts that were not yet complete at the beginning of that period. In respect of prior periods, the transition guidance allows entities an option to either: [IFRS 15:C3] 1) apply IFRS 15 in full to prior periods (with certain limited practical expedients being available); or 2) retain prior period figures as reported under the previous standards, recognising the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of equity as at the date of initial application (beginning of current reporting period).	Annual periods beginning on or after 1 January 2018
IFRS 16: <i>Leases</i> An entity shall apply this Standard for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15: <i>Revenue from Contracts with Customers</i> at or before the date of initial application of this Standard. If an entity applies this Standard earlier, it shall disclose that fact. As a practical expedient, an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, the entity is permitted: a) to apply this Standard to contracts that were previously identified as leases applying IAS 17: <i>Leases</i> and IFRIC 4: <i>Determining whether an Arrangement contains a Lease</i>. The entity shall apply the transition requirements in paragraphs C5–C18 to those leases; and b) not to apply this Standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. A lessee shall apply this Standard to its leases either: a) retrospectively to each prior reporting period presented applying IAS 8: <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>; or b) retrospectively with the cumulative effect of initially applying the Standard recognised at the date of initial application in accordance with paragraphs C7–C13. A lessee shall apply the election described in paragraph C5 consistently to all of its leases in which it is a lessee. Except as described in paragraph C15, a lessor is not required to make any adjustments on transition for leases in which it is a lessor and shall account for those leases applying this Standard from the date of initial application.	Annual periods beginning on or after 1 January 2019

Notes to the annual financial statements continued

for the year ended 28 February 2017

1. Accounting framework continued

New/revised International Financial Reporting Standards		Effective date
IAS 7: <i>Cash Flow Statement</i>	Disclosure Initiative (Amendments to IAS 7), issued in January 2016, added paragraphs 44A–44E. An entity shall apply those amendments for annual periods beginning on or after 1 January 2017. Earlier application is permitted. When the entity first applies those amendments, it is not required to provide comparative information for preceding periods.	Annual periods beginning on or after 1 January 2017
IAS 12: <i>Income Taxes</i>	Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12), issued in January 2016, amended paragraph 29 and added paragraphs 27A, 29A and the example following paragraph 26. An entity shall apply those amendments for annual periods beginning on or after 1 January 2017. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact. An entity shall apply those amendments retrospectively in accordance with IAS 8: <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> . However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If an entity applies this relief, it shall disclose that fact.	Annual periods beginning on or after 1 January 2017
IAS 28: <i>Investments in Associates and Joint Ventures</i>	45E Annual Improvements to IFRS Standards 2014–2016 Cycle, issued in December 2016, amended paragraphs 18 and 36A. An entity shall apply those amendments retrospectively in accordance with IAS 8 for annual periods beginning on or after 1 January 2018. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.	Annual periods beginning on or after 1 January 2018
IAS 40: <i>Investment Property</i>	85G Transfers of Investment Property (Amendments to IAS 40), issued in December 2016, amended paragraphs 57–58 and added paragraphs 84C–84E. An entity shall apply those amendments for annual periods beginning on or after 1 January 2018. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.	Annual periods beginning on or after 1 January 2018

2. Significant accounting policies

Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards.

Basis of preparation

The consolidated and separate financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. In all material respects, these policies have been followed by all companies in the Group and are consistent with the prior year.

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council.

The reports and statements as set out in the consolidated and separate financial statements are presented to the shareholders in terms of section 61.7 of the South African Companies Act.

Level of assurance

These consolidated and separate financial statements have been audited in compliance with the applicable requirements of the South African Companies Act.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 value 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. Fair value for measurement and/or disclosure purposes in these consolidated and separate financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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.

The principal accounting policies are set out below:

Basis of consolidation

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 at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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 to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the 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.

Notes to the annual financial statements continued

for the year ended 28 February 2017

2. Significant accounting policies continued

Foreign currencies

In preparing the consolidated and separate financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated and separate financial statements, the assets and liabilities of the Group's foreign operations are translated into currency units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income and accumulated in equity.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements, are recognised and measured in accordance with IAS 12: *Income Taxes* and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see note 3.16.2); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds 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 interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value (ie the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date

that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest was disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit 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 cash-generating unit 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 cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is defined as the ability to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated and separate financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds its interest in the associate, the Group discontinues recognising its share of further losses. Additional losses are only recognised to the extent that the Group has a legal or constructive obligation, or has made payments on behalf of the associate.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36: *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in these consolidated and separate financial statements only to the extent of interests in the associate that are not related to the Group.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is charged so as to write off the cost or valuation of the assets over their estimated useful lives to its residual value, using the straight-line method, on the following basis:

Land is not depreciated	-
Buildings owned and occupied	2,86%
Computers and office equipment	20% – 33%
Furniture and fittings	10% – 16,7%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease. Useful lives and residual values are reassessed on an annual basis.

The gain 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 comprehensive income.

Impairment of property and equipment

Where 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 whenever the carrying amount of the asset exceeds its recoverable amount.

Notes to the annual financial statements continued

for the year ended 28 February 2017

2. Significant accounting policies continued

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method 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 – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been 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.
- The ability to measure reliably the expenditure attributable to the intangible asset 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.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains 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.

Impairment of tangible and intangible assets other than goodwill

The carrying amounts of the Group's assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated.

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 whenever the carrying amount of the asset exceeds its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in the prior years.

A reversal of an impairment loss is recorded in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is recognised on the temporary differences between the carrying amounts of assets and liabilities in the consolidated and separate financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of the other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of the deferred tax assets is reviewed at the end of each reporting period 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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Deferred tax 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 tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group has become party to contractual provisions of the instrument.

Impairment of financial assets

Where 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 whenever the carrying amount of the asset exceeds its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in the prior years.

A reversal of an impairment loss is recorded in profit or loss.

Investments

Investments in securities are recognised on a trade date basis and are initially measured at fair value. Investments are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the statement of financial position date. Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For available-for-sale investments, unrealised gains or losses are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period. Proceeds from disposals which are not due within one year have been discounted to net present value.

Investment - available-for-sale

The Group also has an investment in unlisted shares that are not traded in an active market but are also classified as a financial asset and stated at fair value at the end of each reporting period. Fair value is determined in the manner described in note 8.

Trade and other receivables

Trade and other receivables may carry any interest and are stated at their nominal value. Trade and other receivables are reduced by appropriate allowances for estimated irrecoverable amounts.

Loans to/(from) Group companies

These include loans to and from subsidiaries and associates and are recognised initially at fair value plus direct transaction costs. Loans to Group companies are classified as loans and receivables. Loans from Group companies are classified as financial liabilities measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other payables

Trade and other payables do not carry any interest and are stated at their nominal value.

Notes to the annual financial statements continued

for the year ended 28 February 2017

2. Significant accounting policies continued

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded as the proceeds received, net of direct issue costs.

Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate risk, which includes interest rate swaps.

These derivative financial instruments are initially recognised in the statement of financial position at fair value on the date which a derivative contract is entered into (the best evidence of fair value on day one is the transaction price) and subsequently remeasured at their fair value on reporting date. The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option-pricing models, as appropriate, and from other service providers (banks, corporate financiers), as the case may be. All derivatives are carried as derivative financial assets when fair value is positive and as derivative financial liabilities when fair value is negative.

Hedge accounting

The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or
- hedges of highly probable forecast transactions (cash flow hedge).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions, is documented. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are expected to be and have been highly effective in offsetting changes in fair values or cash flows of hedged items.

When derivative instruments do not qualify for hedge accounting, changes in the fair value of all such derivative instruments are recognised immediately in profit or loss.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used, is amortised to profit or loss over the period to maturity.

Cash flow hedges

The Group recognises fair value changes of derivatives that are designated and qualify as cash flow hedges and prove to be highly effective in relation to the hedged risk, in the cash flow hedging reserve in the statement of other comprehensive income (equity). The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Financial asset or liability

Amounts accumulated in the statement of other comprehensive income (equity) are recycled to profit or loss in the period in which the hedged item will affect the profit or loss. Where the forecast transaction subsequently results in the recognition of a financial asset or liability, the gains or losses deferred in equity are transferred from the statement of other comprehensive income (equity) when the financial asset or liability is sold or impaired.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

Liability at amortised cost

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or a shorter period, to the net carrying amount on initial recognition.

Equity instruments

Equity instruments are recorded at the proceeds received, net of direct issue costs.

Share-based payments

The Group complies with the requirements of IFRS 2: *Share-based Payments*.

The Group has issued equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of the Black-Scholes model. The expected life used in this model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

For cash-settled share-based payment transactions, the services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is remeasured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the year. The fair value is measured by use of a standard present value model.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) 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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales-related taxes.

Revenue comprises mainly the invoice value of services rendered to customers, as well as commission received and training course income. Revenue excludes value-added tax and is recognised at the date the services are rendered.

Cost of sales

Cost of sales consists of direct costs of temporary assignees, advertising costs incurred in recruitment and direct expenditure in respect of public relations, research and training courses.

Dividend income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Investment income

Investment income is recognised on the accrual basis by reference to the principal outstanding and the effective applicable interest rates.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Rentals payable/receivable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Employee benefits

Payments to defined contribution retirement benefit plans (either provident or pension funds) and medical aid contributions are recognised as an expense when employees have rendered services entitling them to the contributions. All employee benefits cease on termination of employment.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the annual financial statements continued

for the year ended 28 February 2017

3. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in note 2, management has made the following judgements that have a significant effect on the amounts recognised in the consolidated and separate financial statements:

Provision for bad debts

The provision was measured at the Group's best estimate of future unrecoverable trade receivables, taking into account circumstances prevailing at year-end. Details of the provision are provided in note 13.

Provision for leave pay

In making its judgement, the provision for leave pay was measured at the Group's best estimate of the expenditure required to settle the obligation at balance sheet date in accordance with the Basic Conditions of Employment Act. Details of the provision for leave pay are provided in note 26.

Revenue recognition

Judgement is involved in determining the date upon which services are rendered and as such revenue is recorded or deferred in accordance with revenue recognition policy while ensuring that this is compliant with IAS 18: *Revenue*.

Purchase price allocation relating to acquisitions

The Group has exercised judgement in determining the purchase price allocation, intangible assets and resulting goodwill relating to the acquisition of the business acquired. Details of acquisitions are included in note 50.

The free cash flow method was used and the key estimates involved were growth rates, discount rate, as well as return on the contracts or key customer relationships.

Recognition of taxation

Income tax

The Group has exercised judgement in considering regulations of various tax authorities with respect to transfer pricing regulations, tax implications on intercompany transactions, loans and other tax positions. Where there is uncertainty, provision is made on the most probable outcome. Details of income tax disclosure are provided in note 36.

Deferred tax

The Group has exercised judgement in determining whether deferred tax assets should be recognised. Judgement is involved in determining the extent to which it is probable that taxable profit in the various subsidiaries will be available against which the deferred tax assets will be utilised. Details of these deferred tax assets are provided in note 12.

Investment in assets available-for-sale

The Group carries its available-for-sale assets at fair value. The directors believe that its current carrying value is reflective of its fair value.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill is allocated. The value-in-use calculation requires the entity to estimate future cash flows expected to arise from the cash-generating unit and to determine a suitable discount rate in order to calculate present value. Details of the impairment of goodwill are provided in note 6.

Share-based payments

Determining the value of share-based payments to be expensed requires an estimation using the Black-Scholes pricing model.

The model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural consideration. Details of share-based payments and assumptions used are provided in note 42.

Residual values and useful lives of assets

The Group exercised judgement in determining the useful lives of all assets and determining the residual values of these assets.

	Land, buildings and leasehold improvements 2017 R'000	Computer and office equipment, furniture and fittings 2017 R'000	Capital work in progress 2017 R'000	Capitalised leased assets 2017 R'000	Total 2017 R'000	Total 2016 R'000
4. Property and equipment Consolidated						
Balance at the beginning of the year	37 577	55 910	38 318	5 991	137 796	112 424
Assets at cost	76 838	198 452	38 318	11 486	325 094	280 655
Accumulated depreciation	(39 261)	(142 542)	-	(5 495)	(187 298)	(168 231)
Current year movements						
Additions	10 320	22 506	-	-	32 826	76 178
Acquisitions through business combinations (note 50)	-	-	-	-	-	400
Disposal of business	-	-	-	-	-	(246)
Cost	-	-	-	-	-	(2 122)
Accumulated depreciation	-	-	-	-	-	1 876
Effect of foreign currency exchange differences	(2 557)	(3 351)	(9 968)	(625)	(16 501)	(186)
Cost	(3 156)	(6 842)	(9 968)	(723)	(20 689)	(2 559)
Accumulated depreciation	599	3 491	-	98	4 188	2 373
Disposals	(1 566)	(3 294)	-	-	(4 860)	(14 812)
Cost	(26 604)	(36 270)	-	-	(62 874)	(48 430)
Accumulated depreciation	25 038	32 976	-	-	58 014	33 618
Depreciation	(7 836)	(27 731)	-	(1 744)	(37 311)	(35 962)
Transfers	-	5 295	(27 608)	22 313	-	-
Cost	-	10 016	(27 608)	17 592	-	20 972
Accumulated depreciation	-	(4 721)	-	4 721	-	(20 972)
Net book value at the end of the year	35 938	49 335	742	25 935	111 950	137 796
Represented by:						
Assets at cost	57 398	187 862	742	28 355	274 357	325 094
Accumulated depreciation	(21 460)	(138 527)	-	(2 420)	(162 407)	(187 298)
Net book value at the end of the year	35 938	49 335	742	25 935	111 950	137 796

The registers of land and buildings are open for inspection at the registered office of the company and its subsidiaries.

The Group's obligations under finance leases (refer to note 24) are secured by the lessor's title to the leased assets, which have a carrying amount of R1 million (2016: R2,9 million).

Notes to the annual financial statements continued

for the year ended 28 February 2017

	Capitalised development 2017 R'000	Trade- marks 2017 R'000	Accredi- tation of programmes 2017 R'000	Customer base 2017 R'000	Other 2017 R'000	Total 2017 R'000	Total 2016 R'000
5. Intangible assets							
Consolidated							
Balance at the beginning of the year	113 232	161 555	5 589	439 718	33 076	753 170	611 751
Assets at cost	263 892	219 571	11 000	764 442	67 210	1 326 115	1 139 570
Accumulated amortisation	(150 660)	(58 016)	(5 411)	(388 514)	(34 134)	(636 735)	(521 136)
Foreign exchange movements	-	-	-	63 790	-	63 790	(6 683)
Additions	48 476	-	390	-	-	48 866	26 153
Acquisitions through business combinations (note 50)	-	-	-	6 535	-	6 535	160 392
Amortisation expense	(18 139)	(18 148)	(1 644)	(60 504)	(8 748)	(107 183)	(105 831)
Impairment loss recognised in profit and loss	(46 298)	-	-	-	-	(46 298)	(9 768)
Foreign exchange movements	-	-	-	(39 128)	-	(39 128)	70 473
Net book value at the end of the year	97 271	143 407	4 335	346 621	24 328	615 962	753 170
Represented by:							
Assets at cost	312 368	219 571	11 390	770 977	67 210	1 381 516	1 326 115
Accumulated amortisation	(215 097)	(76 164)	(7 055)	(449 018)	(42 882)	(790 216)	(636 735)
Foreign exchange movements	-	-	-	24 662	-	24 662	63 790
Net book value at the end of the year	97 271	143 407	4 335	346 621	24 328	615 962	753 170

The capitalised development represents costs incurred to date on the development of the Dynamix AX ERP System.

This software is amortised over its estimated useful lives ranging from 10 to 15 years.

Trademarks are amortised over their estimated useful lives ranging from 7 to 20 years.

Accreditation of programmes represents costs incurred to date on accrediting training programmes with the relevant training authorities. Once the asset is available for use, it is amortised over its estimated useful life of four years.

Customer base represents the customer bases purchased on acquisition of businesses. The various customer bases acquired are amortised over their estimated useful lives which range from 3 to 15 years. Other intangible assets relate to learning programmes, NQF accreditations development and a database valuation. Learning programmes and NQF accreditations development are amortised over their estimated useful lives of five years.

Included in "Other" is a candidate database that was purchased on acquisition of businesses.

Amortisation of intangible assets is disclosed in operating profit (refer to note 32).

During the current year, certain modules of Dynamix AX ERP 2004 were impaired. These modules are no longer supported by the vendor and therefore the useful life is considered to be nil.

	CONSOLIDATED	
	2017	2016
	R'000	R'000
6. Goodwill		
Cost		
Opening balance	1 630 516	1 396 100
Additional amounts recognised from business combinations during the year (refer to note 50)	9 257	136 192
Goodwill written off on sale of UK business (refer to note 35)	-	(13 229)
Foreign currency adjustment	(63 645)	111 453
Closing balance	1 576 128	1 630 516
Impairment		
Opening balance	(116 883)	(91 930)
Impairment of goodwill during the year	(86 083)	(24 953)
Closing balance	(202 966)	(116 883)
Carrying amount at the end of the year	1 373 162	1 513 633
Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. After recognition of impairment losses, the carrying amount of goodwill is attributable to the following material CGUs:		
Adcorp Workforce Management Solutions Proprietary Limited	341 061	341 061
Adcorp BLU, a division of Adcorp Workforce Solutions Proprietary Limited	209 348	209 348
Paxus Holdings Pte	205 026	231 634
Labour Solutions Australia	191 714	216 312
FMS, a division of Adcorp Support Services Proprietary Limited	162 011	162 011
SUN, a division of Adcorp Staffing Solutions Proprietary Limited	151 609	151 609
DARE	54 846	152 646
Adcorp Workforce Solutions Proprietary Limited	26 924	26 924
Quest Staffing Solutions Proprietary Limited	9 876	9 876
WHR Solutions Proprietary Limited	8 535	-
DAV Prof Placement Group, a division of Adcorp Fulfilment Services Proprietary Limited	7 270	7 270
Capital Outsourcing Group Proprietary Limited (Projects)	4 942	4 942
Total	1 373 162	1 513 633
Goodwill allocated per operating segment		
Industrial	568 616	593 214
Support services	213 519	311 319
Professional IT services	429 016	447 089
Financial services	162 011	162 011
	1 373 162	1 513 633

During the year, the Group acquired WHR Solutions Proprietary Limited (WHR).

As a result, an additional R9 million was recognised as goodwill. This was allocated to the support services segment.

The Group tests goodwill annually for impairment.

The recoverable amounts of the CGUs are determined using an EBITDA multiple and value-in-use calculation.

The EV/EBITDA multiple used of 4,72 was obtained from an external source.

The value-in-use calculation uses the cash flow projections based on financial budgets approved by management covering a four-year period. The key assumptions for the discounted cash flow valuation method are those regarding the discount rate, growth rate and expected changes to selling prices and direct costs during the year.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management. The pre-tax rate used to discount the forecast cash flows in South Africa is 19,2% (2016: EBITDA valuation method used for SA CGU's) and in Australia is 12,4% (2016: 12,4%).

The Group uses a terminal growth rate into perpetuity of 5,0% (2016: 3,0%) per annum.

As a result of the annual impairment review, the Group impaired the goodwill in DARE, totalling R86 million.

The directors believe that any reasonably possible change in the key assumptions on which the recoverable amounts have been based would not cause the aggregate carrying amounts to exceed the aggregate recoverable amounts of each of the underlying cash-generating units.

Notes to the annual financial statements continued

for the year ended 28 February 2017

	CONSOLIDATED		SEPARATE	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
7. Investments				
Investment in cell captive*	10 000	10 000	10 000	10 000
	10 000	10 000	10 000	10 000
* Represents an investment in a cell captive whereby 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.				
8. Investment - available-for-sale				
Opening balance	54 922	42 288	-	-
Interest	-	2 068	-	-
Foreign currency movement	-	10 566	-	-
Total	54 922	54 922	-	-
Impairment	(54 922)	(54 922)	-	-
Closing balance	-	-	-	-
In the prior year, Adcorp was furnished with an independent valuation of APBA, which was primarily based on management's future financial projections. This independent valuation would imply that Adcorp's investment in APBA of R54,9 million is well covered. However, due to the uncertain nature of financial forecasting as well as Adcorp's inability to substantiate or validate management's financial projections, the board considered it prudent to impair this asset fully.				
The board is still of opinion that the asset should be impaired in full. Should value be realised on this investment in future, it will accordingly be recognised as profit at that stage.				
9. Investment in subsidiaries				
(for details refer to Annexure A)				
Shares at cost less amounts written off				
Shares at cost	-	-	1 210 564	1 210 564
Less: Provision for impairment of investment	-	-	(6 726)	(6 726)
Closing balance	-	-	1 203 838	1 203 838
Opening balance	-	-	-	1 574 642
Disposal of subsidiaries*	-	-	-	(370 804)
* The following subsidiaries of Adcorp Holdings Limited were sold to Adcorp Workforce Solutions Proprietary Limited (previously Kelly Group Limited (KGL)) during the prior year:				
Adcorp Staffing Solutions Proprietary Limited	-	-	-	148 259
Adcorp Fulfilment Services Proprietary Limited	-	-	-	221 916
Production Management Institution Proprietary Limited	-	-	-	629
	-	-	-	370 804

	CONSOLIDATED		SEPARATE	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
10. Investment in associates				
Carrying values at the beginning of the period	125 249	102 171	-	-
Share of current period earnings (gross of dividends received) (for details refer to Annexure A)	23 396	23 078	-	-
Dividends received	(7 837)	-	-	-
Total investment in associates	140 808	125 249	-	-

Summarised financial information in respect of the Group's associates is set out below:

	Nihilent	Total		PRP	Total
	R'000	Feb 2017	Nihilent	Solutions	Feb 2016
	R'000	R'000	R'000	R'000	R'000
Total assets	674 798	674 798	604 930	30 893	635 823
Non-current assets	181 927	181 927	125 715	26 169	151 884
Current assets	492 871	492 871	479 215	4 724	483 939
Total liabilities	153 345	153 345	170 905	52 287	223 192
Non-current liabilities	-	-	56 108	-	56 108
Current liabilities	153 345	153 345	114 797	52 287	167 084
Net assets	521 453	521 453	434 025	(21 394)	412 631
Total revenue	701 172	701 172	641 687	20 336	662 023
Total profit/(loss) for the year	67 619	67 619	66 699	(4 809)	61 890
Group's share of associates' profit for the year	23 396	23 396	23 078	-	23 078
Unrecognised share of losses at the beginning of the period	-	-	-	3 510	3 510
Unrecognised share of losses	-	-	-	1 443	1 443
Unrecognised share of losses on acquisition	-	-	-	-	-
Losses for the year not recognised	-	-	-	1 443	1 443
Unrecognised share of losses at end of period	-	-	-	4 953	4 953

Nihilent Technologies PVT Limited

The Group holds an indirect effective 34,6% equity investment in Nihilent Technologies PVT Limited (Nihilent). Nihilent is a business consulting and technology services company incorporated in India. The year-end of the associate is the end of March. Management accounts were used to calculate the share of profits from Nihilent for the period. Nihilent's profit and loss for the year has been converted using an average exchange rate for the financial year ended 28 February 2017 of USD1 = ZAR14,33 (2016: USD1 = ZAR13,51). The financial position of Nihilent has been converted using the spot exchange rate of USD1 = ZAR13,11 (2016: USD1 = ZAR16,03) as at 28 February 2017.

Significant influence exists due to the size of shareholdings held in the associates.

PRP Solutions Proprietary Limited (PRP) provides integrated time and attendance solutions to payroll services with the use of biometric technology. The company is incorporated in South Africa. The Group holds an indirect interest of 30% in PRP via Adcorp Workforce Management Solutions Proprietary Limited and has a February year-end. PRP incurred losses in the current and prior year, therefore no share of profit has been recognised for this investment. The investment in PRP is not material to the Group and therefore no financial information relating to the investment has been disclosed. The Group no longer has significant influence over PRP due to no voting rights.

Notes to the annual financial statements continued

for the year ended 28 February 2017

11. Other financial assets

Details of financial assets held at year-end

Effective 1 January 2017, USD623 000 is payable from a debtor MELT. Payment will be received in equal monthly instalments of USD15 000, comprising interest and principal, over a four-year period.

Effective 15 November 2016, the Group invested a total value of USD2 399 376 in two-year term USD-linked Government Bonds in Angola. The coupon rate is 7% payable every six months.

The prior year embedded derivative instrument related to an agreement with a trade debtor whereby their debt would be repaid in ounces of gold, which gave rise to a financial asset. These repayments have been received timeously, leaving the final 129 ounces of gold delivered in March 2017. This short-term portion has been disclosed under sundry debtors in the current year.

	Melt*	Bond**	Consolidated Embedded derivative	Total
	R'000	R'000	R'000	R'000
Held-to-maturity investments (Amortised cost model)				
Balance as at 29 February 2016	–	–	29 728	29 728
Less: Short-term portion	–	–	29 728	29 728
Long-term portion	–	–	–	–
Balance as at 28 February 2017	8 624	31 861	–	40 485
Less: Short-term portion	2 069	931	–	3 000
Long-term portion	6 555	30 930	–	37 485

* The short-term portion of Melt is included in trade and other receivables.

** As these funds are invested in Angola, restrictions might apply.

Credit risk

At the end of the financial year, the credit risk for the MELT financial asset was assessed by management as a medium risk and a provision was raised for the first 12-months' instalments (USD180 000). The short-term portion is disclosed in note 13, trade and other receivables.

The carrying amount of the bond reflected above represents the Group's maximum exposure to credit risk for the receivable as the dollar investment amount is guaranteed.

In the previous financial year, there is no significant credit risk for the instrument designated at FVTPL. The carrying amount reflected above represents the Group's maximum exposure to credit risk for the receivable. An unconditional, absolute and irrevocable guarantee for the full and punctual performance of all the obligations by the counterparty has been granted by the parent company of the counterparty.

Market risk

As a result of the Government bond investment, the Group is exposed primarily to the financial risk of the value of the USD which is not dissimilar to any other USD-denominated debtor.

In the prior year, the Group was exposed primarily to the financial risk of changes in the gold price mitigated by a floor pricing arrangement agreed, whereby additional ounces of gold will be delivered to offset the decline in the gold price below USD1,100 per ounce in the event that the average gold price falls below USD1,100 per ounce for a period of three consecutive months.

As not all inputs for this specific contract are observable in an active market, Level 2 inputs were used in computing the fair value determined using a discounted present value cash flow method at a rate of 5%, which accounts for credit and country risk considerations over the remaining period of 13 months and an estimated future average gold price of USD1,111 per ounce.

Sensitivity analysis

The fair value of the bond is sensitive to changes in the USD AOA exchange rate. A 10% movement in the rate delivers a 0,8% change in the maturity value in local AOA currency, which at the closing AOA to ZAR rate equates to R3,1 million.

In the prior year, the fair value is sensitive to fluctuations in the discount rate but moves significantly to changes in the gold price.

A USD50 per ounce fluctuation results in a USD85 454 (R1 384 953) impact on the amount of the receivable. In a worst case scenario, the full face value will not be recovered.

CONSOLIDATED**2017** 2016**R'000** R'000**12. Deferred taxation - Consolidated**

The aggregated deferred tax asset/liability position is based on a per legal entity basis within the Group.

