







## 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 2018 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 2018 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  
[nomonde.xulu@adcorpgroup.com](mailto:nomonde.xulu@adcorpgroup.com)



## Forward-looking statements

The statements contained herein may contain certain forward-looking statements relating to the Group that are based on the beliefs of the Group's management as well as assumptions made by and information currently available to the Group's management. These forward-looking statements are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to the Group's business prospects, future developments, trends and conditions in the industry and geographical markets in which the Group operates, its strategies, plans, objectives and goals, its ability to control costs, statements relating to operations, margins, overall market trends, risk management and exchange rates. Any forward-looking statements have not been reviewed or reported on by the companies external auditors.

## Contents

<b>COMPANY OVERVIEW</b>	
Board approval	1
Forward-looking statements	1
Committed to transparent reporting	2
Scope and boundary	2
Salient features	3
Let's explore the world of Adcorp	4
Our business model	6
<b>LEADERSHIP OVERVIEW</b>	
Chairman's statement	8
Chief Executive Officer's report	10
Our strategy	16
Establishing materiality	18
Key challenges and opportunities	19
Chief Operating Officer's report	20
Industrial Services South Africa	22
Industrial Services Australia	23
Professional Services South Africa	24
Professional Services Australia	25
Support Services South Africa	26
Training Services	27
Financial Services	28
Chief Financial Officer's Report	29
Intellectual capital	37
Human capital	39
Social and relationship capital	51
Natural capital	53
<b>GOVERNANCE REPORT</b>	
Overview	55
Board of directors	59
Remuneration report	69
Risk report	75
Transformation, Social and Ethics Committee report	78
<b>ANNUAL FINANCIAL STATEMENTS</b>	
Approval of the annual financial statements	80
Company Secretary compliance statement	81
Independent auditor's report	82
Report of the Audit and Risk Committee	87
Directors' report	90
Consolidated statement of financial position	92
Consolidated statement of comprehensive income	93
Consolidated statement of changes in equity	94
Consolidated statement of cash flows	96
Segment report	98
Consolidated notes to the annual financial statements	100
<b>COMPANY ANNUAL FINANCIAL STATEMENTS</b>	138
Annexure A: Details of subsidiaries and associates	148
Shareholders' information	154
Administration	156
Notice of annual general meeting	157
Form of proxy	162
Explanatory notes regarding proxy	163
Independent assurance report	164

# 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 shared value for all its stakeholders aligned with the Adcorp 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 apply King IV and the JSE Limited Listings Requirements in terms of measuring our progress towards sustainability. A summary of our application of King IV is published on our website.

Our annual financial statements, which are compliant with International Financial Reporting Standards (IFRS), start on page 80.

Deloitte & Touche has audited our annual financial statements and their unmodified audit report appears on page 82. 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 164.

## Establishing materiality

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

Identified material matters, which also represent our primary challenges 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 divisions.

Potential areas of impact that are assessed include strategic, financial, 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 our strategic priorities is submitted to the board and its various committees for executive discussion and feedback. Our key risks are identified across geographies and divisions and maintained by the Group's Chief Risk Officer.



## Scope and boundary

The Adcorp Holdings Limited integrated annual report is produced and published annually. This report covers the period 1 March 2017 to 28 February 2018 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 shared value.

## Salient features



Revenue for the year decreased by **3%** to **R15,3 billion**



Cash generated by operations up **51%** to **R390 million** (2017: R258 million)



Underlying EBITDA for the year increased by **4%** to **R387 million**



Underlying EBITDA for Professional Services increased by **15%** to **R265 million**



Underlying EBITDA for Industrial Services Australia increased by **67%** to **R58 million**



Underlying EBITDA for Financial Services increased by **11%** to **R58 million**



Central costs reduced by **R101 million** from prior year excluding once off costs



**R1 billion refinance** and disposal of Nihilent



# Let's explore the world of Adcorp

## A workplace solutions company

Adcorp has a crucial role to play in the market to not only help businesses access the skills needed to grow their companies but also to assist making a job-seeker's dream a reality.

By creating job opportunities that allow more people to gain the dignity that comes with earning a living and developing a career, puts Adcorp at the epicentre of performing an active role in generating socio-economic opportunities.

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

Adcorp specialises in the world of matching and placing people into jobs that create workplaces with increased efficiency and engagement. We search, place, develop, train and manage people for temporary and permanent job opportunities. We also supply people resources on an outsource basis to manage people-intensive processes on behalf of our clients, enabling them to focus on their core business. Our highly skilled scarce resources are often placed on contract for specific outcomes on a project basis.

We combine the human touch and business intelligence with a primary focus on shaping workplaces for the future by closing the skills gap and by enhancing the employability of the youth.

## Services and solutions

**Connecting people with businesses, and clients with candidates through our various innovative workplace solutions.**

### Temporary employment

When temporary staff are provided to businesses and other clients.

### Permanent employment

When a job-seeker and an employer unite in a traditional, longer-term employment arrangement.

### Independent contracting

When a self-employed person or single-person entity performs services for a company under contract, but has the freedom to work independently.

### Outsourcing

When core and non-core services are provided via specialist-driven, output-based solutions.

### Training

When industry experts impart the latest skills via training and certification.

### Consulting

When industry specialists or subject-matter experts give professional advice.

### Managed services

When contingent workforces/suppliers are managed via one point of control, by a partner who handles this from end to end and even on-site.

### Recruitment Process Outsourcing (RPO)

When permanent recruitment is managed and enhanced by a partner who handles this solution from end to end and even on-site.

# A partner for now and the future

The way we work is changing – fast. Businesses today face uncertainty, making it crucial to choose an innovative partner who can see the opportunities and use them to create value in the workplace.

From investments in people, tools, strategies and technologies, we deliver talent management solutions to cater for the future world of work.

## Our business



Established 1975



Listed 1987



Revenue R15,3 billion



15% market share  
South Africa  
3% market share Australia



Entire workforce has  
access to employee  
benefits

## Total workforce

**85 912**



**Permanent employees**  
**3 069**



**Permanent outsourced  
employees\***  
**2 440**



**Temporary employees\***  
**76 441**



**Independent  
contractors**  
**3 410**



**Learnerships**  
**552**

\* Referred to interchangeably as assignees  
or candidates.

## Footprint



## How we transform from A to BETTER outcomes

Our Group of companies cover a variety of industries, environments and specialisations, suited to specific permanent, temporary, contract, training and consulting needs.

## Our Divisions



Industrial Services



Support Services



Professional Services



Financial Services



Training Services

## Our vision

To be the leading  
workplace solutions  
provider in South  
Africa and selected  
international markets.

## Our strengths



Grow together to transform the core



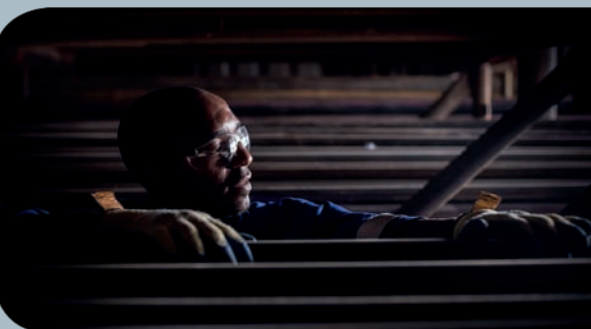
Leveraging technology to craft  
workplaces designed for the future



Ability to manage large  
contingent workforces

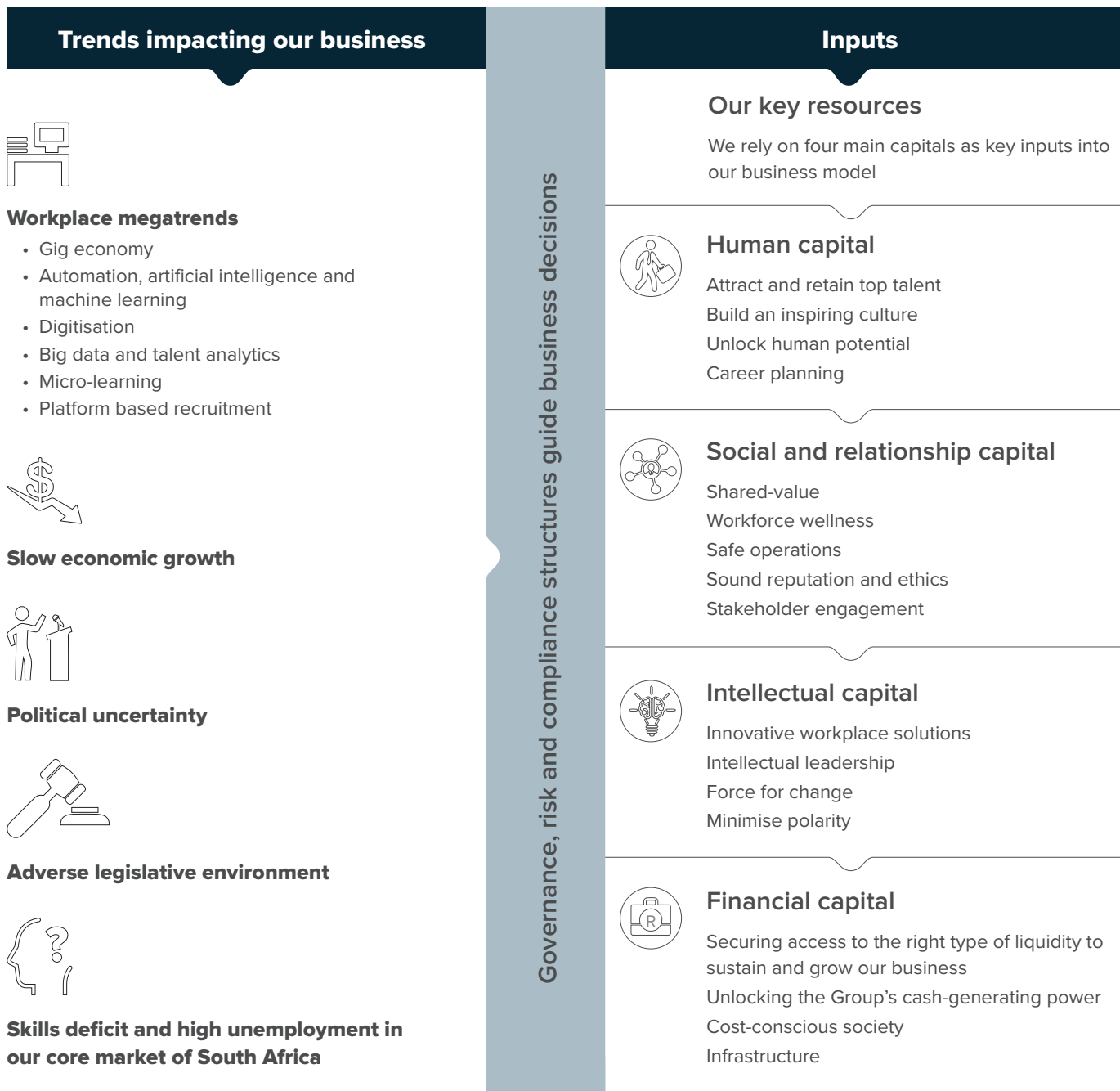


Prioritising and managing  
what matters most



“We’re offering our  
investors the opportunity to  
be part of our journey as we  
grow in a bold new direction –  
one that will result in the best  
possible outcomes and shared-  
value creation...”

# Our business model



## Values • Culture transformation • Strengthen the brand



### PASSION

We have a passion for results and what we do, taking full accountability for our roles, outcomes and outputs



### DIVERSITY

Our business is made up of people and talents from diverse backgrounds. We promote and embrace diversity and the richness it brings to our interactions



### EXCELLENCE AND INNOVATION

We strive for excellence in everything we do and use innovation to deliver higher standards of performance and value for our stakeholders



### INTEGRITY

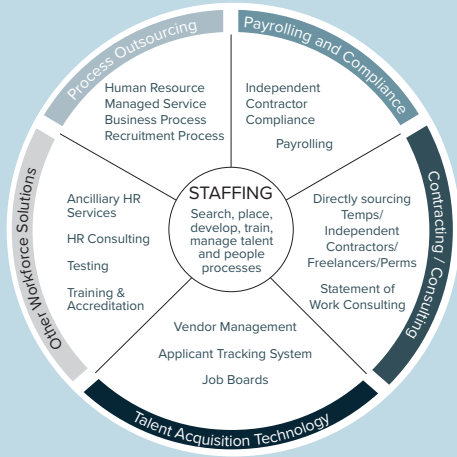
Our choices and decisions in dealing with our colleagues and stakeholders are informed by the highest levels of integrity



### COLLABORATION

As a team we are enabled to deliver more. It creates a mutually rewarding environment as we support each other by listening, encouraging and respecting each other



Activities			Outputs
Adcorp enables talent, offering a wide range of diverse talent management solutions across a vast spectrum of industry sectors, job types and geographic regions.			Future forward workplace solutions, employment, career management, work experience, training and employee benefits.
Geographies South Africa / Australia	Operating segments	Staffing industry services and solutions  Central function that drives synergies and efficiencies	<b>Shareholders and providers of other capital</b> We are repositioning the Group to deliver value to our investors profitable growth, cash flow and returns.  <b>Employees</b> Provide rewarding employment in an environment that enables our employees to meet their career goals.  <b>Clients</b> Structure and manage workplace requirements to ensure that clients can focus on their business.  <b>Candidates</b> Offering opportunities for candidates to find contract, temporary and permanent jobs across a varied field of employment.  <b>Government and other regulatory bodies</b> Align with government initiatives and objectives to reduce unemployment and to address social inequality.  <b>Communities</b> Close the skills gap, tackle unemployment and social inequality by increasing the employability of the youth.
	Industrial		
	Support		
	Professional		
	Financial		
	Training		
Shared Services			
Human Resources			
Information Technology			
Marketing			
Finance			
Strategy	FY2018 – FY2019	FY2020	
EMERGING OPERATIONS	Understand the market potential and capacitate for growth	Perform and grow	
MATURE OPERATIONS	Stabilise and optimise		
DISTRESSED OPERATIONS	Stem losses, decide on fix, close or exit		

## CORE PURPOSE

Enrich encounters between candidates and employers within the workplace to deliver to society at large.

## AMBITION FY2019

The Adcorp brand synonymous with talent and employability



## Chairman's statement

Gloria Serobe

In July 2017 I was appointed as Chairman of the Adcorp board. Since my appointment the Group has seen much change necessitated by a decline in financial performance over the preceding few years. The Group's transformation was set in motion by the purchase of a 14,55% stake by Value Capital Partners (VCP). As an activist investor, VCP has assumed a more engaged role, working collaboratively with the newly appointed board of directors to put in place a new management team tasked with driving a turnaround strategy and positioning the Group for future growth and profitability.

I would like to thank the non-executive board members who resigned during the year for their dedication to Adcorp during a trying time for the company. These non-executive directors being the previous chairman MJN Njeke, TDA Ross and NS Ndhlahi.

### Embracing change and facing challenges

The leadership refresh has brought into the Group a new mix of skills, experience and networks, and management has immediately set about creating a platform for improved business performance. The last few months of FY2018 saw the Group define and start execution on a new strategy focused on leveraging our core business, cleaning up the balance sheet and disposing of non-core assets in order to realign our portfolio of businesses.

We have set ourselves ambitious targets to achieve over the next five years and I believe that we are now well positioned to deliver on these. Adcorp holds immense potential that can be realised through strong and ethical leadership and a drive to create shared value.

In our core market of South Africa, we need to consider the country's extensive economic challenges of unemployment and education. Going forward we have defined ourselves as not just a **workforce solutions** provider but a **workplace solutions** provider as we broaden our purpose to include supporting our clients, candidates and communities in navigating the ever-changing workplace of the future. Our goal is to unlock the value of human potential and deliver value for our investors, our clients, our communities and the economy.

As the leading workplace solutions provider in South Africa, our business is impacted by changes in the labour legislation. These changes affect mostly Temporary Employment Services (TES) in our Industrial and Support Services businesses. We are supportive of the efforts to improve the working conditions for temporary employees, particularly in the blue-collar space. As Adcorp we are committed to working with all the role players in establishing a fair and just TES environment that contributes positively to South Africa's social and economic development. We understand our clients' requirements for flexibility in mobilising large workforces to meet project and cyclical demand in a cost-effective manner but we also stand behind the fair treatment and remuneration of our temporary assignees. I am confident that our new management team will navigate the challenges presented by the legislation to deliver on the goals we have set ourselves and ultimately provide good returns to our shareholders.



“ We have set ourselves ambitious targets to achieve over the next five years and I believe that we are now well **POSITIONED TO DELIVER** on these. Adcorp holds immense potential that can be realised through strong and ethical leadership and a drive to create shared value. ”

How we create sustainable, shared value is most certainly a key driver for us and we recognise that integrity, transparency and accountability are fundamental levers for value creation. My board and I have placed a lot of emphasis on ensuring that the Group adheres to the highest standards of governance and ethics, rectifying the instances of governance lapses that we inherited. Implementing a holistic approach to engaging with all our stakeholders has and will continue to allow us to evolve our business, remain relevant and meet the demands of a world that is undergoing exponential change.

Through collaborating and strengthening partnerships with our clients, employees, suppliers and Government, we are not only empowered but very well positioned for the future. These partnerships will provide the means needed to cement our role in society as we position ourselves as a key player in addressing South Africa's unemployment and skills challenge.

## Looking forward

As reflected in this year's results, we recognise that we still have a great deal to achieve to reach our full potential and meet the expectations of our shareholders. However, I am encouraged by the significant progress made over the past nine months and I remain enthusiastic about the Group's value proposition and its ability to create meaningful impact in society at large.

I would like to take this opportunity to extend my appreciation to our shareholders for their belief and investment. The Group's efforts, both short and long term, are directed at ensuring the business rewards your support.

Finally, I would like to thank my fellow board members and the management team for their commitment and contribution to addressing the Group's current challenges and aspirations to set a new path that will drive the Adcorp of the future. Your loyalty is deeply valued.

**Gloria Serobe**

*Chairman*

25 June 2018





# Chief Executive Officer's report

Innocent Dutiroti

On the 2 October 2017 I arrived for my first day as Chief Executive Officer of Adcorp. I was welcomed by a passionate but uncertain group of employees whom I addressed. The uncertainty was because my arrival was part of a leadership change that had been set in motion in July 2017 when Value Capital Partners (VCP) acquired a stake in Adcorp Holdings and set about the process of rebuilding the Group's performance.

In accepting the post of Adcorp CEO I was well aware of the challenge that I was undertaking as the decline of the once stellar-performing Group was well documented. I accepted the challenge because I believe that the Adcorp businesses are fundamentally sound and that the overall Group financial performance can be turned around. We have many brands that are market leaders in their segments and have good growth prospects. I am also motivated by the prospect of repositioning Adcorp to play a pivotal role in addressing South Africa's massive employment and skills challenge, and supporting our clients and candidates as they navigate the changing world of work.

As I got down to work I was confronted by a mixture of anticipated and unexpected challenges that had resulted in the decline of the business. I found a business that was struggling under the weight of a combination of legacy matters that include the following:

#### **Underperformance of some acquisitions**

Approximately R2 billion has been spent on various forms of expansion since 2012. Some of this investment was made in regions and sectors outside the traditional areas where the Group had expertise and in industries that experienced economic downturn. In particular, the exposure to oil and gas clients across the Rest of Africa and in DARE (Australia) resulted in large losses arising from a combination of underperforming operations and impairments of these investments.

#### **Overgeared balance sheet**

The underperforming acquisitions and expansion activity were funded primarily through debt resulting in a significant debt burden on the Group. This was exacerbated by poor working capital management practices and a track record of paying attractive dividends out of borrowed funds.

#### **Complex management structure and overgenerous remuneration policy**

The Group has historically had a top-heavy multi-layered structure and a remuneration policy that did not emphasise the link between performance and reward, resulting in inflated employment costs.

#### **Adverse legislative environment**

The 2015 amendments to the Labour Relations Act (LRA) significantly impacted volumes in our Support Services businesses. Ongoing Constitutional Court challenges of the deeming provisions in the Act continue to cause uncertainty among some of our clients in the industrial space.

# Chief Executive Officer's report continued

## Increased cost base

Group central and IT costs have more than doubled over the last three years, driven by a number of ambitious but failed initiatives. The aborted plan to list Adcorp International in Singapore being one such expensive initiative.

## Governance and control lapses

The Group has been significantly prejudiced by losses resulting directly from lack of proper governance and controls in a number of areas.