Consisting of:

Aggregate net deferred tax assets

149 712 96 568

Aggregate net deferred tax liabilities

(107 030) (113 634)**Net position****42 682** (17 066)

The detail relating to gross deferred tax assets/liabilities appears below:

	As at 28 Feb 2016 R'000	Charged to the statement of comprehensive income R'000	Recognised in equity R'000	As at 28 Feb 2017 R'000
Deferred tax assets				
Deferred tax raised on provisions	106 629	1 258	-	107 887
Excess tax allowances and depreciation charge	389	(257)	-	132
Deferred tax raised on performance shares	4 064	529	-	4 593
Operating lease timing adjustments	3 250	3 254	-	6 504
Computed losses *	64 336	18 541	-	82 877
Income received in advance	2 827	291	-	3 118
Intangible asset - other	-	75 117	-	75 117
Section 24C future expense deduction	-	785	-	785
Other	-	4 778	-	4 778
	181 495	104 296	-	285 791
Deferred tax liabilities				
Excess tax allowances and depreciation charge	(532)	57	-	(475)
Deferred tax raised on performance shares	(4 683)	(1 876)	-	(6 559)
Operating lease timing adjustments	-	68	-	68
Prepayments	(985)	(6 220)	-	(7 205)
Intangible asset - software	(21 747)	(167)	-	(21 914)
Foreign exchange differences	(8 117)	(1 182)	4 917	(4 382)
Deferred tax arising on fair value adjustment on acquisition	(140 403)	6 491	-	(133 912)
Section 24C future expense deduction	-	(773)	-	(773)
Deferred tax on fair value adjustment of foreign loan	(22 085)	-	16 297	(5 788)
Deferred tax on impairments in intercompany loans	-	(26 033)	-	(26 033)
Deferred tax on accrued revenue	-	(36 025)	-	(36 025)
Other	(9)	(102)	-	(111)
	(198 561)	(65 762)	21 214	(243 109)
Net	(17 066)	38 534	21 214	42 682
Separate				
Deferred tax liability				
Deferred tax on fair value adjustment of foreign loan	(22 085)	-	16 297	(5 788)
	(22 085)	-	16 297	(5 788)

* Deferred tax assets were raised on estimated tax losses to the extent that management considers it probable that future taxable income will be generated in order to utilise the assessed loss recognised. The total amount of assessed losses on which no deferred tax was raised is R305 million.

Notes to the annual financial statements continued

for the year ended 28 February 2017

	CONSOLIDATED		SEPARATE	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
13. Trade and other receivables and prepayments	2 538 182	2 795 262	450	1 591
Trade receivables	2 500 250	2 717 568	-	-
Provision for bad debts	(85 830)	(59 222)	-	-
Deposits and staff loans	3 677	8 351	296	500
Prepayments and sundry billings	36 596	20 561	-	-
Sundry loans	5 063	31 187	-	-
Other*	78 426	76 817	154	1 091
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:	2 500 250	2 717 568	-	-
Domestic	1 696 625	1 843 456	-	-
Foreign	803 625	874 112	-	-
The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:	2 500 250	2 717 568	-	-
Agriculture, forestry and fishing	80 207	54 617	-	-
Community, social and personal services	748 736	614 128	-	-
Construction	191 752	124 463	-	-
Manufacturing	289 480	280 673	-	-
Financial intermediation, insurance, real estate and business services	439 770	731 754	-	-
Electricity, gas and water supply	131 355	346 765	-	-
Transport, storage and communication	313 546	306 290	-	-
Mining and quarrying	100 363	72 145	-	-
Wholesale and retail, repair of motor vehicles, motor cycles, personal and household goods, and hotels and restaurants	205 041	186 733	-	-

* Included in other is SETA, ETI and payroll billings.

Debtors days outstanding at the end of February 2017 was 45 days (2016: 47 days).

No interest is charged on trade receivables for the first 60 days from date of the invoice, thereafter interest may be charged on the outstanding balance.

In accordance with the South African Institute of Chartered Accountants (SAICA) circular 9/2006 discounting of debtors should be applied from day one as opposed to when the credit terms of the debtors are exceeded.

On this basis, included in trade receivables is imputed unearned interest income of R29,0 million (2016: R44,8 million).

The Group has provided for all receivables that are considered to be doubtful.

Before accepting any new customer, the Group uses an external credit bureau to assess the potential customer's credit quality and defines credit limit by customer.

Trade receivables are provided as security for all banking facilities available to the Group as disclosed in notes 22 and 51 respectively.

The carrying value approximates the fair value.

	Gross Impairment 2017		Gross Impairment 2016		Gross Impairment 2017		Gross Impairment 2016	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
13. Trade and other receivables and prepayments continued								
The ageing of trade receivables and other at the reporting date was:								
	2 500 250	(85 830)	2 717 568	(59 222)	-	-	-	-
Not past due	1 449 682	-	1 769 586	-	-	-	-	-
Past due 0 – 30 days	627 753	-	442 733	-	-	-	-	-
Past due 31 – 60 days	188 396	-	182 575	-	-	-	-	-
Past due 61 – 90 days	77 944	-	99 809	-	-	-	-	-
Past due 91 – 365 days	156 475	(85 830)	222 865	(59 222)	-	-	-	-
Movement in the provision for bad debts during the year under review was as follows:								
Closing balance	85 830	-	59 222	-	-	-	-	-
Balance at the beginning of the year	59 222	-	57 361	-	-	-	-	-
Amounts written off	(12 832)	-	(20 944)	-	-	-	-	-
Amounts provided for during the year	39 440	-	22 805	-	-	-	-	-

	CONSOLIDATED		SEPARATE	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
14. Amounts due to/(by) subsidiary companies				
(for details refer to Annexure A)	-	-	2 512 674	2 615 500
Amounts due by subsidiary companies	-	-	2 896 923	2 868 245
Amounts due to subsidiary companies	-	-	(384 249)	(252 745)

Notes to the annual financial statements continued

for the year ended 28 February 2017

	CONSOLIDATED		SEPARATE	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
15. Share capital				
Authorised				
183 177 151 ordinary shares of 2,5 cents each (2016: 183 177 151)	4 579	4 579	4 579	4 579
16 822 849 'B' ordinary shares of 2,5 cents each (2016: 16 822 849)	421	421	421	421
	5 000	5 000	5 000	5 000
Issued				
109 954 675 ordinary shares of 2,5 cents each (2016: 109 954 675)	2 749	2 749	2 749	2 749
16 822 849 'B' ordinary shares of 2,5 cents each (2016: 16 822 849)	-	-	421	421
	2 749	2 749	3 170	3 170
Number of shares ('000)	108 383	108 383	109 955	109 955
Opening balance	109 955	109 371	109 955	109 371
Issue of ordinary shares – equity settlement of employee share option plan	-	584	-	584
Shares in issue	109 955	109 955	109 955	109 955
Treasury shares	(1 572)	(1 572)	-	-
16. Share premium	1 738 109	1 738 109	1 738 109	1 738 109
Opening balance	1 738 109	1 718 856	1 738 109	1 718 856
Arising from the issue of 583 875 ordinary shares in the prior financial year under employee share option plan	-	19 253	-	19 253
17. Treasury shares	(36 963)	(36 963)	-	-
Adcorp Fulfilment Services Proprietary Limited – 1 571 826 shares (2016: 1 571 826)	(36 795)	(36 795)	-	-
Adcorp Employee Benefit Trust 2 consolidated – 6 729 140 'B' shares (2016: 6 729 140)	(168)	(168)	-	-
18. Non-distributable reserve				
Unrealised profit arising on sale of BEE companies into new entity during 2004	-	-	119 918	119 918
19. Foreign currency translation reserve	24 289	110 737	-	-
Balance at 1 March	110 737	(3 442)	-	-
Arising on translation of foreign operation	(86 448)	106 445	-	-
Realised exchange gain on disposal of business	-	7 734	-	-
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.				

CONSOLIDATED		SEPARATE	
2017	2016	2017	2016
R'000	R'000	R'000	R'000

20. BEE shareholders' interest

In terms of the BEE transaction in 2013 (2013 BBBEE transaction), Adcorp has created and issued a total of 16 822 849 'B' ordinary shares (2016: 16 822 849) to its empowerment shareholders at a value of 2,5 cents per share, of which 6 729 140 (2016: 6 729 140) are owned by a trust called the Adcorp Employee Benefit Trust 2 (AEBT2).

The remaining 'B' ordinary shares are held by other BBBEE enterprises.

These 'B' ordinary shares carry full voting rights and are funded by a notional threshold amount based on the 90-day VWAP at the time of issue plus a notional escalation factor and reduced by notional dividends.

In terms of this structure, a 40% participation is made available for the benefit of all full-time Adcorp Group employees through the holding of units in AEBT2, a 35% participation has been allocated to women's empowerment group, WIPHOLD, and a 25% participation has been allocated to an empowerment business, Simeka Group.

At the end of 10 years, the 'B' ordinary shares convert into Adcorp ordinary shares based on the value of the notional debt that is paid down at the time.

During the prior financial year, a certain subsidiary company repurchased and re-issued 'A' ordinary shares to a special-purpose vehicle. These shares were issued as part of a deal whereby certain Adcorp subsidiary companies' BBBEE credentials were enhanced.

The structure of the above subsidiary company deals mirrors the original Adcorp 2007 BBBEE transaction, which, pursuant to shareholder approval obtained on 20 May 2013, was unwound in favour of the adoption of the 2013 BBBEE transaction referred to above.

	CONSOLIDATED		SEPARATE	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
Issued				
16 822 849 'B' ordinary shares of 2,5 cents per share (2016: 16 822 849)	421	421	-	-
400 'A' ordinary shares of no par value in Quest Staffing Solutions Proprietary Limited (2016: 400)	25	25	-	-
450 'A' ordinary shares of no par value in Fortress Administration Proprietary Limited (2016: 450)	230	230	-	-
	676	676	-	-

In respect of the 2013 BBBEE deal, the fair value of the cancelled options and the new options on the date of modification were calculated using the Black-Scholes option-pricing model.

Notes to the annual financial statements continued

for the year ended 28 February 2017

20. BEE shareholders' interest continued

The inputs into the model are set out below:

2013 BBBEE deal

Using the modification cost principles under IFRS 2, the total modified cost of the option is R144,6 million.

The total value to be amortised over the 10-year period is the aggregate of (a) 40% of the modified option cost plus (b) the unamortised option value relating to the 2007 BBBEE deal, as above.

Details of the amounts expensed over the 10-year period are as follows:

	CONSOLIDATED	
	2017	2016
	R'000	R'000
One year	7 206	7 206
Year two to five	28 824	28 824
More than five years	14 412	21 618

At the commencement of the 2013 BBBEE deal, the following parameters were used in determining the option valuation:

	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

	Number of shares 2017	Number of shares 2016	Weighted average exercise price 2017 R	Weighted average exercise price 2016 R
'B' ordinary shares				
Outstanding at the beginning of the year	6 729 140	6 729 140	42,17	42,17
Issued during the year	-	-	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	6 729 140	6 729 140	42,17	42,17
Exercisable at the end of the year	-	-	-	-

	CONSOLIDATED		SEPARATE	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
21. Other non-current liabilities - interest-bearing				
Lease-smoothing liability	18 246	13 168	-	-
Mortgage bond - Hampden Road and Poplar Road	-	405	-	-
	18 246	13 573	-	-
Less: Current portion of other non-current liabilities disclosed in current liabilities (refer to note 24)	(16 255)	(12 923)	-	-
	1 991	650	-	-
Consists of:				
Mortgage bond	-	405	-	-
Operating lease (Refer to note 40)	1 991	245	-	-
	1 991	650	-	-

The mortgage bond was repaid during the current financial year.

	CONSOLIDATED		SEPARATE	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
22. Interest-bearing liabilities				
Secured – at amortised cost less amount capitalised				
Long-term loans – non-current portion	649 229	1 349 502	649 229	857 322
Corporate bond (a)	400 000	400 000	400 000	400 000
Corporate bond (b)	-	209 000	-	209 000
Corporate bond (c)	150 000	150 000	150 000	150 000
Corporate bond (d)	100 000	100 000	100 000	100 000
Transaction costs capitalised	(771)	(1 678)	(771)	(1 678)
Long-term portion of Australian dollar-denominated debt (h)	-	492 180	-	-
Short-term loans	720 603	274 382	272 387	223 361
Commercial paper	50 000	9 000	50 000	9 000
Corporate bond (e)	-	100 000	-	100 000
Corporate bond (b)	209 000	-	209 000	-
Corporate bond (f)	-	100 000	-	100 000
Short-term portion of Australian dollar-denominated debt (g)	447 944	51 021	-	-
Accrued interest	13 659	14 361	13 387	14 361

On 8 March 2013, the Group successfully issued secured notes under its registered domestic medium-term note (DMTN) programme. The details of the various outstanding instruments under the DMTN are as follows:

- R400 million (2016: R400 million) five-year secured and rated corporate bond bearing interest at JIBAR plus 249 (two hundred and forty-nine) basis points per annum. Maturity date 8 March 2018.
- R209 million (2016: 209 million) three-year secured corporate bond bearing interest at JIBAR plus 260 (two hundred and sixty) basis points per annum. Maturity date 27 November 2017.
- R150 million (2016: R150 million) three-year secured corporate bond bearing interest at JIBAR plus 240 (two hundred and forty) basis points per annum. Maturity date 31 July 2018.
- R100 million (2016: R100 million) three-year secured corporate bond bearing interest at JIBAR plus 250 (two hundred and fifty) basis points per annum. Maturity date 4 December 2018.
- Nil (2016: R100 million) three-year secured corporate bond bearing interest at JIBAR plus 225 (two hundred and twenty-five) basis points per annum. The bond was repaid on 31 July 2016.
- Nil (2016: R100 million) was repaid on 31 March 2016. It was a secured corporate bond bearing interest at JIBAR plus 275 (two hundred and seventy-five) basis points per annum.
- Australian dollar-denominated debt comprises:
 - A term debt facility, repayable in equal semi-annual instalments over a remaining one year period. The facility bears interest at the Australian screen rate plus 270 (two hundred and seventy) basis points. During the 2015 financial year, a three-year interest rate swap agreement was entered into in respect of AUD15 million of the term debt facility. Further detail can be found in note 23.
 - A revolving debt facility which bears interest at the Australian screen rate plus 220 (two hundred and twenty) basis points.

As security for the DMTN and bank facilities granted to the Group, a shared security agreement was entered into, on 6 March 2013, between FirstRand Bank Limited (FirstRand), ABSA and the trustee for the time being of The Adcorp Note Trust (DMTN SSA). This shared security agreement holds a cession over the trade receivables, credit balances and an unlimited Group cross-suretyship between the following operating subsidiaries of the Adcorp Group:

- Adcorp Contracting Proprietary Limited
- Adcorp Fulfilment Services Proprietary Limited
- Adcorp Management Services Proprietary Limited
- Adcorp Staffing Solutions Proprietary Limited
- Adcorp Support Services Proprietary Limited
- Adcorp Technical Training Proprietary Limited
- Adfusion Contract Management Services Proprietary Limited
- All About Project Management Proprietary Limited
- Capital Outsourcing Group Proprietary Limited
- Fortress Administration Proprietary Limited
- Innstaff Proprietary Limited
- Adcorp Workforce Solutions Proprietary Limited (previously Kelly Group Limited)
- Mondial IT Solutions Proprietary Limited
- Paracon SA Proprietary Limited
- Production Institute of Southern Africa Proprietary Limited
- Quest Staffing Solutions Proprietary Limited
- TalentCru Proprietary Limited
- Torque Technical Computer Training Proprietary Limited

Notes to the annual financial statements continued

for the year ended 28 February 2017

	CONSOLIDATED		SEPARATE		CONSOLIDATED		SEPARATE	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	2017		2016		2017		2016	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
23. Derivative financial instrument								
Interest rate swap – cash flow hedge	-	1 574	-	4 245	-	-	-	-
Non-current portion	-	-	-	4 245	-	-	-	-
Current portion	-	1 574	-	-	-	-	-	-

The fair value of the hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months subsequent to year-end and a current asset or liability when the remaining maturity of the hedged item is less than 12 months subsequent to year-end.

Interest rate swaps – cash flow hedge

During the 2015 financial year, the Group's Australian subsidiary, Adcorp Holdings Australia Proprietary Limited (AHA), entered into a three-year AUD15 million hedge, being approximately 25% of its AUD-denominated term loan facility at the time. Interest is payable at a fixed rate of 2.94% when compared to the variable prevailing interbank rate (BBSY). The trade date was 28 November 2014 and the designated maturity is for a period of three years. The intention of the swap is to hedge the cash flows emanating from the variable interest rate on the underlying loan. The notional principal amount owing on the interest rate swap contract as at 28 February 2017 is AUD15 million.

Note 52.5 summarises the financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The interest rate swap is considered to be a Level 2 financial instrument.

The fair value of interest rate swaps at the end of the financial year is determined by discounting the future cash flows received independently from the bank using interest rate curves at the end of the financial year and the credit risk inherent in the contract, and is disclosed above.

Refer to note 22 for further details with regard to the terms and conditions of the hedged term loan facilities.

24. Obligations under finance leases

Finance leases relate to equipment and vehicles with a lease term of between three and five years. The Group has options to purchase the equipment for a normal amount at the conclusion of the lease agreements. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Minimum lease (refer to note 4).

	CONSOLIDATED			
	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
Within one year	1 001	2 413	1 001	2 247
Later than one year and not later than five years	-	681	-	668
	1 001	3 094	1 001	2 915
Less: Future finance charges	-	(179)	-	-
Present value of finance lease obligations	1 001	2 915	1 001	2 915
Non-current portion	-	668	-	668
Current portion	1 001	2 247	1 001	2 247
	1 001	2 915	1 001	2 915
Current portion of other non-current liabilities consists of:				
Finance leases – as per above	1 001	2 247	-	-
Lease-smoothing liability (refer to note 21)	16 255	12 923	-	-
	17 256	15 170	-	-

	CONSOLIDATED		SEPARATE	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
25. Trade and other payables	1 147 265	1 188 716	2 669	3 111
Trade creditors	229 585	240 287	398	363
VAT	101 472	151 456	-	-
Accruals	258 923	142 840	2 271	862
Payroll accruals	503 480	573 542	-	1 797
Income received in advance	27 465	36 569	-	-
Other creditors	26 340	44 022	-	89

The average credit period on trade and other payables is 30 days (2016: 30 days). No interest is incurred on trade and other payables unless payment is not effected timeously.

In accordance with the South African Institute of Chartered Accountants (SAICA) circular 9/2006 discounting of creditors should be applied from day one as opposed to when the credit terms of the creditors are exceeded.

On this basis, included in trade payables is imputed interest payable of R1,1 million (2016: R1,8 million).

The carrying value approximates fair value.

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

	As at	Provisions	Provisions	Transfer	Foreign	As at
	29 Feb	raised	utilised	between	exchange	28 Feb
	2016	2017	2017	2017	2017	2017
	R'000	R'000	R'000	R'000	R'000	R'000
26. Provisions						
Consolidated						
Leave pay	133 013	173 529	(163 141)	(2 000)	(2 288)	139 113
Bonuses	85 551	132 995	(135 445)	-	(1 350)	81 751
Other	62 622	57 205	(78 640)	2 000	(466)	42 721
Total	281 186	363 729	(377 226)	-	(4 104)	263 585

Leave pay

Leave pay is provided based on leave days due to employees at statement of financial position date, at rates prevailing at that date.

Bonuses

Bonuses are provided to employees based on operating entity performance management criteria and are in respect of the current year.

Other

Other provisions relate to paid public holidays, lease and other obligations.

All provisions will be settled within the next 12 months.

Notes to the annual financial statements continued

for the year ended 28 February 2017

	CONSOLIDATED		SEPARATE	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
27. Other vendor payables				
Amount owing to vendors of Dare*	-	26 078	-	-
* This amount relates to a vendor liability for the acquisition of Dare. R10 million was written back to the income statement and the balance was settled in the current financial year.				
28. Revenue				
Revenue from the rendering of services	16 072 951	15 585 751	-	-
	16 072 951	15 585 751	-	-
Included in revenue is imputed unearned interest income of R29 million (2016: R44,8 million) (refer to note 13).				
Included in revenue is imputed earned interest income of R139,4 million (2016: R131,7 million) (refer to note 13).				

29. Business and geographical segments

For management purposes, the Group is currently organised into the following operating segments being (a) Group central costs, (b) Industrial Services, Support Services, Professional IT Services, Financial Services and Training.

The principal activities are as follows:

- Group central cost – Included those segments that have not been aggregated with the other identified reportable segments. These include the items of income and expenditure related to Adcorp Holdings Limited, representing among others, marketing, human resources, corporate social investment and Group financial reporting.
- Industrial Services specialises in the blue-collar environment, while Support Services focuses on white-collar-related industries. Professional IT Services is a key player in the information technology environment. Financial Services provides funeral and financial support to temporary and permanent employees, while training focuses on skills development.

The geographic segment report is disclosed as (a) International (being operations outside South Africa) and (b) South Africa. The segment report appears on page 87.

	CONSOLIDATED		SEPARATE	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
30. Cost of sales	(13 665 757)	(13 069 007)	-	-
Included in cost of sales in imputed interest payables of R1,1 million (2016: R1,8 million) (refer to note 25).				
Included in cost of sales is imputed interest paid of R6,7 million (2016: R0,9 million) (refer to note 25).				

	CONSOLIDATED		SEPARATE	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
31. Other income	74 514	128 325	536	644
Other income includes training income, training levies recovered, Bureau income and the write-back on the Dare acquisition.				
32. Operating profit/(loss)				
Operating profit/(loss) is determined after allowing for the following items:				
Amortisation (refer to note 5)	(107 183)	(105 831)	-	-
Amortisation of intangibles acquired in business combinations	(87 394)	(77 486)	-	-
Amortisation of intangibles other than those acquired in business combinations	(19 789)	(28 345)	-	-
Auditors' remuneration	(24 150)	(19 215)	(333)	(354)
- fee for audit	(14 120)	(13 200)	(333)	(260)
- fee for audit (prior year underprovision	(1 014)	-	-	-
- fee for other services	(9 016)	(6 015)	-	(94)
Consulting fees	(65 410)	(60 882)	(811)	(494)
Depreciation (refer to note 4)	(37 311)	(35 962)	-	-
Realised foreign exchange (losses)/gains	(30 231)	47 152	-	5 530
Unrealised foreign exchange gains	-	11 859	-	-
Directors' emoluments				
- executive directors (refer to note 44)	(25 994)	(34 591)	-	-
- non-executive directors (refer to note 44)	(4 193)	(3 364)	(3 964)	(3 364)
Leasing and rentals				
- properties and premises	(86 653)	(99 902)	-	-
- office furniture and equipment	(15 527)	(17 525)	-	-
- motor vehicles	(1 713)	(1 210)	-	-
Lease smoothing	(2 314)	(1 781)	-	-
Staff costs	(1 322 981)	(1 287 895)	-	-
Impairment of intangible assets, goodwill and loans	(132 519)	(34 721)	-	-
Impairment of goodwill (refer to note 6)	(86 083)	(24 953)	-	-
Impairment of intangible assets (refer to note 5)	(46 298)	(9 768)	-	-
Impairment of loans	(138)	-	-	-
Share-based payment	(7 647)	31 164	(7 206)	(7 206)
Share-based payment expense (refer to note 42)	-	(36 308)	-	-
BEE share-based payment expense (refer to note 20)	(7 206)	(7 206)	(7 206)	(7 206)
Revaluation of share-based payment liability	(441)	74 678	-	-
Transaction and establishment cost	(26 668)	(44 344)	-	-
Business establishment	-	(30 906)	-	-
Transaction costs	(26 668)	(13 438)	-	-
33. Interest received	12 300	23 669	137 622	100 783
Group loans	-	-	137 578	100 560
Bank deposits	8 651	7 692	44	223
Interest received on other financial assets	2 161	12 043	-	-
Other	1 488	3 934	-	-

Included in revenue is imputed earned interest income of R168,4 million (2016: R176,5 million) (refer to note 13).

Notes to the annual financial statements continued

for the year ended 28 February 2017

	CONSOLIDATED		SEPARATE	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
34. Interest paid	(151 865)	(133 722)	(118 602)	(98 653)
Group loans	-	-	(9 893)	-
Bank overdrafts	(61 586)	(40 230)	(18 999)	(12 055)
Long-term corporate bonds	(89 887)	(85 706)	(89 710)	(85 706)
Commercial paper	-	(892)	-	(892)
Other	(392)	(6 894)	-	-
Included in cost of sales is imputed interest paid of R7,7 million (2016: R2,7 million) (refer to note 25).				
35. Disposal of business				
In the prior year, the Group sold its UK subsidiary Capital Outsourcing Group (UK) Limited. The carrying value of the assets and liabilities disposed of are as follows:				
Analysis of assets and liabilities disposed of:				
Property, plant and equipment	-	246	-	-
Trade and other receivables	-	21 905	-	-
Tax receivable	-	841	-	-
Goodwill	-	13 229	-	-
Trade and other payables	-	(5 417)	-	-
Bank overdraft	-	(1 703)	-	-
Provisions	-	(1 485)	-	-
Deferred taxation	-	(44)	-	-
Net asset value of subsidiary disposed of	-	27 572	-	-
Loss on disposal of subsidiary:				
Net asset value of subsidiary disposed of by a major subsidiary of the Group	-	27 572	-	-
Realised foreign exchange gain on disposal of business	-	7 734	-	-
Proceeds on disposal	-	(5 250)	-	-
	-	30 056	-	-
Cash flows on sale of subsidiary:				
Cash received on sale	-	5 250	-	-
Cash and equivalents deconsolidated	-	1 703	-	-
Net cash flow on sale	-	6 953	-	-

	CONSOLIDATED		SEPARATE	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
36. Taxation				
Current tax				
- Current year	77 126	62 516	5 175	685
- Prior year (over)/underprovision	(1 789)	11 293	-	(1 814)
Deferred tax				
- Current year	(39 332)	(7 442)	-	3 414
- Prior year under/(over)provision	798	(12 608)	-	1 814
Foreign tax				
- Foreign withholding tax	6 159	173	-	-
	42 962	53 930	5 175	4 099
Income tax recognised in other comprehensive income				
Deferred tax				
- Exchange differences of net investment of foreign operation	(21 213)	30 773	-	-
	(21 213)	30 773	-	-

Notes to the annual financial statements continued

for the year ended 28 February 2017

	SOUTH AFRICA	
	2017	2016
	R'000	R'000
36. Taxation continued		
(Loss)/profit before tax	33 992	258 042
South African standard tax rate (%)	28	28
Normal tax at standard rate	9 518	72 252
<i>Adjustment for the tax effect at the standard rate of the following items:</i>		
Exempt income	(40 948)	(33 195)
Capital gains tax	-	-
Associated company profit already subject to tax	(6 551)	(6 461)
Incentive income	(34 397)	(26 734)
<i>Non-deductible items charged against income:</i>		
- Capital losses	13 625	8 360
- Non-deductible interest	-	773
- Impairment of intangible assets, goodwill and loans	10 265	2 999
- Share-based payments – permanent	2 018	2 119
<i>Special allowances claimed:</i>		
- Learnerships	(12 507)	(10 493)
Current year tax losses not recognised	42 163	17 653
Prior year unrecognised tax losses utilised in current year	(40 756)	(48 017)
Other permanent differences	2 482	(1 529)
Prior year (over)/underprovision	(531)	62
STC or WHT on dividends	148	-
Deferred tax on impairments in intercompany loans	-	-
Income of controlled foreign companies	-	-
Transfer pricing	-	-
Rate change adjustment	-	-
Foreign currency rate differential	-	-
Prior year under/(over)provision on deferred taxation	1 673	141
Actual tax charge for the year	(12 850)	11 125

AUSTRALIA		AFRICA		CONSOLIDATED		SEPARATE	
2017	2016	2017	2016	2017	2016	2017	2016
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
(61 308)	(17 410)	(90 048)	20 108	(117 364)	260 740	228 535	494 637
28	28	28	28	28	28	28	28
(17 166)	(4 875)	(25 213)	5 630	(32 861)	73 007	63 990	138 498
-	-	-	(3 742)	(40 948)	(36 937)	(65 225)	(142 800)
-	-	-	8 416	-	8 416	-	-
-	-	-	-	(6 551)	(6 461)	-	-
-	-	-	(12 158)	(34 397)	(38 892)	-	-
-	-	-	384	13 625	8 744	4 392	3 918
-	-	-	-	-	773	-	-
25 825	15 378	-	4 719	36 090	23 096	-	-
-	-	-	(3 405)	2 018	(1 286)	2 018	2 017
-	-	-	-	-	-	-	-
-	-	-	(633)	(12 507)	(11 126)	-	-
-	4 175	30 440	-	72 603	21 828	-	-
-	-	-	-	(40 756)	(48 017)	-	-
(45)	(7 222)	10 252	9 608	12 689	857	-	(1 813)
-	776	(1 258)	10 455	(1 789)	11 293	-	2 466
-	-	6 011	-	6 159	-	-	-
-	-	26 033	-	26 033	-	-	-
-	-	4 030	15 098	4 030	15 098	-	-
-	-	7 129	-	7 129	-	-	-
(1 226)	1 469	-	-	(1 226)	1 469	-	-
-	-	(8 125)	7 739	(8 125)	7 739	-	-
-	-	(875)	(12 749)	798	(12 608)	-	1 813
7 388	9 701	48 424	33 104	42 962	53 930	5 175	4 099

Notes to the annual financial statements continued

for the year ended 28 February 2017

	CONSOLIDATED		SEPARATE	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
36. Taxation continued				
Reconciliation of estimated tax losses available in the Group:				
Estimated losses at the beginning of the year	472 443	454 103	-	-
Increases in tax losses for year	225 539	86 015	-	-
Tax losses utilised during year	(97 486)	(91 887)	-	-
Tax losses on acquisition of subsidiaries	-	48 424	-	-
Tax losses revised on assessment	524	(24 212)	-	-
	601 020	472 443	-	-
Which consists of:				
Losses recognised	295 990	229 627	-	-
Losses not recognised	305 030	242 816	-	-
	601 020	472 443	-	-
37. Earnings per share				
The calculation of earnings per share is based on losses/earnings of R162 008 495 (2016: R207 672 145) and ordinary shares of 108 382 849 (2016: 108 189 290), being the weighted average number of shares relative to the above earnings.				
Basic (loss)/earnings per share – cents	(149,5)	192,0	-	-
Diluted (loss)/earnings per share is based on 111 467 949 (2016: 112 007 790) weighted diluted number of shares				
Diluted (loss)/earnings per share – cents	(145,3)	185,4	-	-
Reconciliation of diluted number of shares				
Ordinary shares	108 382 849	108 189 290	-	-
Adcorp employee share schemes – dilution*	3 085 100	3 818 500	-	-
Diluted number of shares	111 467 949	112 007 790	-	-
Reconciliation of headline (loss)/earnings**				
(Loss)/profit for the year	(162 008)	207 672	-	-
(Profit)/loss on sale of property and equipment	(1 014)	991	-	-
Taxation recovered/(charged) on the sale of property and equipment	284	(278)	-	-
Impairment of investments, goodwill and loans	132 519	34 721	-	-
Impairment on available-for-sale	-	54 922	-	-
Gain on bargain purchase	-	(3 999)	-	-
Loss on sale of business	-	30 056	-	-
Headline (loss)/earnings	(30 219)	324 085	-	-
Headline (loss)/earnings per share – cents	(27,9)	299,6	-	-
Diluted headline (loss)/earnings per share – cents	(27,1)	289,3	-	-

* The dilution of shares results from the potential exercise of options in the employee share scheme.