## Culture

Adcorp Group was built through a series of acquisitions over the years and thus comprises several brands with different sub-cultures. Not enough work was done to build a foundational Group culture to which the sub-cultures can refer. This hinders collaboration where it is needed, particularly in the go-to-market strategies and shared services.

It is against this backdrop that we need to view the results that we are presenting for FY2018. It became very clear from the beginning of my term that the Group was in dire need of a performance reset if we were to realise the value in the underlying operating businesses. We thus set about to address the challenges listed above and to do a thorough clean-up of the Group and build a platform off which we can grow the business in FY2019 and beyond. The results reflect our efforts over the last five months of FY2018 as the new leadership began to tackle these challenges and placed the building blocks for a future more sustainable strategy for Adcorp.

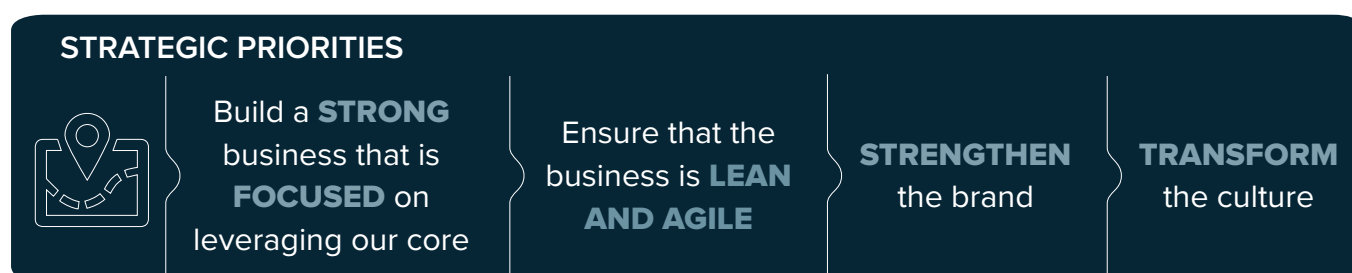
## FY2018 overview

Group revenues of R15,3 billion (FY2017: R15,8 million restated) declined 3% year on year.

Although gross margins remained stable at 14,5% (FY2017: 14,85), EBITDA for the year was R137 million, 60% down from FY2017 (R373 million). This large drop in earnings was driven largely by the Group clean-up exercise that resulted in a number of once-off costs. However, excluding the impact of the once-off costs, the underlying EBITDA for FY2018 is R387 million, a 4% improvement from the prior year.

Overall, the performance of the Industrial and Support Services businesses remain under pressure as a consequence of amendments to the Labour Relations Act (LRA). The training business posted a loss, but tactical intervention to reduce the high cost base in that business should allow us to claw back on the loss in FY2019. The Australia operations continue to operate in a lean manner and benefit from increased higher-margin business which resulted in an EBITDA increase of 5% in that region.

## Mapping out a new strategy



From the outset, my team and I identified four strategic priorities that were to guide our focus into FY2019 and beyond. These were:

### 1. Build a strong business that is focused on leveraging our core business

We define ourselves as a **workplace** solutions company engaging in the business of Temporary and Permanent Staffing, Talent Development and Training, Outsourcing of labour-intensive processes, and Consulting on IT and related solutions. We will provide financial service solutions to the extent that they enhance the experience of our assignees. South Africa is our core market and future international expansion will be pursued in a manner that leverages the strengths of our core business. We retain our presence in the Australian market and will seek to grow our businesses there.

“ We defined ourselves as a **WORKPLACE** Solutions company ”

# Chief Executive Officer's report continued

## 2. Ensure that the business is lean and agile

An appropriate organisational and cost structure that enables profitable growth while underpinning a customer-centric strategy and shareholder returns is a priority for the new leadership team. To achieve this we have identified a number of focus areas to address in the short and long term:

### *i. Strengthen the balance sheet and achieving an appropriate funding structure*

We have disposed of Adcorp's stake in Nihilent and used the proceeds to pay down a portion of the Group's debt. We have also secured a R1 billion funding facility from a consortium of South African banks that we have used to retire the bond programme which we considered inappropriate to the Group's needs. In Australia we secured an AUD47 million facility which we continue to pay down on the back of good business performance across our various Australian entities.

### *ii. Improve working capital management*

The Group had built up large amounts of poor-quality trade receivables resulting in a significant increase in bad debt write-offs. We have embarked on a process to improve all aspects of working capital management across the Group, including proper application of our credit management policies.

### *iii. Reduce costs on a sustainable basis*

We have kicked off the first phase of cost reduction with an initial target of R200 million in cost savings. This will be achieved through a combination of rationalisation of IT infrastructure, back-office functions, simplification of leadership structure and headcount reduction. Some of the benefits have started to accrue and the balance will be fully realised in FY2019. The second phase of cost reductions will involve greater optimisation of business processes, particularly in our lower-margin businesses. Streamlining and automating our back-office processes will be key to improve customer responsiveness and reduce costs by eliminating errors and rework.

## 3. Strengthen the brand

Adcorp has a positive impact on society by facilitating interaction between prospective employees and employers, as well as closing the skills gap through our training services. A large part of our impact is not well known by our stakeholders. By understanding our stakeholders better and responding appropriately to their needs, we want to build a brand positioning that marks us out as a positive force for good and a key player in addressing South Africa's employment and skills challenges. Building our brand is not just about creating positive external perceptions, but involves a realignment of our entire value chain to ensure consistency in the quality of the experience that we present to all our stakeholders. Our entire staff has to live this brand ethos.

## 4. Transform the culture and energise our people

We see a need to create a strong Adcorp culture that supports and aligns with the various subcultures that exist in our operating brands. Our world is evolving constantly and we need to instil shared values and common cultural characteristics with enough flexibility to permit differentiation where necessary. We also need to drive a culture of collaboration which is necessary for us to deliver a consistent experience for our stakeholders, drive an enterprise-wide go-to-market strategy and share resources in a lean and agile organisation. The process to transform our culture has started, with a number of leadership engagements and will pick up momentum as we welcome our newly appointed Chief People Officer in the next few months. We are committed to creating an environment that:

- attracts, rewards and retains exceptional people;
- drives a high-performance culture aligning with the objectives of our stakeholders;
- aligns the financial well-being of employees with the economic interest of shareholders; and
- provides transparent, consistent and equitable remuneration principles to foster an environment of collaboration, engagement and trust.

## Long-term strategy

In setting our strategy for FY2019 and beyond, we have started by defining the following building blocks:

- We believe our **purpose** extends far beyond simply placing people into employment, and we aim to enrich encounters between candidates and employers within the workplace in order to deliver value for society at large.
- Our **vision** is to be the leading workplace solutions provider in South Africa and select international markets.
- Our **mission** is that we put our clients at the centre of everything we do as leaders in addressing the workplace of the future and as a key part of tackling employment and skills challenges.

All of this is underpinned by a strong set of **values**: Passion, Diversity, Excellence and Innovation, Integrity and Collaboration.





**A HIGHER** purpose

**FOCUSED ON** vision, mission and values

**ENGAGED** stakeholders

**WELL-DEFINED** strategic objectives

**A CLEAR** roadmap

We also strive to be an indispensable partner in business, and the only way to do that is to be knowledgeable and to work hard at establishing and maintaining mutually beneficial relationships with our various stakeholders. Just as important as partnering with our external stakeholders, treating our employees as invested allies will define our company culture and create a sustainable foundation on which to innovate and execute.

## DEFINING OUR STAKEHOLDERS AND THEIR EXPECTATIONS

### Clients

- Talent management
- Cost-efficient processes
- Digitisation and adoption of technology

### Candidates

- Fit with role and employer
- Access to opportunities
- Work readiness
- Training and upskilling

### Employees

- Career development
- A caring and people-centred environment
- Opportunity to make an impact on society
- Financial rewards

### Shareholders and providers of other capital

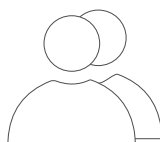
- Return on investment
- Growth

### Communities

- Close skills gap
- Tackle unemployment
- Corporate citizenship

### Government and other regulatory bodies

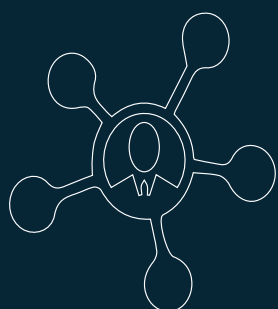
- Tackle unemployment
- Address social inequality
- Build and strengthen relationships
- Maintain legal compliance
- Alignment with Government initiatives
- Close skills gap



# Chief Executive Officer's report continued

Over time, we believe we can achieve an Adcorp brand synonymous with talent and employability; engaging in strategic merger and acquisition activity that increases the scope and scale of the business; developing new client offerings to address the workplace of the future; and using technology to improve efficiency and promote client centricity.

## STRATEGIC OBJECTIVES



**R1 BILLION** EBITDA by 2022

**NEW CLIENT OFFERING** to address the workplace of the future

Adcorp brand synonymous with **TALENT** and **EMPLOYABILITY**

Use of technology to **ENABLE EFFICIENCY** and **CLIENT CENTRICITY**

**STRATEGIC** merger and acquisition activity

We have **set ourselves an ambitious but attainable target of R1 billion EBITDA by 2022**. We believe we can reach this target through further adoption of lean processes to reduce our cost-to-serve as well as exploring the various growth options available to our business:

- Increasing scale by leveraging new delivery models, acquisitions of new targets in our current geographies and expansion into new geographies.
- Increasing our scope by acquiring businesses in logical adjacencies or building new solutions to expand the breadth of our services.

We are **committed to staying in our two main geographies of South Africa and Australia** where the synergies, particularly in the Professional Services portfolio, provide us with an edge to work through time zones for a quicker turnaround for clients seeking resources through our resourcing centres.

In our core market of South Africa, our Industrial and Support Services businesses are highly regulated by labour legislation. The pending LRA ruling by the Constitutional Court expected this year has already had a telling impact on the business. As a result of the promulgation of the 2015 amendments to the LRA, our Support Services business suffered a loss of volume. Adcorp remains in favour of a dual employment relationship, as it provides the best protection for our assignees. We are supportive of efforts to improve the working conditions for our assignees, particularly in the blue-collar space, and we will continue to engage positively with all roleplayers. We actively seek out appropriate opportunities in the social enterprise space and will increasingly target partnerships with organisations, such as the Youth Employment Service, and participate in employment-creation initiatives with social partners.

The latest unemployment rate for South Africa stands at 27,7% which is at a 14-year high and significantly higher than that of Australia at 5,6%. As part of developing our longer-term strategy, I recently paid a visit to our Australian operations and have returned energised by the strides made in maintaining the strong position of our Professional Services segment within a highly competitive market.

The Adcorp Australia business, which includes Paxus, Labour Solutions Australia, Dare Contract Services and Talent CRU, continues to grow primarily through professional ICT and industrial placements. In the financial year, the Australian team provided 4 000 temporary employment opportunities and placed 200 permanent staff mainly in the ICT, oil and gas (technical skills), blue-collar (agriculture) and project services sectors.

Australia, with its relatively small population of 25 million, is rapidly growing its digital economy, creating a demand for ICT workers over the next six years. In addition to its geographical proximity to Asia Pacific, the demand for skills places Adcorp in a solid position to take advantage of the digitalisation of these economies.

66 **BUILDING** our brand is not just about creating **POSITIVE** external perceptions but involves a realignment of our entire value chain to ensure consistency in the **QUALITY** of the experience that we present to all our stakeholders 99

# Chief Executive Officer's report continued

## Looking to the future

The digital age in which we live today is an era of constant change, which is rapidly transforming the way we work and communicate with each other. This not only influences our delivery model, but every business globally, making the need for us to adapt to the changes and to remain agile in our operations, a critical business imperative.

These changes are also influencing the skills and talent required to cater to the workplaces and workforces of the future. For us, these exciting changes **provide an opportunity for the Group to take advantage of the trends** in unlocking employment for work seekers. However, it is up to us to drive this evolutionary process to ensure we position ourselves, our clients and our candidates for the future.

In recent years, the local workplace management – and the global staffing industry in general – has experienced rapid adoption of innovative and potentially disruptive technologies, new delivery models, as well as a number of pioneering approaches to client interactions. Going forward we see a stronger people focus as we shift from employee engagement to employee experience. Other **key trends include hiring for and developing agility, big data/talent analytics driving results, a move from traditional learning to micro-learning** and finding the balance between man and robotics in the workplace. All of these drive the imperative to remain operationally excellent and cost competitive.

As part of this drive for innovation, the Group has identified the demand for robotic process automation expertise and believes such demand leads to a major opportunity to build a dominant robotic process automation contracting and services business for the African robotic process automation market. To address this demand, the Group has formed a joint venture with a leading Australian consulting organisation that focuses on robotic process and intelligent automation. The collective capabilities, both in South Africa and Australia, will allow us to develop a market-leading offering in the shortest possible time.

Factors that will drive the recruitment industry globally include intensifying involvement of social media and online job platforms, growth prospects in emerging economies, rising industrial production, as well as the increase in the number of mergers and acquisitions.

As we reach further than ever into people's lives, we have the **ability to shape society around the workplace solutions and services we offer**. This transformed society now provides the new foundation for the future growth of the Group.

The strength of a business is its people and as the world adapts to new workplace realities, more is required from business leaders to help workers and employers understand the labour dynamics and skills demand of the 21st century.

I would like to thank the employees of the Group who, despite a challenging year, have remained loyal and dedicated to the business turnaround. I would like to extend a heartfelt thanks to all our stakeholders who have walked this path with us. Your continued support and trust in the Group is deeply valued.

Looking ahead to 2019, our **focus will be on both organic and acquisitive growth** to ensure that we are well positioned to create shared value. Furthermore, we hold in our hands the opportunity to change an ever-growing number of lives by matching and placing more people in the formal sector, effectively making a real contribution to reducing unemployment and effecting socio-economic change.

I would like to take this opportunity to thank the board and our shareholders for their tremendous support.

**Innocent Dutiro**

*Chief Executive Officer*

25 June 2018



As we reach further than ever into people's lives, we have the **ABILITY** to shape society around the **WORKPLACE SOLUTIONS** and services we offer.





# Our strategy

## Adcorp future forward

While new expectations driven by a shifting disruptive landscape can be daunting, we have recognised that these new societal expectations can be transformed into an enterprise strength.

Committed to repositioning Adcorp business, the new leadership team has been working tirelessly in rationalising and refocusing the business strategy. An understanding of the challenges the Group faced have been established and we have started mapping out our vision to position the Group for future success.

### Strategic priorities

- Build a **STRONG** business that is **FOCUSED** on leveraging our core
- Ensure that the business is **LEAN AND AGILE**
- **STRENGTHEN** the brand
- **TRANSFORM** the culture



#### Industrial Services

- Focus on holistic workplace solutions vs a traditional labour supply value proposition
- Review process efficiency and optimisation through automation
- Drive innovation and collaboration
- Initiate a market segmentation strategy



#### Support Services

- Offer on-demand workplace solutions to meet customer demand cycles
- Provide rapid people mobilisation through build and transfer models
- Grow our outcome-based solutions
- Review brand value propositions and market relevance
- Enhance process efficiency through optimisation and automation



#### Professional Services

- Grow Statement Of Work (SOW), outcome-based and consulting services offerings
- Focus on initiatives in digital and robotic process automation
- Be the leading MSP and RPO solutions partner for large organisations
- Focus on our strategy of niche strong brands in different verticals
- Drive innovation and collaboration



#### Financial Services

- Creative product developments
- Enhance and expand value-added services
- Opportunities to sell to external closed communities
- Maintain and enhance client relationships



#### Training Services

- Review process efficiency and optimisation through centralisation, digitisation and online training platforms
- Address underperforming portions of the business
- Improve learnership workstreams
- Impact indicators to shift downstream monitoring absorption of skilled learners where youth was previously unemployed
- Expansion of functional training and consulting services within the learning and development market

### KPIs to measure performance:

Return on invested capital

Headline earnings per share

Gearing

Cash conversion

DSO

Broad based black  
economic empowerment  
(South Africa only)

### Remuneration policy and process

Adcorp remuneration is designed to enable the delivery of the Group's strategy.

“We know that people have the power to transform businesses into highly adaptable enterprises. Leveraging experience, human expertise, combined with business intelligence, we will continue to attract the best people for our business and our clients to raise human performance.”



## Strategic objectives

**R1 BILLION  
EBITDA  
by 2022**

**NEW CLIENT  
OFFERING** to  
address the  
workplace of  
the future

Adcorp brand  
synonymous  
with **TALENT** and  
**EMPLOYABILITY**

Use of technology  
to **ENABLE  
EFFICIENCY  
and CLIENT  
CENTRICITY**

**STRATEGIC**  
merger and  
acquisition  
activity

### Near to medium focus

### Build a strong business that is focused on leveraging our core

#### Central

- Define the role of the centre and rationalise to drive synergies and efficiencies
- Realign underperforming businesses
- Revisit the rest of Africa in a choiceful manner
- Identify acquisitions or partnerships that will grow core business
- Utilise the Australian business as a rand hedge
- Drive operational and cost efficiencies



We are a workplace solutions company

#### Industrial Services

- Compliance with the National Minimum Wage and Labour legislation
- Drive innovation and collaboration
- Provider of decent work
- Drive operational and cost efficiencies



We source, screen and assign staff to clients across all industries for both temporary and permanent roles

#### Support Services

- Improve profitability
- Drive cost optimisation and efficiency measures
- Improve client and candidate experience
- Retain key talent



We manage (on an outsourced basis) people-intensive processes on behalf of our clients

#### Professional Services

- Capitalise on local brand strength while growing global brands
- Focus on most attractive verticals and new technologies
- Expand our total talent solutions
- Maximise our technological capabilities so that we can automate certain basic tasks in our service delivery to clients
- Leverage our data to provide our clients with meaningful analytics



Where we provide highly skilled resources we can also contract for specific outcomes on a project basis

#### Financial Services

- Offer affordable employee benefits as a key differentiator
- Provide superior funeral support and value-added services
- Enhance and maintain both client and assignee relationships



We provide ancillary financial services that are linked to the provision of temporary employment services

#### Training Services

- Address our clients' regulatory and transformative learning and development needs through strategic partnerships
- Provide digital learning platforms to enable performance
- Enhance process efficiency through optimisation
- Diversify training

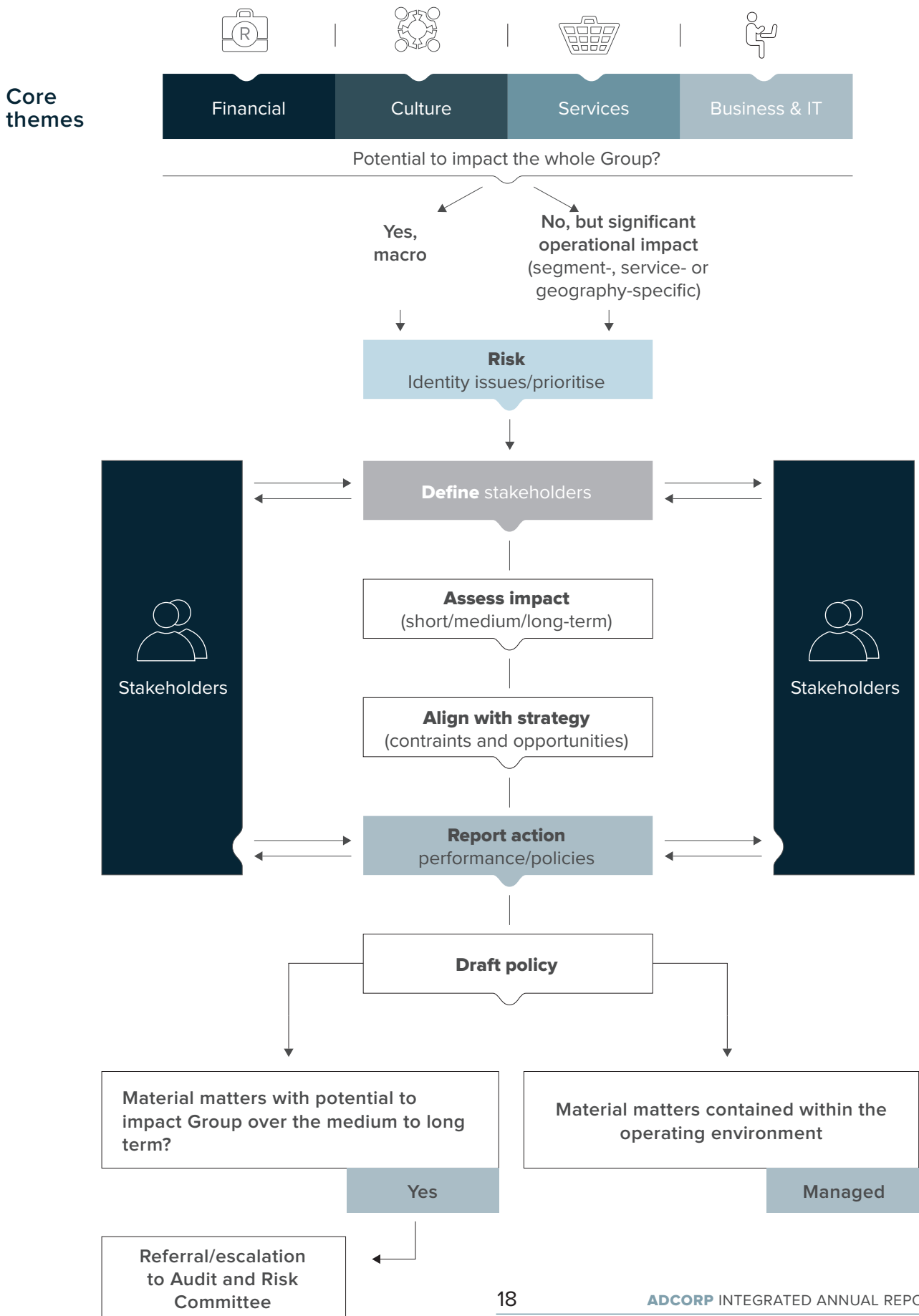


We provide training services where we believe they enhance the provision and enhancement of skills in our assignee base and for our clients

# Establishing materiality

## Our approach

Start →





# Key challenges and opportunities

The past year's operating environment remained challenging due to depressed economic growth in both South Africa and Australia. Higher unemployment in our core market South Africa, coupled with political strikes, low business confidence and uncertainty relating to legislation, affected certain areas of our business and their exposure to risk.