** Headline earnings per share is based on earnings adjusted for (profit)/loss on sale of assets and impairment of investments and goodwill.

	CONSOLIDATED		SEPARATE	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
38. Contingent liabilities and commitments				
The bank has guaranteed payments to creditors amounting to	7 048	7 529	-	-
As reported previously, a client of the South African Industrial Services segment indicated that they believe that they may not have been billed in accordance with the original client service level agreement over the past years and the client has subsequently issued a summons in this regard.				
The matter is being defended by the Group. In this regard, using the information at its disposal, the board has made a provision it believes adequate to cover any financial loss which may result from this claim.				
39. Retirement benefits				
The Group makes contributions on behalf of all permanent employees to defined contribution schemes.				
These costs are charged to the statement of comprehensive income as they occur.				
Total contribution by the Group for the year	74 561	66 650	-	-
Directors	2 181	2 179	-	-
Prescribed officers	1 091	403	-	-
Employees	71 289	64 068	-	-
40. Operating lease arrangements				
The Group as lessee				
Minimum lease payments under operating property and IT-related leases recognised as an expense in the year	91 223	128 757	-	-
At the statement of financial position date, the Group has outstanding commitments under non-cancellable operating leases which fall due as follows:	164 815	315 655	-	-
Within one year	55 059	86 446	-	-
In the second to fifth years inclusive	109 756	218 144	-	-
After five years	-	11 016	-	-
Average lease terms (months)	35	49	-	-

Notes to the annual financial statements continued

for the year ended 28 February 2017

	CONSOLIDATED		SEPARATE	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
41. Dividend declared				
An interim dividend of 60 cents per share was declared on 21 October 2015 and was paid to shareholders on 7 December 2015	-	65 973	-	65 973
A final dividend of 75 cents per share was declared on 24 May 2016 and will be paid to shareholders on 5 September 2016. (Dividend paid based on 109 954 675 shares in issue at 24 May 2016)	-	82 466	-	82 466
An interim dividend of 20 cents per share was declared on 20 October 2016 and was paid to shareholders on 5 December 2016	21 991	-	21 991	-
In the current year no final dividend was declared	-	-	-	-

42. Share-based payments

Employee share option plan

The Group operates one employee share option plan as follows:

Adcorp Holdings 2006 Share Trust

Under the scheme, eligible employees receive conditional allocations of share appreciation rights (SARs) or performance shares (PFs). The SARs provide employees, at the date the right vested, with the right to receive either shares or cash equal to the appreciation in the share price since grant date, while the PFs vest depending on performance.

PFs awarded vest over a three-year period. The vesting of the shares is subject to various non-market-related performance criteria and may vary between option holders. All PFs expire after six years from grant date. As at 29 February 2016, all SARs had been exercised.

The total liability at the end of the financial year is R39 066 851 (2016: R38 624 926) and the movement was as follows:

	2017	2016
Opening balance	38 624 926	151 672 364
Share-based payment expense*	-	36 308 239
Cash settlement of share options exercised	-	(74 677 500)
Revaluation of share-based payment liability	441 925	(74 678 177)
Closing balance	39 066 851	38 624 926

* Net of IFRS 2 BBBEE annual expense as per note 20. All options will vest in the next 12 months and are disclosed as short term.

The amount recognised to revalue the liability to its current fair value was reflected in the income statement. This amounted to a R29 031 099 decrease (2016: R74 678 177 decrease) in the fair value recognised to reduce the liability to its current fair value based on the prevailing market price as at 28 February 2017.

42. Share-based payments continued

The following PFs were in existence as at 28 February 2017:

	Number	Grant date	Vesting date	Expiry date	Exercise price	Fair value at grant date	Fair value at 28 Feb 2017
Issued							
27 February 2014	1 450 000	27/02/14	27/02/17	27/02/20	33,80	29,78	13,20#
Issued							
19 February 2015	1 635 100	19/02/15	19/02/18	19/02/21	31,64	27,79	12,19#
	3 085 100						

PFs

This fair value was calculated using a standard present value model. In prior years, when the SARs were in existence, the fair value was calculated using the Black-Scholes option-pricing model.

The inputs into the model were as follows:

	28 February 2015	28 February 2014
Weighted average share price (R)	32,80	32,84
Weighted average exercise price (R)	31,64	33,80
Expected volatility (%)	27,77	20,56
Vesting period (years)	3,00	3,00
Risk-free rate (%)	7,29	8,32
Expected dividend yield (%)	4,43	4,31

Expected volatility was determined by calculating the historical volatility of the company's share price on the expected life of the options in existence at the time.

The following reconciles the outstanding share options granted under the employee share schemes at the beginning and end of the financial year:

	Number of share options 2017	Weighted average exercise price 2017 (R)	Number of share options 2016	Weighted average exercise price 2016 (R)
Adcorp Holdings 2006 Share Trust				
Outstanding balance at the beginning of the year	3 818 500	32,63	6 611 000	31,73
Lapsed during the year	(733 400)	32,29	(388 000)	32,86
Granted during the year	-	-	100 000	32,50
Exercised during the year	-	-	(2 504 500)	30,20
Outstanding at the end of the year	3 085 100	32,66	3 818 500	32,63
Exercisable at the end of the year	1 450 000	33,80	-	-
Adcorp Employee Benefit Trust 2 (refer to note 20)				
Outstanding balance at the beginning of the year	6 729 140	42,17	6 729 140	42,17
Issued during the year	-	-	-	-
Outstanding at the end of the year	6 729 140	42,17	6 729 140	42,17
Exercisable at the end of the year	-	-	-	-

Included in the lapsed shares is 52 400 share options that were paid to AM Sher as part of a severance pay-out.

No share options were exercised during the financial year, since no share options that were granted under the employee share option plan were vested.

Notes to the annual financial statements continued

for the year ended 28 February 2017

42. Share-based payments continued

The following share options granted under the employee share option plans were exercised during the prior financial year:

Option series	Number exercised
2016	
Issued 26 February 2010 – SARs	150 000
Issued 26 February 2010 – PFs	50 000
Issued 31 January 2011 – SARs	150 000
Issued 31 January 2011 – PFs	50 000
Issued 22 February 2012 – PFs	115 000
Issued 17 October 2012 – PFs	70 000
Issued 28 February 2013 – PFs	1 919 500
	2 504 500

In the prior financial year, staff members were permitted to exercise their shares during June, and the average exercise price for the period was R33,00.

The Group recognised a total expense/credit related to share-based payment transactions as follows:

	2017	2016
Share-based expense	-	36 308
Share-based expense – IFRS 2 2013 BBBEE deal	7 206	7 206
Revaluation of share-based payment liability	411	(74 678)
	7 647	(31 164)

	Sale of services		Holding company management fees		Accounting and information technology fees	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000	2017 R'000	2016 R'000
43. Related parties						
The Group did not enter into any transactions with Group parties other than those with subsidiaries which were eliminated on consolidation. All transactions took place on an arm's length basis (refer to Annexure A)						
43.1 Trading transactions						
During the year, Group entities entered into the following transactions:						
Subsidiaries of Adcorp Holdings Limited	246 325	231 628	155 956	129 871	183 545	131 803
Refer to Annexure A for related-party balances.						
43.2 Interest received						
Interest has been charged to Group companies as reflected in note 33.						
43.3 Interest paid						
Interest has been paid by Group companies as reflected in note 34.						
43.4 BBBEE shareholders' interest						
Certain directors of the Group are directors of the Group's BBBEE partners (refer to note 20).						
GP Dingaan and NS Ndhlazi, who are non-executive directors, are employees of the WIPHOLD Group, being one of the Group's BBBEE partners.						
C Maswanganyi and MR Ramaite, who is a non-executive director and an alternate director respectively of Adcorp, collectively control Simeka Group, being one of the Group's BBBEE partners.						

Notes to the annual financial statements continued

for the year ended 28 February 2017

44. Directors' and prescribed officers' emoluments

2017	Salary R'000	Bonus R'000	Medical aid/ provi- dent fund R'000	Retirement benefits R'000	Allow- ances R'000	Seve- rance pay R'000	Leave pay R'000	Sundry R'000	Direc- tors' fees R'000	Sub- total R'000	Realised gains on share options* R'000	Total R'000	Bonus paid in 2017 in relation to 2016 financial year
Executive directors													
RL Pike	3 812	-	125	787	96	-	-	-	-	4 820	-	4 820	4 034
A Guharoy*#	4 817	-	-	-	-	1 965	-	-	-	6 782	-	6 782	3 793
BE Bulunga	2 990	775	-	427	-	-	-	-	-	4 192	-	4 192	970
AM Sher**	2 312	-	142	583	144	3 181	-	-	-	6 362	2 196	8 558	2 063
PC Swart	3 275	-	59	384	120	-	-	-	-	3 838	-	3 838	3 039
	17 206	775	326	2 181	360	5 146	-	-	-	25 994	2 196	28 190	13 899
Non-executive directors													
MJN Njeke	-	-	-	-	-	-	-	-	1 000	1 000	-	1 000	-
JA Boggenpoel***	-	-	-	-	-	-	-	-	-	-	-	-	-
C Maswanganyi	-	-	-	-	-	-	-	-	211	211	-	211	-
GP Dingaan	-	-	-	-	-	-	-	-	291	291	-	291	-
SN Mabaso-Koyana	-	-	-	-	-	-	-	-	556	556	-	556	-
ME Mthunzi	-	-	-	-	-	-	-	-	516	516	-	516	-
NS Ndhlozi	-	-	-	-	-	-	-	-	331	331	-	331	-
MR Ramaite*	-	-	-	-	-	-	-	-	202	202	-	202	-
TDA Ross	-	-	-	-	-	-	-	-	603	603	-	603	-
MW Spicer	-	-	-	-	-	-	-	-	483	483	-	483	-
	-	-	-	-	-	-	-	-	4 193	4 193	-	4 193	-
Prescribed officers													
B Carr	2 016	1 912	96	199	180	1 711	-	-	-	6 114	-	6 114	1 528
MA Jurgens	5 347	2 569	-	-	-	-	856	292	-	9 064	-	9 064	900
J Botha	2 370	1 885	125	406	-	-	-	-	-	4 786	-	4 786	1 000
FA Gazendam****	3 544	-	-	-	567	2 581	-	-	-	6 692	-	6 692	1 147
K Vittee	2 016	1 787	49	304	60	-	-	63	-	4 279	-	4 279	1 326
R van der Horst	2 785	1 109	58	427	144	-	-	-	-	4 523	-	4 523	227
L Wilson*****	1 923	1 608	-	161	60	-	-	5	-	3 757	-	3 757	164
T Smeeton	2 400	1 000	-	-	-	-	-	-	-	3 400	-	3 400	1 574
R Nel	1 842	1 150	-	-	-	-	-	-	-	2 992	-	2 992	-
	24 243	13 020	328	1 497	1 011	4 292	856	360	-	45 607	-	45 607	7 866

* A Guharoy resigned from the board with effect 31 October 2016.

A Guharoy is paid in SGD, and an average exchange rate for the year is used to convert his emoluments into rand.

** A Sher resigned from the board with effect 31 January 2017.

*** JA Boggenpoel was appointed with effect 1 January 2017. No fees accrued to her as at the end of February 2017.

**** FA Gazendam resigned on 31 December 2016.

***** L Wilson was appointed as acting Group Chief Financial Officer effective 1 February 2017.

***** The share option pay-out was part of severance pay-out and the shares relating to the pay-out is included in the lapsed shares (refer to note 42).

44. Directors' and prescribed officers' emoluments continued

2016	Salary R'000	Bonus* R'000	Bonus** R'000	Medical aid/ provident fund R'000	Retirement benefits R'000	Allow- ances R'000	Sundry R'000	Direc- tors' fees R'000	Sub- total	Realised gains on share options R'000	Total R'000
Executive directors											
RL Pike	3 508	4 034	-	114	741	96	167	-	8 660	14 850	23 510
A Guharoy***	4 948	3 793	-	-	98	-	1 216	-	10 055	-	10 055
BE Bulunga	2 809	970	-	-	401	-	-	-	4 180	-	4 180
AM Sher	2 134	2 063	-	131	578	144	-	-	5 050	4 785	9 835
PC Swart	3 072	3 039	-	54	361	120	-	-	6 646	13 613	20 259
	16 471	13 899	-	299	2 179	360	1 383	-	34 591	33 248	67 839
Non-executive directors											
MJN Njeke	-	-	-	-	-	-	-	867	867	-	867
GP Dingaan	-	-	-	-	-	-	-	164	164	-	164
SN Mabaso-Koyana	-	-	-	-	-	-	-	432	432	-	432
ME Mthunzi	-	-	-	-	-	-	-	467	467	-	467
NS Ndhlaizi	-	-	-	-	-	-	-	220	220	-	220
MR Ramaite	-	-	-	-	-	-	-	252	252	-	252
TDA Ross	-	-	-	-	-	-	-	523	523	-	523
MW Spicer	-	-	-	-	-	-	-	439	439	-	439
	-	-	-	-	-	-	-	3 364	3 364	-	3 364
Prescribed officers											
B Carr	1 462	1 528	2 057	87	151	180	470	-	5 935	3 465	9 400
MA Jurgens	5 044	900	-	-	-	-	-	-	5 944	3 465	9 409
FA Gazendam	2 690	1 147	2 002	-	-	-	-	-	5 839	-	5 839
K Vittee	1 785	1 326	1 709	62	252	60	-	-	5 194	5 280	10 474
	10 981	4 901	5 768	149	403	240	470	-	22 912	12 210	35 122

* Bonus amounts were paid to the directors and prescribed officers in May 2016 in respect of amounts provided for as at 29 February 2016.

** Bonus amounts were paid to the prescribed officers on 1 March 2015 in respect of amounts provided for as at 28 February 2015.

*** A Guharoy appointed to the board with effect 1 November 2015.

A Guharoy is paid in SGD, and an average exchange rate for the year is used to convert his emoluments into rand.

Notes to the annual financial statements continued

for the year ended 28 February 2017

45. Directors' and prescribed officers' participation in long-term incentive schemes

Directors' shareholding at 28 February 2017	Number of unexercised options as at 29 Feb 2016	Number of options granted in 2016/2017	Number of options exercised during 2016/2017	Number of options forfeited during 2016/2017	Number of unexercised options as at 28 Feb 2017	Option price (R)	Date from which exercisable
Executive directors							
BE Bulunga	40 000	-	-	-	40 000	33,80	27/02/17 [#]
	115 000	-	-	-	115 000	31,64	19/02/18 [#]
C Bomela ⁺	40 000	-	-	-	40 000	33,80	27/02/17 [#]
A Guharoy [*]	100 000			(100 000)	-	32,50	30/06/18 [#]
RL Pike	450 000	-	-	-	450 000	33,80	27/02/17 [#]
	450 000	-	-	-	450 000	31,64	19/02/18 [#]
AM Sher ^{**}	145 000	-	-	(145 000)	-	33,80	27/02/17 [#]
	145 000	-	-	(52 400)	92 600	31,64	19/02/18 [#]
PC Swart	412 500	-	-	-	412 500	33,80	27/02/17 [#]
	412 500	-	-	-	412 500	31,64	19/02/18 [#]
Prescribed officers							
B Carr	105 000	-	-	-	105 000	33,80	27/02/17 [#]
	105 000	-	-	-	105 000	31,64	19/02/18 [#]
MA Jurgens	105 000	-	-	-	105 000	33,80	27/02/17 [#]
	105 000	-	-	-	105 000	31,64	19/02/18 [#]
FA Gazendam	105 000			(105 000)	-	31,64	19/02/18 [#]
K Vittee	80 000	-	-	-	80 000	33,80	27/02/17 [#]
	105 000	-	-	-	105 000	31,64	19/02/18 [#]
T Smeeton	95 000	-	-	-	95 000	33,80	27/02/17 [#]

[#] Performance shares (PFs).

⁺ Retired as director with effect 30 June 2014. Remains an employee of the Group.

^{*} Resigned as director with effect 31 October 2016.

^{**} Resigned as director with effect 31 January 2017.

Directors' interest in shares	Number of shares held as at 28 Feb 2017		Number of shares held as at 29 Feb 2016	
	Beneficially held	Non- beneficially held	Beneficially held	Non- beneficially held
46. Directors' shareholding				
RL Pike	828 580	-	828 580	-
MR Ramaite	15 000	-	15 000	-
AM Sher*	-	145 000	-	145 000
MW Spicer	-	48 000	-	48 000
PC Swart	-	243 375	-	243 375

* Resigned as director with effect 31 January 2017.

	CONSOLIDATED		SEPARATE	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
47. Taxation paid				
Net amount prepaid at the beginning of the year	38 848	3 764	4 745	(1 403)
Amounts charged to statement of comprehensive income	(81 496)	(73 809)	(5 175)	1 129
Foreign currency	(713)	-	-	-
Acquisition of business	-	(562)	-	-
Disposal of business	-	(841)	-	-
Net amount unpaid/(prepaid) at the end of the year	11 729	(38 848)	2 789	(4 745)
Net cash payment	(31 632)	(110 296)	2 359	(5 019)
48. Dividend paid				
Amounts declared and paid	(104 458)	(166 018)	(104 458)	(166 018)
Received on treasury shares	1 493	1 447	-	-
Net cash payments	(102 965)	(164 571)	(104 458)	(166 018)
49. Additions and disposals to property, equipment and intangible assets				
Land and buildings – replacement	(10 320)	(19 933)	-	-
Furniture and computer equipment – replacement	(22 506)	(41 752)	-	-
Capitalised leased assets	-	(12 569)	-	-
Capital work in progress	-	(1 924)	-	-
Accreditation of programmes	(390)	(2 371)	-	-
Computer software – expansion	(48 476)	(23 782)	-	-
	(81 692)	(102 331)	-	-

Notes to the annual financial statements continued

for the year ended 28 February 2017

Subsidiary acquired	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Cost of acquisition R'000
50. Acquisition of business 2017				
WHR Solutions Proprietary Limited (WHR)	Recruitment processing Outsourcing	01/07/2016	100	15 792
2016				
Dare Holdings Proprietary Limited (Dare)	Human capital management	07/05/2015	100	266 046
FNDS3000 Proprietary Limited – (FNDS3000)	Financial services	01/03/2015	70	10 000
Van Zyl & Pritchard	IT services	03/08/2015	100	8 100

	CONSOLIDATED		SEPARATE	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
Total purchase consideration for all business combinations	15 792	284 146	-	-
Less: Liabilities assumed	(481)	-	-	-
Less: Investment converted into subsidiary	-	(7 800)	-	-
Less: Contingent liability	(3 158)	-	-	-
	12 152	276 346	-	-
Less: Cash and cash equivalents acquired	-	(9 132)	-	-
Cash outflow on acquisition of businesses	12 152	267 214	-	-

The fair value of the assets and liabilities acquired in respect of the various acquisitions in the year is as follows:

	2017	2016
	WHR	Total
Property and equipment	-	400
Intangible assets	6 535	160 392
Deferred tax asset	-	8 809
Trade and other receivables	-	137 546
Cash and cash equivalents	-	9 132
Trade and other payables	-	(133 854)
Provisions	-	(1 275)
Taxation owing	-	(562)
Deferred taxation	-	(28 635)
	6 535	151 953
Gain on bargain purchase	-	(3 999)
Resulting goodwill on acquisition	9 257	136 192
Total consideration	15 792	284 146

50. Acquisition of business continued

In complying with purchase accounting IFRS 3: *Business Combinations*, the Group determined the fair value of the assets and liabilities acquired on the acquisition of businesses as above.

The resulting difference between the identified tangible assets and liabilities was attributable to acquired intangibles and goodwill. Details of the resulting goodwill arising on the business combination is set out above.

The rationale for the acquisition of WHR was based on the expansion of the Group's service offerings.

The Group acquired 100% control of WHR by way of a sale and purchase agreement concluded between the vendor and a subsidiary of Adcorp Holdings Australia Proprietary Limited (AHA).

The goodwill in WHR arose after a portion of the purchase price was allocated to customer relationships because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development.

These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

No goodwill amount will be deductible for tax purposes.

WHR was acquired with effect 1 July 2016 and was funded by increased banking facilities within AHA. As such, it has been included in the Group consolidated results for eight months of this financial year.

Had this business combination been effected on 1 March 2016, the revenue of the Group would have been R16,1 billion and the net loss after tax would have totalled R159 million. The directors of the Group consider these numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

	CONSOLIDATED		SEPARATE	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
51. Cash and cash equivalents				
Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts:				
Cash resources *	723 171	846 064	422	494
Bank overdrafts	(440 047)	(368 161)	(260 030)	(280 000)
	283 124	477 903	(259 608)	(279 506)

* Includes restricted cash related to Capital Outsourcing Group Proprietary Limited R89 648 511.

Bank overdrafts are considered as part of cash and cash equivalents.

52. Financial instruments

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 borrowings disclosed in notes 21 to 24, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the notes. The Group's Executive Committee reviews the capital structure on a monthly basis.

As part of this review, the Committee considers the cost of capital and the risks associated with each class of capital.

The Group has a target gearing ratio of 37% determined as the weighted proportion of net debt to equity. The current gearing ratio is 48% (refer to directors' report).

The policy regarding the utilisation of gearing is consistent with prior years.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in the accounting policies on pages 93 to 100.

Notes to the annual financial statements continued

for the year ended 28 February 2017

	CONSOLIDATED		SEPARATE	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
52. Financial instruments continued				
52.1 Categories of financial instruments				
Financial assets				
Loans and receivables (including cash resources)	3 223 422	3 620 762	2 897 742	4 557 595
Financial liabilities				
Amortised cost (including bank overdraft)	2 915 558	3 114 741	1 568 565	1 616 542
The following table details the Group's remaining contractual maturity for its financial liabilities:				
Within one year	2 223 698	1 694 974	916 665	868 996
Later than one year and not later than five years	691 860	1 419 767	649 229	747 546

52.2 Financial risk management objectives

The Group's executive and head office treasury function provides services to the business, coordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports, which analyse exposures by degree and magnitude of risks. These risks include market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures.

The use of financial derivatives is governed by the Group's policies approved by the board of directors. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The head office treasury function reports regularly to the executive, which monitors risks and policies implemented to mitigate risk exposures.

52.3 Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates.

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting year. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year after tax would decrease/increase by R13 155 396 (2016: decrease/increase by R14 461 445).

The Group's sensitivity to interest rates has decreased during the current year mainly due to a change in the mix between long-term and short-term debt (refer to note 22).

52.4 Financial risk management

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The maturity probability of the financial assets (trade receivables) appears in note 13 and the financial liabilities in note 25.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Borrowing facilities are reflected in note 22 and note 53.

Credit risk

The Group maintains cash, cash equivalents and short-term investments with various financial institutions. The Group's policy is designed to limit exposure with any one institution and ensure a high credit standing for the financial institution with which such transactions are executed.

Credit risk with respect to trade accounts receivable is limited due to the blue-chip nature of the Group's client base. Credit assessments are done and continually updated on all the Group's clients.

52. Financial instruments continued

52.5 Financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	CONSOLIDATED		SEPARATE		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2017 R'000	2016 R'000	2017 R'000	2016 R'000				
Investment	10 000	10 000	10 000	10 000	Level 1	Fair value – Market valuation	n/a	n/a
Other financial assets	31 861	–	–	–	Level 1	Bond – Fair value – Market valuation	n/a	n/a
Other financial assets	–	29 728	–	–	Level 3	Fair value – Directors' valuation		
Derivative financial instrument	1 574	4 245	–	–	Level 2	Fair value – Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of the counterparty	n/a	n/a
Share-based payment liability	39 066	38 625	–	–	Level 1	Fair value – Standard present value model	n/a	n/a

53. Group overdraft facilities

The Group had the following overdraft facilities as at 28 February 2017:

	2017 R'million	2016 R'million
ABSA	245	170
First National Bank	190	190
Total overdraft facilities	435	360

The ABSA overdraft facility includes a seasonal facility of R75 million that expires on 30 March 2017.

These facilities are repayable on demand and bear interest at rates linked to the prime overdraft rate.

Security for these facilities are linked to the agreements concluded with the above banking institutions, as described fully in note 22.

54. Subsequent events

Cheryl-Jane Kujenga was appointed as the Group Chief Financial Officer, with effect 1 July 2017.

Other than the appointment of the Group Chief Financial Officer, no material transactions or events subsequent to the end of the financial year ended 28 February 2017 and prior to the approval of these consolidated and separate financial statements took place.