As we build a culture driven by our values, we are taking proactive steps to manage the risks we face, to ensure that we achieve our strategic business objectives and further strengthen the Adcorp brand with our stakeholders.

We have highlighted some of the key risks facing our businesses and the related risk mitigation activity.

## Risk and opportunities

## Key responses/mitigations



### Implementation of an effective strategic turnaround of the Group

As the business continues to evolve its value proposition, the initiated turnaround needs to be in line with future Group targets and ultimately enable us to serve the interests of all our stakeholders.

Alignment of strategic goals with key performance measures across the Group.

Driving a culture of change towards a collaborative, high-performance environment.

Optimisation of our businesses through digital transformation and enablement.



### Labour legislation landscape in South Africa

In South Africa there remains legislative uncertainty with regard to interpretation of section 198(2) relating to sole and dual employer interpretation for purposes of the LRA. This has in many areas of the businesses provided the opportunity to explore alternative workplace solutions.

In addition, implementation of the National Minimum wages will improve the lives of some of our assignees who are paid below the proposed National Minimum wage.

Engaging with clients to better understand the clients' business imperatives and workplace solutions.

Assisting clients who will be impacted by increased costs as a result of the National Minimum Wage and usual annual wage increases.



### Macroeconomic pressure and slow pace of economic growth

The tough trading environment and low economic growth continue to place pressure on market demand, effectively meaning that in order to remain profitable we must continuously find ways to run our business in a lean and efficient manner.

Strengthening the balance sheet and achieving an appropriate funding structure.

Improving working capital management.

Driving operational and cost efficiencies.



### IT systems not fully optimised to support the diverse business solutions and services

Digital transformation is playing an increasingly critical role in shaping the way governments, businesses and consumers are operating across the world. In order to remain competitive in business we not only need to keep up with the current technological trends but also look to continuously innovate in order to leverage the opportunities presented by the latest digital technologies.

Implementing a technology refresh to suit changing client business models.



### Effective stakeholder engagement

Business sustainability is today not only dependent on the ability to generate new ideas, but also being in touch with all stakeholders who may be directly or indirectly impacted by our business strategy in order to build a business that actually delivers value for our stakeholders.

Better understanding of our key stakeholders as we facilitate interaction between prospective employees and employers.

Building a brand that marks Adcorp as one of the key players in addressing South Africa's employment and skills challenges.



# Chief Operating Officer's report

Mark Jurgens

FY2018 has been a challenging year for Adcorp in many aspects, but one in which we are evolving our business model to become well poised for the next industrial revolution.

Although our strategic change process created a lot of uncertainty in parts of the organisation, the change has been embraced in a positive manner. Following my appointment as the Chief Operating Officer in October 2017, I have spent the past few months doing whatever it takes to make sure our business segments have the capability, resources and structures required to create better outcomes and financial rewards. Our primary focus was on gaining an understanding of each of the businesses and dealing with several specific and immediate issues that require focus and resolution.

## Macroeconomic environment

GDP growth in South Africa has remained lacklustre, dragged down by political strikes, low business confidence and the rise of unemployment in a highly regulated environment. This sets the backdrop for the trading landscape for our Industrial and Support Services segment in our core market. On the upside, recent political reforms, a big drive for programmes aimed at alleviating youth unemployment in the country and placing the needs of young people at the centre of inclusive economic growth and shared-value creation provides us with a positive outlook for the year ahead.

In Australia, similar to South Africa, the GDP growth rate remains inhibited at 2%. There are six states all with varying economic drivers, government makeup, opportunity and needs. It is a highly regulated and a very competitive market with over 12 500 staffing companies. Encouraging is the rapidly growing digital economy valued at \$79 billion which makes up 5,1% of GDP, currently bigger than that of any traditional sectors such as agriculture, retail and transport. Forecasts are predicted to see the digital economy grow to 7,3% of GDP by 2020. In addition to the current 450 000 ICT specialists employed in organisations across Australia, it is estimated that the demand for these workers is forecast to increase by 100 000 within the next six years. This certainly bodes well for the Professional Services segment and places us in a solid position to take advantage of the digitisation drive in that economy.

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## WE EXPLORE TOGETHER

66 The world is constantly reinventing itself, which means the way we interact, connect and collaborate with each other skills requires new skills 99

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## WE GROW TOGETHER

“Digitisation is giving us the power to create outcomes that are better, faster and connect the right people at the right time for any project”

### Trends shaping the world of work

We are living through a fundamental transformation in the way we work. The world is constantly reinventing itself, which means the way we interact, connect and collaborate with each other requires new skills. No matter where you are in the world, **robotic automation, artificial intelligence and machine learning** are redefining human tasks and jobs, and dramatically changing the skills that organisations are looking for in their people. These momentous changes raise huge organisational, talent and human resource challenges – at a time when we are already grappling with unprecedented risks, disruption, political and societal upheaval along with a fair amount of economic uncertainty.

The pace of change is accelerating. **Competition for the right talent** is fierce and the term ‘talent’ no longer means the same as it did 10 years ago. Digitisation is giving us the power to create outcomes that are better, faster and connect the right people at the right time for any project. Many of the roles, skills and job titles of tomorrow are unknown to us today. How do we prepare for a future that few of us can yet define? How will talent needs change? On a daily basis, we are working with our clients on strategies of how to attract, retain and motivate the talent they need for workplaces of the future. New jobs require new skills and despite high unemployment rates we have found that the right skills are becoming increasingly more difficult to find.

Today, we also find that the real measure of a **valuable employee is not just their hands or brains, but also their heart** – their commitment to a company and its values. The top-down hierarchical approach is a dying legacy of the industrial era. As such, the shift away from the industrial age of human resources to the human era necessitates more human-centric approaches that take advantage of the way people work today, around peer-to-peer connections, organisational communities and teams.

Whether you refer to them as game changers, predictions or megatrends, taking a critical look at the potential events of the future that will shape the world is a crucial part of how we not only manage our employees but those who we source, match, place and train for our clients. From investments in people, tools, strategies and technologies, we deliver talent management solutions to cater for the future world of work.

As the Fourth Revolution grips the world and societies evolve, it becomes crucial for companies to evolve their business models. The world has become a huge talent magnet. Adcorp has a crucial role to play in that market to not only help businesses access the skills needed to grow their companies but also to assist making a job seeker’s dream a reality.

‘Performance with purpose’ is the new buzz phrase around the world for organisations, but at Adcorp it is already a reality. Creating job opportunities that allow more people to gain the dignity that comes with earning a living and developing a career, puts us at the epicentre of performing an active role in generating socio-economic opportunities.

Every day, we impact the lives of over 85 000 families across the geographies in which we operate, and this remains our higher purpose. Ongoing performance is critical and we realise the need to build the new, while also relentlessly driving our existing core business every day.

Let us look at some of the highs and the lows across our segments.



# Adcorp Industrial Services – South Africa



**Adcorp Industrial Services provides industrial workplace solutions and technical skills across various industries. We source, screen and place assignees: engineers, project support staff, artisans, construction workers, logistics, manufacturing, agriculture, construction, mining, energy, transport and warehousing staff, as well as manage people-intensive processes on behalf of our clients. In addition to provision of workplace solutions, we manage specialised business process outsourcing in specialised market segments.**

## Salient features\*

**R6**  
billion

REVENUE ↔

**R338**  
million

EBITDA ↓

\* These figures exclude central costs. More information and analysis on financial results is included on page 33.

## Total workforce

**66 277**



**Permanent employees**  
**1 292**



**Permanent outsourced**  
**2 212**



**Temporary employees**  
**62 773**

## Footprint



## Opportunities and challenges

There is still uncertainty as to the findings relating to the recent hearing at the Constitutional Court regarding the proposed amendments to the Labour Relations Act (LRA) and delayed promulgation of the National Minimum Wage (NMW).

Our value proposition and operating model in an uncertain labour market, accompanied by the need for our clients to ensure fair labour practices, is a differentiator in the market for this division.

Over the period under review, we have seen increased positive engagement with our clients as we focus on holistic workplace solutions that protect them and our assignees from any negative policy on the LRA and that enable them to prepare for the NMW.

## Value proposition

- The labour market policy and legislative environment has a key bearing in shaping Adcorp Industrial Services' value proposition
- Flexibility/agility to co-create solutions
- Capability to manage high-volume, people-intensive processes
- Scale of operations and national geographic reach across South Africa
- Knowledge and IP of our people
- Strong empowerment credentials

## Market conditions

- High unemployment
- Slow economic growth puts cost pressure on clients
- Highly regulated and unionised environment

## Strategic objectives that we are accountable for

- Compliance with the National Minimum Wage and Labour legislation
- Drive innovation and collaboration
- Provider of decent work

## FY2019 and beyond

- Focus on holistic workplace solutions vs a traditional labour supply value proposition
- Review process efficiency and optimisation through automation
- Enhance client and candidate experience



**BLU.**

**funxion**

**staffu**need

**ADfusion**

**CO-STARS.**



**Adcorp Industrial Services provides services extending to blue-collar workers primarily in agriculture, food processing and logistics, as well as skilled professionals within the oil and gas industry, focusing on technical disciplines.**

## Salient features\*

**R2**  
billion

REVENUE ↔

**R58**  
million

EBITDA ↑

\* These figures exclude central costs. More information and analysis on financial results is included on page 33.

**Total workforce**  
**2 656**



**Permanent employees**  
**66**



**Independent contractors**  
**234**



**Temporary employees**  
**2 356**

## Footprint



## Opportunities and challenges

One of the challenges we face in Industrial Services Australia is low-cost competitors seeking a share of the industry resulting in continued margin pressure.

There is also an inherent high-risk environment for workplace health and safety.

The opportunity lies in the strength of our brand and ISO ratings where we can deliver workplace solutions on the back of our sound track record and longstanding client relationships.

## Value proposition

- National coverage and leading brands
- Value-add propositions on induction and health safety in agriculture and meat processing
- Niche business delivering services and IP-driven outcomes

## Market conditions

- Australia operates across four time zones and each state has varying economic drivers
- Overall growth in Australia of 2%
- Exposure to the resultant impact of global oil and gas price dynamics
- Australian agricultural sector had record production in 2016 – 2017

## Strategic objectives that we are accountable for

- Seek growth and service, client and industry diversification
- Protect and grow core business
- Refocus management on core strategic areas aligned with Group strategy
- Build outcome-based solutions

## FY2019 and beyond

- Focus on stability and organic growth in current markets and industries
- Invest in growth and diversification strategies
- Build new verticals within existing businesses





**Adcorp Professional Services helps its clients by finding and attracting the most relevant talent with highly sought-after skills across the most attractive verticals and new technologies for their business.**

## Salient features\*

**R2**  
billion

REVENUE ↑

**R161**  
million

EBITDA ↑

\* These figures exclude central costs. More information and analysis on financial results is included on page 33.

**Total workforce**  
**2 356**



**Permanent employees**  
**587**



**Independent contractors**  
**1 285**



**Temporary employees**  
**484**

## Footprint



## Opportunities and challenges

The global race for talent is on and the need for flexibility is increasing, along with the demand for specialist skills, which is the driving force shaping workplace trends today. Technology is substituting some tasks, changing the nature of jobs. These trends provide Adcorp Professional Services with a prime opportunity to source the skills required for organisations to reach expectations driven by this shifting disruptive landscape.

As the world of work gets more complex and the need for digital transformation takes hold on organisations around the world it creates opportunities for us to provide workplace solutions positioned for the future. Enabling scarce professional skills combined with robotic process automation drives an innovative solution offering to our clients, allowing us to deliver flexible services across all candidate engagement types – contingent, permanent, freelance, onshore, offshore, robotic and self-service.

## Value proposition

- Competitive positioning in the traditional ICT contracting market
- Continuously evolving value propositions
- Track record in delivering multiple services to clients
- Market leader in MSP and RPO solutions which entrenches Professional Services with clients
- The combination of training and digital business gives Professional Services a strong position in digital transformation
- Project management capability
- Leverage the recruitment capabilities across the geographies in which we operate (sourcing)

### Strategic objectives that we are accountable for

- Capitalise on local brand strength while growing global brands
- Focus on most attractive verticals and new technologies
- Expand our total talent solutions
- Maximise our technological capabilities so that we can automate certain basic tasks in our service delivery to clients
- Leverage our data to provide our clients with meaningful analytics

## Market conditions

- Global war for talent
- Increased use of automation to replace traditionally manual processes
- Shortage of digital and IT skills

## FY2019 and beyond

- Strengthen global brands
- Grow Statement Of Work (SOW), outcome-based and consulting services offerings
- Focus on initiatives in digital and robotic process automation
- Focus on our strategy of niche strong brands in different verticals
- Build our Managed Service Provider (MSP) and Recruitment Process Outsourcing (RPO) solutions offering





**Adcorp Professional Services helps its clients by finding and attracting the most relevant talent with highly sought-after skills across the most attractive verticals and new technologies for their business.**

## Salient features\*

**R4**  
billion

REVENUE ↓

**R104**  
million

EBITDA ↑

\* These figures exclude central costs. More information and analysis on financial results is included on page 33.

## Total workforce

**2 055**



**Permanent employees**

**149**



**Independent contractors**

**1 891**



**Temporary employees**

**15**

## Footprint



## Opportunities and challenges

The global race for talent is on and the need for flexibility is increasing, along with the demand for specialist skills, which is the driving force shaping workplace trends today. Technology is substituting some tasks, changing the nature of jobs. These trends provide Adcorp Professional Services with a prime opportunity to source the skills required for organisations to reach expectations driven by this shifting disruptive landscape.

As the world of work gets more complex and the need for digital transformation takes hold on organisations around the world it creates opportunities for us to provide workplace solutions positioned for the future. Enabling scarce professional skills combined with robotic process automation drives an innovative solution offering to our clients allowing us to deliver flexible services across all candidate engagement types – permanent, contingent, freelance, onshore, offshore, robotic and self-service.

## Value proposition

- National coverage and leading brands
- Large client base and volume of job requirements in Technology which drives candidate flow
- Competitive positioning in the traditional ICT contracting market
- Continuously evolving value propositions
- Project management capability
- Leverage the recruitment capabilities across the geographies in which we operate (sourcing)

## Strategic objectives that we are accountable for

- Seek growth and service, client and industry diversification
- Protect and grow core business
- Refocus management on core strategic areas aligned with Group strategy
- Build outcome-based solutions

## Market conditions

Australia operates across four time zones and each state has varying economic drivers. The market is large, very competitive and highly regulated with a myriad of federal and state laws governing workers and independent contractors.

Australia's digital economy is expected to grow significantly over the coming years. This growth will be fuelled by new waves of technological developments across all industries. The contribution of digital technologies to the Australian economy is forecast to grow from \$79 billion recorded in 2014 to \$139 billion in 2020. This represents growth of over 75% and an increase in the digital economy from 5% to 7% of Australia's GDP.

## FY2019 and beyond

- Strengthen global brands
- Grow Statement Of Work (SOW), outcome-based and consulting services offerings
- Focus on initiatives in digital and robotic process automation
- Focus on our strategy of niche strong brands in different verticals
- Build our Managed Service Provider (MSP) and Recruitment Process Outsourcing (RPO) solutions offering





**Adcorp Support Services provides innovative and holistic workplace solutions across various industries. We source, screen, place and manage support staff in nursing, clerical, admin, office, customer service, frontline, facilities and contact centre positions. We have the capability to manage high-volume, people-intensive processes on behalf of our clients, as well as deliver on project and outcome-based requirements.**

## Salient features\*

**R1**  
billion

REVENUE ↓

**R49**  
million

EBITDA ↓

\* These figures exclude central costs. More information and analysis on financial results is included on page 33.

## Total workforce

**11 485**



**Permanent employees**  
**444**



**Permanent outsourced**  
**228**



**Temporary employees**  
**10 813**

## Footprint



## Opportunities and challenges

The labour market policy and legislative environment is a key imperative in shaping Adcorp Support Services' value proposition. There is still uncertainty as to the findings relating to the recent hearing at the Constitutional Court regarding the proposed amendments to the LRA.

Again, in many areas of our business, this has provided us the opportunity to explore alternative workforce solutions, shifting away from the traditional transactional labour supply value proposition and creating services extending to other lucrative niches via specialist-driven output-based solutions.

We need to drive innovation and hybrid services, leveraging the years of workplace management expertise the Group has developed over the years. We are well positioned to increase reskilling transformations to cater for workplaces of the future, while ensuring we remain a conduit into the world of work for our youth as first-time job seekers.

## Value proposition

- Flexible and agile enough to co-create solutions
- Capability to manage high-volume people-intensive processes
- Scale of operations and national geographic reach across South Africa
- Strong empowerment credentials
- Facilitating workplace wellness medical assessments with a digital processing ability
- Specialisation in niche markets to deliver an outcome-based solution

## Strategic objectives that we are accountable for

- Improve EBITDA margin
- Drive cost optimisation and efficiency measures
- Improve client and candidate experience
- Retain key talent

## Market conditions

- High unemployment
- Slow economic growth puts cost pressure on clients
- Highly regulated and unionised environment
- Increased use of automation to replace traditional roles
- Redefinition of the roles that people play

## FY2019 and beyond

- Offer on-demand workplace solutions to meet customer demand cycles
- Grow our outcome-based solutions
- Increase process efficiency through optimisation and automation
- Enhance client and candidate experience



**Adcorp Training Services facilitates training and provides learning and development solutions to external clients and related support to other Adcorp divisions.**

## Salient features\*

**R178**  
million

REVENUE ↓

**(R33)**  
million

LBITDA ↓

\* These figures exclude central costs. More information and analysis on financial results is included on page 33.

## Total workforce

**847**



**Permanent employees**

**295**



**Learnerships**

**552**

## Footprint



## Opportunities and challenges

South Africa's high unemployment rate is driven in large part by the lack of an appropriately skilled workforce. This is exacerbated by slow economic growth. Our opportunity lies in the ability to master the areas of skills shortage, with our accreditations and knowledge, and work with our stakeholders to close the skills gap.

## Value proposition

- Various accreditations with Commission on Higher Education, SETAs and National Artisan Monitoring Body
- Strong empowerment credentials
- Facilitating optimisation of 6% provision of payroll for skills development
- Ability to leverage our knowledge to help clients meet their training needs in line with their learning and development strategy
- Attractive skills development solutions addressing both regulatory and functional training needs
- Largest provider in South Africa providing disability training solutions
- Managed learning services capabilities

## Market conditions

- High unemployment
- A sluggish economy and the increasing unemployment rate is affecting the absorption of learners into jobs
- There is increased Government legislation on Higher Education and Training and the SETAs changing their current models affects our training environment
- A substantial increase is noted in the use of digital platforms utilised to facilitate training programmes, including remote online training and virtual reality solutions

## Strategic objectives that we are accountable for

- Address our clients' regulatory and transformative learning and development needs through strategic partnerships
- Provide digital learning platforms to enable performance
- Diversify funding models
- Return to profitability

## FY2019 and beyond

- Develop and grow Training business to its full potential
- Become a key partner in addressing the skills gap
- Improve programme delivery and processes to achieve cost efficiency
- Expansion of functional training and consulting services within the learning and development market
- Develop and expand our e-learning solutions



**Adcorp Financial Services offers employee and lifestyle benefits, including funeral repatriation and support, affordable pay-as-you-go employee benefit solutions and a Paycard payment solution for the Group's assignee base as well as external clients.**

## Salient features\*

**R192**  
million

REVENUE ↑

**R58**  
million

EBITDA ↑

\* These figures exclude central costs. More information and analysis on financial results is included on page 33.

**Total workforce**  
**92**



**Permanent employees**  
**92**

## Footprint



## Opportunities and challenges

Adcorp Financial Services operates in a competitive and highly regulated environment.

The Employee Benefits business is primarily an enabler to our Industrial and Support Services divisions, with its client base represented by the Group's assignee base providing affordable pay-as-you-go employee and lifestyle benefits.

The Funeral Support business operates within a very niche, established market offering dedicated repatriation and value-added services to our blue-chip client base.

The Paycard Solution business operates in a competitive environment and facilitates a complete payment solution to our customers, both internal and external to the Group. There has been a number of new entrants to the market, with both the banking and fintech sectors focusing on the low-cost banking space.

## Value proposition

- Creative and affordable product and lifestyle benefits
- Customised and flexible solutions with superior service

### Strategic objectives that we are accountable for

- Offer affordable employee benefits as a key differentiator
- Provider of superior funeral support and value-added services
- Enhance and maintain both client and assignee relationships

## Market conditions

- Adcorp Financial Services operates in a highly regulated market. As a registered financial services provider we are governed by the Financial Services Board of South Africa
- Highly competitive payment solution environment
- High levels of unbanked and underserved people in the employee and lifestyle benefits segment

## FY2019 and beyond

- Enhance and expand value-added services
- Explore further opportunities to sell to external closed communities
- Maintain and enhance client relationships



## Chief Financial Officer's report

Cheryl-Jane ("CJ") Kujenga

In July 2017 I was appointed as Chief Financial Officer of the Adcorp Group. Since my appointment, the Group has encountered a substantial amount of change set in motion by the purchase of a 14,55% stake by Value Capital Partners (VCP), along with the appointment of an entirely new C-suite. I have spent the past few months doing whatever it takes to gain an in-depth understanding of the business segments and dealing with several specific and immediate issues that require focus and resolution, in order to enhance the Group's financial performance in line with our shareholders' expectations. As a team, we defined four immediate priorities and set about implementing them in all areas of the business:

1. To build a strong business that is focused on leveraging its core.
2. Ensure that the business is lean and agile.
3. Strengthen the brand.
4. Transform the culture.

Our strategic finance focus areas were structured to support execution on these priorities, as follows:

**a) To gain an understanding of the true financial position of the Group, identify the financial levers to enhance performance for each operational segment and implement controls to ensure that once-off adjustments incurred this year are truly non-recurring.**

A comprehensive review of reported segment results has been performed and certain changes made to ensure a more transparent reporting structure with transactions accounted for in line with International Financial Reporting Standards (IFRS). In addition, we have evaluated historical acquisitions to ensure alignment of the costs of acquisition versus the current value derived from acquired businesses before strategic restructuring. This has resulted in significant once-off costs. I discuss these in detail further in the report.

**b) To conclude the refinance of the Group debt and exit the onerous DMTN programme.**

In December 2017 we successfully exited the South African Domestic Medium-Term Note (DMTN) programme, repaid all outstanding notes and replaced this funding with a revolving working capital facility. The facility affords the Group access to R1 billion plus a seasonal accordion facility of R150 million.

This refinancing brings with it a number of advantages to our South Africa operations. Firstly, the related covenant terms are more aligned with the business turnaround over the next three years, with an acknowledgement of the need to fix, stabilise and then grow the business. Secondly, the maturity profile reduces the burden on the Group's short-term free cash flow, with capital repayment on the facility only due in 2020. Finally, the facility is flexible, enabling the Group to manage its cost of funding and there is no penalty should we look to early settle the facility.

The Australia facility was also refinanced during the year under review. The new facility takes into account the improved cash-generative ability of Australia, together with improved governance across the Group. A significant change in the facility terms allows for distributions to take place between Australia and South Africa, and this provides us with the ability to be more effective in leveraging the returns from our Australia operations.



# Chief Financial Officer's report continued

## **c) To improve working capital management and in so doing unlock the Group's cash-generation ability and strengthen the balance sheet.**

The ability to restore the Group's potential to generate ungeared free cash flow is a strategic imperative aimed at ultimately increasing shareholder value as it strengthens our buying power for potential acquisitions and increases the Group's ability to distribute returns to our shareholders.

A critical first step in achieving this was ensuring that the Group recovered control over the order-to-cash cycle that had previously been offshored. The transition was completed in November 2017 enabling the Group to commence a process to improve the underlying credit vetting and collections procedures. Robust working capital management practices have been implemented, and a clean-up of the debtors book undertaken in order to ensure that the Group is not exposed to further significant write-offs going forward. Each operating segment is now wholly accountable for their full sales and collection cycle, and the FY2019 KPIs include uncompromising targets for each segment to reduce their days sales outstanding (DSO).

Historically, the Group has calculated its DSO using the little-known peel-back method. The peel-back method excludes debtors classified as current and increases the risk that the debtors collection cycle appears more efficient than it is. Going forward, we will report DSO based on the more conventional manner of calculating DSO. This changes the comparable DSO for 2017 and 2016 to 55 days and 58 days (as reported: 45 days, and 47 days respectively). The FY2018 DSO is 53 days.

Our focus on cash management is yielding results and the Group generated net cash from operations of R133 million compared to the net cash utilised by operations in the prior year of R19 million.

## **d) To identify and implement the first phase of cost reduction with a target of R200 million.**

Operating expenses were R2,1 billion in FY2018, up 5% from R2,0 billion in FY2017. The focus on cost reduction in the current year has paid off, with operating expenses excluding once-off costs reducing by 5% year on year.

Our drive to reduce costs across the Group is in progress and we are comfortable that the R200 million target will be met by the end of FY2019.

A significant area of focus has been the rationalisation of central costs in South Africa. Our current disclosure of central costs reflects these costs on a gross basis with no allocations to the operations. Altogether R160 million of the R200 million target relates to central costs. Our approach to reduce these costs is twofold. Firstly to define the role of the centre and reduce the related costs, and, secondly, to work with the operations to ensure that allocations appropriately reflect the costs of delivery to each segment.

Savings are calculated using the FY2017 base numbers. Net savings in central costs of R57 million have been achieved in FY2018 and we are expecting additional savings of R100 million to materialise in FY2019.

A number of transactional finance processes are currently offshored. At the time of offshoring, inefficient processes were transferred and these have never been refined. The weaknesses at implementation also resulted in duplicated processes in certain areas and increasing costs over the years. We have issued formal notice of cancellation to our offshored service provider and are in the process of transitioning the processes back to South Africa. Wherever we can optimise economies of scale we shall be transitioning processes into a shared service structure.

The Group's EBITDA margin (excluding once-off costs) of 3% is still very low. This is largely driven by the South Africa operations. The Group would still need to claw back a further R200 million, over and above the net savings from the first phase of cost reductions in order to improve margins. This forms the basis of a process that we have embarked on as part of Phase 2 cost cutting for certain South Africa operations. The focus will be on implementing structural and process efficiency across the Group over the next 12 to 24 months, that will ultimately make the Group leaner.

## **e) To develop a long-term capital allocation model.**

In the last few years, Adcorp has not generated the rates of return that our shareholders expect. Further, the lack of a clear capital allocation framework has led to high dividend pay-outs that were disproportionate to the Group's net income and generated free cash flows.

This was an unsustainable position that has been a contributor to the Group requiring a high level of external funding. The philosophy of the new leadership team is one that ensures that a healthy balance is achieved between creating value for our shareholders through growth and distributions.

We believe that a well-defined capital allocation framework is key to ensuring a disciplined and transparent way to balance value creation for our shareholders, while ensuring that we maintain a healthy Group balance sheet. As a first phase, we are prioritising improved cash flow generation across all our businesses, and enhancing the discipline and governance over forecasts and long-term financial planning. We are working with the Investment Committee to formulate a sustainable capital allocation framework that will be communicated in due course.

# Chief Financial Officer's report continued

## Financial performance

### Reconciliation of opening balances

There are a number of prior year adjustments that are included in these results and that impact the ability to compare the comparative balances with those reported in FY2017. In addition, the financial results relating to the Rest of Africa have been disclosed retrospectively as a discontinuing operation, in line with the requirements of IFRS. The reconciliation below provides a high-level overview of the impact:

Reconciliation	EBITDA R'000	Operating profit R'000	Loss after tax R'000	Earnings per share cents	Headline earnings per share cents	Total assets R'000
<b>As reported in FY2017</b>	<b>303 786</b>	<b>130 310</b>	<b>(160 326)</b>	<b>(149,5)</b>	<b>(28,0)</b>	<b>5 744 072</b>
– Transfer of the Rest of Africa losses to discontinuing operations	94 462	97 716	148 758	137,3	137,3	(288 993)
<b>FY2017 continuing operations before prior year adjustments</b>	<b>398 248</b>	<b>228 026</b>	<b>(11 568)</b>	<b>(12,2)</b>	<b>109,3</b>	<b>5 455 079</b>
– Impact of prior year adjustments	(25 209)	(26 149)	(32 089)	(29,6)	(29,5)	(14 533)
<b>FY2017 continuing operations restated for impact of prior year adjustments</b>	<b>373 039</b>	<b>201 877</b>	<b>(43 657)</b>	<b>(41,8)</b>	<b>79,8</b>	<b>5 440 546</b>
<b>Total restated FY2017 continuing and discontinuing operations</b>	<b>278 577</b>	<b>104 161</b>	<b>(192 415)</b>	<b>(179,1)</b>	<b>(57,5)</b>	<b>5 729 539</b>

## Summarised statement of comprehensive income

for the year ended 28 February 2018

	FY2018 R'000	Restated FY2017 R'000	Variance %
<b>Revenue</b>	<b>15 325 391</b>	15 804 081	(3)
Cost of sales	<b>(13 097 630)</b>	(13 470 873)	(3)
<b>Gross profit</b>	<b>2 227 761</b>	2 333 208	(5)
Other income	<b>58 067</b>	46 436	25
Operating expenses	<b>(1 898 367)</b>	(2 006 605)	(5)
<b>Underlying EBITDA</b>	<b>387 461</b>	373 039	4
Once-off costs	<b>(250 842)</b>	(26 668)	841
<b>Earnings before depreciation and amortisation</b>	<b>136 619</b>	346 371	(61)
Depreciation and amortisation	<b>(128 589)</b>	(144 494)	(11)
Impairment of intangible assets, goodwill and bonds	<b>(477 797)</b>	(132 519)	261
Profit on disposal of associate	<b>184 960</b>	–	–
Net cost of funding	<b>(124 029)</b>	(141 870)	(13)
Share of profits from associates	<b>16 476</b>	23 396	(30)
<b>Loss before taxation</b>	<b>(392 360)</b>	(49 116)	699
Taxation	<b>(28 350)</b>	5 462	(619)
<b>Loss – continuing operations</b>	<b>(420 710)</b>	(43 654)	864
Loss – discontinuing operations	<b>(140 322)</b>	(148 758)	(6)
<b>Net loss for the year</b>	<b>(561 032)</b>	(192 412)	192
Other comprehensive loss	<b>(82 785)</b>	(128 166)	(35)
<b>Total comprehensive loss for the year</b>	<b>(643 817)</b>	(320 578)	101

## Chief Financial Officer's report continued

Group revenue declined by 3% year on year (overall 1% decline if a constant currency is used for Australia). Slow economic growth and political uncertainty dominated the year under review in our primary market, South Africa. This impacted revenue in the majority of the local segments with the revenue of the Group's largest contributor to revenue, Industrial Services, remaining flat on the prior year, and declining revenues in both Support Services (7% ↓) and Training Services (29% ↓). This was mitigated somewhat by a 17% increase in Financial Services, and an 11% increase in Professional Services South Africa. Revenue in Australia declined by 8% (2% decline in constant currency), largely due to the off-boarding of certain low-margin clients. As discussed later, this has had a positive impact on overall EBITDA profitability in that region.

Despite this reduction, gross margin remained stable at 14,5% (FY2017: 14,8%).

The stricter approach to expenditure had a positive impact, with operating expenses before once off costs decreasing by 5%.

Changes to the Group's long-term funding arrangements, coupled with improvements in working capital management, have reduced the associated funding costs by 14% to R117 million (FY2017: R135 million).

The detailed deep dive into each business and each segment's five-year financial plan on an "as-is" basis, with no strategic intervention, are elements that were used in assessing the value of goodwill from each subsidiary. This resulted in impairment of goodwill and intangible assets of R478 million. This amount also includes 60% of the value of the Angola bonds that were impaired in recognition of the liquidity challenges in that country.

The results were partially offset by earnings from the disposal of associate of R16 million for the period to September when the disposal was finalised, together with pre-tax profits of R185 million from that transaction.

The loss on discontinuing operations of R140 million refers to a combination of the trading results for the Rest of Africa operations up to the point of disposal, together with the impact of the impairment of any remaining balances.

Other comprehensive losses represent the impact of the foreign currency translation losses of the Australian subsidiaries, as well as the translation losses on the investment into these operations, reflecting the continued strengthening of the rand against the AUD.

In addition to the above matters, the results have been impacted by the clean-up exercise that has resulted in a number of once-off costs. These have been grouped into four categories as discussed below:

<b>Impact of once-off and clean-up costs:</b>	<b>R250 842</b>	<b>Commentary</b>
<b>– Debtors book review and clean-up</b>	R115 313	<p>These debtors arise largely from the Industrial Services South Africa and Training segments. Altogether R78 million of this amount was effected at half-year. The balance relates to debtors with disputes ranging longer than a year, and/or that have been liquidated or gone into business rescue.</p> <p>The root cause of the debtors collection challenges was a combination of inappropriate credit controls and a relaxed approach to following the credit policy.</p> <p>We have implemented stricter credit management policies to ensure that there is no recurrence of the significant level of write-offs experienced this year.</p>
<b>– Retrenchment costs</b>	R49 975	Headcount rationalisation resulted in 255 staff retrenchments across the Group and six senior leadership exits.
<b>– Restructuring costs</b>	R50 981	This amount includes the cost of a number of restructuring initiatives and includes early-exit penalties for the full return of the Group's offshored processes. It also includes the cost of refinancing the South Africa debt.
<b>– Accounting corrections and change in estimates</b>	R34 573	This is the total current year impact of accounting corrections identified in the current year. The impact of these in prior years is discussed in more detail in note 3 to the financial statements.

# Chief Financial Officer's report continued

## Segmental performance – continuing operations

Closing EBITDA for the year is R137 million, 60% down from FY2017 (R346 million). The extent of once-off costs in the current year mean that any meaningful analysis needs to be performed using balances that exclude their related impact. The underlying EBITDA for the year, excluding the impact of once-off costs, is R387 million, a 4% improvement from the prior year. The analysis of EBITDA by segment is included in the table below:

	Revenue			EBITDA				
	FY2018	FY2017 Restated	Var %	FY2018 Net of once-off adjustments	Once-off adjustments	FY2018 Grossed up for once-off adjustments	FY2017 Restated	Var %
Group revenue/EBITDA								
Margin before once-off costs	<b>15 325 391</b>	15 804 083	(3)	<b>136 619</b>	250 842	<b>387 461</b>	373 039	4
<b>Industrial Services</b>	<b>7 974 519</b>	7 985 842	0	<b>247 328</b>	149 115	<b>396 444</b>	434 494	(9)
– South Africa	<b>6 278 100</b>	6 296 393	0	<b>189 232</b>	149 115	<b>338 347</b>	399 749	(15)
– Australia	<b>1 696 419</b>	1 689 449	0	<b>58 096</b>	–	<b>58 096</b>	34 745	67
<b>Professional Services</b>	<b>5 492 894</b>	5 818 527	(6)	<b>264 683</b>	236	<b>264 919</b>	230 973	15
– South Africa	<b>1 802 508</b>	1 622 620	11	<b>160 624</b>	236	<b>160 860</b>	133 108	21
– Australia	<b>3 690 385</b>	4 195 907	(12)	<b>104 059</b>	–	<b>104 049</b>	97 865	6
Support Services	<b>1 471 207</b>	1 582 605	(7)	<b>46 474</b>	2 538	<b>49 012</b>	70 369	(30)
Financial Services	<b>192 282</b>	163 670	17	<b>58 218</b>	–	<b>58 218</b>	52 523	11
Training	<b>178 454</b>	251 323	(29)	<b>(51 824)</b>	19 323	<b>(32 501)</b>	12 106	>100
<b>Central costs</b>	<b>16 035</b>	2 115		<b>(428 260)</b>	79 630	<b>(348 631)</b>	(427 426)	(18)
– South Africa	<b>16 035</b>	2 115		<b>(403 264)</b>	79 630	<b>(323 634)</b>	(425 161)	(24)
– Australia	<b>–</b>	–		<b>(24 996)</b>	–	<b>(24 997)</b>	(2 265)	>100
<b>Impact of once-off costs:</b>						<b>250 842</b>	26 668	
– Debtors book review and clean-up						<b>115 313</b>		
– Retrenchment costs						<b>49 975</b>		
– Restructuring costs						<b>50 981</b>	26 668	
– Accounting corrections and changes in estimate						<b>34 573</b>		
<b>Geographic segmentation:</b>	<b>15 325 391</b>	15 804 083	(3)	<b>136 619</b>	250 842	<b>387 461</b>	373 039	4
– South Africa	<b>9 938 586</b>	9 918 727	0	<b>(540)</b>	265 234	<b>250 271</b>	242 694	3
– Australia	<b>5 386 805</b>	5 885 356	(8)	<b>137 159</b>	–	<b>137 159</b>	130 345	5



## Chief Financial Officer's report continued

The improvement on EBITDA (excluding once-off costs) is driven largely by the following:

- The Australia operations continue to operate in a lean manner. In the current year Paxus exited a large, very low-margin contract which impacted the revenue but did not have a large impact on the profit. The segment also increased its volumes on the higher margin, permanent placements portion of the business. This, coupled with the strategy to grow higher-margin tier two and three clients, paid off in the current year with Professional Services Australia closing the year on a 5% higher EBITDA.
- Adcorp Industrial Australia's FY2017 results were impacted by losses in DARE and the closure of DARE New Zealand and DARE United States. This is the first full year of DARE trading in Singapore, and management has been working hard to diversify the DARE client base beyond oil and gas. The growth in EBITDA is as a result of a combination of these activities, as well as improved credit control measures at LSA that have resulted in lower doubtful debts.
- Professional Services South Africa has had a great year, with continued growth in the traditional resourcing business. The emerging RPO and MSP solutions continue to gain traction with clients and exceeded the targets for the year. The segment also benefited from increased volumes in the higher margin, permanent placements and projects businesses, as well as from winning some significant new contracts.
- Financial Services posted solid results following a good trading year. This was bolstered by the Card Payment business posting a profit for the first time this year.
- A reduction in ongoing central costs reflecting the tactical changes that have been implemented – a number of budgeted IT development projects were stopped in the current year to enable a comprehensive rationalisation process to take place. In IT, a governance principle that has been implemented relates to ensuring a comprehensive business case is in place for IT and digital projects. Further, more stringent controls have been effected on procurement, travel, facilities management costs and independent contractors.

These improvements were diminished by the following:

- Industrial Services South Africa was negatively impacted by a tough trading environment and the margin pressure from clients.
- Support Services operations remain under pressure. Results were negatively impacted in the current year by an R11 million loss in its volume-based online training business.
- The Training business posted a loss. The business has a high cost base, and the corrections made in revenue recognition in the current year have starkly highlighted the business' inability to generate profits in the Learnerships/SETA-based segments of the business. Tactical interventions will enable a clawback of the loss in FY2019 due to immediate cost-reduction activity. This stems the ongoing losses from the segment and allows time for completion of the significant restructuring that is under way.

### Quality of earnings analysis

The analysis below enables us to understand the underlying performance of the Group without the once-off and unusual adjustments. As reflected, the loss for the year of R421 million translates to an underlying profit of R143 million, up from R92 million in the previous year. This is driven largely by a combination of reduced overhead costs and funding costs. Underlying EBITDA is up 4% at R387 million compared to R373 million in the prior year.