Annexure A: Details of subsidiaries and associates

for the year ended 28 February 2017

Name of subsidiary	Nature of business/ status	Share type	Authorised share capital of subsidiary/associate		Issued share capital of subsidiary/associate	
			R'000	R'000	R'000	R'000
			Feb 2017	Feb 2016	Feb 2017	Feb 2016
Adchip Managed Solutions Proprietary Limited	Flexible staffing	Ordinary	1 000	1 000	100	100
Adcorp Accountability Proprietary Limited	Dormant	Ordinary	4 000	4 000	200	200
Adcorp Advantage Proprietary Limited	Financial services	Ordinary	1 200	1 200	100	100
Adcorp Africa Limited (Mauritius)	Investment holding	Ordinary	10 000	10 000	10 000	10 000
Adcorp Contracting Proprietary Limited – (formerly Funxiono)	Dormant	Ordinary	4 000	4 000	1	1
Adcorp Flexible Staffing Solutions Proprietary Limited	Dormant	Ordinary	20 000	20 000	10 000	10 000
Adcorp Fulfilment Services Proprietary Limited	Holding company	Ordinary	20 000	20 000	9 000	9 000
Adcorp Holdings Australia	Holding company	Ordinary	30 000 100	30 000 100	30 000 100	30 000 100
Adcorp Holdings International Pte Ltd	Holding company	Ordinary	1	1	1	1
Adcorp Holdings Singapore Pte Ltd	Holding company	Ordinary	1	1	1	1
Adcorp Management Services Proprietary Limited	Holding company	Ordinary	4 000	4 000	400	400
Adcorp Staffing Solutions Proprietary Limited	Holding company	Ordinary	4 000	4 000	100	100
Adcorp Staffing Solutions Proprietary Limited		Class 'A' redeemable preference	225 000	225 000	–	–
Adcorp Support Services Proprietary Limited	Financial services	Ordinary	1 000	1 000	100	100
Adcorp Technical Training Proprietary Limited	Training	Ordinary	1 000	1 000	100	100
Adcorp Workforce Management Solutions Proprietary Limited (formerly Adcorp Professional IT Services Limited)	Holding company	Ordinary	900 000 000	900 000 000	349 716 709	349 716 709
Adcorp Workforce Management Solutions Proprietary Limited (formerly Adcorp Professional IT Services Limited)	Holding company	Conv red preference	100 000 000	100 000 000	–	–
Adcorp Workforce Solutions Proprietary Limited, formerly Kelly Group Limited	Flexible staffing	Ordinary	1 000 000 000	1 000 000 000	100 000 000	100 000 000
ADfusion Contract Management Services Proprietary Limited (70% owned)	Recruitment	Ordinary	4 000	4 000	2 000	2 000
All About Project Management Proprietary Limited	Project management product and services	Ordinary	1 000	1 000	340	340
All About Xpert Australia Proprietary Limited	Project management product and services	Ordinary	100	100	100	100
All About Xpert Proprietary Limited	Project management product and services	Ordinary	100 000	100 000	10 000	10 000
All About Xpert Technologies Proprietary Limited	Project management services	Ordinary	1	–	1	–
Anglo African Outstaffing Proprietary Limited	Flexible staffing	Ordinary	1 000	1 000	1 000	1 000
Capital Outsourcing Group – Resource For Africa Proprietary Limited	Flexible staffing	Ordinary	3 000	3 000	3 000	3 000
Capital Outsourcing Group Kenya Limited	Flexible staffing	Ordinary	1 000	1 000	1 000	1 000
Capital Outsourcing Group (UK) Limited – United Kingdom	Flexible staffing	Ordinary	–	–	–	–
Capital Outsourcing Group Food Limited (Sold during prior year)	Flexible staffing	Ordinary	–	–	–	–
Capital Outsourcing Group Limited – Zambia	Flexible staffing	Ordinary	5 000	5 000	5 000	5 000
Capital Outsourcing Group Limited – Uganda	Flexible staffing	Ordinary	10 000	10 000	10 000	10 000
Capital Outsourcing Group Limited – United Kingdom	Flexible staffing	Ordinary	–	–	–	–
Capital Outsourcing Group Proprietary Limitada – Mozambique	Flexible staffing	Ordinary	–	–	–	–
Capital Outsourcing Group Proprietary Limited – Angola	Flexible staffing	–	–	–	–	–
Capital Outsourcing Group Proprietary Limited – Australia (to be deregistered)	Flexible staffing	Ordinary	–	–	–	–
Capital Outsourcing Group Proprietary Limited – Ghana	Flexible staffing	Ordinary	100 000 000	100 000 000	75 000	75 000
Capital Outsourcing Group Proprietary Limited – International	Flexible staffing	–	–	–	–	–
Capital Outsourcing Group Proprietary Limited – Malawi	Agency agreements	Ordinary	10 000	10 000	10 000	10 000
Capital Outsourcing Group Proprietary Limited – Namibia	Flexible staffing	–	–	–	–	–
Capital Outsourcing Group Proprietary Limited – North Sudan	Flexible staffing	–	–	–	–	–
Capital Outsourcing Group Proprietary Limited – South Sudan	Flexible staffing	–	–	–	–	–
Capital Outsourcing Group Proprietary Limited – South Africa	Flexible staffing	Ordinary	100 000	100 000	10 600	10 600
Capital Staffing Limitada (Angola)	Flexible staffing	Ordinary	95 000	95 000	95 000	95 000
Capital Outsourced Solutions Proprietary Limited	Flexible staffing	Ordinary	1 000	1 000	100	100
Charisma Healthcare Solutions Proprietary Limited	Dormant	Ordinary	1 000	1 000	100	100
Comsel Eighteen Proprietary Limited t/a Kanimambo	Supplier of IT services	Ordinary	1 000	1 000	120	120
Dare Energy Proprietary Limited	Flexible staffing	Ordinary	1	–	1	–

Number of shares held by Adcorp Group		Cost of investment held by Adcorp Holdings Limited (before impairment)		Indebtedness (to)/by the subsidiary to Adcorp Holdings Limited		Attributable profit/(loss) before tax of the subsidiary/associate	
		R'000	R'000	R'000	R'000	R'000	R'000
Feb 2017	Feb 2016	Feb 2017	Feb 2016	Feb 2017	Feb 2016	Feb 2017	Feb 2016
100	100	-	-	-	-	-	-
200	200	-	-	-	-	-	-
100	100	-	-	-	-	(20)	(1 245)
10 000	10 000	-	-	-	-	(57 144)	(14 486)
1	1	-	-	-	-	4 487	3 594
10 000	10 000	208	208	1 251	1251	-	-
9 000	9 000	-	221 916	730 887	647 763	(17 795)	47 963
30 000 100	30 000 100	284 874	284 874	496 237	480 436	(61 491)	(106 614)
1	1	-	-	-	-	-	-
1	1	-	-	-	-	-	-
400	400	-	-	(328 191)	179 819	(125 889)	18 230
100	100	-	148 259	456 051	393 818	48 781	14 528
-	-	-	-	-	-	-	-
100	100	-	-	(2 553)	-	42 953	41 597
100	100	-	-	-	-	6 808	2 660
349 716 709	349 716 709	636 699	636 699	-	793 736	(27 574)	4 443
-	-	-	-	-	-	-	-
100 000 000	100 000 000	-	-	370 804	370 804	15 711	74 018
1 400	1 400	-	-	-	-	(3 262)	(602)
340	340	-	-	-	-	547	-
70	70	-	-	-	-	2 903	(2 867)
10 000	10 000	-	-	-	-	5 577	6 470
1	-	1	-	(1)	-	-	-
1 000	1 000	-	-	-	-	370	(2 507)
3 000	3 000	-	-	-	-	(8 662)	(7 229)
999	999	-	-	-	-	-	-
-	-	-	-	-	-	-	12 029
-	-	-	-	-	-	-	(278)
5 000	5 000	-	-	-	-	(794)	-
-	-	-	-	-	-	-	3 175
-	-	-	-	-	-	-	(4 604)
-	-	-	-	-	-	(49 087)	5 269
-	-	-	-	-	-	(19 118)	27 144
-	-	-	-	-	-	-	-
75 000	75 000	-	-	-	-	(2 868)	4 579
-	-	-	-	-	-	(3 357)	(6 175)
10 000	10 000	-	-	-	-	(33 828)	(3 676)
-	-	-	-	-	-	1 966	1 719
-	-	-	-	-	-	-	4 359
-	-	-	-	-	-	13 530	16 774
10 600	10 600	-	-	(12 722)	(12 722)	60 010	(47 180)
-	-	-	-	-	-	9 304	20 188
100	100	-	-	-	-	-	5 702
100	100	-	-	-	-	-	-
120	120	-	-	-	-	4 502	2 014
1	-	-	-	-	-	(1 576)	-

Annexure A: Details of subsidiaries and associates continued

for the year ended 28 February 2017

Name of subsidiary	Nature of business/ status	Share type	Authorised share capital of subsidiary/associate		Issued share capital of subsidiary/associate	
			R'000	R'000	R'000	R'000
			Feb 2017	Feb 2016	Feb 2017	Feb 2016
Dare Holdings Proprietary Limited	Flexible staffing		2	2	2	2
Dare Holdings LLC (Texas USA)	Dormant	Ordinary	100	–	100	–
DAV Professional Placement Group Proprietary Limited	Dormant	Ordinary	1 000	1 000	100	100
Envisionme Virtual Talent Management Co						
Proprietary Limited – 74,9% owned	Emergent business	Ordinary	1 000	1 000	1 000	1 000
EmployRite Proprietary Limited	Emergent business	Ordinary	–	1 000	–	100
FMS Marketing Solutions Proprietary Limited	Dormant	Ordinary	–	1 000	–	1 000
FNDS3000 Proprietary Limited		Ordinary	1 000	1 000	100	100
Fortress Administration Proprietary Limited	Outsourcing solutions	Ordinary	550	550	550	550
Fortress Administration Proprietary Limited		'A' ordinary	450	450	450	450
InfoVu Holdings Proprietary Limited	Dormant	Ordinary	1 000	1 000	1 000	1 000
InfoVu Proprietary Limited	Dormant	Ordinary	1 000	1 000	100	100
InnStaff Proprietary Limited	Flexible staffing	Ordinary	4 000	4 000	100	100
InnStaff Swaziland Proprietary Limited – Swaziland	Flexible staffing	Ordinary	100	100	100	100
Kelly Corporate Finance Proprietary Limited	Dormant	Ordinary	1 000	1 000	100	100
Kelly Group Shared Services Proprietary Limited	Dormant	Ordinary	1 000	1 000	100	100
Klatrade 200074 Proprietary Limited	Training	Ordinary	1 000	1 000	1 000	1 000
Labour Solutions Australia (WA) Proprietary Limited	Flexible staffing	Ordinary	100	100	100	100
Labour Solutions Australia Agri Proprietary Limited	Flexible staffing	Ordinary	1 000	1 000	1 000	1 000
Labour Solutions Australia Constructions Proprietary Limited	Flexible staffing	Ordinary	100	100	100	100
Labour Solutions Australia Proprietary Limited	Flexible staffing	Ordinary	60 530 464	60 530 464	60 530 464	60 530 464
Labour Solutions Australia TSV Proprietary Limited	Flexible staffing	Ordinary	100	100	100	100
Labour Solutions Partners Proprietary Limited	Flexible staffing	Ordinary	200	200	200	200
M Squared Consulting MSP Proprietary Limited	Managed services provider	Ordinary	1 000	1 000	1 000	1 000
Mondial IT Solutions Proprietary Limited	Consulting and the supply of skills to the IT industry	Ordinary	100 000	100 000	11 000	11 000
Moody Blue Trade & Invest 93 Proprietary Limited	Investment holding	Ordinary	1 000	1 000	100	100
Paracon Australia Proprietary Limited	Dormant	Ordinary	87 682 486	87 682 486	87 682 486	87 682 486
Paracon Project Management Proprietary Limited	Dormant	Ordinary	1 000	1 000	200	200
Paracon SA Proprietary Limited	Supplier of IT services	Ordinary	1 000	1 000	700	700
Paxus Australia Proprietary Limited	Supplier of IT services	Ordinary	152 856	152 856	152 856	152 856
Paxus New Zealand Proprietary Limited	Supplier of IT services	Ordinary	100	–	100	–
Production Management Institute of Southern Africa Proprietary Limited	Training	Ordinary	4 000	4 000	100	100
Prior Learning Centre Proprietary Limited	Training	Ordinary	1 000	1 000	101	101
Premier Personnel Proprietary Limited	Dormant	Ordinary	–	1 000	–	100
Paxsal Business Process Outsourcing Proprietary Limited	Holding company	Ordinary	4 000	4 000	100	100
Quest Flexible Staffing Solutions Proprietary Limited	Dormant	Ordinary	200	200	100	100
Quest Holdings Proprietary Limited	Dormant	Ordinary	–	10 000	–	10 000
Quest Staffing Solutions Proprietary Limited	Flexible staffing	Ordinary	1 000	1 000	600	600
Quest Staffing Solutions Proprietary Limited		'A' ordinary	1 000	1 000	400	400
Research Surveys Proprietary Limited	Dormant	Ordinary	100 000	100 000	200	200
Sishaye Contract Centre Solutions Proprietary Limited	Dormant	Ordinary	1 000	1 000	100	100
Sizano Staffing Services Proprietary Limited	Dormant	Ordinary	300	300	300	300
Talentcru Proprietary Limited – (formerly ADFusion Proprietary Limited)	Emergent business	Ordinary	1 000	1 000	100	100
Talentcru Proprietary Limited – (Australia)						
The Kelly Personnel Group Proprietary Limited	Dormant	Ordinary	4 000	4 000	100	100
The Personnel Concept Proprietary Limited	Personnel recruitment	Ordinary	40 000	40 000	40 000	40 000
Thetha Call Centre Staffing Proprietary Limited	Dormant	Ordinary	4 000	4 000	1 000	1 000
Torque Holdings Proprietary Limited	Holding company	Ordinary	1 000	1 000	332	332

Number of shares held by Adcorp Group		Cost of investment held by Adcorp Holdings Limited (before impairment)		Indebtedness (to)/by the subsidiary to Adcorp Holdings Limited		Attributable profit/(loss) before tax of the subsidiary/associate	
		R'000	R'000	R'000	R'000	R'000	R'000
Feb 2017	Feb 2016	Feb 2017	Feb 2016	Feb 2017	Feb 2016	Feb 2017	Feb 2016
-	-	-	-	-	-	(101 707)	15 516
100	-	-	-	-	-	(2 657)	-
100	100	7 270	7 270	-	-	-	-
749	749	-	-	-	-	(598)	(6 089)
-	100	41 478	41 478	-	120	-	-
-	1 000	231 363	231 363	-	-	-	-
100	100	-	-	-	-	8 669	9 697
550	550	-	-	496	498	(44 472)	7 740
-	-	-	-	-	-	-	-
1 000	1 000	-	-	-	-	-	-
100	100	-	-	-	-	-	-
100	100	-	-	-	-	6 829	13 783
100	100	-	-	-	-	33	32
100	100	-	-	-	-	58	2 463
100	100	-	-	-	-	-	-
1 000	1 000	-	-	-	-	-	1
100	100	-	-	-	-	-	-
920	920	-	-	-	-	26 219	(4 229)
100	100	-	-	-	-	14	(35)
60 530 464	60 530 464	-	-	-	-	(14 462)	(22 942)
100	100	-	-	-	-	-	-
200	200	-	-	-	-	5 612	443
1 000	1 000	-	-	-	-	(241)	(1 380)
11 000	11 000	-	-	-	-	6 072	2 923
100	100	-	-	-	-	-	-
87 682 486	87 682 486	-	-	-	-	-	-
200	200	-	-	-	-	-	-
700	700	-	-	841 197	-	13 561	12 487
152 856	152 856	-	-	-	-	82 975	49 790
100	-	-	-	-	-	-	-
100	100	-	629	(11 306)	(11 175)	6 320	3 752
101	101	-	-	-	-	(438)	8
-	100	1 946	1 946	-	-	-	-
100	100	-	-	-	-	27 594	-
100	100	-	-	-	-	-	-
-	10 000	-	-	-	(197 031)	-	-
600	600	-	-	(9 242)	(11 581)	6 419	5 070
-	-	-	-	-	-	-	-
200	200	6 726	6 726	(17 867)	(17 867)	-	-
60	60	-	-	-	-	-	-
300	300	-	-	-	-	72	207
100	100	-	-	(2 368)	(2 369)	11 801	(4 649)
100	100	-	-	-	-	2 862	-
40 000	40 000	-	-	-	-	-	3 377
750	750	-	-	-	-	-	-
332	332	-	-	-	-	15 031	9 175

Annexure A: Details of subsidiaries and associates continued

for the year ended 28 February 2017

Name of subsidiary	Nature of business/ status	Share type	Authorised share capital of subsidiary/associate		Issued share capital of subsidiary/associate	
			R'000	R'000	R'000	R'000
			Feb 2017	Feb 2016	Feb 2017	Feb 2016
Torque Learning Solutions Proprietary Limited	Supplier of IT services	Ordinary	1	–	1	–
Torque Technical Computer Training Proprietary Limited	Supplier of IT services	Ordinary	1 000	1 000	100	100
WDB Technologies Proprietary Limited	Dormant	Ordinary	4 000	4 000	1 000	1 000
Zest Hospitality Proprietary Limited	Outsourcing solutions (payroll outsourcing)	Ordinary	4 000	4 000	100	100
Subtotal positive						
Subtotal negative						
Total subsidiaries						
Name of associate and joint ventures						
Hatch Investments (Mauritius) Limited*	Holding company	Ordinary	100 000	100 000	1 004	1 004
Marula Staffing Proprietary Limited	Dormant	Ordinary	1 000	1 000	500	500
PRP Solutions Proprietary Limited	Productivity tools and time tracking software	Ordinary	1 000	1 000	300	300
Total associates						

Number of shares held by Adcorp Group		Cost of investment held by Adcorp Holdings Limited (before impairment)		Indebtedness (to)/by the subsidiary to Adcorp Holdings Limited		Attributable profit/(loss) before tax of the subsidiary/associate	
Feb 2017	Feb 2016	R'000 Feb 2017	R'000 Feb 2016	R'000 Feb 2017	R'000 Feb 2016	R'000 Feb 2017	R'000 Feb 2016
1	–	1	–	(1)	–	–	–
100	100	–	–	–	–	–	–
1 000	1 000	–	–	–	–	–	–
100	100	–	–	–	–	3 096	926
		1 210 565	1 210 564	2 896 923	2 868 245	440 686	453 845
			–	(384 249)	(252 745)	(577 041)	(236 787)
		1 210 565	1 210 564	2 512 673	2 615 500	(136 355)	217 058
502	502	–	–	–	–	23 396	23 078
245	245	–	–	–	–	–	–
90	90	–	–	–	–	–	–
						23 396	23 078

Shareholders' information

Analysis of ordinary shareholders as at 28 February 2017

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Shareholder spread				
1 – 1 000 shares	2 107	56,56	434 277	0,39
1 001 – 10 000 shares	1 113	29,88	3 795 857	3,45
10 001 – 100 000 shares	342	9,18	11 487 089	10,45
100 001 – 1 000 000 shares	136	3,65	42 914 528	39,03
1 000 001 shares and over	27	0,72	51 322 924	46,68
Total	3 725	100,00	109 954 675	100,00

Distribution of shareholders

Assurance companies	19	0,51	3 859 117	3,51
Close corporations	30	0,81	216 891	0,20
Collective investment schemes	118	3,17	54 933 799	49,96
Foundations and charitable funds	36	0,97	946 227	0,86
Hedge funds	5	0,13	429 196	0,39
Insurance companies	4	0,11	427 752	0,39
Investment partnerships	15	0,40	199 199	0,18
Managed funds	26	0,70	1 570 759	1,43
Medical aid funds	12	0,32	902 924	0,82
Organs of State	6	0,16	5 272 065	4,79
Private companies	58	1,56	1 015 888	0,92
Public companies	3	0,08	40 194	0,04
Public entities	3	0,08	96 279	0,09
Retail shareholders	2 859	76,75	6 184 103	5,62
Retirement benefit funds	176	4,72	27 174 380	24,71
Scrip lending	4	0,11	103 747	0,09
Sovereign funds	1	0,03	19 670	0,02
Stockbrokers, nominees and custodians	33	0,89	2 533 109	2,30
Treasury	2	0,05	1 571 826	1,43
Trusts	304	8,16	2 457 152	2,23
Unclaimed scrip	11	0,30	398	0,00
Total	3 725	100,00	109 954 675	100,00

Shareholder type

Non-public shareholders	6	0,16	2 706 781	2,46
Own holdings	2	0,05	843 580	0,77
Directors and associates (direct holding)	2	0,05	291 375	0,26
Directors and associates (indirect holding)	2	0,05	1 571 826	1,43
Public shareholders	3 719	99,84	107 247 894	97,54
Total	3 725	100,00	109 954 675	100,00

Fund managers with a holding greater than 5% of the issued shares

Allan Gray	26 205 250	23,83
Kagiso Asset Management	16 994 530	15,46
Sanlam Investment Management	10 760 162	9,79
PSG Asset Management	9 187 431	8,36
Coronation Fund Managers	7 057 736	6,42
Total	70 205 109	63,85

Beneficial shareholders with a holding greater than 5% of the issued shares

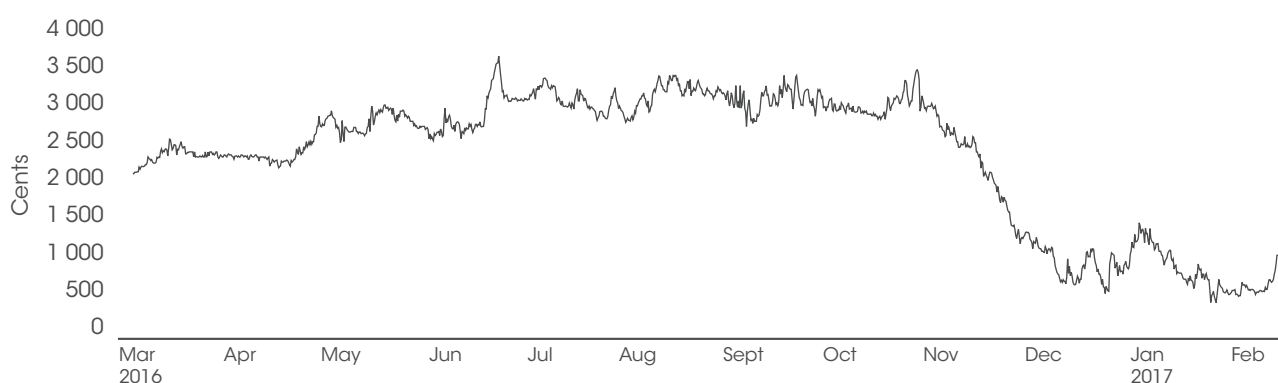
Allan Gray	12 416 207	11,29
Sanlam Group	10 671 816	9,71
PSG	9 821 044	8,93
Government Employees Pension Fund	6 845 414	6,23
Total	39 754 481	36,16

Total number of shareholders	3 725
Total number of shares in issue	109 954 675

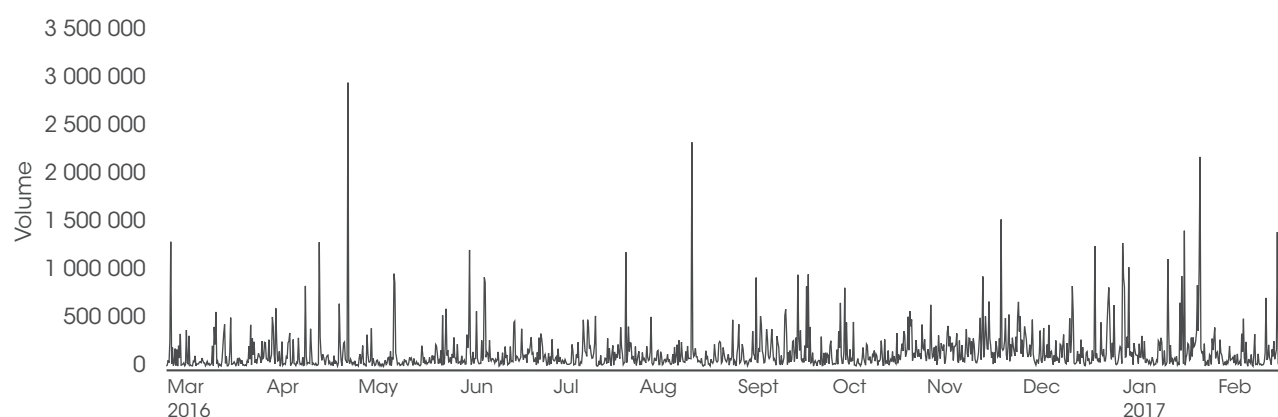
Five-year share price performance



Adcorp price chart - daily closing price



Adcorp volume chart - 1 March 2016 to 28 February 2017



JSE share price performance

Opening price 1 March 2016	R14,80
Closing price 28 February 2017	R16,52
Closing high for period	R20,54
Closing low for period	R12,70
Number of shares in issue	109 954 675
Volume traded during period	45 729 848
Ratio of volume traded to shares issued (%)	41,59
Rand value traded during the period	712 047 688
Price/earnings ratio as at 28 February 2017	6,56
Earnings yield as at 28 February 2017(%)	15,25
Dividend yield as at 28 February 2017(%)	4,89
Market capitalisation at 28 February 2017(%)	1 816 451 231

Administration

Adcorp Holdings Limited

Registration number 1974/001804/06

Listed 1987

Website: www.adcorpgroup.com

Registered office

Adcorp Holdings Limited

Adcorp Office Park

Nicolway, Bryanston

Cnr William Nicol Drive and Wedgewood Link

Bryanston

2021

PO Box 70635, Bryanston, 2021

Tel: 011 244 5300

Fax: 011 244 5310

Email: info@adcorpgroup.com

Company Secretary

Kevin Fihrer

Adcorp Office Park

Nicolway, Bryanston

Cnr William Nicol Drive and Wedgewood Link

Bryanston

2021

PO Box 70635, Bryanston, 2021

Tel: 011 244 5300

Direct: 011 244 5485

Email: kevin.fihrer@adcorpgroup.com

Investor enquiries

Website: www.adcorpgroup.com

Email: cfo@adcorpgroup.com

Auditors

Deloitte & Touche

The Woodlands

20 Woodlands Drive

Woodmead, Sandton, 2146

Private Bag X6, Gallo Manor, 2052

Tel: 011 806 5000

Fax: 011 806 5111

Legal advisers

Baker McKenzie

4 Sandown Valley Crescent

Sandton, 2196

Tel: 011 911 4300

Fax: 011 784 2855

DLA Piper South Africa

Services Proprietary Limited

6th Floor

61 Katherine Street

Sandton, 2196

Johannesburg

South Africa

Tel: 011 302 0800

Transfer secretaries

Terbium Financial Services Proprietary Limited

Beacon House

31 Beacon Road

Florida North

1709

PO Box 61272

Marshalltown

2107

Tel: 086 022 2213

Email: adcorp@terbium.global

Sponsors

Deloitte & Touche Sponsor Services Proprietary Limited

Building 8, Deloitte Place

The Woodlands

20 Woodlands Drive

Woodmead, Sandton, 2146

Private Bag X6, Gallo Manor, 2052

Tel: 011 806 5000

Fax: 011 806 5666

Notice of annual general meeting

Adcorp Holdings Limited

Incorporated in the Republic of South Africa

Registration number: 1974/001804/06

Share code: ADR ISIN: ZAE000000139

("Adcorp" or "the Company" or "the Group")

If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant (CSDP), broker, banker, attorney, accountant or other professional adviser immediately.