## Chief Financial Officer's report continued

	(Loss)/Profit for the year		EBITDA	
	FY2018	FY2017	FY2018	FY2017
Balance	<b>(420 710)</b>	(43 654)	<b>136 588</b>	346 371
Impact of:				
– Once-off costs	<b>250 842</b>	26 668	<b>250 842</b>	26 668
– Impairment	<b>477 797</b>	132 519		
– Post-tax profit on disposal of associate	<b>(148 418)</b>	–		
– Share of profits from associate	<b>(16 476)</b>	(23 396)		
<b>Underlying earnings*</b>	<b>143 035</b>	92 134	<b>387 430</b>	373 039

\* Underlying EBITDA is defined as EBITDA adjusted for once-off cost includes bad debts written off, retrenchment cost, restructure cost and certain accounting adjustment. Underlying earnings is underlying EBITDA adjusted for impairments, profits from associates and profit or losses on the disposal of associates or businesses.

The pro forma financial information as shown in the statement of underlying EBITDA and should be read in conjunction with the unmodified Deloitte & Touche independent reporting accountants' report thereon, issued on 18 May 2018, which is available for inspection at Adcorp's registered office.

### Summarised statement of financial position

for the year ended 28 February 2018

	FY2018 R'000	Restated FY2017 R'000	Variance %
<b>ASSETS</b>			
Property and equipment	<b>65 756</b>	80 458	(18)
Intangible assets and goodwill	<b>1 437 795</b>	1 984 531	(28)
Investments and other financial assets	<b>35 796</b>	181 738	(80)
Tax and deferred tax asset	<b>270 931</b>	191 516	42
Trade receivables	<b>2 272 550</b>	2 366 695	(4)
Other receivables	<b>77 208</b>	96 859	(20)
Cash at bank	<b>360 328</b>	538 749	(33)
<b>Total assets from continuing operations</b>	<b>4 520 364</b>	5 440 546	(17)
Assets classified as held for sale	<b>10 434</b>	288 993	(89)
<b>Total assets</b>	<b>4 530 798</b>	5 729 539	(21)
<b>EQUITY AND LIABILITIES</b>			
Capital and reserves	<b>1 602 589</b>	2 215 403	(28)
Interest-bearing borrowings	<b>1 218 559</b>	1 809 879	(33)
Share-based payment liability	<b>8 133</b>	39 067	(79)
Tax and deferred tax liability	<b>160 040</b>	143 167	12
Provisions, trade and other payables	<b>1 512 232</b>	1 417 920	7
<b>Total liabilities from continuing operations</b>	<b>4 501 553</b>	5 625 436	(20)
Liabilities classified as held for sale	<b>29 245</b>	104 103	(72)
<b>Total equity and liabilities</b>	<b>4 530 798</b>	5 729 539	(21)

## Chief Financial Officer's report continued

The balance sheet reflects a reduction in total assets of 21%, largely due to the impairments in intangible assets, goodwill and the Rest of Africa operations. Assessed losses have increased in the current year, and we have recognised a portion of this increase as deferred tax assets in recognition of the FY2019 exercise to streamline the legal structure of the Group and optimise our tax position. We expect a continued improvement in trade receivables as the improvements to credit control and collections management start to bear fruit.

The exit of operations across the Rest of Africa is self-funded, and the cash at bank includes R20 million of cash available for this.

We have improved procurement practices across the Group by standardising creditors' payment dates, reducing the number of cash-on-delivery suppliers and tightening spend. This will have the expected impact in the short term of increasing creditors' payment periods and ultimately allows us to manage cash across the Group more effectively.

The Group's gearing is still high at 55% (FY2017: 57%). We anticipate that the Group's return to profitability, coupled with improved management of debt, will reduce this position quite significantly over the next two years.



### Looking ahead to FY2019, the key financial objectives are to:

- execute on the Group Simplification Project to reduce the legal entities from the current 104 statutory entities and ensure the new structure optimises utilisation of the assessed losses;
- finalise development of the capital allocation framework;
- progress implementation of the cost-reduction and efficiency improvements which will improve Group margins over the next two years;
- migrate all offshored processes into an appropriate cost-effective and efficient structure in South Africa; and
- maintain our focus on working capital and liquidity management.

### FY2019 outlook

Our focus in the short term remains on ensuring that we stabilise and turn around our Training and Support Services segments, optimise our Industrial Services through increased efficiency and reduction in costs, and grow our Professional Services business across geographies. A critical factor will be ensuring that we sustain the central cost reductions that have materialised so far, and drive further savings. Generating free cash flows remains an imperative, together with ensuring that the ultimate return on invested capital is higher than the Group weighted average cost of capital of 14%.

Looking ahead, we must continue to remain focused on our key financial objectives and our ambitious targets outlined for the long term. I am confident that for the year ahead we are well positioned to meet the expectations of our shareholders.

I would like to take this opportunity to thank the team for their dedication and commitment towards this project. In such a short time we have accomplished a great deal, and your efforts, camaraderie and dedication is commendable.

**Cheryl-Jane ("CJ") Kujenga**

*Chief Financial Officer*

25 June 2018

# Intellectual capital



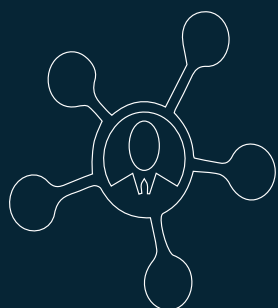
“ We view intellectual capital as **MANAGED ORGANISATIONAL KNOWLEDGE** capable of adding value to bottom-line profit ”

**Helmed by a new leadership team our focus is on developing transformational workplace solutions, driving reputation and enhancing stakeholder engagement.**

## Embracing change and facing challenges

The leadership refresh has brought into the Group **a new mix of skills, experience and networks**, and management has immediately set about creating a platform for **improved business performance**.

### AMBITIOUS TARGETS SET



**R1 BILLION** EBITDA by 2022

**NEW CLIENT OFFERING** to address the workplace of the future

Adcorp brand synonymous with **TALENT** and **EMPLOYABILITY**

Use of technology to **ENABLE EFFICIENCY** and **CLIENT CENTRICITY**

**STRATEGIC** merger and acquisition activity

## Adcorp to deliver solutions geared for workplaces of the future

The Group's strategy is to provide innovative workplace solutions 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 aligned with workplace megatrends.

### Automation, artificial intelligence and machine learning

Machine learning is a current application of AI based around the idea that we should really just be able to give machines access to data and let them learn for themselves.

## “ INTELLECTUAL LEADERSHIP

The new management team has been tasked with **DRIVING A TURNAROUND STRATEGY** and positioning the Group for **FUTURE GROWTH** and **PROFITABILITY ... ”**





### Our strategy beyond FY2019

In setting our strategy for 2019 and beyond, the new leadership team has started by defining the building blocks:

- We **BELIEVE** our purpose extends far beyond simply placing people into employment and we aim to enrich encounters between candidates and employers within the workplace to deliver value for society at large.
- Our **VISION** is to be the leading workplace solutions provider in South Africa and select international markets.
- Our **MISSION** is that we put our clients at the centre of everything we do as leaders in addressing the workplace of the future and as a key part of tackling employment and skills challenges.

### Gig economy

A labour market characterised by the prevalence of short-term contracts or freelance work as opposed to permanent jobs.

### Digitalisation

An integration of digital technologies into everyday life and a technology-dependent world.

### Big data and talent analytics

New distribution channels and data-driven business models are emerging as the workplace transforms into a digital zone.

### Micro-learning

An emergent learning digital strategy known for quickly closing skills and knowledge gaps.

### Driven by globalisation

Imperative changes in the global economy continue to shift, ultimately impacting our ability to remain competitive. As we strive to have a sustainable competitive advantage we are often challenged by factors such as increased competition, market volatility, geographically dispersed operations, implementing workforce diversity and stringent regulatory regimes.

These factors have driven an increase in the complexity of services and solutions required to create value.

Equally, we acknowledge the shift in value-creating assets from labour and capital to intangible assets, such as knowledge and information, becoming one of the most important resources in our business today. The combination and integration of intangible assets, such as human resources, structural and relational resources, are recognised at Adcorp under the umbrella of intellectual capital.

These variables include all our human capital attributes, such as competencies, knowledge or experience, communities of practice, and competitive intelligence; relational capital attributes such as brand, customer loyalty, corporate social responsibility and partnerships or joint ventures; and structural capital attributes such as corporate culture, leadership philosophy and technology or systems.

**INTELLECTUAL HONESTY** is our foundation. Even in an increasingly digital age, human connections remain inextricably linked to our success, and our purpose is all human-centred, underpinned by:

Competency

Responsibility

Accountability

Fairness

Transparency

# Human capital



“ We deliver talent management solutions to cater for the future world of work . . . ”

As the world adapts to new workplace realities, more is required from business leaders to help workers and employers understand the labour dynamics and skills demand of the 21st century. We take delight in working with some of the best talent in the industry. Our talent strategy aims at attracting forward-thinking adaptable talent, capable of effectively building relationships, dealing with and responding to the disruption that workplaces currently face.

From those who envisage new ideas to those who make them a reality, humanity is built on a foundation of connections. Even in an increasingly digital age, human connections remain inextricably linked to human well-being, and the most powerful and enduring purposes human-centred.

We realise that the competencies and ethical work practices of our sizeable workforce not only enables us to create commercial and shared-value in the short, medium and long term, but for our clients too. From investments in people, tools, strategies and technologies, we deliver talent management solutions to cater for the future world of work.



**Nadia Aidoo**

**Innovation specialist  
Independent contractor  
Professional Services**

## Case study

“ I feel fulfilled when the job I perform gives me a sense of purpose, where I am valued for my contribution and I get to work alongside like-minded people ”

## FORWARD-THINKING, ADAPTABLE TALENT

I joined a leading provider of motor vehicle and business finance, as a business analyst four years ago. My placement was facilitated through Adcorp Professional Services, with whom I have a long-standing relationship. I called them up, explained what I was looking for and within a month I was placed.

On my first day on the job, it struck me what a good fit this environment was for me, welcomed by such warm and friendly people. My manager showed me around the building and to the key people I would be working with across the business. This was followed by an in-depth two-day induction programme.

More recently, I have been promoted to a position within the innovation hub. This promotion is definitely further aligned with my dream job allowing me to unleash my creative side and doing work that I am so passionate about. I feel fulfilled when the job I perform gives me a sense of purpose, where I am valued for my contribution and I get to work alongside like-minded people.

In my working career, I have gained over 16 years' experience, and a dream of one-day running my own consultancy.

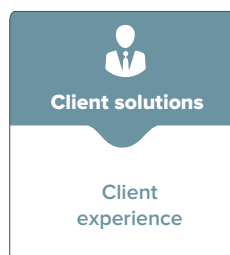
## Human capital continued

One of our key strategic priorities for FY2019 is to transform our culture. We have established the need to create an overarching culture that supports and aligns with the various subcultures that exist across the Group. A number of leadership engagements have commenced, and we will appoint a Chief People Officer to fast-track the development of an Adcorp culture, underpinned by our values and a high-performance ethos.

We are committed to creating an environment that:

- attracts, rewards and retains exceptional people;
- drives a high performance culture aligning with the objectives of our stakeholders;
- aligns with the financial well-being of employees with the economic interest of shareholders; and
- provides transparent, consistent and equitable remuneration principles to foster an environment of collaboration, engagement and trust.

**Attract**  
**Develop**  
**Retain**  
**Reward**



As we embark on our new strategy, we have seen a significant reduction in headcount year-on-year as the business resized and optimised its operations as part of our Clawback project. We will strive to ensure our people are nurtured through this disruptive process and that they are offered all the support they need to remain positive, passionate and driven to deliver against our strategic priorities and their career aspirations. More so than ever we will drive an employee-centric culture to ensure our workforce develops to its full potential.



### Case study

“I eventually applied online via Adcorp’s disability placement solutions where I officially managed to secure my first job and a learnership.”

### SKILLS DEVELOPMENT AND TRAINING FOR PEOPLE LIVING WITH DISABILITIES

When I matriculated in 2015, I immediately started looking for a job and sent my CV to many different stores, hoping to secure employment. It took me two years to find work.

I eventually applied online via Adcorp’s disability placement solutions where I officially managed to secure my first job and a learnership. I have been working for five months and interact with many people every day, which previously was challenging.

Over this period I have become more responsible, getting things done on time and working as part of a team. Earning a salary has taught me to budget and has given me the responsibility of managing my finances. I love my job because my colleagues treat me with respect and I’m learning every day.

One day I dream of owning an apartment, a car and spoiling my adoptive mother, because she took care of me when I had nowhere to go.

Group training and skills development

The integrated Group Talent division addresses the needs of Adcorp as a business, as an investor in people and as a social partner in the broader economy. Ongoing research into current and future requirements in the workplace ensures that training interventions are relevant, impactful and strategic.

Training programmes are implemented across all areas of the operating businesses, synchronising the talent pool with the dynamics of change and enabling succession planning at every level. Post-training learner support initiatives have been introduced to assist with continued well-being and productivity. Interventions such as learnerships, skills programmes, short courses, bursary programmes, structured internships and apprenticeships are ongoing throughout the year.

The well-established Adcorp Leadership Academy continues to partner with prestigious academic institutions to deliver qualifications from NQF 5 to NQF 8. Integrated learning and workplace application continues to prepare employees for diverse eventualities and future opportunities.



69	Employees graduated from business schools
468	Employed and unemployed participated in NQF 1 to 5 learnerships
980	Assignees were placed on industry-specific learnerships
7	Graduates were placed on an Internship Graduate Programme
1 354	Employees engaged in short learning programmes and bursary opportunities
754	Internships and apprenticeships are in progress
696	People with disabilities currently in our academies
818	Artisan apprentices enrolled
291	Bursaries sponsored

Skilling and reskilling of employees has become critical for us to stay relevant. The overall job landscape in the country is evolving rapidly and so has the skills development requirements for organisations. Growth of e-commerce and technology-based sectors is leading to the creation of new job ecosystems, which is becoming a barrier to entry for many areas of employment.

Learnerships

Learnerships is one of the vehicles we utilise to address youth unemployment. It is used to give youth the opportunity to learn a new skill, which can be of assistance in mobilising an entry-level job.

Learnerships, both for currently employed and unemployed, remain a strategic imperative across the Group given the need to establish a solid talent foundation at entry-level positions. It focuses on developing skills in core occupational areas related to resourcing, administration, project management and generic management. 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.



## Artisan Development Programme

Given the Government's large investments in strategic infrastructure projects, it is of importance to address the supply side of technical skills. Adcorp Training Services has been instrumental in its contribution to the development of artisans in response to the call of the artisan development agenda of the Government, eg Decade of the Artisan and War on Leaks. We have enrolled 818 artisan apprentices in FY2018 and work closely with the respective SETAs and non-profit organisations.



## Disability

The employment and training of persons (specifically the youth) with disabilities remains close to the heart of the Group and our leadership. Our specialist consultancy in skills development for people living with disabilities allows the Group to offer all-inclusive training solutions.

With a vision of positively impacting the lives of the most disadvantaged and impoverished grouping in South Africa, we have 696 people currently in our academies across the country.



**Siyabonga Makhanya**

Learnership and placement training services

### Case study

“My association with Adcorp’s disability training services has helped me in a big way; preparing me for the working world and helping me conquer my difficulties.”

### SKILLS DEVELOPMENT AND TRAINING FOR PEOPLE LIVING WITH DISABILITIES

I have been placed at one of South Africa’s premium footwear retailers. Originally from KwaZulu-Natal, I completed my matric and it took me around six months to secure employment. I applied through a walk-in recruitment centre in Kempton Park. I really enjoy my job as I love working with people, reaching goals, finding solutions and overall my job keeps me motivated.

My first day was very hard because I was very nervous, but I survived because of the kindness of my colleagues and the rest is history. My training learnership programme is designed around my personal goals. Big thumbs up to my employers who have tirelessly worked in order to ensure I reach my first set of goals by the end of the year.

Having a job has allowed me to do things that I have never been able to do before, like offering some assistance to my grandmother and mother who are not working but have to provide for a very large family.

One day I dream of working in a head office for a big company, perhaps in a senior management role with my own office.



## Health and safety

### Well-being, health and safety

Adcorp is committed to ensuring the well-being, health and safety of all our employees.

Health and safety is managed per segment and is a function of line management, highly dependent on the contract type of our assignees and the environment in which they are employed. Over and above strict adherence to the Occupational Health and Safety Act for our permanent employees, the Group's temporary and permanent outsourced workforce, which spans various industry sectors and geographies, are all well trained, ensuring that safety becomes a way of life.

Adcorp continuously encourages a safety-conscious workforce that adheres to rigorous safety standards.

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.

Where required, both in South Africa and Australia, we have consistently adhered to our ISO 9000 regulatory requirements and are currently in the process of transitioning to the updated ISO 9000:2015 certification requirements. We have an SGS certification within our industrial environment and continuously strive to create a work environment of the highest standards of professional behaviour.

### Workforce wellness

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.

- **State-of-the-art 24-hour call centre**
- **Group-wide assistance programme**
- **Group-wide benefits offering including core benefits, healthcare, retirement funding and debt counselling**

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 85 000 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 also offers its temporary employees:

- core benefits, including a funeral plan;
- electronic payroll card;
- debt counselling; and
- healthcare and retirement funding.



Contribute to a safe and healthy environment both in and out of the workplace.



Wear personal protective equipment and use the equipment correctly.



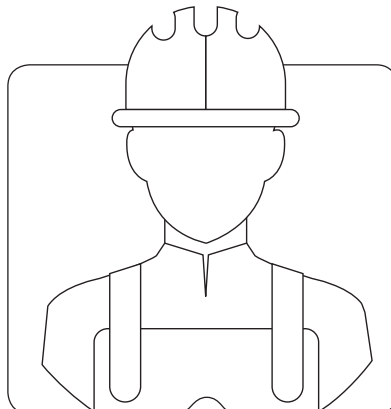
Evaluate risks before you do a task; always ensure safety first.



Report unsafe acts and conditions.



Report incidents and accidents immediately.



Comply with relevant health, safety and environment signage.



Perform work that you are trained to do and never assign work to someone that is not fully trained to do so.



Prevent tampering with safety devices and equipment.



Respect the environment and do not contribute to pollution.



Avoid working under the influence of drugs and alcohol.



## PERIOD UNDER REVIEW

- Zero fatalities reported.
- All operational staff trained to report any injury on duty via our electronic platform.
- ISO 9001:2008 accreditation transitioning to ISO 9001:2015.
- SGS-certified.

## Our workforce in numbers

### Employment equity – South Africa

#### Permanent staff

for the 12 months ended 31 March 2018\*

	2018	2017	2016	2015	2014
Total workforce	2 850	3 466	4 357	3 957	2 936
Total employees with disabilities	158	144	145	170	150
<b>Workforce profile</b>					
<b>Race and gender profile</b>					
Non-designated group (includes foreign nationals)	324	417	508	579	438
White females	474	587	667	836	635
Black males	846	1 017	1 433	1 093	810
Black females	1 206	1 445	1 749	1 449	1 053
<b>Occupational level profile</b>					
Management (top, senior, middle and junior)	1 401	1 678	1 747	2 147	1 446
Non-management	1 449	1 788	2 610	1 810	1 490
<b>Management profile by gender (top management, senior management, middle management, junior management)</b>					
Females	779	911	962	1 260	869
Males	622	767	785	887	577
<b>Management profile by race</b>					
Black	748	856	823	997	658
White (includes foreign nationals)	653	822	924	1 150	788
<b>Non-management profile by gender</b>					
Females	924	1 153	1 485	1 061	856
Males	525	635	1 125	749	634
<b>Non-management profile by race</b>					
Black	1 304	1 606	2 359	1 545	1 205
White (includes foreign nationals)	145	182	251	265	285
<b>Disability profile</b>					
Management	19	15	17	20	13
Non-management	139	129	128	150	137
<b>People with disabilities by gender</b>					
Females	77	77	76	97	108
Males	81	67	69	73	42
<b>Total employees before reporting cycle</b>	<b>3 466**</b>	3 958	3 957	2 936	2 832
Add: Recruits	1 202	2 115	3 399	2 318	1 292
Less: Resignations	807	1 883	1 995	679	650
Non-renewal of contracts (contract employees)	545	530	672	471	358
Dismissals (misconduct and incapacity)	64	61	78	69	85
Retirements	4	2	10	9	8
Deaths	12	6	10	12	4
Retrenchments	386	125	234	57	83
	<b>2 850</b>	3 466	4 357	3 957	2 936

### Adcorp Group total managed workforce

Temporary employees – South Africa	74 070
Temporary employees – International	2 371
Independent contractors – South Africa	1 285
Independent contractors – International	2 125
Learnerships – South Africa	552
<b>Adcorp Group total managed contract/temporary workforce</b>	<b>80 403</b>
Permanent employees – South Africa	2 850
Permanent outsourced employees – South Africa	2 440
Permanent employees – International	219
<b>Adcorp Group total permanent workforce</b>	<b>5 509</b>
<b>Total workforce</b>	<b>85 912</b>

\* The skills development reporting period runs from 1 April 2017 to 1 March 2018 and the equity reporting has been aligned with this. The presentation of this table is consistent with the prior year.

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

# Human capital continued

## Adcorp's EEA 10 Summary of Employment Equity Report for Public Companies

Adcorp's South African workforce is broken down as follows:

Occupational levels	Male				Female				Foreign nationals		Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top management	1	1	0	9	0	0	1	6	1	2	21
Senior management	4	0	3	19	6	2	0	19	0	3	56
Professionally qualified and experienced specialists and mid-management	40	13	22	85	19	16	10	109	5	2	321
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	241	89	71	148	209	141	87	244	9	11	1 250
Semi-skilled and discretionary decision-making	5 220	413	38	61	1 585	372	58	108	23	8	7 886
Unskilled and defined decision-making	4 517	264	19	15	822	102	7	4	23	4	5 777
<b>Total permanent</b>	<b>10 023</b>	<b>780</b>	<b>153</b>	<b>337</b>	<b>2 641</b>	<b>633</b>	<b>163</b>	<b>490</b>	<b>61</b>	<b>30</b>	<b>15 311</b>
Temporary employees employed for less than three months	21 780	2 349	447	508	12 776	2 525	291	791	408	153	42 028
<b>Total</b>	<b>31 803</b>	<b>3 129</b>	<b>600</b>	<b>845</b>	<b>15 417</b>	<b>3 158</b>	<b>454</b>	<b>1 281</b>	<b>469</b>	<b>183</b>	<b>57 339</b>

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.

Temporary employees employed for less than three months	21 780	2 349	447	508	12 776	2 525	291	791	408	153	42 028
Temporary employees employed for more than three months	13 021	1 276	271	348	5 876	977	168	251	290	95	22 573
<b>Total number of temporary employees as at 31 March 2018</b>	<b>34 801</b>	<b>3 625</b>	<b>718</b>	<b>856</b>	<b>18 652</b>	<b>3 502</b>	<b>459</b>	<b>1 042</b>	<b>698</b>	<b>248</b>	<b>64 601</b>



Ashley Masala

Permanent placement  
Industrial Services

### Case study

When I was offered this job, it came with many benefits, decent working hours, close to home, and an opportunity to support my family and pay for my daughter's education.

### ASSISTING IN MAKING A JOB SEEKER'S DREAM A REALITY

I was working as a maintenance driver when I came across a job opportunity for my dream job.

One month following my online application, I managed to secure my dream job, a permanent position at a leading food retailer via Adcorp Industrial Services.

My first day on the job was made much easier by the kind people that I was introduced to. At some stage I would like to further my studies but value the current work experience that I have obtained in such a short space of time.

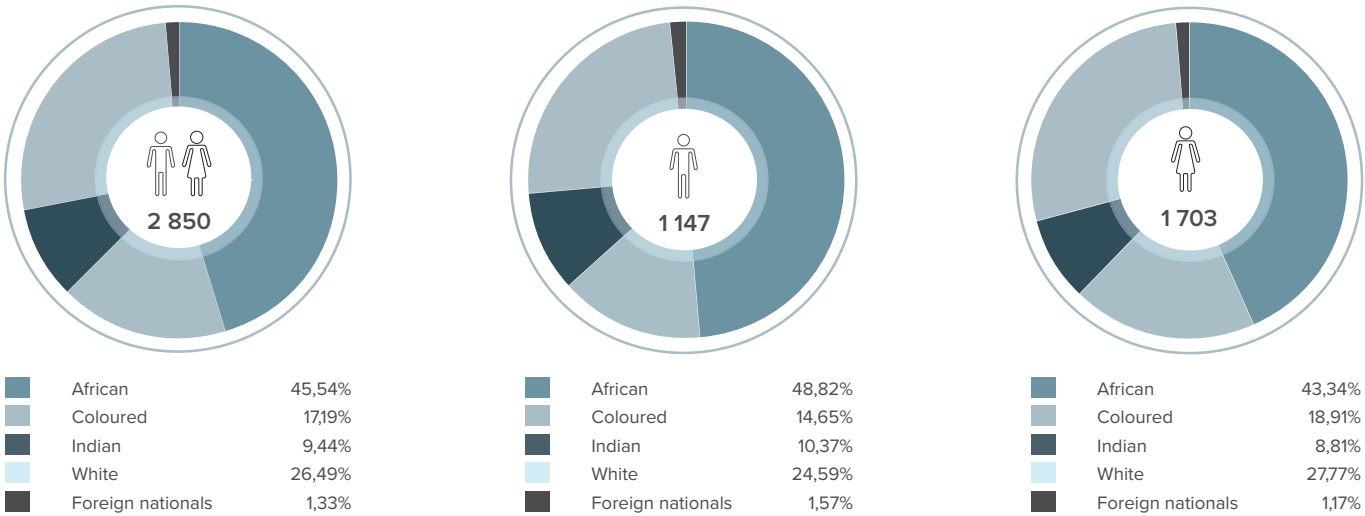
As I develop my career, I will need to set myself some new goals that Adcorp Industrial Services can assist me in reaching to further enhance my career.



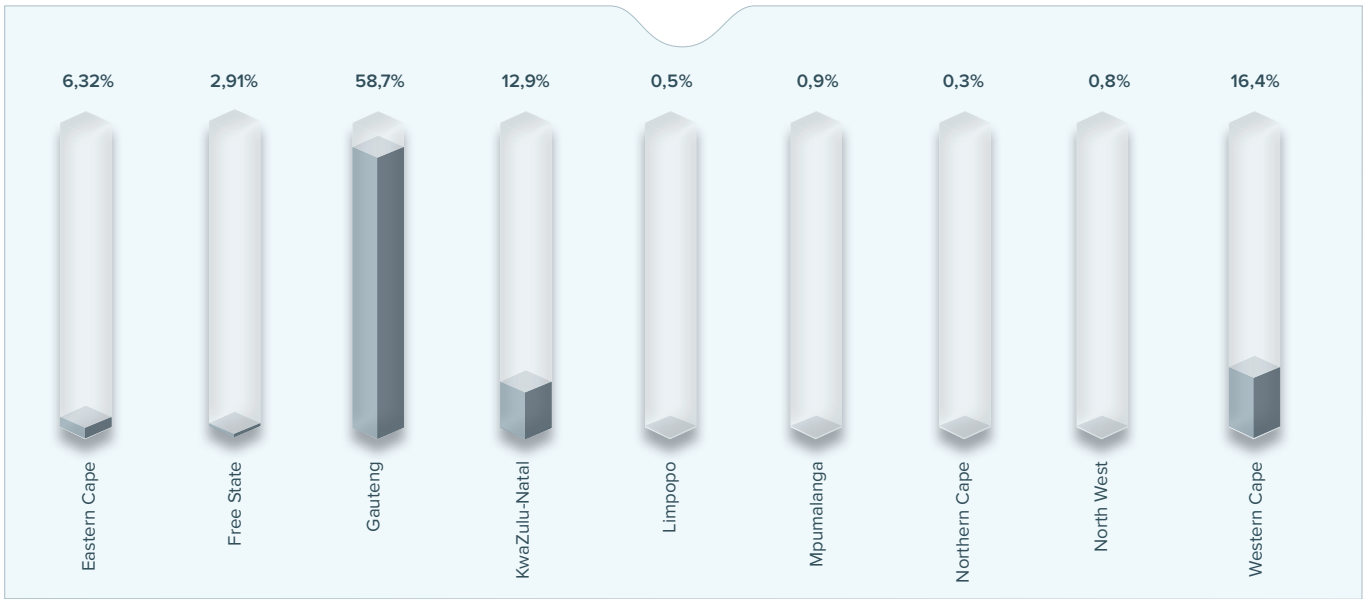
Human capital continued

Permanent staff

Total workforce – South Africa employees



REGION



No incidents of discrimination, child or forced labour identified during internal or external audits were reported.



No discrimination



No child labour

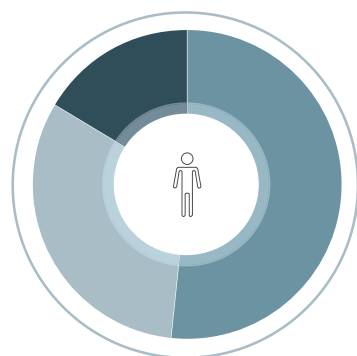


No forced labour

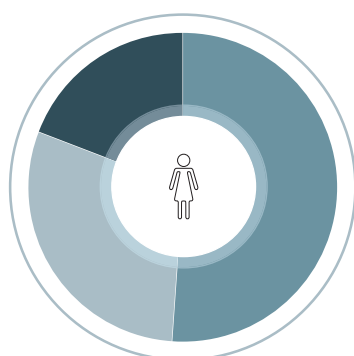
# Human capital continued

## Permanent staff

**Staff turnover** By region, gender and age for the period 1 April 2017 to 31 March 2018



<35	81,98%
35 – 55	50,54%
>55	25,64%



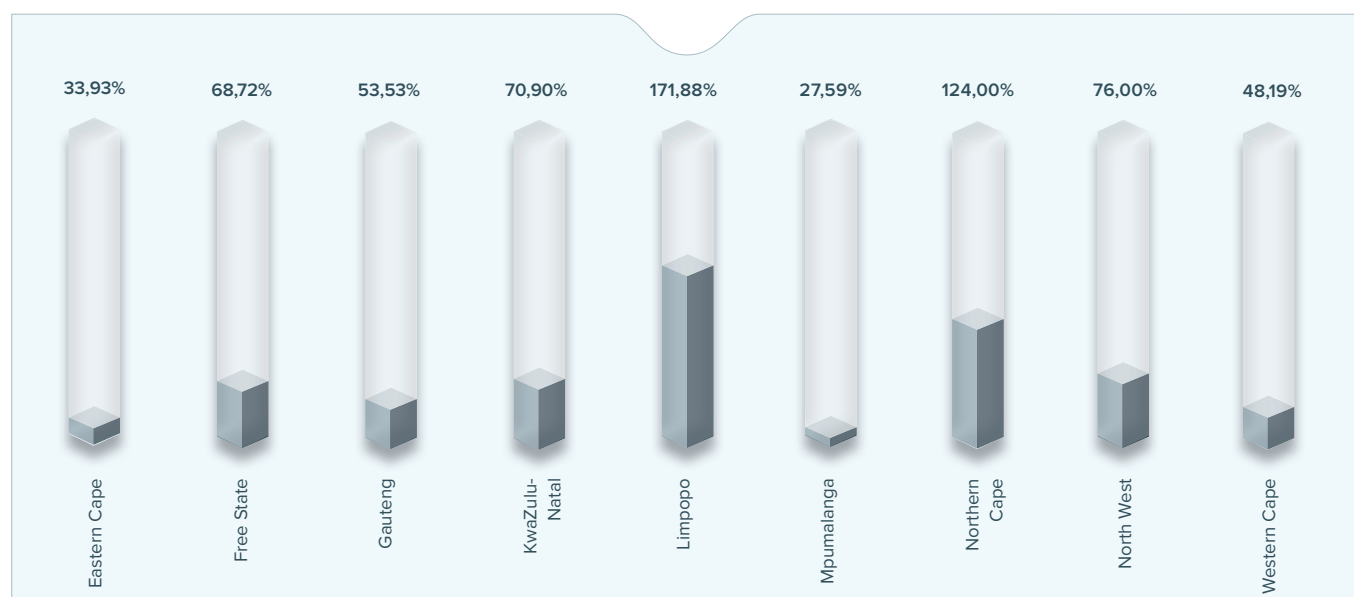
<35	74,19%
35 – 55	42,85%
>55	27,33%

**Overall turnover**

**57,57%\***

*\* Excludes Adcorp intercompany transfers and includes rightsizing remunerations*

## REGION



## Bargaining council

Bargaining council	Permanent staff	
	Number	% of total
Cleaning	15	1
MEIBC	0	0
MIBCO	0	0
NBCS	0	0
NRFBC	0	0
Other (insert name)	0	0
Other (insert name)	0	0
Other (insert name)	0	0
No bargaining council	2 835	99
<b>Grand total</b>	<b>2 850</b>	<b>100</b>

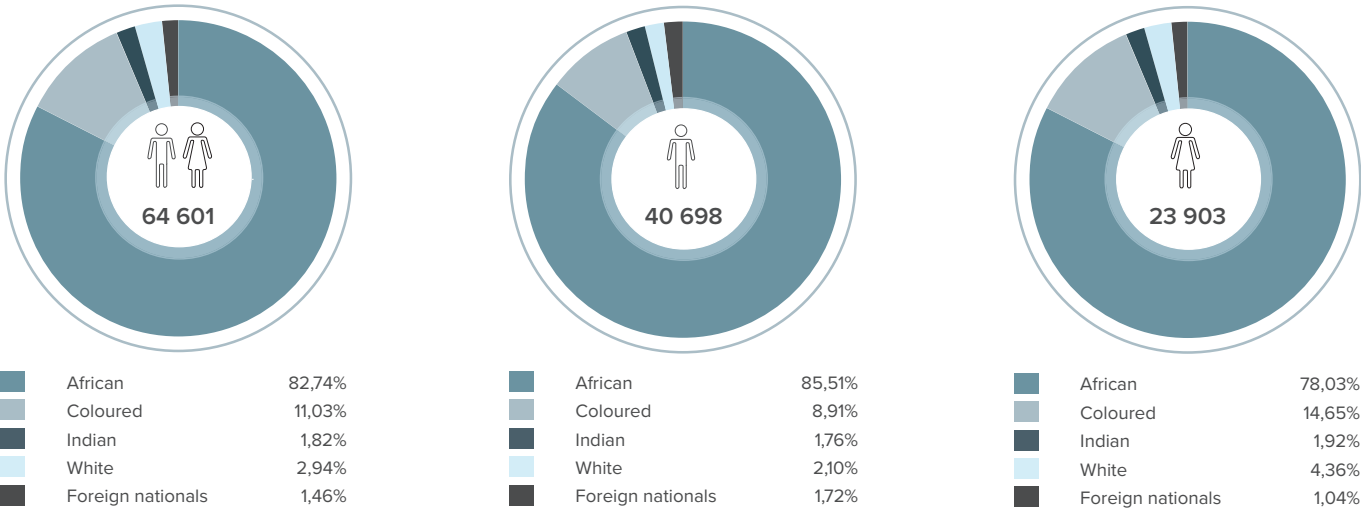
*Note: The difference between the figures shown for sustainability purposes and those reported for equity is due to the legislative requirement that any temporary staff who are employed for more than three months, must be reported as "permanent" for the purposes of equity. This is not the case for sustainability where only those persons actually employed by the Company and on the payroll can be audited and assured.*

# Human capital continued

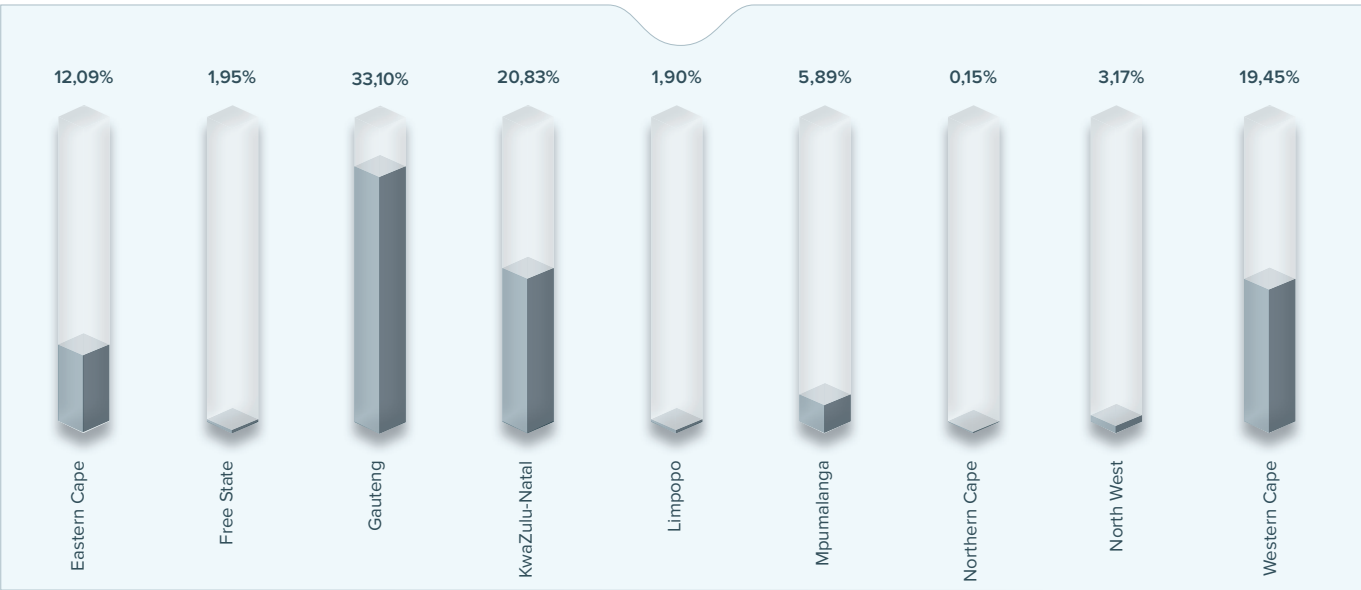
## Temporary staff

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 2017 to 31 March 2018.

### Total workforce – South Africa employees



### REGION



No incidents of discrimination, child or forced labour identified during internal or external audits were reported.



No discrimination



No child labour

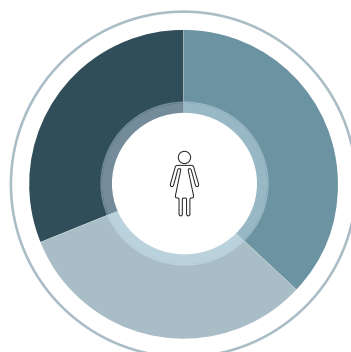
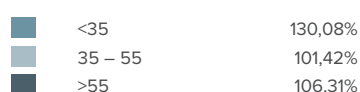
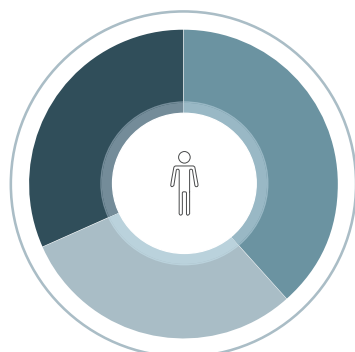


No forced labour

# Human capital continued

## Temporary staff

**Temporary staff turnover** By region, gender and age for the period 1 April 2016 to 31 March 2017

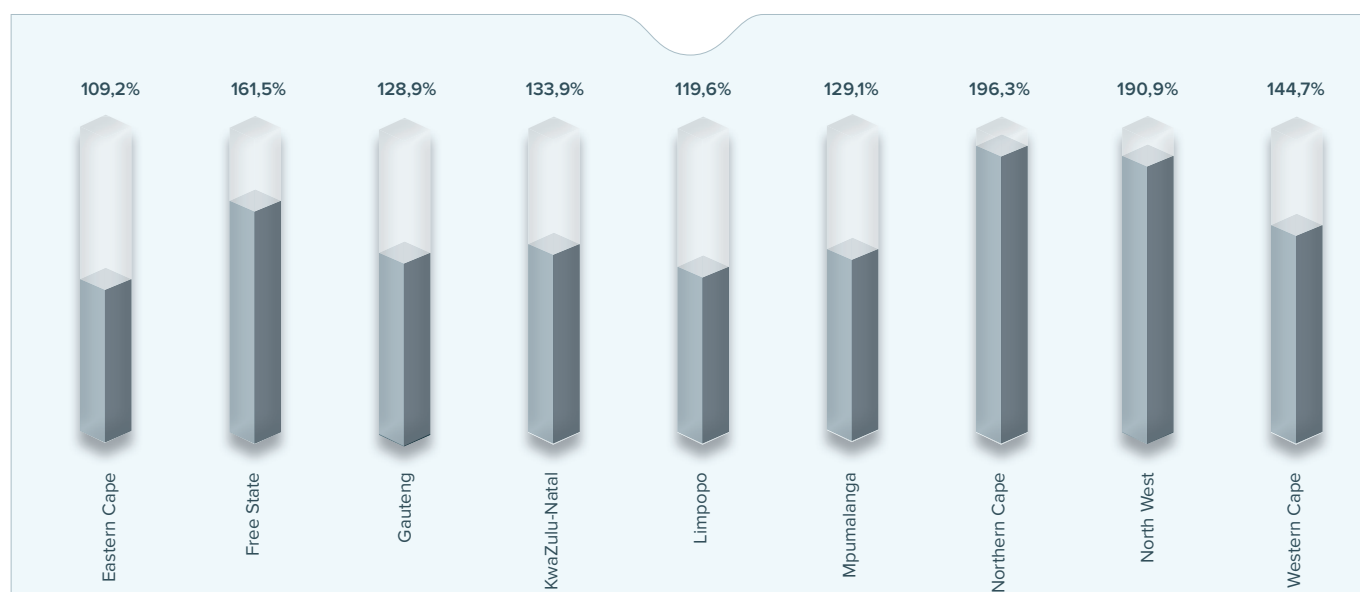


**Overall turnover**

**133,11%**

The nature and extent of workplace solutions materially revolves around duration and project. Hence, temporary staff turnover is high.