Notice is hereby given to shareholders recorded in the company's share register on Friday, 7 July 2017, that the annual general meeting (AGM) of shareholders of Adcorp Holdings Limited ("Adcorp" or "the Company") will be held at 09:00 on Wednesday, 23 August 2017, at the office of the company, Adcorp Office Park, Nicolway East, Bryanston, cnr William Nicol Drive and Wedgewood Link, Bryanston, Johannesburg, South Africa, for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions set out hereunder.

The board of directors (Board) of the company has determined, in terms of section 62(3)(a), as read with section 59 of the Companies Act, No 71 of 2008 (the "Companies Act"), the record date for the purposes of determining which shareholders of the company are entitled to participate in and vote at the annual general meeting is Friday, 18 August 2017. Accordingly, the last day to trade Adcorp shares in order to be recorded in the register to be entitled to vote will be Tuesday, 15 August 2017.

Kindly note that meeting participants (including shareholders and proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, driver's licences and passports.

Electronic participation in the AGM

Shareholders or their proxies may participate in the AGM by way of a teleconference call and, if they wish to do so:

- are requested to contact the Company Secretary (by email at the address kevin.firrer@adcorpgroup.com) by no later than 09:00 on Friday, 18 August 2017, in order to obtain a pin number and dial-in details for that conference call;
- will be required to provide reasonably satisfactory identification;
- will be billed separately by their own telephone service providers for their telephone call to participate in the AGM; and
- participation in the AGM by way of electronic participation will not entitle a shareholder to vote. Should a shareholder wish to vote at the AGM, he/she may do so by attending and voting at the AGM either in person or by proxy.

The purpose of the annual general meeting is to present the annual financial statements for the year ended February 2017 and to consider and, if deemed fit, to pass, with or without modification, the ordinary and special resolutions set out in this notice. The annual financial statements are presented at the AGM in accordance with section 30(3)(d) and section 60(3)(d) of the Companies Act. The complete set of annual financial statements are also available at www.adcorpgroup.com.

Ordinary resolutions

The minimum percentage of voting rights required for each of the resolutions set out in items 1 to 6 below to be adopted, is more than 50% of the voting rights exercised on each of the resolutions by shareholders present or represented by proxy at the AGM.

1. Ordinary resolutions number 1.1 to 1.7: Election and re-election of directors

To elect, by separate resolutions, JA Boggenpoel, C Maswanganyi, CJ Kujenga, S Sithole, N Nongogo, GT Serobe and FS Mufamadi who were appointed as directors post the previous AGM held on 25 August 2016, in accordance with the company's Memorandum of Incorporation (MOI). In relation to the above appointments, shareholders are referred to the announcements issued on 27 June 2017, 4 July 2017 and 11 July 2017.

Refer to page 46 of this integrated annual report of which this notice forms part for a brief curriculum vitae of JA Boggenpoel and C Maswanganyi. The curriculum vitae for the other directors appear below.

Cheryl-Jane Kujenga (38)

Executive Director – Chief Financial Officer

CA (SA)

1 July 2017

CJ has 20 years commercial and extensive experience dealing with clients across Africa. She spent 9 years as a partner at EY. Throughout her working career she has been employed as a Group accountant, Head of finance and also served on the Accounting Standards Board (South Africa) for six years. She completed her articles at EY after graduating from the University of South Africa.

Samuel Sithole (44)*Non-executive Director*

BAcc (Hons), CA (SA), ACA, CA(Z)

Appointment: 5 July 2017

Samuel is the Chief Executive Officer of Value Capital Partners. He has a wealth of experience in both the private equity and corporate sector, having served as the Group Financial Director of Brait from June 2008 until September 2016. He has also served as an audit partner of Deloitte, with whom he spent a total of 12 years, until May 2008. He joined the Altron board in 2017.

Ngange Nongogo (35)*Non-executive Director*

B-Com, PGDA, CA (SA), CAIA

Appointment: 5 July 2017

Ngange is the Investment Director at Value Capital Partners. He has a strong background in the private equity industry having been a partner at Rockwood until June 2017, where he served as a deal executive on Safripol. He has also served as a member of the board, risk, investment, social and ethics committees of Safripol and EnviroServ, as well as the Chairman of the Tsebo and EnviroServ Broad Based Ownership Schemes. Prior to joining Rockwood in 2012 he spent 4 years as an Investment Associate at Basileus capital. Before that, Ngange completed his audit articles at Deloitte.

Gloria Serobe (58) (Chairperson)*Non-executive Director*

BCom, MBA

11 July 2017

Gloria is a founder and executive director of WIPHOLD. She obtained a B.Com degree from the University of Transkei and holds an MBA degree from Rutgers University, USA. She has won numerous awards, including the Business Women Association's Corporate Business Woman of the Year and Lifetime Achiever: South African Premier Business Awards 2016. Gloria serves on several boards, including Old Mutual, Hans Merensky and Sasol Mining. She was the Chairman of the Board of the Independent Ports Regulator; is an honorary member of the Actuarial Society of South Africa; and a member of the SAICA Advisory Council.

Dr Sydney Mufamadi (58)*Independent Non-executive Director*

MSc, PhD

Appointment: 11 July 2017

Sydney is the Director of the School of Leadership at the University of Johannesburg and he serves on the boards of Impala Platinum (Pty) Ltd and Zimbabwe Platinum (Pty) Ltd. He has built his reputation in various leadership positions including being a previous Minister for Safety and Security and Minister for Provincial and Local Government in the Government of the Republic of South Africa, and is known for his mediation and conflict resolution skills as well as his expertise in bilateral and multilateral diplomacy.

2. Ordinary resolutions number 2.1 to 2.4: Election of Audit and Risk Committee members

To elect, each by way of a separate resolution, the following independent non-executive directors, as members of the company's Audit and Risk Committee:

- 2.1 SN Mabaso-Koyana: member and chairperson
- 2.2 MW Spicer: member
- 2.3 JA Boggenpoel: member
- 2.4 FS Mufamadi: member

Refer to pages 45 to 48 of this integrated annual report of which this notice forms part for a brief curriculum vitae of each director as well as above for the other brief curriculum vitae.

3. Ordinary resolution number 3: Reappointment of independent external auditor

To reappoint Deloitte & Touche as the independent registered auditor of the company for the ensuing financial year, and to note that the individual registered auditor who will undertake the audit during the financial year ending 28 February 2018 is MLE Tshabalala.

The Audit and Risk Committee and the board have evaluated the performance of Deloitte & Touche and recommend their reappointment as the external auditors of the company.

Notice of annual general meeting continued

4. Ordinary resolution number 4: Place 2 000 000 of the authorised but unissued ordinary shares under the control of the directors

To place 2 000 000 of the unissued ordinary shares in the authorised share capital of the company under the control of the directors as a specific authority in terms of the Companies Act, from time to time, subject to the provisions of the Companies Act and the JSE Listings Requirements. These shares are specifically for the issue of shares to employees in order to meet the company's commitment in terms of the Adcorp Holdings 2006 Share Trust.

5. Ordinary resolution number 5: Non-binding advisory vote on remuneration policy

To endorse, by way of a non-binding advisory vote, the company's remuneration policy, as set out in the integrated annual report as Annexure to this Notice (pages 155 to 160).

6. Ordinary resolution number 6: Authority to implement resolutions passed at the AGM

To resolve that any director or the Company Secretary of the company be authorised to do all such things, perform all acts and sign all such documentation as may be required to give effect to the ordinary and special resolutions passed at this AGM or any adjustment thereof.

Special resolutions

For special resolutions to be adopted, a majority of 75% (seventy-five percent) of the voting rights exercised on each special resolution must be exercised in favour of such resolution by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution concerned.

7. Special resolution number 1: Remuneration payable to non-executive directors

The remuneration structure, excluding Value Added Tax, of the non-executive directors are proposed as follows:

	Retainer fee per meeting		Attendance fee per meeting	
	Current for 2016/2017	Proposed for 2017/2018	Current for 2016/2017	Proposed for 2017/2018
Board				
Chairperson	95 191	95 191	142 787	142 787
Lead independent non-executive	–	31 810	–	47 716
Non-executive	26 508	26 508	39 763	39 763
Ad hoc work performed by non-executive directors (including independent) in their role as directors (hourly rate)	–	–	2 650	2 650
Audit and Risk Committee				
Chairperson	31 516	31 516	47 275	47 275
Non-executive	15 759	15 759	23 637	23 637
Remuneration Committee				
Chairperson	13 741	13 741	20 613	20 613
Non-executive	8 217	8 217	12 326	12 326
Nominations Committee				
Chairperson	–	13 741	–	20 613
Non-executive	–	8 217	–	12 326
Transformation, Social and Ethics Committee				
Chairperson	12 959	12 959	19 438	19 438
Non-executive	8 217	8 217	12 326	12 326
Investment Committee				
Chairperson	–	31 516	–	47 275
Non-executive	–	15 759	–	23 637

8. Special resolution number 2: Repurchase of the company's shares

To resolve that the company, and/or a subsidiary of the company, is authorised to repurchase or purchase, as the case may be, shares issued by the company, from any person, upon such terms and conditions and in such number as the directors of the company or the subsidiary may from time to time determine, including that such shares be repurchased or purchased subject to the applicable requirements of the company's MOI, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time; and subject further to the restriction that the repurchase or purchase, as the case may be, by the company and/or any of its subsidiaries, of shares in the company of any class under this authority shall not, in aggregate in any one financial year, exceed 10% of the shares in issue in such class as at the commencement of such financial year. At this stage there is no intention to repurchase shares; however, if the need arises, the board could purchase up to 10% of the issued share capital.

It is recorded that, as at 1 July 2017, being the last practicable date before finalisation of this notice, the JSE Listings Requirements provide, *inter alia*, that the company, or any subsidiary of the company, may only make a general repurchase of the shares in the company subject to the following:

- Any such repurchase of shares is effected through the order book operated by the trading system of the JSE Limited (JSE) and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited).
- Authorisation thereto is given by the company's MOI.
- At any point in time, the company may appoint only one agent to effect any repurchase(s) on its behalf.
- The general authority shall be valid only until the company's next annual general meeting or 15 months from the date of passing of this special resolution, whichever is earlier.
- A resolution by the board that it authorises the repurchase, that the company and its subsidiaries have passed the solvency and liquidity test, and that from the time that the test was performed there have been no material changes to the financial position of the Group.
- When the company or a subsidiary of the company has cumulatively repurchased 3% of any class of the company's shares in issue on the date of passing of this special resolution (the initial number), and for each 3% in aggregate of that class of shares acquired thereafter, in each case in terms of this resolution, an announcement shall be published on the Securities Exchange News Service (SENS) of the JSE and in the press, giving such details as may be required in terms of the JSE Listings Requirements.
- The company or its subsidiaries may not repurchase any of the company's shares during a prohibited period as defined in the JSE Listings Requirements, unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and the company has submitted the repurchase programme to the JSE in writing. The company will instruct an independent third party, which makes its investment decisions in relation to the company's securities independently of, and uninfluenced by, the company, prior to commencement of the prohibited period to execute the repurchase programme submitted to the JSE.
- No repurchases may be made at a price which is greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction is effected (the maximum price). The JSE will be consulted for a ruling if the company's securities have not traded in such a five-day period.

After considering the effects of such maximum repurchase, the directors will, in accordance with sections 44(3)(b) and 45(3)(b) of the Companies Act, ensure that the financial assistance is only provided if the requirements of those sections are satisfied, *inter alia*, that immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test set out in section 4 of the Companies Act.

Adequacy of working capital in terms of section 11.26 of the JSE Listings Requirements

The directors of the company will ensure that, after considering the effect of the maximum repurchase and for a period of 12 months thereafter:

- (i) the company and the Group will be able, in the ordinary course of business, to pay its debts for a period of 12 months after the date of the notice of the annual general/general meeting;
- (ii) assets of the company and the Group will be in excess of the liabilities of the company and the Group for a period of 12 months after the date of the notice of the annual general/general meeting. For this purpose, the assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual Group financial statements;
- (iii) share capital and reserves of the company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general/general meeting; and
- (iv) working capital of the company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general/general meeting.

Explanatory note

The purpose of this special resolution number 2 is to obtain an authority for, and to authorise, the company and the company's subsidiaries, by way of a general authority, to acquire the company's issued ordinary shares.

It is the intention of the directors of the company to use such authority should prevailing circumstances (including tax dispensations and market conditions) in their opinion warrant it.

Notice of annual general meeting continued

9. Special resolution number 3: Financial assistance for the subscription of any debt securities and the provision of loans or other financial assistance to present or future related and inter-related companies

To authorise the directors, in terms of and subject to the provisions of section 44 of the Companies Act, to cause the company to provide financial assistance by way of a loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any debt securities, issued or to be issued by the company or a present or future related or inter-related company or for the purchase of any debt securities of the company or a present or future related or inter-related company in terms of section 44 of the Companies Act.

To authorise the directors, in terms of and subject to the provisions of section 45 of the Companies Act, to cause the company to provide direct or indirect financial assistance to any company or corporation or future company or corporation which is related or inter-related to the company, for such amounts and on such terms and conditions as the board of the company may determine.

Explanatory note

Section 44

The reason for and effect of acquiring this special resolution, as contemplated under section 44 of the Companies Act, is to grant the board of directors of the company the authority to authorise the company to provide financial assistance by way of a loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company as contemplated in section 44 of the Companies Act.

Section 45

The reason for and effect of acquiring this special resolution as contemplated under section 45 of the Companies Act, is to grant the board of directors of the company the authority to authorise the company to provide direct or indirect financial assistance to a related or inter-related company corporation or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer or member as contemplated in section 45 of the Companies Act.

The directors undertake that:

Prior to the company providing the financial assistance, as contemplated in sections 44 and 45, the company will have satisfied the solvency and liquidity test as set out in section 4 of the Companies Act and that the terms under which the financial assistance is proposed to be given are fair and reasonable.

Other disclosure in terms of section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosure, which are contained in the annual report of which this notice forms part:

- Directors and management (pages 45 to 48)
- Major shareholders of the company (page 143)
- Directors' interest in securities (page 131)
- Stated capital of the company (page 111)

Material change

There have been no material changes in the affairs or financial position of the Company and its subsidiaries since the company's financial year-end and the date of this notice.

Directors' responsibility statement

The directors, whose names are given on pages 45 to 48 of the integrated annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 2 and certify that, to the best of their knowledge and belief, there are no facts in relation to special resolution number 2 that have been omitted which would make any statement in relation to special resolution number 2 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 2, together with this notice, contains all information required by law and the JSE Listings Requirements in relation to special resolution number 2.

Voting and proxies

1. An ordinary and/or 'B' ordinary shareholder entitled to attend and vote at the AGM may appoint any individual (or two or more individuals) as a proxy or as proxies to attend, participate in and vote at the AGM in the place of the shareholder. A proxy need not be a shareholder of the company.
2. A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the AGM.
3. A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.
4. The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.
5. The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the company as required in the first sentence of this paragraph.
6. If the instrument appointing the proxy or proxies has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Act or the company's MOI to be delivered by the company to the shareholder, must be delivered by the company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the company to do so in writing; and (ii) paid any reasonable fee charged by the company for doing so.

Attention is also drawn to the "Explanatory notes regarding proxy".

It is recommended that proxy forms should be delivered to the transfer secretaries, Terbium Financial Services Proprietary Limited, Beacon House, 31 Beacon Road, Florida North, 1709, so as to reach this address by no later than 09:00 on Monday, 21 August 2017.

Shareholders who have dematerialised their shares, other than with "own name" registration, should contact their Central Securities Depository Participant (CSDP) or stockbroker:

- to furnish their CSDP or stockbroker with their voting instructions; or
- in the event that they wish to attend the meeting, to obtain the necessary Letter of Representation to do so.

This must be done in terms of the agreement entered into between the shareholder and the CSDP or stockbroker concerned.

Any shareholder having difficulties or queries with regard to the above may contact the Company Secretary on:

Telephone: 011 244 5485

Email: kevin.fihrer@adcorpgroup.com

By order of the board



Kevin Fihrer
Company Secretary

19 July 2017

Form of proxy



Adcorp Holdings Limited

Incorporated in the Republic of South Africa

Registration number: 1974/001804/06

Share code: ADR ISIN: ZAE000000139

("Adcorp" or "the company")

This proxy form relates to the annual general meeting (AGM) to be held on Wednesday, 23 August 2017, at 09:00 at Adcorp, Nicolway East, Bryanston, cnr William Nicol Drive and Wedgewood Link, Bryanston, Johannesburg, and is for use by certificated ordinary shareholders and dematerialised shareholders with "own name" registrations on the date of the meeting.

Please print clearly when completing this form and see the instructions and notes at the end of this form for an explanation of the use of this proxy form and the rights of the shareholder and the proxy.

I/We (full name in block letters)

of (address)

being a shareholder of the company and the registered holder(s) of ordinary shares in the company

do hereby appoint or failing him/her,

the chairman of the AGM, to attend and participate in the meeting and to speak and vote or abstain from voting for me/us and on my/our behalf in respect of all matters arising (including any poll and all resolutions put to the meeting) at the meeting, even if the meeting is postponed, and at any resumption thereof after any adjournment.

Please indicate with an "X" in the appropriate spaces below how you wish your votes to be cast. Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

		In favour of	Against	Abstain
1.	Ordinary resolution number 1: Election and re-election of directors			
	1.1 JA Boggenpoel			
	1.2 C Maswanganyi			
	1.3 CJ Kujenga			
	1.4 S Sithole			
	1.5 N Nongogo			
	1.6 GT Serobe			
	1.7 FS Mufamadi			
2.	Ordinary resolution number 2: Election of Audit and Risk Committee members			
	2.1 SN Mabaso-Koyana			
	2.2 MW Spicer			
	2.3 JA Boggenpoel			
	2.4 FS Mufamadi			
3.	Ordinary resolution number 3: Reappointment of independent external auditors			
4.	Ordinary resolution number 4: Place 2 000 000 of the authorised but unissued ordinary shares under the control of the directors for purposes of the share scheme			
5.	Ordinary resolution number 5: Non-binding advisory vote on remuneration policy			
6.	Ordinary resolution number 6: Authority to implement resolutions passed at the AGM			
7.	Special resolution number 1: Remuneration payable to non-executive directors			
8.	Special resolution number 2: Repurchase of the company's shares up to 10%			
9.	Special resolution number 3: Financial assistance for the subscription of any debt securities and provision of loans or other financial assistance to present or future related or inter-related companies			

Signed this day of 2017

Signature

Assisted by (if applicable) (state capacity and full name)

Please provide contact details

Tel: ()

Fax: ()

Mobile number:

Email:

Each member is entitled to appoint a proxy (who need not be a member of the company) to attend, speak and vote in place of that member at the AGM.

Please read the notes to the form of proxy on the reverse side.

Explanatory notes regarding proxy

1. The form of proxy must only be used by shareholders who hold shares in certificated form or who are recorded on the subregister in electronic form in "own name".
2. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the AGM must provide the CSDP or broker with their voting instructions in terms of the relevant agreement entered into between them and the CSDP or broker.
3. An ordinary and/or 'B' ordinary shareholder entitled to attend and vote at the AGM may insert the name of a proxy or the names of two or more alternate proxies of the shareholder's choice in the space provided, with or without deleting "the chairperson of the AGM". The person whose name stands first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of such proxy(ies) whose names follow.
4. An ordinary and/or 'B' ordinary shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary and/or 'B' ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the AGM as he/she deems fit in respect of all the shareholder's exercisable votes. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
5. A vote given in terms of an instrument of proxy will be valid in relation to the AGM despite the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the proxy is given, unless notice on any of the noted matters has been received by the transfer secretaries not less than 48 hours before the start of the AGM.
6. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the AGM be proposed, such proxy shall be entitled to vote as he/she thinks fit.
7. The chairperson of the AGM may reject or accept any form of proxy which is completed and/or received other than in compliance with the Act, the MOI and these notes.
8. A shareholder's authorisation to the proxy, including the chairperson of the AGM, to vote on such shareholder's behalf, will be deemed to include the authority to vote on procedural matters at the AGM.
9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person to the exclusion of any proxy appointed in terms hereof.
10. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company's transfer secretaries or it is waived by the chairperson of the AGM.
11. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the company.
12. Where there are joint holders of shares:
 - any one holder may sign the form of proxy; and
 - the vote(s) of the senior shareholder(s) (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's register of shareholders) who tender(s) a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
13. It is recommended that forms of proxy be lodged with or mailed to the transfer secretaries, Terbium Financial Services Proprietary Limited, Beacon House, 31 Beacon Road, Florida North, 1709, so as to reach this address by no later than 09:00 on Monday, 21 August 2017.
14. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.

Annexure: Remuneration policy

1. Purpose

The purpose of this policy is to articulate the relationship between the business strategy, sustainable value creation, performance and remuneration and to ensure its application to the executive management comprising Executive Directors, Non-executive Directors and Prescribed Officers.

2. Objectives

The following core objectives guide the application and interpretation of this policy.

- 2.1 Remuneration as a tool to ensure that business creates value in a sustainable manner, given the context within which it operates.
- 2.2 Ethical leadership, attitudes, mindsets and behaviour.
- 2.3 A framework for designing, developing, interpreting and applying remuneration practices.
- 2.4 Guidelines for remuneration practices, approvals, disclosures and reporting requirements.

3. Scope of application

3.1 The following primary statutes (not exhaustive), regulations and guidelines are to be read along with this policy, within the particular context and merits of the particular situation:

- Companies Act (2008)
- King III and significant elements of IV
- Labour statute
- Tax statute
- International developments and trends
- JSE Listings Requirements.

3.2 The remuneration of the following parties is addressed:

- Executive management (executive directors and prescribed officers)
- Non-executive directors.

3.3 The policy addresses the following dimensions of remuneration:

- Base-salary, financial and non-financial benefits
- Variable remuneration (short-term incentives and long-term incentives, as well as other commissions and/or allowances)
- Other related matters, such as recruitment, retention and loss of office payments
- The structure of non-executive director fees.

4. Adcorp's remuneration philosophy

Adcorp's remuneration philosophy is centred around the following key considerations:

- Commitment to **best practice** in areas of remuneration and reward, underpinned by statute, regulations and related guidelines.
- Attracting, rewarding and retaining **exceptional people** who deliver sustainable growth, enhance talent and who live the Adcorp values.
- Ensuring that sustainable performance and value creation required of executives is reasonably **aligned** with the objectives of shareholders, where management share an appropriate level of personal risk.
- Regular evaluations, peer-group reviews and related surveys to ensure comparative and **contextual pay-for-performance**.
- Driving a **high-performance** culture.

Adcorp's remuneration strategy is specifically positioned to attract, retain and motivate outstanding talent and thereby to ensure business sustainability and the achievement of its strategic business objectives. Based on comparative peer-group reviews, benchmarking and international best practice, the remuneration strategy is underpinned by the following three interdependent pillars:

- Guaranteed remuneration in the form of **total cost to company (TCTC)**, which is holistically comprised of salaries, medical aid, pensions, allowances and the like.

Annexure: Remuneration policy continued

- **Short-term incentive (STI)**, which is awarded subject to the achievement of predetermined metrics and associated thresholds relating to the performance of the company and the individual.
- **Long-term incentive (LTI)**, which is aimed at motivating those executives who influence the long-term sustainability, value creation and strategic objectives of the company (and who are as a result exposed to both the upside and downside in the underlying share price, as set out in "The Adcorp Holdings Limited 2006 Share Plan").

5. Procedures (engaging shareholders and disclosure)

5.1 Every two years this policy is to be tabled for a non-binding advisory vote by shareholders:

5.1.1 if a material policy change is approved by the board; or

5.1.2 in the event that the previous policy which was tabled was not adopted by at least a 75% vote in the preceding year.

5.2 The implementation report should be put to a non-binding advisory vote by shareholders every year.

5.3 Fees of non-executive directors must be approved by a special resolution of shareholders every two years.

6. Disclosure and integrated annual reporting

6.1 The following three areas of disclosure should be addressed in engaging shareholders and in the IAR:

6.1.1 Remuneration background statement providing for the context within which remuneration considerations and decisions need to be viewed (internal and external factors that impact remuneration, focus areas of the Committee and whether there have been any material changes to the remuneration policy, an opinion as to whether the stated objectives have been met, as well as future considerations).

6.1.2 Overview of the remuneration policy design principles informing the remuneration system, details of employment contract provisions which could give rise to payments set out in the third point of paragraph 3.3, a view of the application of the remuneration policy under different performance scenarios, overview of design principles of employees not targeted in this policy, a statement of fairness, justification of benchmarks, as well as a reference to an e-link to the full policy for public access).

6.1.3 Remuneration implementation disclosure (the total remuneration paid to each of the targeted parties in this policy – basic salary, benefits, STIs, including those deferred, loss of office payments, other allowances, and LTIs; details of deferred payments awarded but not yet paid; awards that are realised and paid; the link between variable remuneration and performance; whether remuneration consultants have been used and any relationship between them and the targeted parties).

Scorecard and performance details must be disclosed in the remuneration report within the IAR.

Annexure: Remuneration policy continued

7. Policy

7.1 Remuneration structure

The remuneration structure adopted is an integrated and holistic model wherein the following three categories are addressed:

- Total cost to company (TCTC), comprising base pay and employment benefits.
- Short-term incentive (STI), comprising annual discretionary incentive payments.
- Long-term incentive (LTI), comprising share incentive scheme awards.

The remuneration structure (and accompanying disclosures) aims to set out the various factors/components that comprise the above categories. The table below summarises this:

Descriptors	TCTC	STI	LTI
	Monthly salary (includes medical aid, pension contributions, allowances and the like)	Annual discretionary incentive	Performance shares*
Strategic intent	Attraction, retention and inclusive remuneration	Rewards company and to some extent individual performance	Long-term retention and reward
Eligibility	All employees	Executive directors, prescribed officers, senior management (executives)	Executive directors, prescribed officers, senior management (executives)
Eligibility pay criteria	Market-related pay according to job grade and member choice	Performance criteria applied and deferred payments	Performance criteria applied and adherence to provisions of Share Plan (2006) rules

* As applicable to Adcorp, the Adcorp Holdings Limited 2006 Share Plan has specific provisions.

The Remuneration Committee (Remco) assumes ultimate responsibility and accountability for the annual remuneration reviews for executive management.

7.2 Short-term incentives (STI)

The award of a discretionary STI payment is subject to the achievement of pre-determined thresholds relating to the chosen performance metrics applicable to the company and, where appropriate, the individual. The STI policy is structured so that weightings are allocated across the company's and the individual's performance. In general, the higher the individual is in the organisational structure, the higher the weighting of the company's performance is. In general, total variable remuneration is to carry a higher weighting than any fixed remuneration.

The Remco, acting on behalf of the board and in compliance with its terms of reference, is responsible for formulating, adopting and applying the performance criteria as it is applied specifically to company performance when adjudicating on STI payments. Once adjudicated, STI payments determined according to scorecards should be paid out in a manner that promotes continued employment and performance. In the event of specified minimum thresholds not being achieved, STI payments shall not be awarded.

Performance criteria to be applied in respect of STI are set out at the end of this policy. The Remco is obligated to perform an in-depth separate appraisal of each of the members of the management team in this regard.

The STI scheme has two dimensions: senior executives, namely the Group CEO and his/ her direct reports; and a modified but similar scheme for the next level of executive management given their narrower focus primarily on the operations managed by them.

The financial metrics should be approved by the board annually and in advance, taking cognisance of operational budgets.

Annexure: Remuneration policy continued

7.3 Long-term incentive (LTI)

The long term incentive plan forms part of variable compensation used to attract, retain and motivate the targeted parties who influence the long term sustainability and strategic objectives of the company. The purpose is to foster sustainable performance and value creation over the long term which is aligned to the objectives of shareholders. It seeks to ensure that management share a significant level of personal risk alongside the shareholders. (i.e. exposure to both the upside and downside in the underlying share price).