## REGION



## Bargaining council

Bargaining council	Temporary staff	
	Number	% of total
Cleaning	0	0
MEIBC	1 374	2
MIBCO	0	0
NBCRFI	0	0
Furniture	0	0
OTHER (MEICBC)	1 049	2
OTHER (NBCRFI)	0	0
OTHER (LBCTFCC)	0	0
No bargaining council	62 178	96
<b>Grand total</b>	<b>64 601</b>	<b>100</b>

## Social and relationship capital

Adcorp believes in the **POWER OF PEOPLE**, and through people, we create **CHANGE THAT MATTERS** . . .



### Corporate Social Investment

By building a world powered by the people who live and work in it, we create new ways to shape our country, our economy and our future.

Our Corporate Social Investment ambition for 2019 is to provide education for the youth, continually investing in projects aligned with our core business. We will focus the majority of our 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.

Furthermore, we have sought opportunities of leveraging off other functions within the business so as to create as much value for and enhance the sustainability of the community projects we support.

In delivering on our core purpose, we aim to play a leadership role and impact society positively by:

Tackling  
**UNEMPLOYMENT**

Addressing  
**SOCIAL  
INEQUALITY**

Improving the  
**EMPLOYABILITY**  
of our youth

Closing the  
**SKILLS GAP**

Creating a caring  
and **PEOPLE-CENTRIC**  
environment

Promoting a  
**ECONOMICALLY  
ACTIVE** society



Total CSI spend  
FY2017  
**R1,6 million**

Total CSI spend  
FY2018  
**R3 million**

Total bursaries  
FY2017  
**173**

Total bursaries  
FY2018  
**291**

Female  
**66%**

Male  
**34%**

Female  
**70%**

Male  
**30%**

### Bursaries FY2018





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.

BBBEE and transformation

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 has designed a centrally driven BBBEE strategy with detailed accompanying plans across all five elements and their respective sub-elements.

Given the nature and extent of billings that Adcorp businesses derive from clients, these verification levels, along with the majority black and more than 30% black women shareholding, are critically important.

94% of the businesses verified between levels 1 and 4. 23 of the 33 verifications are placed at either levels 1 or 2

Summary of dti Code scores for the Group – South Africa

1. Ownership	25,00
2. Management control	12,12
3. Skills development	22,64
4. Enterprise and supplier development	37,57
5. Supplier development	5,00
Total score	102,33

“In a digital world that gives us more opportunities to connect, we foster relationships that are truly built around people; interacting, connecting and collaborating on a global scale . . .”

Stakeholder engagement

Adcorp’s stakeholders have a fundamental role to play in assisting in shaping our reported content. However, because Adcorp’s structure is decentralised, stakeholder engagement by necessity happens at a Group, divisional and company level.

Essential to the effectiveness of Adcorp’s integrated and collaborative approach to business is the interaction it maintains with all its stakeholder groups. Adcorp engages proactively with its stakeholders, individually and collectively at both a macro and operational level to share information and gain an appreciation for their perspectives.

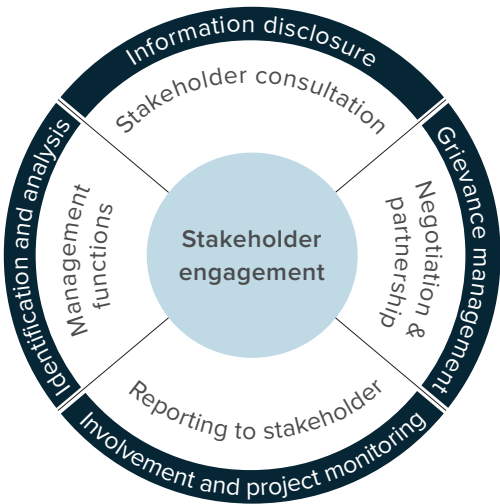
The divisions engage with stakeholders important to their operations and which may be significantly impacted by their day-to-day activities, and this informs our reporting. This engagement process also helps identify important commercial and sustainability issues and leads to workable solutions that are often industry-specific.

A wide variety of issues are identified, investigated and debated during our stakeholder engagement forums. The Group’s board and management acknowledge their responsibilities to their stakeholders and are committed to communicating in a transparent and effective manner while engaging with each stakeholder group in line with their needs.

Engagement is ongoing and takes place in terms of a predetermined engagement plan.

Key stakeholders

- Shareholders and providers of other capital
- Employees and clients
- Assignees and candidates
- Government and other regulatory bodies
- Communities



## Natural capital



“ We continue to seek external assurance on our environmental footprint and will focus on a **‘reduce, reuse, recycle’** approach, which encourages commitment on reducing the Group’s carbon footprint . . . ”

### ‘Green’ corporate citizen

Most of the Adcorp businesses 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. Employees are encouraged to act in an environmentally responsible manner which is also directly linked to our ability to derive cost savings, an important focus across all areas of the Group.

Our aim is to embed a culture of social and environmental responsibility among our employees through training and awareness campaigns, duplex printing, electronic communication, car-pooling and continuous development of innovative digital workforce solutions that can benefit our stakeholders.

**Climate credit transaction : 03/05/2018**

Offset Type : VER

Certificate Type : Paper Consumption

Scope Classification : Scope 3

Certificate Number : 9b11a6a4-43cc-4bdd-bf4-971f89cc0bac

Blockchain ID : 5e5ba7d33ed73c65e42bdc39e168b3f8c6b6a47abfcb2d618b37afb994a43

Transaction Partner : Itec SA

URL : <https://www.itecgroup.co.za>

**Beneficiary**

Billing Date : 28/02/2018

Issued To : Adcorp Holdings Limited

Company No : 1974/001804/06

No Of Pages Consumed : 10115601.00

Offset : 134,206.83 kg CO<sub>2</sub> ⇌

Billing Period : 01 March 2017 - 28 February 2018

**Climate Credit Source**

Provider & Project : CarbonGreen Africa : Kariba REDD+ Project

Validated By : VCS

Issued By : South Pole Carbon

Issue Date : 20 Feb 2018

Serial No : 5345-227306190

Tonnage : 10,000 tns CO<sub>2</sub> ⇌

URL : <http://www.carbongreenafrica.net>

We hereby certify that the person / legal entity listed herein has been recorded as the named beneficiary for the amount of CO<sub>2</sub> equivalent, which has been retired from the impactChoice macro certificate registry against the carbon offsetting / renewable energy project's listed. This is a summary report for the period shown, based on individual impactChoice certificates issued to the person / legal entity listed herein. This certificate is not for re-sale and is not transferable.

impactChoice offices: South Africa, United Kingdom, United States of America, Mauritius  
 Registered address: impactChoice Ltd, Unit 2 Capital Business Park, Manor Way, Borehamwood  
 Hertfordshire WD6 1GW, England  
 info@impactChoice.com

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 and continue to create employee awareness of these impacts . . .

LET'S BE SUSTAINABLE

Energy efficient

**SMART**

decisions at home and work...

**SMART SCHEDULING**

Switch off your geyser and pool pump plus all the appliances and lights you do not need between 5pm and 9pm.

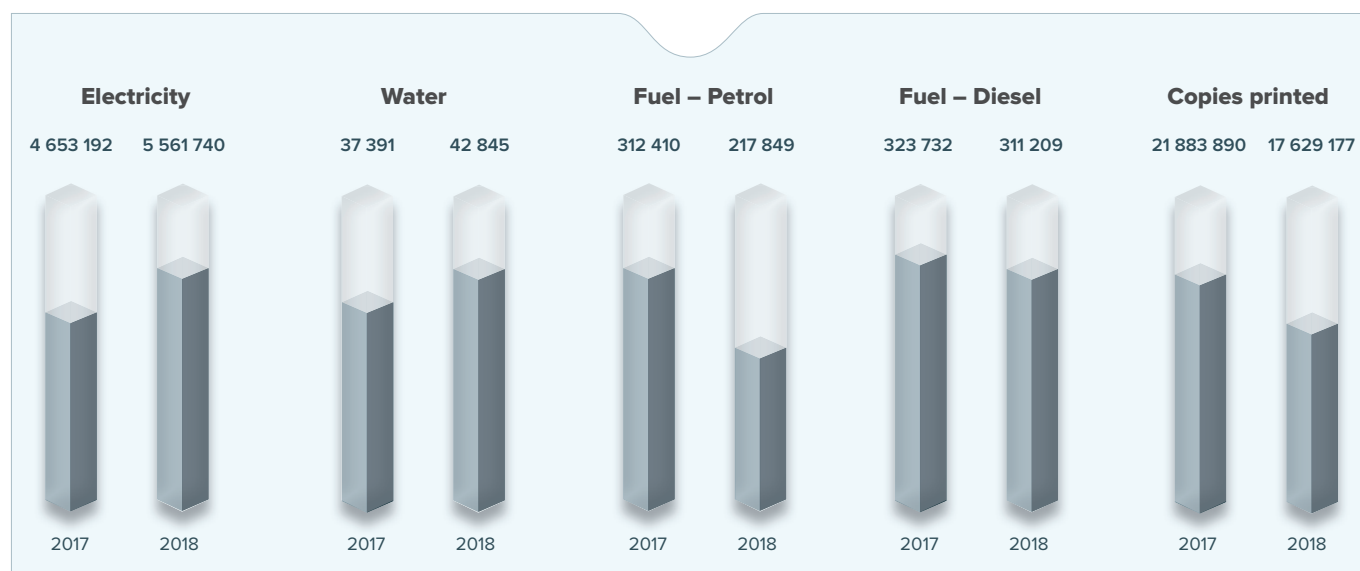
**ADlife**  
Pursuing Sustainability

Adcorp extends its long-standing partnership with its printing supplier to provide a holistic managed print service (MPS) solution, which will deliver a more efficient and sustainable office printing environment, further enhancing our efficiencies.

Printed copies **reduced** by **19%** for FY2018

Fuel consumption **reduced** by **17%** for FY2018

Offset **12 797,50 kg CO<sub>2</sub>-e**



Area	Inclusions	Exclusions
Electricity – kilowatt	<p>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 FY2018 per employee.</p> <p>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.</p>	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

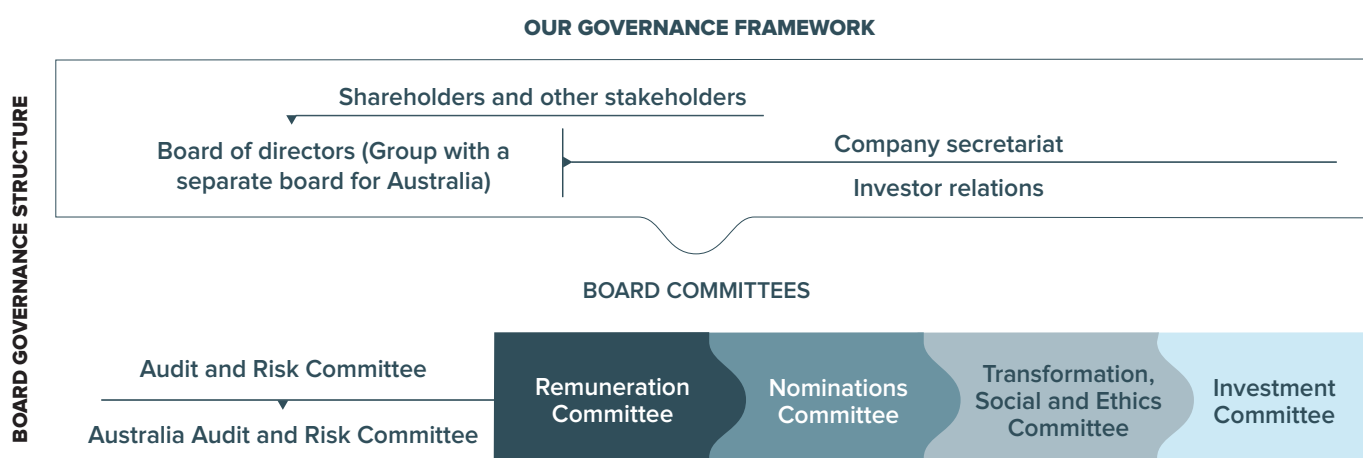
# Corporate governance

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 IV and the additional governance requirements of the JSE. Furthermore, the board places strong emphasis on achieving high standards of reporting as well as financial and operational risk management. Governance across the Group is key to ensuring we deliver on our commitments to our stakeholders, through enhanced accountability, rigorous risk and performance management, and transparency.

We have an effective and experienced team of non-executive directors and our board benefits from their varied skills and expertise. They bring varied perspectives to the fore and diverse thinking to our deliberations.

During the year under review the board membership has changed to align the interests of our shareholders with that of the Company. The Investment Committee has been constituted to meet regularly to assess future investments, including the determination of the weighted average cost of capital and will in future recommend the dividends to be paid. The Remuneration and Nominations Committees have been separated as they fulfil distinct roles.

## Corporate governance



## Application of King IV

The King IV report on Corporate Governance for South Africa was released on 1 November 2016. King IV advocates an outcome-based approach and defines corporate governance as the exercise of ethical and effective leadership towards the achievement of the following governance outcomes:

- Ethical culture
- Good performance
- Effective control
- Legitimacy

A statement on Adcorp's application of the principles of King IV is available on [www.adcorpgroup.com](http://www.adcorpgroup.com).

## 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. The charters and terms of reference governing the board and its committees are available from the Company Secretary. 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 the 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.

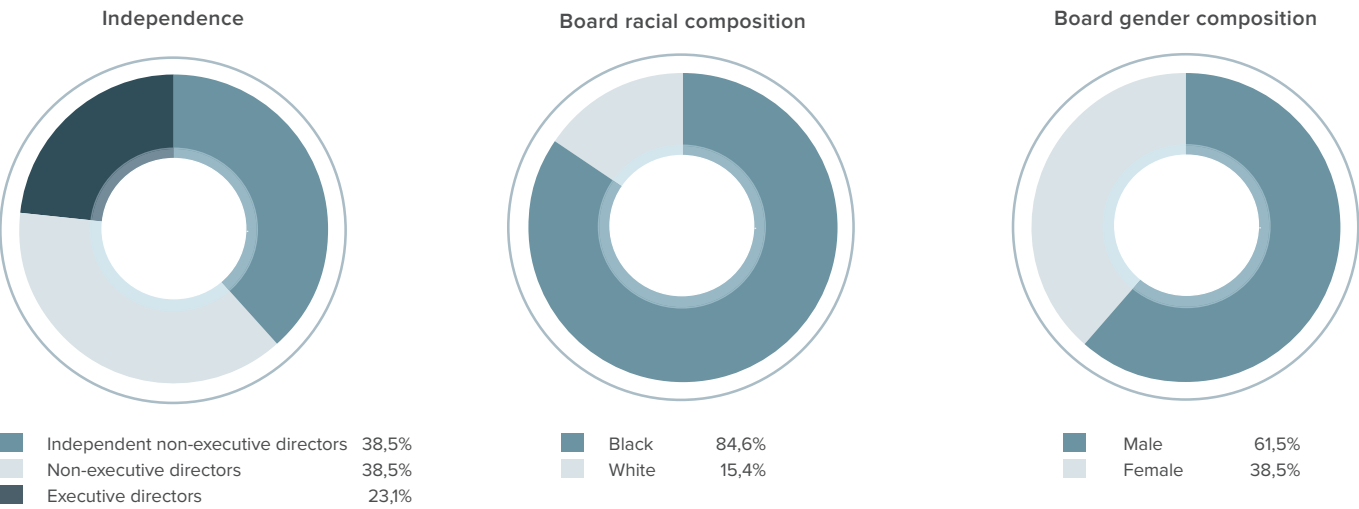
The board performs its duties within a framework of policies and controls which provide for effective risk assessment and management of our economic, environmental and social performance. It also plays an important role in setting ethical standards of conduct.

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 five independent non-executive directors, five non-executive directors and three executive directors. Altogether 11 of our board members are black, of which five are women. The board, through input from its Nominations Committee, has a policy that at least 40% of directors should be female and 50% black.



Appointment and rotation of directors

New directors are appointed pursuant to the recommendations of the 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 detailing the Group’s business, board matters, their duties and governance responsibilities as directors, with the process being 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 the annual general meeting, and their re-election is subject to the approval of the shareholders. The board has determined that the directors to stand for re-election at the annual general meeting are as detailed on the notice of annual general meeting.

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

A board evaluation was performed during the previous financial year and, in line with King IV to do an evaluation every two years. this will be done in the following financial year.

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 28 to the annual financial statements.



# Corporate governance continued

## 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 senior members of the finance team are made aware of closed periods in which they may not trade. 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 of the Company Secretary.

## 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.

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.

## Stakeholder engagement

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.

## Sustainability

Sustainability is an integral part of how Adcorp does business. There is an enhanced focus on client and candidate centricity, as well as 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 oversees that the company is 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 Transformation, Social and Ethics Committee oversees the 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 and certainty with regard to the promulgation of the SA labour laws is of particular significance to the Group.

## Corporate governance 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.

### Board and committee attendance for the financial year ended 28 February 2018\*

	Attendance				
	Board	Audit and Risk Committee	Remuneration and Nominations Committee	Transformation, Social and Ethics Committee	Investment Committee
<b>Directors</b>					
GT Serope (appointed 11 July 2017)	3/3		1/1		
JA Boggenpoel	4/4	3/3			2/2
GP Dingaan	4/4			1/2	2/2
I Dutiro (appointed 1 October 2017)	2/2	+	+	+	1/1
MA Jurgens (appointed 1 August 2017)	2/2				
CJ Kujenga (appointed 1 July 2017)	3/3	+	+		2/2
SN Mabaso-Koyana	4/4	3/3	3/3		
C Maswanganyi	4/4		3/3	3/3	1/1
TP Moeketsi (appointed 5 February 2018)	1/1	+			
ME Mthunzi	3/4	1/1		3/3	1/2
FS Mufamadi (appointed 11 July 2017)	2/3	2/2		1/2	
S Sithole (appointed 4 July 2017)	3/3		2/2		1/1
MW Spicer	4/4	3/3	3/3		
<b>Resigned</b>					
BE Bulunga (resigned 11 July 2017)	1/1			+	
NS Ndhrazi (resigned 11 July 2017)	1/1			1/1	
MJN Njeke (resigned 11 July 2017)	0/1		1/1		
N Nongogo (resigned 13 October 2017)	1/1				1/1
RL Pike (resigned 31 July 2017)	2/2	+	+	+	1/1
TDA Ross (resigned 11 July 2017)	1/1	1/1			
PC Swart (resigned 11 July 2017)	1/1			+	

\* For the period 1 March 2017 to 28 February 2018.

+ Invitee.

## Corporate governance continued

### BOARD OF DIRECTORS



**Gloria Serope (58)**

**(Chairman)**  
**Non-executive Director**  
**BCom, MBA**  
**Appointment: 11 July 2017**

Gloria is a founder and executive director of WIPHOLD and was appointed to the Adcorp board as the Chairman in July 2017. She obtained a BCom 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.



**Innocent Dutiro (54)**

**Executive – Chief Executive Officer**  
**BSc (Hons) Mech. Eng,**  
**MSc Mech. Eng, MBA**  
**Appointment: 1 October 2017**

Prior to joining Adcorp, Innocent was the CEO for Africa and Asia at MMI Holdings Limited. He has extensive and varied executive and board-level experience in Strategy Consulting, Business Turnaround, Post-Merger Integration, Performance Improvement, and Executive Management in Banking, FMCG and Engineering sectors. He has held senior leadership positions at Bain & Company, Deloitte Consulting, Gemini Consulting, Nedbank Retail and South African Breweries (SAB).