The main characteristic of the LTI plan is to reward management who deliver value over a future vesting period if performance criteria are met or exceeded.

Adcorp has a LTI plan in place which is called The Adcorp Holdings Limited 2006 Share Plan ("Share Plan"). This plan currently focuses on the allocation of Performance Shares (PFs) only. The Remuneration Report in the IAR shall provide sufficient disclosure on: eligibility; vesting period; individual limits as to participation; dilution impact on ordinary shareholders and maximum number of awards permitted; a summary of the applicability of the Share Plan rules on termination of service; ability to exercise preferably on a deferred basis and then upon vesting a maximum threshold of initial allocation should be made available for exercising, but always subject to performance criteria; method of settlement (equity, cash or combination of both); pre-defined long term performance measures; performance criteria.

Conditional awards of PF's are made annually to participants. Vesting commences on the third anniversary of the award, to the extent that the company has met the specified performance criteria and metrics over the intervening period. The number of shares that vest will therefore be a product of the company performance over the three year vesting period.

The Adcorp Holdings Limited 2006 Share Plan issues performance shares to eligible executives in terms of the share rules. The PFs vest for release on the three (3) year anniversary of the award date and may be exercised any time within six (6) years of the award date, except during closed periods.

The performance criteria and metrics applicable to the proportional vesting framework, calculated over a 3 year rolling period are set out at the end of this policy.

Executive directors have no tenure-related criteria for vesting as 100% of their award is subject to vesting targets. For other LTI recipients a portion of tenure for vesting is acceptable.

7.4 Amendments

The board has the power to make amendments to the LTI plan, subject to approval of all the stock exchanges on which the shares are listed, provided that any prejudicial amendments must be made with the consent of the individual concerned or in terms of labour law.

7.5 Termination of employment

In the case of 'no-fault' terminations, such as death, incapacity due to ill health and/or disability boarding, operational requirements as contemplated in the LRA, retirement on or after the retirement date, a mutually agreed termination of employment and a subsidiary no longer remaining part of the Group, in the case of performance shares, the said shares that are due to vest shall vest on the termination date or as soon as is possible thereafter. Terminations and dismissals attributable to the fault of the employee shall result in the awards being cancelled.

8. Non-executive remuneration

This is determined based on proposals from Remco (reviewed annually and compared to that of the peer-group companies) which in turn are submitted to the board for approval. Fees are approved annually at an AGM. The terms of the non-executive directors' appointment are determined in alignment with the memorandum of incorporation which addresses matters of duration, rotation and retirement from the board.

A non-attendance penalty is deducted where appropriate and additional time spent on company business is paid at a fixed hourly rate. Business and accommodation-related expenses are also paid where appropriate.

Non-executive directors do not participate in performance-related incentives.

9. Australian companies

Australian subsidiaries are governed by the Australian Remco (should report into the Group Remco which sets the guiding principles) and in general similar procedures to those in South Africa are followed.

Annexure: Remuneration policy continued

PERFORMANCE METRICS AND SUPPORTING INFORMATION

1. Executive remuneration strategy

- The total cost of employment (TCOE) or guaranteed package for the employee should be market related and be in the top quartile. This should ensure that employees are well rewarded even in the event of nil short term incentive bonus (STI) or long-term incentive award (LTI).
- STI and LTI are at the sole discretion of the Company as recommended by the Remco and board in line with contribution towards shareholders' required return.
- Return to shareholders must be measured by the company achieving returns equal or above the Company's WACC or Cost of Capital, and growth in the value per share
- Returns will measure both operational efficiency (profitability and cash generation) as well as balance sheet efficiency.
- The principle of a high watermark will govern the bonus performance i.e. bonus may not be paid again for recovering to earnings levels previously rewarded, at least on the earnings growth measure of the KPIs, unless this is waived by Remco.
- A ratio of 1:1:1 for TCOE to STI to LTI is considered optimal for the Company's incentive structure, with the Remco retaining the right to exceed this in certain exceptional circumstances.
- Of the STI, the split will be as follows:
 - 50% on growth on profit before tax (PBT)
 - 25% on cash conversion
 - 25% on individual performance against predetermined KPIs
- On the 50% growth on PBT growth for the STI above:
 - PBT equal or below the prior year sustainable PBT earns zero award for the 50% allocated to the PBT growth.
 - Double digit growth (at least 10%) on prior year's sustainable profit will earn 50% of the 50% reserved for PBT growth. Award is on a proportional basis between 0-10% growth for the 50% of the 50% PBT award.
 - 20% growth on the prior year sustainable profit will earn 100% of the 50% reserved for 50% for PBT portion, on a proportional basis.
 - The above prior year sustainable PBT is replaced by the average PBT for the last 4 years, excluding any abnormal years, assuming the former is higher than the prior year amount. In that instance, the executive would not realistically be expected to earn up to 50% of STI until the Company profitability is equal or above the average for the last 4 years. Remco and the board reserves the right to waive this condition at their sole discretion.
- On the 25% STI allocation for the cash conversion:
 - Target ratio is against free cash flows to operating profit after working capital adjustment and capex
 - Actual ratio is adjusted downwards for the proportional fall in profits versus the budgeted profit
 - Ratio must be measured each month and averaged for the year to avoid abnormal year-end manipulation
 - F2018 cash conversion targets (adjusted for free cash flow and capex) are as follows:
 - * 50% or below conversion will attract nil award
 - * 60% conversion would attract 50% award of the 25% on a proportional basis (between 50 and 60%)
 - * 70% conversion would attract 100% award of the 25% on a proportional basis
- LTI awards are up to 100% of the TCOE and are based on the long term shareholder required returns being achieved by the Company. The split for the award is as follows:
 - 50% on Return on Invested Capital (ROIC) above WACC
 - 50% based on HEPS growth for the company
- On the 50% based on the ROIC above WACC:
 - 0% award for ROIC below or equal to the WACC. The Company's WACC is currently 15%.
 - 50% of the 50% awarded where ROIC exceeds WACC by 2%
 - 100% of the 50% awarded where ROIC exceeds WACC by 4%
- On the 50% HEPS growth award
 - 0% of the 50% awarded where HEPS growth is or below zero
 - 50% of the 50% awarded where HEPS growth is 10%, on proportional basis
 - 100% of the 50% awarded where the HEPS growth is 20%, on a proportional basis.
- The profit numbers to be used going forward will be the IFRS numbers without adjustment or normalisations. Where any adjustment is made, a full reconciliation will be provided in the Company's Annual Report.
- For the year ending F2018, the PBT will exclude any profit on the planned sale of the non-core operations to reduce the Company's gearing levels.

Annexure: Remuneration policy continued

PERFORMANCE METRICS AND SUPPORTING INFORMATION continued

2. Minimum shareholding requirements

Many institutional shareholders are requesting longer vesting period than the 3 years proposed for Adcorp LTI awards. There is also a trend amongst many listed corporate in South Africa to require senior executive to maintain exposure to the share price after units have vested.

It is proposed that to achieve both objectives, a minimum shareholding requirement be implemented from FY2018 onwards. The requirements would be as follows:

Level	Minimum shareholding requirement
Executive directors	200%
Prescribed officers	100%

Any disclosed officer would have 5 years from date of appointment into the role, or 5 years from implementation of the policy for existing disclosed officers, to build up to the required level of holdings.

These holdings need to be full vested and unencumbered shares registered in the name of the disclosed officer. A “high watermark” principle will apply such that, when the officer is verified to have met the criteria, the officer will then be required to hold that number of shares as was used to determine the meeting of the level of holdings. Should the share price subsequently decline then the officer will be required to hold those shares but will not be required to buy up more shares at the depressed price. Should the share price be permanently lowered (for example, but not limited to, due to corporate action) then the Committee may need to revisit the watermark level.

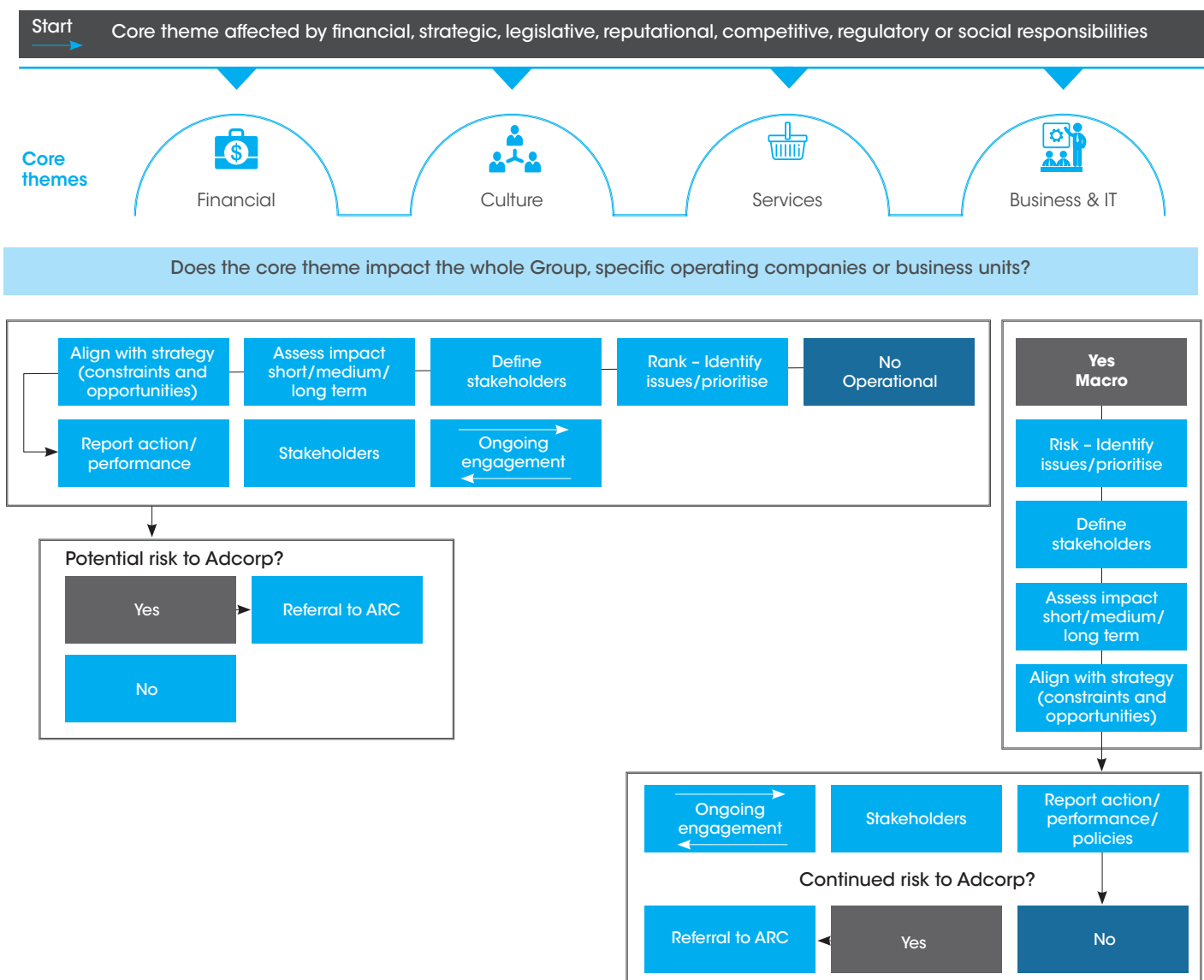
3. Conclusion

Variable executive remuneration (STI and LTI) should always remain at the sole and unfettered discretion of the Committee and the Board. While setting many of the parameters and ranges is to incentivise management to achieve solid annual financial performance and growth over the medium term, these can never be legally binding contractual commitments.

Supplementary information

ESTABLISHING MATERIALITY

Our approach



Supplementary information

MATERIAL MATTERS, OBJECTIVES AND OPPORTUNITIES



Financial

Material matters

Accurate, reliable and timely production of financial information

Cost and economies of scale optimisation

A focus on growth achieved organically or by select acquisition and diversify revenue streams across supply and outcomes-based solutions

A primary focus on cash generation and margin management

Strengthen the balance sheet

Delivering sustained shareholder value

Objectives

Provide relevant information to stakeholders

Managing costs as a percentage of revenue within acceptable limits

Exposure to new geographies, service offerings and industry verticals

Enhance the management of cash-to-cash (working capital) and operating margins

Optimise borrowing facilities in accordance with Group thresholds

Achievement of published and/or budgeted financial returns as set out in the performance metrics

Opportunities

Leverage opportunities presented by the integrated enterprise architecture framework, systems applications and infrastructure

Standardised, integrated and centralised credit control, financial administration and payroll management

Potential international acquisition targets, establish industry-specific centres of excellence (COEs), promote inter-Group cross-selling opportunities, engage with clients at a strategic level, offer value-added services in order to generate additional revenue streams

Improve client collection terms, the working capital cycle as well as improved segmentation and pricing strategies

Access to capital and debt capital at appropriate borrowing rates, both internationally and locally

Balancing short- and long-term shareholder interests by optimising dividend payment or engaging in share buy-backs while maintaining acceptable levels of gearing



Wealth

Material matters

Focus on chosen geographies

Strong client- and candidate-centric approach

Participate in strategically aligned Government programmes

Objectives

Focus on new industries and untapped market sectors

Build sustainable partnerships with key clients

Opportunities

Expertise in targeted emerging markets, and following capital flows across emerging markets

Collaborate with key clients and candidates and co-design bespoke solutions that create sustainable value-add and relationships



Intellectual

Material matters

Digitisation, continuous innovation and diversification

Provide a world-class back-office and enterprise architecture framework

Back-office standardisation and automation

Business continuity plan and disaster recovery

Objectives

Using digitisation as a differentiator in providing client and candidate solutions for agile decision-making

Economies of scale – optimised, standardised and automated processes resulting in efficiency, scalability and cost optimisation

Reduce inconsistent business processes and complexity of data management

Ability to continue day-to-day business activities in the event of a crisis or fatality among executive management

Opportunities

Global key account management, development of solutions, enhanced responsiveness and strong drive of the global strategy

Drive cost and operational efficiencies, clip-on acquisitions, back-office strategy, strengthening market position

Enhanced back-office strategy strengthens market position and service offering

Effective succession planning as well as resource and systems disaster recovery SOPs



Human

Material matters

Talent management with an emphasis on integrated strategies and skills of the future

Position the Group as a global workforce solutions business

Employment equity, achieve management control and employment equity transaction objectives

Objectives

Ensure the right talent is available at the right time at the right place

Deliver on short- and long-term strategic business objectives through talent management planning and capacitation

To be an employer of choice by virtue of our status, diversity and career opportunities

Opportunities

Optimise people value chain to ensure integration of skills of the future as well as operational excellence

Establish global business relationships with clients to serve as reference sites for growing supply-based, outcomes-based and digitally enabled workforce solutions, thereby leveraging the trend to contract in the non-standard employment and independent contractor domains

To achieve a workforce demographic reflecting the national economically active population within the timeframes contained in the approved employment equity plan



Social

Material matters

Key stakeholder engagement

Sound corporate governance

Compliance with legislation and regulation

Objectives

Prioritise stakeholder engagement based on materiality to enable the achievement of strategic business objectives

Enabling sustainable business practices by leveraging opportunities presented at governance forums

Ensure compliance with all appropriate legislation and ensuring that the spirit and intent thereof is given effect to

Opportunities

To unlock additional revenue streams and create sustainable business growth through considered and targeted stakeholder engagement in line with materiality considerations

Reputation with all stakeholders as good corporate citizen underpinned by sound leadership values

Interpretation of law and operationalisation of sound practices in support of strategic business objectives



Natural

Material matters

Encourage innovative 'green' initiatives Group-wide

Create awareness around the Group's environmental impact

Lead industry initiator in carbon-offsetting innovative digitisation

Objectives

Create a supply chain value from green initiatives introduced, particularly relating to procurement

Introduce systems to measure and establish environmental reduction targets – eco-efficiency

Sophisticated workforce optimisation technology to unlock optimum client benefits and promote greater environmental responsibility

Opportunities

Revise service level agreements to ensure that clients and suppliers can benefit from environmental initiatives

Create meaningful awareness, innovative solutions around environmental issues

Assessing long-term benefits and annual return on investment in eco-efficiency activities

Supplementary information

KEY STAKEHOLDERS



Shareholders, investors, analysts and providers of other capital

Reasons for engagement	Types for engagement	Key issues	Actions taken
- Promote investment opportunities - To ensure that disclosures are based on the principles of transparency and substance over form - A balanced view of the positive and negative aspects of the Group's activities	- Investor relations - Integrated annual reporting - Corporate website - Formal IAS presentations - Annual general meeting - Specific meetings with investors - The Stock Exchange News Service - Media releases	- Group strategic direction - Performance and future prospects - Industry developments - Business growth and sustainability - Levels of governance - Return on investment	- IAS presentation - Announcements on the Stock Exchange News Service - Annual general meeting - Specific meetings with investors - Corporate website - Constant engagement conducted by Group CEO - International strategy



Clients and candidates

Reasons for engagement	Types for engagement	Key issues	Actions taken
- Key account management - Understand and resolve client concerns and utilise them to improve the value proposition - Risk mitigation - Grow with our clients - Grow our candidates - Provide innovative and alternate solutions - Partner to build skills for jobs of the future and recognise obsolete jobs	- Business interactions - Client satisfaction and risk mitigation surveys - Marketing campaigns - Anti-fraud, ethics and corruption hotline - Networking functions - Site visits - Training sessions	- Digital service solutions - Service delivery - Client self-sufficiency, disintermediation and offshoring - Implementation of new SA labour legislation - Skills shortage and skills mismatch - Transformation in South Africa	- Using digitisation as an enabler to create smarter client- and candidate-centric solutions - Increased engagement through thought leader initiatives - Improve client experience - Executive conferences - Innovation - Provide value-added services - Retention of key clients



Employees

Reasons for engagement	Types for engagement	Key issues	Actions taken
- Build brand ambassadors - Transparent communication - Collaboration/share ideas - Create a company culture - Develop and retain skills - Succession planning	- Employee engagement - Corporate intranet, bulk SMS, safety brochures - Group-wide communication emails - Awards functions - Strategy sessions - Senior management report-back sessions - Human resource management activities - Anti-fraud, ethics and corruption hotline - Awareness induction programme - Employee experience feedback	- Strategic issues, continuous and relevant communication - SA labour law amendments - Fraud - Changes in practices, processes and procedures - Training and personal development - Group performance - Transformation	- Group-wide communication - Conference specifically structured to address employee concerns presented by Adcorp thought leaders and industry experts - Intranet communication - Thought leadership engagement with regard to new SA labour legislation - Leadership Academy talent pipeline - Corrective action revised procedures - SAFEM audits - Wellness programmes - Incentive, reward and recognition programmes - Developing employee engagement survey

Supplementary information

KEY STAKEHOLDERS continued



Government and regulatory industry bodies

Reasons for engagement	Types for engagement	Key issues	Actions taken
• Build and strengthen relationships with Government • Provide input into the legislative development process that may affect the industry • Maintain legal compliance • Actively contribute to inclusive growth and socio-economic transformation	• Direct engagement through industry body CAPES which is a fully participating member of BUSA, NEDLAC and the ILO • Representation on the Employment Services Board • Department of Labour audits • Lobby groups • Tender processes • Regulatory and compliance reporting	• Alignment with Government initiatives • Transformation progress in South Africa • Contribution to the economy • Procurement and amended BBBEE requirements in South Africa • Unions • Building social dialogue on the rights of workers? • National dialogue on the future of work • Contribution to policy formulation	• Annual submission of employment equity information • Proactive interaction and consultation with unions and Department of Labour representatives • Invest in education-related projects • Ensure good corporate governance • Pay taxes and provide employment • Build and maintain relationships • Membership and industry associates



Unions

Reasons for engagement	Types for engagement	Key issues	Actions taken
• Lobby in support of aligned market policies • Remain abreast of latest thinking • Consult and negotiate based on collective agreements at national, industry and plant level • Maintain shop floor harmony • To collaborate on matters of national interest	• Negotiate amendments to national statutes • Consult on national priorities • Negotiate wages and substantive employment terms • Form alliances to support decent work agenda • Bilateral agreements to provide value-added services	• Collective agreements • National minimum wage • Violence in strikes • Equality and fairness • Dispute resolution	• Membership of bargaining councils • Representation at national stakeholder forums • Founding member of industry body • Collaborative research exercises • Proactive strategies driving decent work



Suppliers

Reasons for engagement	Types for engagement	Key issues	Actions taken
• Build on existing IP investments • Maintain an ideal standard of quality and timeous supply of goods and services for the Group's operations • Obtain insight into new trends • Build strategic partnerships • Negotiate pricing	• Business associations • Ongoing interaction with suppliers and subcontractors • Anti-fraud, ethics and corruption hotline • Supplier site visits	• Stability and reliability of IT infrastructure • Service delivery • Business continuity • Collaboration opportunities with strategic partners	• Remote disaster recovery plans • Contract negotiations • Offsite backups • Remote servers • Authentication of business credentials • Form partnerships • Regular assessment of delivery and product quality

Supplementary information

KEY STAKEHOLDERS continued



Media

Reasons for engagement	Types for engagement	Key issues	Actions taken
• Build relationships and reputation • Respond to questions raised within the media • Financial performance • Marketing opportunity • Good corporate citizen • Industry information education	• Media engagement – Targeted media engagement utilising the expertise of specialist agencies • Digital and broadcast platforms • Proactive press releases • Thought leadership articles • Access to key spokesperson of the Group	• Reputational impact	• Media interviews across all platforms, including radio, TV and print • Media relations through specialist agency and increased interaction between media and Group spokespeople • Opinion pieces and thought leadership articles • Strengthen relationships with associated stakeholders



Local communities

Reasons for engagement	Types for engagement	Key issues	Actions taken
• Socio-economic development among communities • Create partnerships that will best support the Group's CSI initiatives • Support initiatives to address the triple challenges of poverty, unemployment and inequality	• Ongoing support of projects and interaction within the communities • Facilitation of bursaries • Roleplayers as labour market intermediaries to provide youth access to the world of work	• Governance around CSI spend and bursary students' performance and management	• Increased controls around the management of CSI spend • Continuous monitoring of academic performance

Supplementary information

HUMAN CAPITAL

Position the Group as a global workforce management solutions company of consequence focused on chosen geographies.

Adcorp's EEA 10 Summary of Employment Equity Report for Public Companies

Adcorp's South African workforce is broken down as follows:

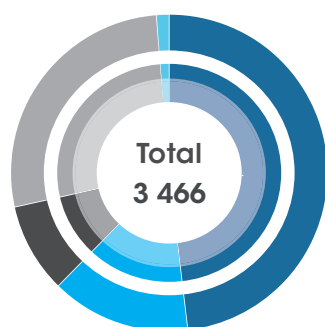
	Male				Female				Foreign nationals		
Occupational levels	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	Total
Top management	8	0	1	14	5	1	1	9	0	1	40
Senior management	5	2	2	25	6	2	0	29	1	5	77
Professionally qualified and experienced specialists and mid-management	42	9	24	109	23	16	17	125	9	5	379
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	222	91	69	181	162	129	90	287	15	11	1 257
Semi-skilled and discretionary decision-making	4 800	391	59	64	1 927	326	71	143	12	9	7 802
Unskilled and defined decision-making	2 018	73	5	5	617	30	4	1	0	2	2 755
TOTAL PERMANENT	7 095	566	160	398	2 740	504	183	594	37	33	12 310
Temporary employees employed for less than three months	23 897	3 403	616	678	10 698	2 680	275	721	463	148	43 579
TOTAL	30 992	3 969	776	1 076	13 438	3 184	458	1 315	500	181	55 889
<i>Note: With regard to temporary employees, in terms of Equity Regulations, we are required to report on the number of temporary employees who have worked for a period of more than 24 hours but less than three months, and this is indicated in the table above. For the interest of the reader, below please find a breakdown of all temporary employees, regardless of length of service.</i> <i>One of our Group companies became the client of several Temporary Employment Services (TES) and supplied over four thousand temporary employees by such TES companies, legislation requires that such numbers are deemed, for the purposes of Equity reporting, to be the employees of the operation and have been disclosed in the EEA 10, in line with regulation.</i>											
Temporary employees employed for less than three months	23 897	3 403	616	678	10 698	2 680	275	721	463	148	43 579
Temporary employees employed for more than three months	15 740	977	334	363	10 402	1 379	271	513	361	122	30 462
Total number of temporary employees as at 31 March 2017	39 637	4 380	950	1 041	21 100	4 059	546	1 234	824	270	74 041

Supplementary information

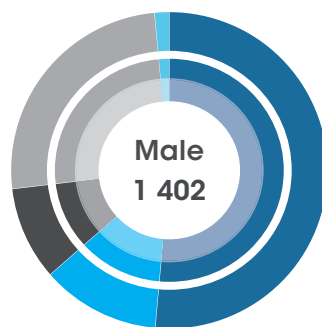
HUMAN CAPITAL continued

Permanent staff

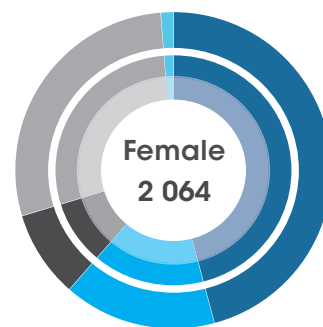
Total workforce – South African employees



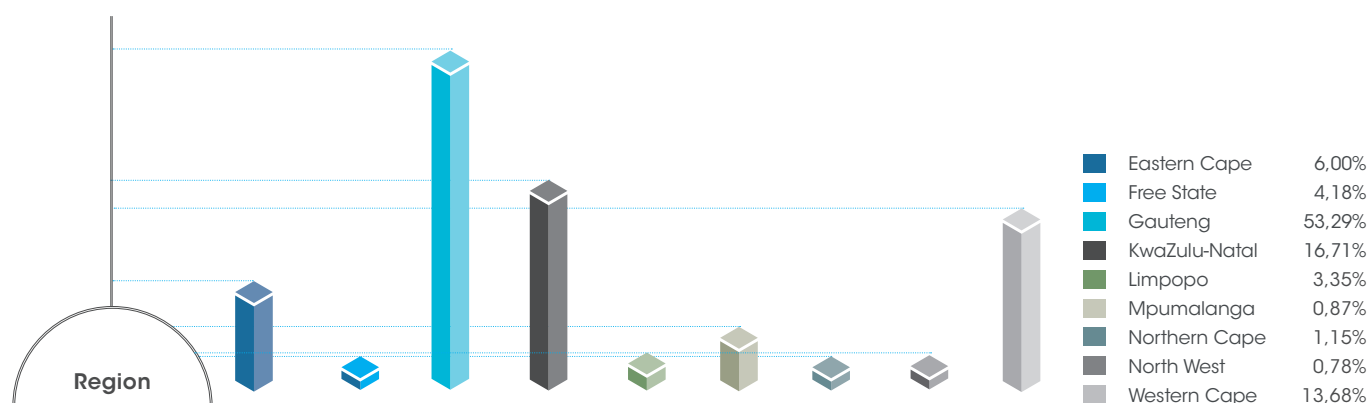
African	48,07%
Coloured	14,22%
Indian	9,17%
White	27,15%
Foreign nationals	1,3%



African	51,43%
Coloured	12,13%
Indian	9,56%
White	25,39%
Foreign nationals	1,5%



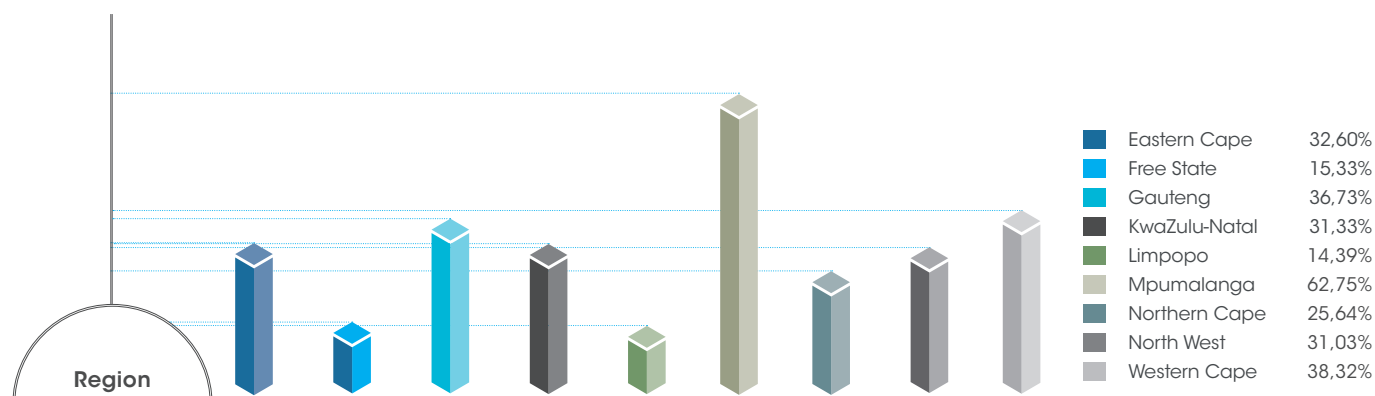
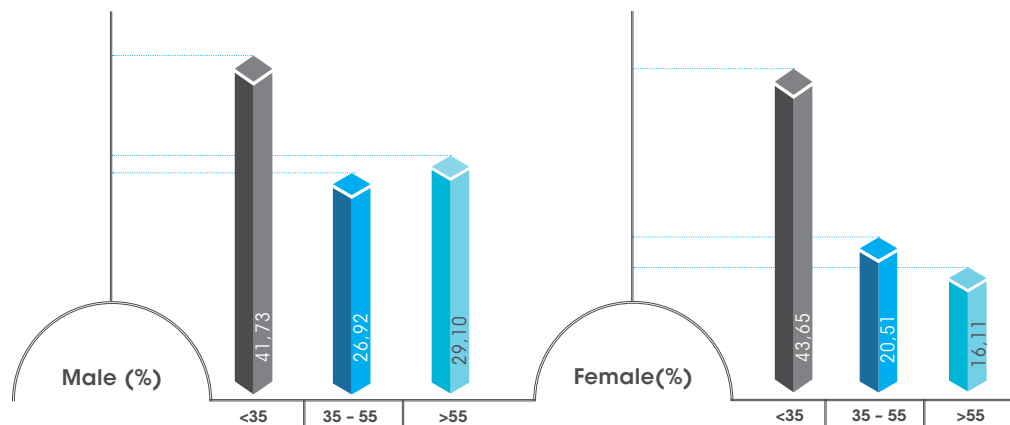
African	45,78%
Coloured	15,6%
Indian	8,9%
White	28,34%
Foreign nationals	1,3%



Supplementary information

HUMAN CAPITAL continued

Staff turnover By region, gender and age for the period 1 April 2016 to 31 March 2017



Bargaining council

Bargaining council	Permanent staff	
	Number	% of total
Cleaning	0	0
MEIBC	0	0
MIBCO	0	0
NBCS	0	0
NRFBC	0	0
No bargaining council	3 466	100
Grand total	3 466	100

No incidents of discrimination, child or forced labour identified during internal or external audits were reported.

Note: The difference between the figures shown for sustainability purposes and those reported for equity is due to the legislative requirement that any temporary staff who are employed for more than three months, must be reported as "permanent" for the purposes of equity. This is not the case for sustainability where only those persons actually employed by the company and on the payroll can be audited and assured.

Supplementary information

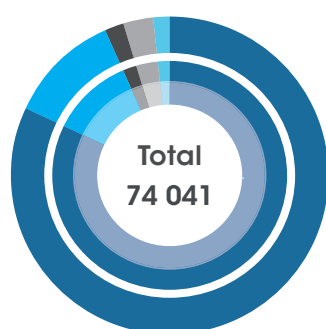
HUMAN CAPITAL continued

The diversity of the Group's operations and their associated industries influenced how the materiality of sustainable aspects was determined.

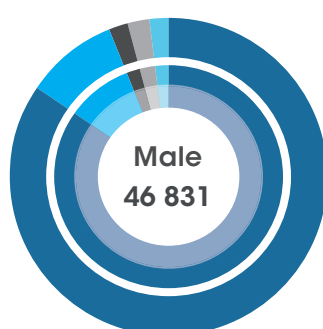
The data reflected below of the Group's total workforce includes all permanent, temporary and independent contract workers for the period 1 April 2016 to 31 March 2017.

Temporary staff

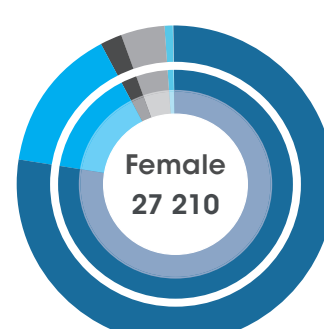
Total workforce – South African employees



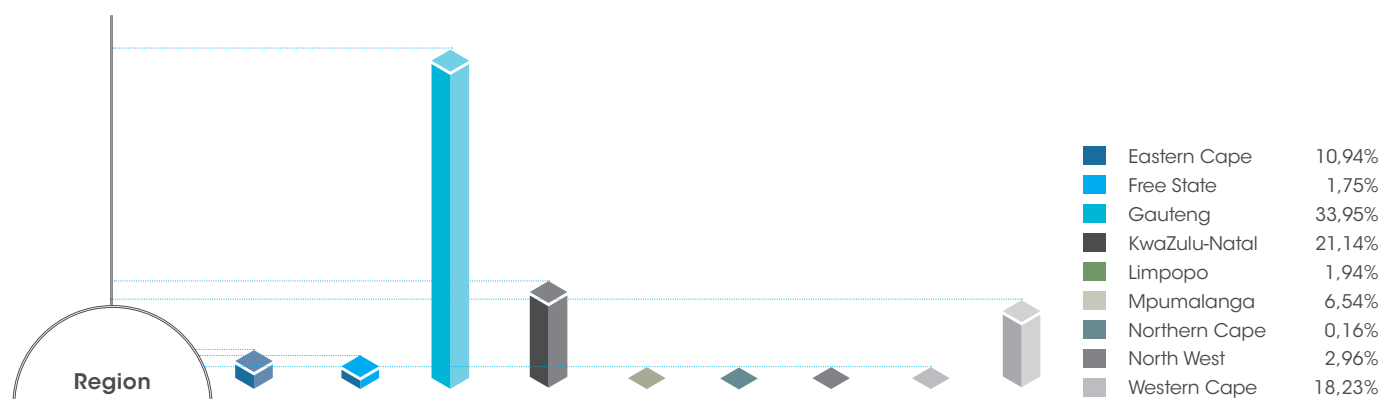
African	82,0%
Coloured	11,4%
Indian	2,0%
White	3,0%
Foreign nationals	1,4%



African	84,6%
Coloured	9,3%
Indian	2,0%
White	2,2%
Foreign nationals	1,7%



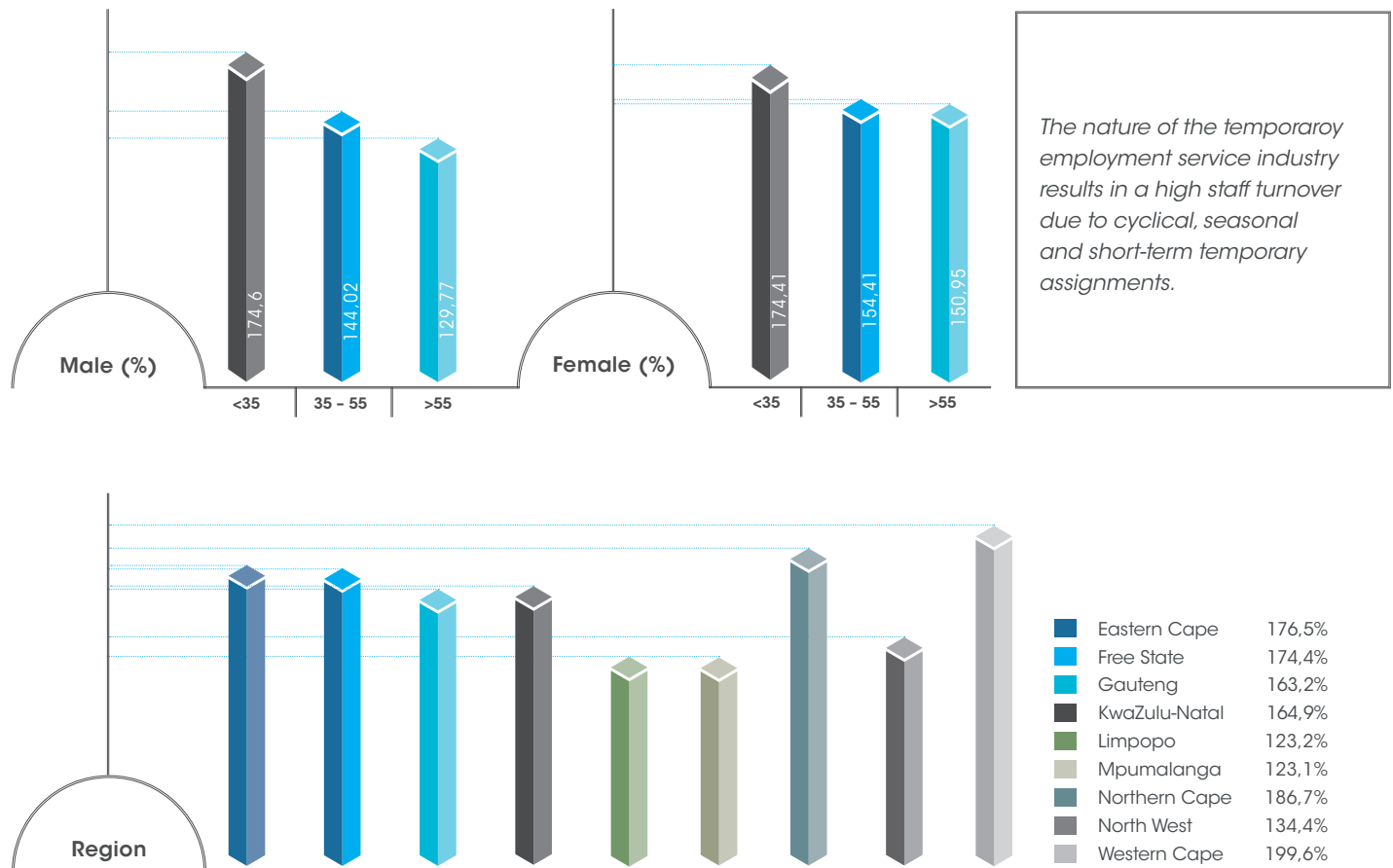
African	77,5%
Coloured	14,9%
Indian	2,0%
White	4,5%
Foreign nationals	0,9%



Supplementary information

HUMAN CAPITAL continued

Temporary staff turnover By region, gender and age for the period 1 April 2016 to 31 March 2017



Bargaining council

Bargaining council	Temporary staff	
	Number	% of total
Cleaning	23	0
MEIBC	5 240	7
MIBCO	3 059	4
NBCRFI	0	0
Furniture	2	0
OTHER (MEICBC)	12	0
OTHER (NBCRFI)	4 599	6
OTHER (LBCTFCC)	1 191	2
No bargaining council	59 915	81
Grand total	74 041	100

No incidents of discrimination, child or forced labour identified during internal or external audits were reported.

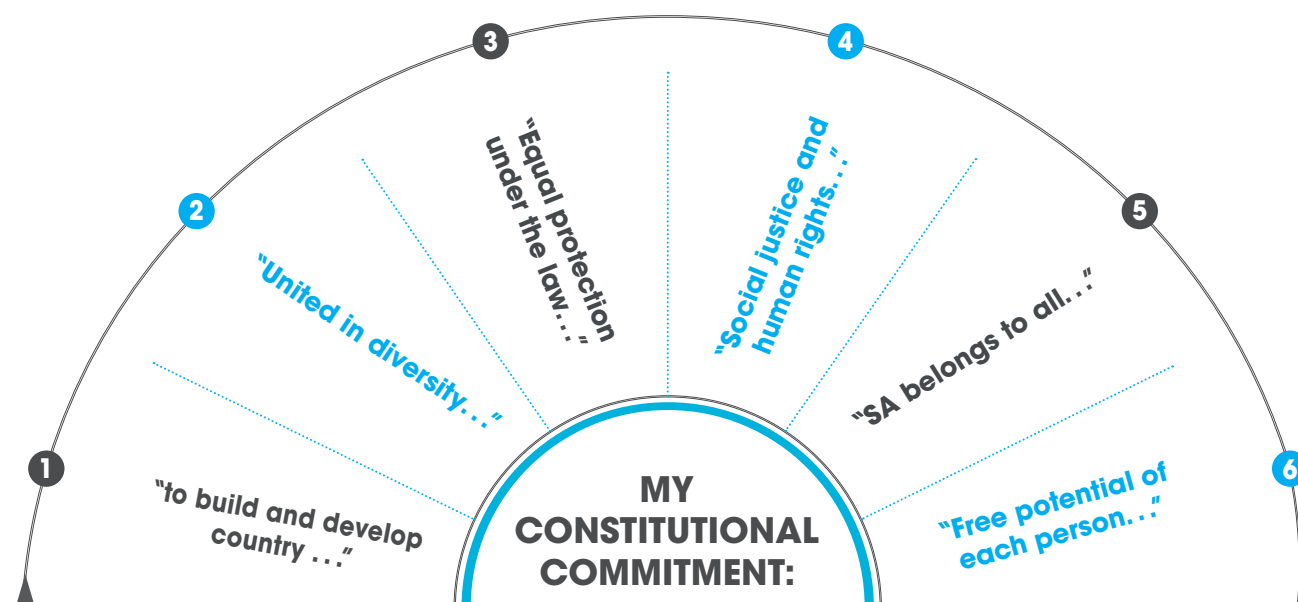
Supplementary information

HUMAN CAPITAL continued

Adcorp has commitment

Adcorp has committed itself to contributing in a meaningful way to the ideals enshrined in the Constitution of the Republic of South Africa.

"FRAMING OUR REFLECTION: We, the people of South Africa, Recognise the injustices of our past; Honour those who suffered for justice and freedom in our land; Respect those who have worked to build and develop our country; and believe that South Africa belongs to all who live in it, united in our diversity. We therefore, through our freely elected representatives, adopt this Constitution as the supreme law of the Republic so as to – Heal the divisions of the past and establish a society based on democratic values, social justice and fundamental human rights; Lay the foundations for a democratic and open society in which government is based on the will of the people and every citizen is equally protected by law; Improve the quality of life of all citizens and free the potential of each person – Build a united and democratic South Africa able to take its rightful place as a sovereign state in the family of nations. May God protect our people."



Adcorp is committed to the creation of an inclusive, diverse labour market that provides equal opportunities to all individuals. This extends beyond the essential verification requirements and legislative compliance. Rather, Adcorp is creating a culture in which its employees are personal enablers and ambassadors for transformation, holding each other and the business accountable and challenging each other in their behaviours. The unit standard of transformation is each individual and the desired outcome is to inculcate a conscious culture of inclusion, valuing diversity, behavioural alignment and attitudes that promote sustainable transformation both within and outside the organisation.

Adcorp's company ethos is framed by the excerpt above from the preamble to the South African Constitution.

From a workforce perspective, this suggests that opportunities belong to all South Africans, from the future workforce in the form of learners currently in the education system and actual work seekers, to those already employed. It also extends to those who are unemployed, underemployed, discouraged, displaced, disabled or who have retired.

Supplementary information

HUMAN CAPITAL continued

NDP issues	Constitutional commitment	Activities for each	In numbers
Growth and transformation of economy	Build and develop country	Adcorp contributes to GDP across all sectors of economy	R16,1 billion
		Driving the Future of Work and Atlas of Emerging Jobs projects	R2,4 million
		Investment in enterprises	R2,2 million
		Employment – Permanent employees	3 466
		Employment – Work experience (contractors, flexible, work readiness and ETI)	84 067
		Trees saved by paper recycling projects	207
Societal transformation	United in diversity	71% of permanent staff African, Indian and Coloured	2 460
		95% of flexible staff African, Indian and Coloured	79 864
		Staff upskilled via learnerships	2 698
		African, Indian and Coloured staff upskilled	2 617
		Number of youth in learnerships	2 420
		Unemployed people in learning programmes	102
	Equal protection under the law	Employees in forced labour	0
		Children employed	0
		Support for BBBEE legislation	Level 2
		Adherence to all applicable South African labour legislation plus ILO guidelines, Principles of UN Global Compact	
Quality of services, including education	Social justice and human rights	Nurses accredited	14
		Nurses in training	3 087
		Socio-economic development	R1,7 million
		Staff accessing employee wellness benefits	9 029
		Debt counselling programmes provided for staff	
		Permanent staff with access to retirement and medical benefits	3 466
		100% of flexible staff benefitting from Adcorp benefits	84 056
Removal of spatial divides and building infrastructure	SA belongs to all	Support for infrastructure development and renewable energy	
		New venture creation in rural South Africa – People	800
		Adcorp employees direct SED contributions	
		– Warm the world, – Hydrate South Africa	
Reducing unemployment, especially youth	Free potential of each person	Partnerships with institutions of higher education, including universities and TVETs	8
		Technical high school teachers trained	404
		Work readiness	1 771
		Apprentices	1 479
		Bursaries for high school and tertiary education	176

Supplementary information

HUMAN CAPITAL continued

A commitment to broad-based black economic empowerment (BBBEE)

We believe that one cannot transform an organisation, but rather the individuals that comprise that organisation. This is achieved primarily by virtue of the values we foster, engagement, policy guidelines as well as both qualitative and quantitative objective setting. These interventions have resulted in Adcorp achieving and maintaining its BBBEE level 2 rating and, as a result, being rated as one of the JSE Limited's most transformed companies.

We believe that structured socio-economic upliftment of designated persons is crucial to sustainable value creation, and our focus on the empowerment of all our stakeholders bears testimony to this. We are committed to the ethical codes and business practices we have put in place, as well as our core brand values, and strive to continually raise the bar with transformation in mind.

We believe in sustaining a healthy society and working environment, and recognise our responsibility in contributing towards the creation of an equitable business sector and a better future for all South Africans.

We acknowledge the necessity of a BBBEE framework that is fair, broad-based and inclusive, as well as the importance of initiatives that are measurable in determining the achievement of our objectives.

Current BBBEE rating operates on FIVE levels:

- ✓ Ownership
- ✓ Management control
- ✓ Skills development spend
- ✓ Enterprise and supplier development
- ✓ Socio-economic development

EMPOWERDEX
Economic Empowerment Rating Agency

Generic BBBEE Verification Certificate

Adcorp Holdings Limited
A consolidated rating including entities on Annexure "A"

Registration Number: 1974/001804/06
Address: Adcorp Office Park, Nicolway Bryanston, Cnr William Nicol Drive & Wedgewoodlink, Bryanston, 2194

Level Three Contributor				
Scorecard Information	Actual Score	Target Score	Analysis	Results
Ownership	18.50	20.00	2.91% Black Ownership	No
Management Control	9.00	10.00	Black Ownership Percentage	25.00%
Skills Development	21.83	20.00	3.30% Black Women Ownership	No
Enterprise and Supplier Development	39.64	40.00	Black Women Ownership Percentage	13.82%
Socio-Economic Development	5.00	5.00	Modified Flow Through Principle Applied	No
Total Score	93.97	100.00	51% Black Owned Designated Group Supplier	No
Empowering Supplier	Yes	Yes	VAT Number	4060110627
Procurement Recognition Level	125.00%	Yes	Issue Date	11 July 2016
Discounting Principle Applicable	Yes	Yes	Expiry Date	10 July 2017
Recorded Procurement Recognition Level	110.00%	No	No Issue Date	22 November 2016

100% Black women owned or 50% in which Black people hold at least 51% of the attributable voting rights, Black people hold at least 51% of the economic interest and has passed all the points for 100%.

100% Black women owned means an entity in which Black women hold more than 50% of the attributable voting rights, Black women hold more than 50% economic interest and has passed all the points for 100%.

[Signature]
For EMPOWERDEX (Pty) Ltd

[Signature]
Date: 22 November 2016

This verification certificate and the verification report are based on information provided to Empowerdex and represent an independent opinion based on the verification and analysis completed by Empowerdex. The calculation of the scores has been determined in accordance with the Department of Trade and Industry's Codes of Good Practice on Broad Based Black Economic Empowerment (as gazetted on 11 October 2013).

Empowerdex (Pty) Ltd Reg. 2001/027963/07
Directors: C. Wu, V. Jack, L. Rahama, J. Bretnar

G16J01797 (A)

sanas
BVA 030

AD4310

Certificate

Supplementary information

HUMAN CAPITAL continued

Summary of dfi Code scores for the Group – South Africa

Element	Indicator	2017
1. Ownership		19,38
	Voting rights of black people (%)	25,08
	Voting rights of black women (%)	13,52
	Economic interests of black people (%)	25,08
	Economic interests of black women (%)	13,52
	Black participants in employee ownership schemes (%)	15,98
2. Management control	Board (%)	58,33
	Top black executives (%)	25,00
Employment equity	% black representation at:	
	• Senior management	13,78
	• Middle management	23,36
	• Junior management	41,10
3. Skills development spend	Skills spend on black staff as a percentage (%) of leviable amount	5,72
4. Enterprise and supplier development	Total BEE procurement spend as a percentage (%) of total measured procurement spend	74,77
	Enterprise development as a percentage (%) of NPAT	1,00
	Supplier development contributions as a percentage (%) of NPAT	2,13
5. Socio-economic development	Socio-economic development as a percentage (%) of NPAT	1,55

Sound human resource policies and best-practice approach

The Group's aim as an employer is to offer a compelling employee value proposition, underpinned by best practices across the people value chain, offering career development opportunities and progression, in line with the strategic mandate of the business to retain key staff, employ competent and outstanding individuals, as well as provide a vibrant workplace.

Workplace conduct is guided by three central values: entrust, deliver, together. In this environment, employees are provided with an opportunity to earn competitive remuneration and incentives, develop their talents in a healthy and productive work environment and to contribute meaningfully to the sustainability of the business through programmes focused on harnessing creativity and innovation.

We have a demanding work ethic and operate across various sectors and geographies. Our employees are aware of the level of performance required for their own and the Group's continued success, by virtue of strategic business objectives that are cascaded through the organisation based on the executive performance metrics in respect of STI and LTI.

The Group's policies and practices are designed, developed, monitored and reviewed at a corporate level and aligned across the various subsidiaries to ensure optimal resource utilisation and best practice aligned with business strategy. Specialists oversee talent acquisition, talent management, skills development, organisation development, remuneration practices, BBBEE, employment equity, socio-economic development, stakeholder engagement and labour relations.

Performance of management and supervisory employees is evaluated against predetermined targets, and performance appraisals determine individual development plans, informal performance-based incentives and career development opportunities.

Supplementary information

HUMAN CAPITAL continued

Adcorp academy

The Adcorp Leadership Academy was developed to create a leadership pipeline to further enhance the existing talent pool and recognise excellence within the Group in order to meet increasingly complex business demands, facilitate succession planning and internal promotion opportunities. Furthermore, a structured graduate internship programme has been introduced at Group level with pre-agreed off-take agreements with the operating businesses.

This centralised development programme in which academic excellence meets business imperatives via ROI projects, consists of a formal education, NQF 5 to 8-aligned and on-the-job skills transfer with the objective of increasing internal promotions and optimising external recruitment. Adcorp partners with leading universities and business schools in this regard and also incorporates innovative learning models, such as black hat methodologies, to drive innovation and design-thinking.



	
1. NQF 8 – Postgraduate Diploma In Management	
Provider: Henley Business School, Fourways	14
2. NQF 7 Aligned – Senior Management Development Programme	
Provider: USB ED: Sandton	5
3. NQF 6 – Advanced Certificate in Management Practice	
Provider: Henley Business School, Fourways	25
4. NQF 5 – Managers Launch Pad: New Managers Programme	
Provider: Henley Business School, Fourways	25
5. NQF 5 – Junior Management Development Programme	
Provider: University of Stellenbosch Business School, Sandton	18

Skills development

It is estimated that around 35% of the competencies currently inherent in employees will no longer be relevant in five years from now as a result of the significant shifts in the manner in which business is being conducted. Adcorp's unwavering client-centric approach means that it requires employees who are able to co-design the future workforce solutions required by clients, participate in developing the internal propositions required to deliver on these and to be able to adapt to ongoing change. As a result, the majority of the skills development spend going forward will focus on management and leadership development, career and succession planning, entrenching skills of the future into learning programmes and ensuring that these learning programmes are delivered as efficiently as possible. Blended learning approaches and workplace application of learning will be the order of the day from on-boarding new employees through leadership development. Importantly, skills demand assessments will be driven by Adcorp 2.0 business strategy requirements, BBBEE objectives, development areas identified in performance appraisals and ongoing skills maintenance needs. These will be analysed and funded via a central skills development fund.

Learnerships

Learnerships (both for currently employed and previously unemployed) remain a strategic imperative across the Group given the need to establish a solid talent foundation at entry-level positions as a feeder into management positions, as well as the real need to plan ahead for employee turnover in a manner that allows for persons on learnerships to be targeted for preferential appointment. Learnerships focus on developing skills in core occupational areas related to resourcing, administration, project management and generic management. Importantly, the people learnership division has achieved a 100% compliance result.

The focus on learnerships going forward will be on incorporating the skills of the future into the curricula, as well as in providing an outstanding learner experience.

New Venture Creation Project

PMI was awarded funding by the Services SETA to implement the New Venture Creation (NVC) learnership to 300 candidates across the rural Eastern Cape. This learnership is unique in that the work place experience portion can be the set-up of a business.

Supplementary information

HUMAN CAPITAL continued

With the assistance of local businesses, church leaders, tribal chiefs and civic organisations, learners from seven rural towns were screened and evaluated for placement on the learnership. Despite some initial challenges, like the remoteness and distances between the participating communities, strategy to support long-term sustainability and viability, linked to transformation, employment and wealth creation through skills development in the rural Eastern Cape became a reality.

The enthusiasm and commitment our learners have shown on this project thus far has been amazing. To date, the learners have begun 40 new businesses in the seven towns, and in these enterprises learners are assimilating and putting into practice much of the 'theory' they are learning. Many of the learners have voluntarily agreed to pool a portion of their monthly stipend to use as their 'start-up capital'. 'Collaborations' between many of the start-up enterprises are also already taking shape. For example, the 'event management' business has joined up with 'caterers', who in turn are purchasing fresh eggs from the poultry business and fresh produce from the farming enterprises. Through these 'collaborations', the learners are also developing important 'life-skills' like negotiation, conflict resolution and teamwork.

PMI has also focused on building and developing the local communities and has employed and upskilled local facilitators and mentors, as well as rented local schools and community buildings as training venues.

The next step is to source funding, such as bursaries, additional learnerships, enterprise development, etc, to complement this NVC programme and further support these candidates in their pursuit of economic empowerment and sustainability. We have engaged with Services Seta around additional training requirements and possible ways of improving the project.

We also aim to link this project with Adcorp 2.0 in a number of ways, including providing access to online sales platforms e-learning as a continuation of the learning programme and online mentoring and coaching, as well as electronic assessment of candidates for the programme and a possible digital platform for funding the micro enterprises.

Disability

The employment and training of persons (specifically the youth) with disabilities remains close to the heart of the Group and its leadership, which forms part of its inclusive people strategy. With a vision of positively impacting the lives of the most disadvantaged and impoverished grouping in South Africa we, in a strategic partnership with I-CAN!, at present we have 553 people in our academies across the country and are proud to have launched our agricultural academy in the Midlands where we currently have 94 learners undergoing agricultural-related qualifications with a collective national occupancy of 90% in February of 2017.

Number of learnerships across the Group

Company	Rollover	New	Total number of learnerships	Across how many qualifications (including trades)	Across how many NQF levels	Across how many industry types	Specifically trained as an artisan	Learners below the age of 35	Total number successfully completed in FY2016/17	In progress
Capacity	61	25	86	7	5	2	0	61	58	27
Capital	194	46	240	13	4	2	147	221	45	192
SUN	137	85	222	11	5	2	0	153	134	87
Quest	79	18	97	6	3	2	0	90	69	23
ATT	272	10	282	15	4	2	262	257	25	255
Charisma	11	3	14	3	2	1	0	1	11	3
DAV	12	3	15	5	2	1	0	14	9	4
PMI	36	358	394	8	5	1	0	339	29	358
Adcorp Management Services	4	0	4	1	1	1	0	4	4	0
Adcorp Support Services	5	4	9	2	2	1	0	9	5	4
Adcorp Staffing Solutions	5	0	5	1	1	1	0	4	4	1
FMS	5	1	6	3	3	1	0	2	2	4
Fortress Administration	7	10	17	5	4	1	0	14	6	10
Talent Cru	5	24	29	6	3	1	0	25	5	24
FNDS 3000	0	1	1	1	1	1	0	1	0	1
Funxion O	0	4	4	1	1	1	0	4	0	4
Instaff	0	5	5	2	2	1	0	5	0	5
Kelly Industrial	28	0	28	1	1	1	0	28	28	0
Kelly Quest	26	6	32	3	3	1	0	32	24	6
Total	887	603	1 490				409	1 264	458	1 008

Supplementary information

HUMAN CAPITAL continued

Wellbeing, health and safety

Adcorp is committed to ensuring the wellbeing, health and safety of its employees. During the financial year under review, 0.01% safety incidents or fatalities were reported among the Group's employees, and Adcorp Technical Training and Staff U Need passed their ISO 9001 surveillance audits with non-conformances.

Adcorp provides a comprehensive range of employee wellness benefits aimed at promoting both physical and psychological health, with the end result being reduced absenteeism rates and motivated employees.

A Group-wide assistance programme is provided to all permanent employees. This value-added benefit entitles employees, their immediate families and domestic workers to a broad range of services, namely emergency medical assistance, personal health advisory services, trauma and assault assistance, legal assistance, HIV protection services and funeral repatriation services. It is supported by a state-of-the-art 24-hour call centre.

Fundamental to Adcorp's business success is the Group's ability to attract and retain quality people, emphasising affirmative-action practices to ensure equality.

With a managed workforce of approximately 80 000 people, it has become key that this workforce has the opportunity to receive highly regulated and life-enhancing benefits. In this regard, through a centralised function, the Group now offers its temporary employees:

- core benefits, including a funeral plan;
- electronic payroll card – ADvantage payroll card;
- mobile handset and airtime solution – contract rates but no contract;
- micro finance;
- debt counselling; and
- healthcare and retirement funding.

Safety and health at Adcorp is managed per operating entity and is a function of line management. Over and above strict adherence to the Occupational Health and Safety Act for permanent employees, the Group's temporary workforce, which spans various industry sectors and geographies, is well trained, ensuring that safety becomes a way of life.

Adcorp encourages a safety-conscious workforce that adheres to rigorous safety standards through constant education and training, particularly those employed within the blue-collar environment across all continents in which it operates.

The Group's operations are committed to:

- occupational safety, health and environmental (OSHE, WHS and OH&S) issues;
- a safe and healthy working environment;
- supporting safety, health and environmental programmes of our clients;
- awareness of health, safety and environmental issues;
- training and developing an understanding of safety, health and environmental obligations;
- continuous development of OSHE management systems;
- integrating safety, health and environmental issues in all our business aspects;
- conforming to clients' occupational health and safety standards;
- regularly evaluating OSHE performance through audits to enhance improvement; and
- reviewing OSHE policy on an ongoing basis to ensure continuous alignment with the business ethics.

HIV/Aids remains a major social issue around the world

The Group's approach to this pandemic is based on the view that HIV can be managed with appropriate education. We have awareness campaigns in place, having first consulted with clients to ensure that their needs are met with regard to awareness and education for employees Adcorp places on assignment. Employees are:

- encouraged to know their status through HIV counselling and testing initiatives;
- advised on how to stay negative and ways in which to manage a healthy lifestyle should they test positive;
- made aware of their rights around HIV and Aids;
- taught coping mechanisms for dealing with HIV and Aids and how to receive further treatment; and
- briefed on the risk of HIV transmission, traditional and cultural beliefs, socio-economic factors, gender issues, mother-to-child transmission and the prevention of transmission of HIV.

Supplementary information

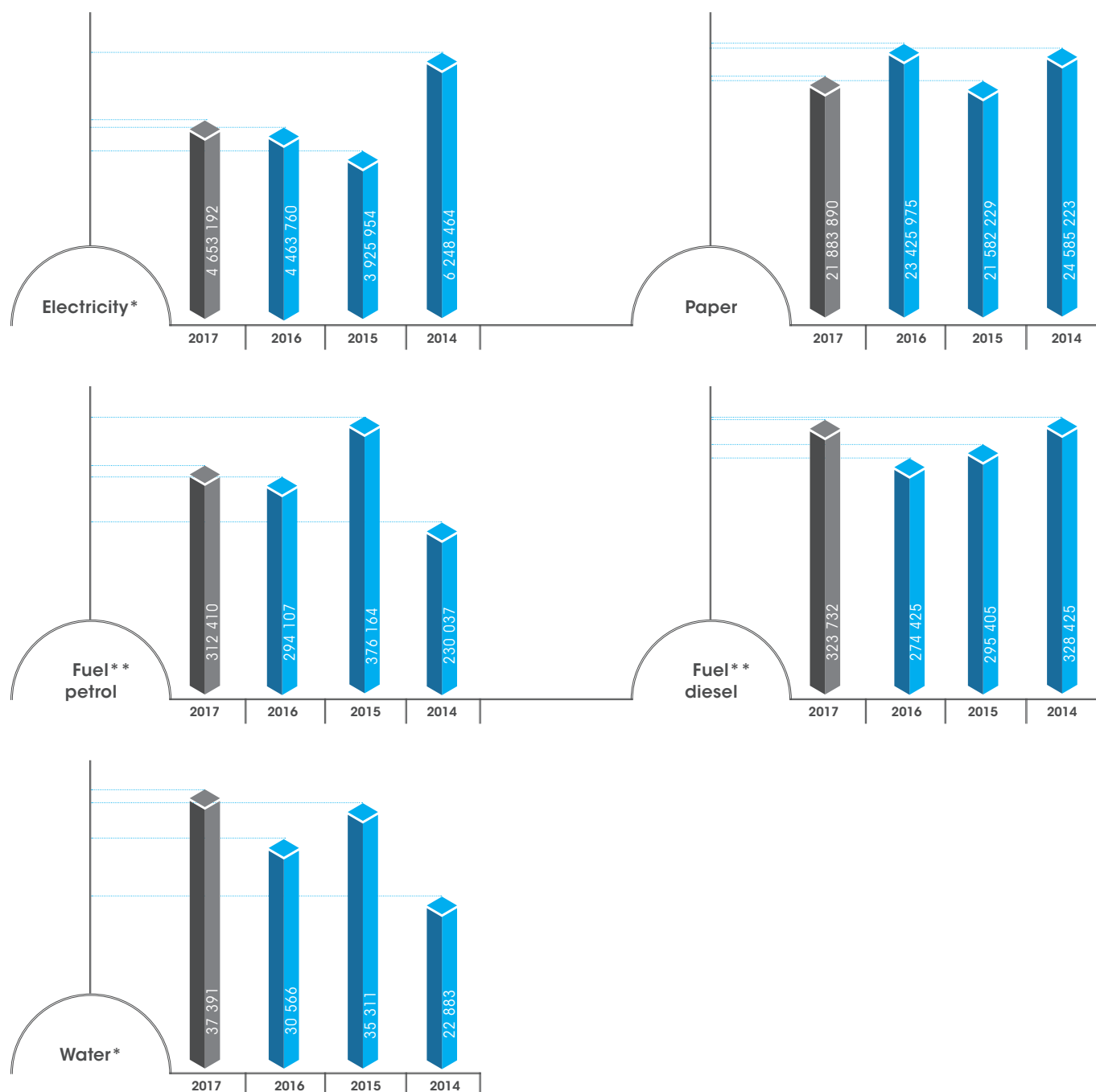
NATURAL CAPITAL

Carbon footprint

	Unit	2017 Total Group	2016 Total Group	2015 Total Group	2014 Total Group
Electricity*	kWh	4 653 192	4 463 760	3 925 954	6 248 464
Paper	Copies printed	21 883 890	23 425 975	21 582 229	24 585 223
Fuel – petrol**	Litre	312 410	294 107	376 164	230 037
Fuel – diesel**	Litre	323 732	274 425	295 405	328 425
Water*	Kilolitre	37 391	30 566	35 311	22 883

* The increase in electricity/water usage for the period under review is due to an increased number of buildings included in this year's scope and boundary and one of our operating entities adopting an academy model of training, which includes a practical component reliant on these resources at the campuses.

** The increase in petrol and diesel consumption is due to the inclusion of our Australian industrial operation and one of our outcomes-based businesses which is being included for the period under review for the first time.



Supplementary information

NATURAL CAPITAL continued

The information reported above has been calculated in line with the following inclusions and exclusions:

Area	Inclusions	Exclusions
Electricity – kilowatt	Estimated electricity consumption associated with buildings rented by Adcorp. The Group's electricity costs are factored into our building rental rate with some buildings (including common facilities) shared with other tenants. Due to the fact that there is often insufficient data to accurately capture the exact electricity consumption per site, only data from Adcorp's head office was used to establish a baseline of kWh usage for FY2017 per employee. Given that all the Group's offices are very similar in activities, equipment and office layout/configuration, the electricity usage figure per employee for head office was used to calculate estimated consumption for the remainder of the Group's operations in South Africa.	n/a
Paper – copies printed	Actual number of printed copies as reported by third-party suppliers.	Preprinted stationery, envelopes and paper bought not used in printers monitored by third-party suppliers.
Fuel – petrol/diesel	Actual consumption of all vehicles owned by Adcorp.	Actual consumption for vehicles used for business purposes, owned by employees.*
Water	Estimated water consumption associated with buildings rented by Adcorp.	n/a

Supplementary information

INDEPENDENT ASSURANCE REPORT TO THE MANAGEMENT AND STAKEHOLDERS OF ADCORP HOLDINGS LIMITED

Introduction

Ibis ESG Assurance (Ibis) was appointed by Adcorp Holdings Limited ("Adcorp") to conduct an independent third-party assurance engagement in relation to selected sustainability information in Adcorp's Integrated Report (the Report) for the financial year that ended 28 February 2017.

Ibis is an independent and licensed provider of sustainability assurance services. The assurance engagement was led by director Petrus Gildenhuys with support from sustainability assurance practitioners Adam Sutton-Pryce and Paul Ben-Israel.

Petrus is a Lead Certified Sustainability Assurance Practitioner (LCSAP) with 20 years' experience in sustainability performance measurement involving both advisory and assurance work. Adam and Paul have three and 15 years' experience in sustainability reporting and assurance respectively.

Assurance standards applied

This assurance engagement was performed in accordance with AccountAbility's AA1000AS (2008) standard and was conducted to meet the AA1000AS Type II moderate level requirements.

Respective responsibilities and IBIS ESG Assurance's independence

Adcorp is responsible for preparing the Report and for the collection and presentation of sustainability information within the Report, notwithstanding any third-party support in compiling the Report. Ibis' responsibility is to Adcorp and in accordance with the terms of reference agreed with Adcorp.

Ibis applies a strict independence policy and confirms its impartiality to Adcorp in delivering the assurance engagement. This assurance engagement is the first Integrated Report assurance engagement conducted for Adcorp by Ibis.

Scope and subject matter for assurance

The purpose of the assurance engagement was to provide the management of Adcorp and its stakeholders with an independent moderate level assurance opinion on:

- Adcorp's adherence to the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness.

For both permanent and temporary workforce:

- South African workforce composition by race, gender, citizenship and disability (pages 34 and 167 to 170).
- South African labour turnover rate by province, gender and age group (pages 34 and 167 to 170).
- Incidents of child labour statement (pages 168 and 170).
- Incidents of forced labour statement (pages 168 and 170).
- Incidents of discrimination statement (pages 168 and 170).

For temporary workforce only:

- Number of employees covered by collective bargaining agreements (pages 168 and 170).

Economic:

- Direct economic value generated and distributed (page 30).

Environmental:

- Amount of fuel (diesel and petrol) used within the Scope 1 reporting boundary (page 178).
- Amount of printing paper used (page 178).

Work performed by Ibis

Ibis performed the assurance engagement in accordance with the AccountAbility AA1000AS (2008) Type II requirements. The following suitable assessment criteria was used in undertaking the work:

- AA1000APS (2008) (AccountAbility Principles Standard) published criteria for inclusivity, materiality and responsiveness respectively;
- For the workforce, economic and environmental disclosures: the validity, accuracy and completeness of data as per Adcorp's reporting procedure.

Our assurance methodology included:

- Interviews with relevant functional managers at Adcorp to understand and evaluate the processes in place for adherence to the AA1000APS principles and the underlying data management systems for the disclosures;
- Data interrogation was performed at a high level for the total of the populations for the most material operations including Capacity, Capital, Charisma, Paracon, Quest Staffing and Quest Support
- Testing, on a sample basis, the measurement, collection, aggregation and reporting of selected sustainability information;
- Inspection and corroboration of supporting evidence to evaluate the data generation and reporting processes against the assurance criteria;
- Reporting the assurance observations to management as they arose to provide an opportunity for corrective action prior to completion of the assurance process; and

Supplementary information

INDEPENDENT ASSURANCE REPORT TO THE MANAGEMENT AND STAKEHOLDERS OF ADCORP HOLDINGS LIMITED continued

- Assessing the presentation of information relevant to the scope of work in the Report to ensure consistency with the assurance observations.

Engagement limitations

Ibis planned and performed the work to obtain all the information and explanations believed necessary to provide a basis for the assurance conclusions for a moderate assurance level in accordance with AA1000AS (2008).

The procedures performed in a moderate assurance engagement vary in nature from, and are less in extent than for, a high assurance engagement. As a result, the level of assurance obtained for a moderate assurance engagement is lower than for high assurance as per AA1000AS (2008).

It is noted that workforce detail at the scale of Adcorp is continuously changing on a daily basis due to staff movement. The data reported and tested was as at the last day of the financial year unless otherwise specified. It is important to understand the moderate assurance conclusion in this context.

Assurance conclusion

In our opinion, based on the work undertaken for moderate assurance as described, we conclude that the subject matters in the scope of this assurance engagement have been prepared in accordance with the defined boundaries and reporting criteria, and are free from material misstatement in respect of:

- Adcorp's adherence to the AA1000APS principles of inclusivity, materiality and responsiveness; and
- The selected disclosures identified under assurance objectives above and as presented in the published Report.

Key observations and recommendations

Based on the work set out above, and without affecting the assurance conclusions, the key observations and recommendations for improvement are as follows:

In relation to the Inclusivity Principle

Adcorp's leadership has expressed its accountability to those on whom it has an impact and who have an impact on it. Responsibility has been appropriately delegated for stakeholder groups and evidence observed pointed to inclusive stakeholder engagement and collective decision-making performed, the results of which are reported to the Board regularly. The continuation of the current stakeholder engagement practices is recommended.

In relation to the Materiality Principle

Adcorp has conducted a materiality determination process for mapping and disclosing its material issues in a transparent and balanced manner for the reporting period. The materiality determination has been integrated with the internal risk management process. Material issues for the year have been revised, considered at Board level and linked to the reported sustainability themes as relevant to the strategic objectives of the business. The materiality section of the Report was also revised to reflect the shifting of material issues as determined previously. It is recommended that the formalised process be continued.

In relation to the Responsiveness Principle

Adcorp has responded appropriately to stakeholder issues that affected its sustainability performance as demonstrated by decisions, actions and performance, as well as communication with stakeholders. Matters addressed were found to be directly related to the stakeholder concerns and were conducted in an appropriate manner without prejudice to any one stakeholder group. Continued responsiveness is recommended.

In relation to the selected disclosures

Ibis found that adequate processes and systems are in place to capture source-data for the disclosures assessed in the assurance scope. Extensive internal audit procedures have also been performed on the data by Adcorp during the year resulting in improved data quality. A notable reduction of error rates during the sampling process was noted from the previous year to the current period. It is recommended that the internal audit function continues with its scope of work and focusses on data input quality controls at operational level.



Petrus Gildenhuys

Director, IBIS ESG Assurance Proprietary Limited

Johannesburg, 21 July 2017



AA1000
Licensed Assurance Provider
000-156

The assurance statement provides no assurance on the maintenance and integrity of sustainability information on the website, including controls used to maintain this. These matters are the responsibility of Adcorp.

Supplementary information

CORPORATE GOVERNANCE – KING III COMPLIANCE REGISTER 2017 – CHAPTER 2

This document has been prepared in terms of the JSE Listings Requirements and sets out the application of Chapter 2 of the corporate governance principles by Adcorp Holdings Limited, as recommended by the King Report and Code on Corporate Governance for South Africa, 2009 (King III).

Principal number	Principle	Applied/ partially applied/ not applied	Application of the principle or applicable explanation
CHAPTER 2: BOARD AND DIRECTORS			
2.1	The board should act as the focal point for and custodian of corporate governance	Applied	The board terms of reference specifies the role of the board, the Chairman, the CEO and the individual members of the board. The Board is further supported by four sub-committees that have delegated responsibility to assist the board in specific matters. The sub-committees report to the board at every board meeting.
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable	Applied	Adcorp understands that sound and robust governance practices are fundamental to earning the trust of stakeholders. The approach to governance standards throughout our organisation requires continuous focus as it is critical to sustaining performance and preserving shareholder value. Adcorp also recognises that strategy, performance, sustainability and risk are inseparable.
2.3	The board should provide effective leadership based on an ethical foundation	Applied	Adcorp Holdings has an explicit set of values that plays a key role in shaping the culture of Adcorp and its operating companies. The board's ethical leadership provides the foundation for the values which are central to the way Adcorp does business. Adcorp's decisions and actions are based on these values and they form the basis of Adcorp's Code of Conduct.
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen	Applied	The board has appointed the Transformation, Social and Ethics Committee to assist in this regard. The terms of reference of the Committee as it relates to corporate citizenship requires that the Committee should monitor: • promotion of equality, prevention of unfair discrimination, reduction of corruption; and • contribution to development of the communities via our CSI projects. Corporate Social Investment is a vital part of Adcorp's identity and it is with a great sense of pride that the Group so positively influences the lives of many. With a history of creating, maintaining and supporting development, social and environmental projects distinguishes who we are today.
2.5	The board should ensure that the company's ethics are managed effectively	Applied	Adcorp has a board-approved Code of Conduct in place which includes the value statement of the company. The Transformation, Social and Ethics Committee's responsibility is to monitor cases reported on the tip-off line, review any statements on ethical standards, review significant cases of employee conflict of interest, misconduct or fraud and any other area where unethical activity by employee or the company is alleged.
2.6	The board should ensure that the company has an effective and independent Audit Committee	Applied	The Audit and Risk Committee has terms of reference that have been approved by the board. The Audit Committee meets quarterly and reports to the board at every board meeting. The Audit Committee is properly constituted with independent non-executive directors, one of which is the chairperson of the Committee.

Supplementary information

CORPORATE GOVERNANCE – KING III COMPLIANCE REGISTER 2017 –

CHAPTER 2 continued

Principal number	Principle	Applied/ partially applied/ not applied	Application of the principle or applicable explanation
2.7	The board should be responsible for the governance of risk	Applied	The board is responsible for the governance of risk and determining levels of risk tolerance and is committed to protecting shareholder value by managing risk and opportunities within a predefined framework. The board had delegated this responsibility to the Adcorp Group Audit and Risk Committee.
2.8	The board should be responsible for information technology governance	Applied	IT governance has been delegated by the board to the Audit and Risk Committee, and IT governance is a standing item on the ARC agenda. An independent IT governance consultant has been employed on a contract basis to assist the board.
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rule, codes and standards	Applied	The board has ensured that a compliance framework and code of conduct has been implemented. Adcorp has zero tolerance for non-compliance. The board also reviews and considers all new non-statutory corporate governance recommendations and implements them if the board deems them to be in the best interest of Adcorp and its stakeholders. A quarterly report is presented to the Group Risk and Audit Committee updating legal and compliance matters for Adcorp.
2.10	The board should ensure that there is an effective risk-based internal audit	Applied	The board has ensured the establishment of the Group internal audit function which complies with the standards as set by the Institute of Internal Auditors for the Professional Practice of Internal Auditing and Code of Ethics. The function has terms of reference which has been approved by the Audit Committee. The internal audit methodology includes a risk-based approach. A quality assurance review was conducted in 2014 by the Institute of Internal Auditors South Africa and is due to be repeated every three to five years.
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation	Applied	Adcorp's stakeholders are defined as any group or individual that can affect the company's operations, or be affected by the company's operations. These stakeholders include, but are not limited to, customers, employees, shareholders, unions, investors, analysts, Government and regulatory bodies. The values bind the brands together and ensure consistency in interactions with all stakeholders. Stakeholders are treated fairly, and Adcorp strives to enhance and develop services and communication channels to meet their expectations. In doing this, Adcorp keeps up to date on all developments in markets labour legislation, and improves and updates the knowledge and understanding of its industries on an ongoing basis. Adcorp also applies its unique entrepreneurial skills and industry knowledge to grow and be successful. The Transformation, Social and Ethics Committee regularly identifies all the key stakeholders and oversees how the Group interacts with these stakeholders. In addition, the Chair of the board, Remco and the CEO interact with shareholders to determine their requirements.
2.12	The board should ensure the integrity of the company's integrated report	Applied	The annual integrated report is compiled by an internal team, approved by management, with oversight from the Audit and Risk Committee and approved by the board prior to publication and circulation.

Supplementary information

CORPORATE GOVERNANCE - KING III COMPLIANCE REGISTER 2017 -

CHAPTER 2 continued

Principal number	Principle	Applied/ partially applied/ not applied	Application of the principle or applicable explanation
2.13	The board should report on the effectiveness of the company's system of internal controls	Applied	Based on the formal review and the report by the Chief Audit Executive covering the Group's system of internal controls and risk management and considering the information responses and explanations given by management, together with discussion with the external auditors. The board's opinion is supported by the Audit and Risk Committee.
2.14	The board and its directors should act in the best interest of the company	Applied	The board and its committees strictly adhere to its fiduciary duties and duty of care and skill codified in the Companies Act. Policies/procedures have been implemented to ensure that directors act within the best interests of the Group at all times. This includes: • The declaration of all relevant interests at board meetings. • Disclosure of any potential or perceived conflict of interest by individuals. • A policy that deals with the dealing in the Group's securities. • The taking of legal advice by the board when deemed necessary to ensure compliance with the relevant legislation and the JSE Listings Requirements. Directors are permitted to obtain independent advice in respect of their duties and liabilities.
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act	Applied	The Audit and Risk Committee reviews financial information in detail and recommends any special action to the board if required. In this regard the Group's solvency and liquidity and going-concern status are reviewed on a regular basis. Appropriate measures will be taken if the Group suffers financial distress at any stage.
2.16	The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of the chairman of the board	Applied	An independent non-executive chairman has been appointed. The roles of the chairman and the CEO are separate.
2.17	The board should appoint the Chief Executive Officer and establish a framework for the delegation of authority	Applied	The board appointed the CEO and provided input into senior management appointments. The role and function of the CEO is formalised and the board evaluates the performance of the CEO annually in combination with the Remuneration and Nominations Committee. A delegation of authority framework, approved by the board, is in place.
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	Applied	The board is duly constituted and consists of directors, non-executive directors and executive directors. The majority of the non-executive directors are independent. In assessing the status of directors, the principles of King III and the JSE Listings Requirements are considered.
2.19	Directors should be appointed through a formal process	Applied	The board has adopted a policy on the procedures for the appointment of directors to ensure that the appointments are formal, transparent and a matter for the board as a whole. This process is overseen by the Remuneration and Nominations Committee.

Supplementary information

CORPORATE GOVERNANCE – KING III COMPLIANCE REGISTER 2017 –

CHAPTER 2 continued

Principal number	Principle	Applied/ partially applied/ not applied	Application of the principle or applicable explanation
2.20	The induction, ongoing training and development of directors should be conducted through a formal process	Applied	Newly appointed directors are given formal induction by means of a presentation detailing the Group's business, board matters, their duties and governance responsibilities as directors. This process is overseen by the Company Secretary. Directors are briefed on legal developments and changes in risk and the general business environment. Experts are brought in for training as and when required.
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary	Applied	As stipulated in the board's mandate, it is the board's responsibility to appoint and remove the Company Secretary. A suitably qualified, competent and experienced Company Secretary has been appointed.
2.22	The evaluation of the board, its committees and the individual directors should be performed every year	Applied	The board performed an internal evaluation assisted by an external consultant during 2017. The evaluation assessed the appropriateness of the board structure and its effectiveness, as well as its professional development. The Chairman evaluates the independence of the directors classified as independent non-executive directors annually.
2.23	The board should delegate certain functions to well-structured committees without abdicating its own responsibilities	Applied	The board committees assist the board in executing its duties, powers and authorities. The required authority is delegated by the board to each committee to enable it to fulfil its respective functions through formally approved terms of reference. Delegating authority to board committees or management, other than the specific matters for which the Audit and Risk Committee carries ultimate accountability in terms of the Companies Act, does not mitigate or discharge the board and its directors of their duties and responsibilities, and the board fully acknowledge this fact. The board has established the following committees: • Audit and Risk Committee. • Remuneration and Nominations Committee. • Transformation, Social and Ethics Committee. The composition of the committees complies with the relevant provisions of the Companies Act, the JSE Listings Requirements and King III. Refer to the committee reports in the integrated report for further details.
2.24	A governance framework should be agreed between the Group and subsidiary boards	Applied	The activities of the subsidiary boards are reported to the main board. All subsidiaries apply the policies and procedures of the holding company.
2.25	Companies should remunerate directors and executives fairly and responsibly	Applied	The Remuneration and Nominations Committee considers the remuneration of the executive and non-executive directors on an annual basis, which is benchmarked against peer groups to ensure fair remuneration. Non-executive directors' fees are approved by shareholders with executive directors' remuneration being reported to shareholders annually in the integrated report. The Executive Remuneration Policy was revised in March 2017 and advised to the shareholders via a SENS announcement.

Supplementary information

CORPORATE GOVERNANCE - KING III COMPLIANCE REGISTER 2017 -

CHAPTER 2 continued

Principal number	Principle	Applied/ partially applied/ not applied	Application of the principle or applicable explanation
2.26	Companies should disclose the remuneration of each individual director and certain senior executives	Applied	Remuneration of the executive and non-executive directors, as well as prescribed officers, is disclosed in the annual integrated report.
2.27	Shareholders should approve the company's remuneration policy	Applied	The remuneration policy is approved by the shareholders through a non-binding special resolution at the Annual General Meeting of Adcorp Holdings.