**Cheryl-Jane ("CJ")  
Kujenga (39)**

**Executive – Chief Financial Officer**  
**CA(SA), CA(Z), Executive**  
**MBA (UCT)**  
**Appointment: 1 July 2017**

Prior to joining Adcorp, CJ spent nine years as a partner at EY where she had a dual role as an Assurance Partner and the Strategic Growth Markets Leader for Africa. She has extensive technical and commercial experience gained in her time at EY and prior to that when she worked as Group Accountant, and then Head of Finance for NMB Zimbabwe. CJ also served on the Accounting Standards Board (South Africa) for six years.



**Mark Anthony Jurgens (51)**

**Executive – Chief Operating Officer**  
**Harvard AMP**  
**Appointment: 1 August 2017**

Mark joined Adcorp through the acquisition of Paracon in 2011 and led the growth of the Professional Services division globally where he was responsible for the turnaround of various businesses in the Group. Prior to joining Adcorp he founded and listed Paracon on the JSE where he held the position of CEO while gaining extensive experience in operations management, acquisitions and integrations, strategic planning, leadership development, change management and investor and shareholder relations.

## Corporate governance continued

### BOARD OF DIRECTORS continued



**Jesmane Arnel Boggenpoel (44)**

**Independent Non-executive Director**  
**CA(SA), MPA (Harvard)**  
**Appointment: 1 January 2017**

She has over 16 years' work experience mainly in investments and private equity. Between 2013 to 2016 Jesmane was the Head of Business Engagement, Africa, at the World Economic Forum in Switzerland. She has served as a non-executive director of various major institutions in South Africa in the public and private sectors, including Land Bank, Senwes and Cell C. Current boards include ETG Input Holdings, the largest African fertilizer operator. Jesmane has extensive global experience having studied and worked on three continents, North America, Europe and Africa.



**Sindisiwe Ntombenhle  
("Sindi") Mabaso-Koyana (48)**

**Independent 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 and executive partner at Ernst & Young.



**Mncane Esau Mthunzi (46)**

**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.



**Dr Fholisani Sydney  
Mufamadi (59)**

**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.

## Corporate governance continued

### BOARD OF DIRECTORS continued



**Michael Wolseley Spicer (65)**

**Lead Independent 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.



**Gugulethu Patricia  
("Gugu") Dinga (42)**

**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 (52)**

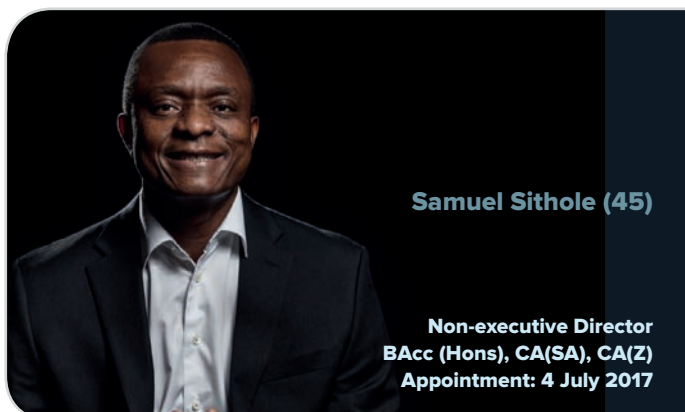
**Non-executive Director**  
**BCompt, MBL (UNISA), Postgraduate**  
**Diploma in Taxation, Advanced Diploma in**  
**Management Accounting (CIMA)**  
**Appointment: 1 March 2017**  
**(previously an alternate director)**

Cecil is an executive director at Simeka where he fulfils the role of the Group Chief Executive Officer. 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 and Wescoal.



## Corporate governance continued

### BOARD OF DIRECTORS continued



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.



Paul is an investment director at Value Capital Partners (VCP). Prior to joining VCP, he was a principal at Medu Capital, a leading mid-market private equity firm, where he spent eight years as a deal executive responsible for deal sourcing, deal execution and portfolio management. Prior to joining Medu Capital, Paul was a consultant at Investec Corporate Finance, where he gained valuable experience in all aspects of corporate finance, including mergers and acquisitions, disposals, JSE listings and BEE transactions. Paul completed his articles and training the Financial Services division of KPMG.

## Adcorp board

### Role and responsibilities of the board

The board has a fiduciary duty of care and diligence and to act in the best interests of the company.

The board responsibilities and duties ensure that it:

- 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;
- is accountable by providing open, prompt and meaningful reporting to shareholders and other stakeholders on financial and non-financial matters;
- 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 that is reviewed on an annual basis;
- ensures that the company is and is seen to be a responsible corporate citizen by protecting, enhancing and investing in the well-being of the economy, society and the natural environment;
- elects a chairperson;
- elects a lead independent director;
- appoints the Chief Executive Officer, Chief Operating Officer and the Chief Financial Officer through a formal process, ensuring that a proper process of performance management and succession planning exists in respect of these positions. The board, via the Remuneration Committee, receives notification and, where appropriate, provides input regarding senior executive management appointments, remuneration and succession plans;
- conducts the induction and ongoing training and development of directors;
- evaluates the performance of the board, its committees, individual directors and the Company Secretary;
- is 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 to protect and, where possible, enhance the reputation of the company;
- is involved in the formulation of the company's strategy, approves and monitors its progress; and
- participates in rigorous and effective debate and discussion in order to fulfil these responsibilities.



### Summary of key focus areas

#### Year ended 28 February 2018

- Board composition enhanced to closer align shareholders' needs with that of management.
- Ensured that management's focus and activity positions the Group for an effective strategic turnaround.

#### Year ending 28 February 2019

- Position the Group with its key stakeholders and drive the philosophy of shared value creation.
- Implement the turnaround strategy for the Group.

## 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;
- approves the plan, monitors the adherence thereto and assesses the performance in respect 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; and
- satisfies itself as to the expertise and experience of the Chief Financial Officer and the financial function.

The Audit and Risk Committee report can be found on page 87 of the financial statements included in this report. The risk report can be found on page 75.



### Summary of key focus areas

#### Year ended 28 February 2018

- Oversaw the strengthening of the overall finance function.
- Improvement in the audit and risk governance by appointing the Chairperson of the Audit and Risk Committee to be a board member of Adcorp Holdings Australia.

#### Year ending 28 February 2019

- Oversee further improvements in the finance function towards more timeous management reporting.
- Improvement in IT governance by sourcing an independent resource.

# Corporate governance continued

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

### Remuneration Committee

#### Role and responsibilities of the Remuneration Committee

The Committee is chaired by a non-executive director, who is not the Chairman of the board and is required to have a minimum of two meetings a year to fulfil its responsibilities.

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) and share appreciation Rights (SARs) to ensure the continued contribution to shareholder value 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 69.



#### Summary of key focus areas

##### Year ended 28 February 2018

- A new remuneration policy was implemented during the year and was cascaded within the Group.
- Remuneration is now more closely linked to performance.
- Clear Key Performance Indications are set up front and processes are in place to review them twice.

##### Year ending 28 February 2019

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

# Corporate governance continued

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

### Nominations Committee

#### Role and responsibilities of the Nominations Committee

The Committee is chaired by the Chairman of the board and is required to have a minimum of two meetings a year to fulfil its responsibilities, which include:

- ensuring that the appointment of directors is formal and makes appropriate recommendations to the board when vacancies arise by considering experience, diversity, skills and demographics;
- ensuring 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;
- appraising and/or recommending directors who are retiring by rotation to be put forward for their re-election based on past performance, contribution and objectivity and is tasked with identifying new candidates as the need arises;
- assisting the board in its determination and evaluation of the adequacy, efficiency and appropriateness of the corporate governance structure and practices within the Group;
- establishing and maintaining a board continuity programme by regularly reviewing the required skills, experience, race, gender and other qualities of directors;
- ensuring, with the assistance of the Company Secretary, that the proper process is followed for the appointment of new directors to the board; and
- induction and ongoing training of directors.



#### Summary of key focus areas

##### Year ended 28 February 2018

- The composition of the board changed to more closely align it with the needs of shareholders as well as other stakeholders.

##### Year ending 28 February 2019

- Succession planning.
- Board evaluation of individual directors as well as the performance of the committees.



## Corporate governance continued

### 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;
- the identification of 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 key focus areas, as well as the Committee's full report can be found on page 78.

# Corporate governance continued

## 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 seven directors, two of whom are executive, with the Chairman being a non-executive director.

The Investment Committee has the following roles and responsibilities which include:

- satisfying 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;
- considering projects, acquisitions and disposal of assets in line with the Company's overall strategy;
- reviewing and evaluating 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;
- reviewing and, if necessary, evaluating 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 approve the weighted average cost of capital for purposes of determining the level of performance of management-to determine if the interim and final dividend are appropriate from a capital point of view; and
  - to recommend for approval by the board the repurchase of the Company's shares;
- performing such other investment-related functions as may be determined by the board from time to time; and
- ensuring that appropriate due-diligence procedures are followed when investing in assets, or acquiring or disposing of assets.



#### Summary of key focus areas

##### Year ended 28 February 2018

- Oversight of the sale of Nihilent to ensure the Group has sufficient cash resources.
- Approved the weighted average cost of capital.
- Oversaw the sale of operations in the Rest of Africa.
- Defined and implemented an appropriate capital framework for the Group.

##### Year ending 28 February 2019

- Evaluating 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.

## REMUNERATION REPORT

### Background statement and remuneration philosophy

The Remuneration Committee ("Remco" or "Committee"), a sub-committee of the Adcorp Board of Directors, is pleased to table the Adcorp Group remuneration report for the year ended 28 February 2018.

The remuneration policies are reviewed annually by the Committee to ensure that they support the achievement of the Group's overall business objectives, remain in line with best practice and fairly reward individuals for their contribution to the business.

The Group's performance has shown a steady decline over the past few years and shareholder value has been eroded. This was compounded by a remuneration policy that failed to achieve alignment between company performance and remuneration of the management of the business.

The Board oversaw the appointment of a new leadership team tasked with a mandate to turnaround the Group and drive long term profitable growth. As a result the Committee oversaw the departure of the previous CEO, Richard Pike, and COO, Nelis Swart, and the appointment of a new executive team for the Group. The mutual separation with Richard Pike and Nelis Swart was effective 31 July 2017 and separation payments were made as follows:

- Richard Pike – The equivalent of a year's Total Guaranteed Pay, R5 million, plus retention of his 900 000 shares.
- Nelis Swart – The equivalent of a year's Total Guaranteed Pay, R4,2 million, plus retention of his 825 000 shares.

The above payments also included restraint of trade on the two executives.

The Committee has taken steps to overhaul the remuneration philosophy, values and policy. The principles used in this regard were crafted based on corporate governance requirements as well as best practice, given the Adcorp business context, to ensure that the Group:

- Attracts, rewards and retains exceptional people.
- Drives a high performance culture aligning with the objectives of our stakeholders.
- Aligns the financial well-being of employees with the economic interest of shareholders.
- Provides transparent, consistent and equitable remuneration principles to foster an environment of collaboration, engagement and trust.

The revised Remuneration Policy was tabled at the AGM on 23 August 2017 with 75,66% voting in favour of the resolution.

The remuneration of the leadership team has been aligned to sustainable value creation, taking into account both shareholder returns and successful strategy deployment and execution. The expectation on the new leadership team was that they would use the FY2018 financial year to obtain a firm understanding of the true financial position of the Group, clean up any historical issues and set a base from which to build the future Adcorp.

Therefore, in the current financial year, the weighting of the executive leadership metrics was tailored less on financial metrics and instead enabled them to focus their attention on setting a foundation to ensure a successful and sustainable turnaround of the business that will in turn improve shareholder returns in future years. This broadly entailed strategic and financial metrics as follows:

Strategic metrics	Financial metrics
<ul style="list-style-type: none"><li>• Formulating a strategy that will result in profitable growth.</li><li>• Constituting an appropriate leadership team to drive that strategy.</li><li>• Implementing the relevant governance and operating model structure to support the strategy.</li><li>• Identifying and either disposing of/or repositioning non-core and/or non-performing business.</li></ul>	<ul style="list-style-type: none"><li>• Concluding the refinance of the Group's debt and determining an appropriate capital model for the Group.</li><li>• Reducing the cost base of the Group by R200 million to enable it to become lean and agile.</li></ul>

The above activity provided a clearer understanding of the underlying performance of each operation, and the potential of the Group on an as-is basis, and was used as input in determining current year short term incentives. Total remuneration paid to Executive Directors and Prescribed Officers in FY2018 is set out in note 28.

As discussed in the CEO report, the Group has set a goal to be a R1 billion EBITDA business by 2022. We believe that this goal is achievable, and have been working with the leadership team to set specific annual targets aligned to its achievement.

# Corporate governance continued

## REMUNERATION REPORT continued

Providing stability at the executive level within the context of a high performing team is important in meeting the Group's growth targets. Therefore, the Committee awarded the new executive team sign on bonuses as follows:

- A combination of 930 533 shares and 1 500 000 share appreciation rights to enable the Group to match the compensation of the incoming CEO with his previous employer.
- 391 466 and 241 000 shares for the incoming COO and CFO as sign-on awards.

These awards facilitate retention, are not performance related, and will vest after 3 years.

The Remuneration Policy includes a requirement for executives to hold a specified level of minimum direct shareholding in the Group. The Committee revised these levels during the year in line with an assessment of the total package of the executive team members. This change will be tabled at the next AGM. Details of the minimum shareholding requirement are included further in this report.

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

We trust that this report evidences the focus on embedding a performance culture in the organisation, driven by sound governance principles and the need to retain key skills during this difficult but exciting strategic turnaround period.

**Sam Sithole**

*Chairperson of the Remuneration Committee*

25 June 2018

# Corporate governance continued

## REMUNERATION POLICY AND FRAMEWORK

Below is the framework and principles that the Remuneration Committee will apply in determining the total guaranteed pay, short and long incentives for executives and all permanent employees. However, the Remuneration Committee and the Board has reserved the right, for the FY2018 and FY2019 financial years, to partially vary these principles (for the STI portion only), due to the exceptional circumstances of repositioning the business under new leadership. The variation has resulted in not only KPIs that are higher for senior executives than the thresholds outlined below due to the low starting base, but also in specific KPIs that have resulted in outcomes that both take into account staff retention and maximises stakeholder returns. FY2020 should revert back fully to the principles and framework outlined below.

### Remuneration framework

The Group's remuneration framework is structured as follows:

Remuneration element	Executive Management	Operating segment executives	Other senior management	Staff members
1. Total guaranteed pay	✓	✓	✓	✓
2. Short-term incentives	✓	✓	✓	✓
3. Long-term incentives	✓	✓	✓	
4. Direct shareholding requirement	✓	✓		

Executive packages are structured as follows for on-target performance:

Remuneration element (%)	CEO	COO	CFO	Operating segment executives	Senior functional executives
1. Total guaranteed pay	100	100	100	100	100
2. Short-term incentives	100	75	60	50	50
3. Long-term incentives	100	75	60	50	50

The executive directors are permanent employees and each have a notice period of three months. The operating segment executives are permanent employees with notice period requirements ranging from one month to three months.

#### 1. Total guaranteed pay

Total guaranteed pay (TGP) is computed using a total-cost-to-company methodology and comprises the base pay plus compulsory employment benefits as follows:

- **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.

The Group generally pays TGP in the median to upper quartile of the market as it targets to be competitive for comparable roles in companies of similar complexity and size. This enables the Group to attract and retain top talent especially in critical or strategic areas.

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.

#### 2. Short-term incentives

The Group uses short-term incentives (STI) to reward the achievement of short term strategic financial and non-financial objectives as set out in the one year business plan. All permanent employees in the Group participate in a STI scheme appropriate to the level and role that they perform in the Group.



# Corporate governance continued

## REMUNERATION POLICY AND FRAMEWORK continued

The Committee, acting on behalf of the Board and in compliance with its terms of reference, is responsible for formulating, adopting and applying the performance criteria. The goals and performance measures are aligned with the Group, operating segment and individual performance. For all members of senior management in the Group, 75% of the STI target relates to achievement of financial targets. The remaining 25% is based on the individual's performance in relation to relevant strategic initiatives of the Group such as transformation, strategic contribution and living the Adcorp values.

Once adjudicated, STI payments determined according to scorecards should be paid out in a manner that promotes retention and performance. In the event of specified minimum thresholds not being achieved, STI payments shall not be awarded.

The revised Remuneration Policy incorporates a Group performance related weighting for each Operating Segment Executive and Functional Head. This will enhance organisational alignment with the revised strategy.

In respect of short-term incentive metrics, the following three categories of metrics apply:

- Profit before tax (PBT), 50% weighting.
- Cash conversion (CC), 25% weighting.
- Individual performance, 25% weighting.

### 2.1. PBT metric

The metric is earned on a proportional basis as follows:

- 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%<sup>1</sup>) on prior year's sustainable profit will earn 50% of the 50% reserved for PBT growth. The award is on a proportional basis between 0 and 10% growth earning half of the 50% PBT award.
- 20% growth on the prior year sustainable profit will earn the full weighting allocation.

The Remuneration Policy states that the prior year sustainable PBT is replaced by the average PBT for the last four 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's profitability is equal or above the average for the last four years. The Committee reserves the right to waive this condition at its sole discretion.

Hurdle	Percentage contribution to weighting
Prior year PBT or four year average PBT	0%
10% growth	50%
20% growth	100%

The Committee recognises that FY2018 is a transition year with the focus being on ensuring that an appropriate base is set for the sustainable turnaround of the Group. Therefore, as discussed under the background statement, the Committee has agreed interim metrics with the executive directors. These interim metrics are targeted at ensuring that current activity is sustainable and results in future growth for the Group. Further information on progress against these metrics is provided under the performance scorecard section of the implementation portion of this report.

### 2.2. Cash conversion metric

The target ratio is calculated based on the ratio of free cash flows to operating profit after working capital adjustments and capex. The actual ratio is adjusted downwards for the proportional fall in profits versus the budgeted profit. The ratio must be measured each month and averaged for the year to avoid abnormal year-end manipulation.

The Remuneration Policy provides the following cash conversion:

- 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.

Hurdle	Percentage contribution to weighting
50%	0%
60%	50%
70%	100%

1. The 10% is based on inflation plus 4% for South Africa, and is moderated for the Australia entities to 6% being Australian inflation plus 4%.

# Corporate governance continued

## REMUNERATION POLICY AND FRAMEWORK continued

### 2. Short-term incentives continued

#### 2.3 Alignment of metrics across the senior leadership team

The table below illustrates the alignment of Group, operating segment and individual goals across the senior leadership team:

Group metric and weighting	Sub-metric	Executive director weighting	Operating segment executive weighting	Functional head <sup>2</sup> weighting
Profit before tax (PBT) – 50%	Group PBT	50%	15%	25%
	Operating segment EBITDA		35%	n/a
	Agreed contribution to central costs		n/a	15%
	Target cost savings		* Effectively factored into EBITDA targets	10%
Cash conversion – 25%	Group cash conversion	25%	7,5%	25%
	Target reduction in DSO at operating segment		17,5%	
Individual performance – 25%	• Strategic contribution			
	• Transformation			
	• Governance risk and compliance	25%	25%	25%
	• Living the values			
	• Other			

<sup>2</sup> The following Prescribed Officers are functional heads: Head of Strategic Enablement, Chief People Officer and the Chief Commercial Officer. Recruitment is at an advanced stage for the Chief People Officer and Chief Commercial Officer roles.

### 3. Long-term incentives

Long-term incentives (LTIs) are awarded as performance shares and targeted to the retention and reward of executives and those senior managers who are key to the delivery of the Group's long-term strategy. LTIs ensure alignment of stakeholders and key employee interests.

Performance shares vest subject to the achievement of performance conditions over a three-year performance period and are settled in equity.

The following performance conditions apply for the LTIs:

- 50% on return on invested capital (ROIC) above weighted average cost of capital (WACC).
- 50% based on headline earnings per share (HEPS) growth for the company.

Performance condition and weighting	Performance targets	
	Hurdle	Vesting percentage contribution to weighting
<b>ROIC exceeding WACC – 50%*</b>		
Calculated on a linear scale, as the three-year average of the excess of the actual annual ROIC achieved each year, compared to the WACC of each year as determined by the Investment Committee in February of each year.	0%	0%
	2%	50%
	4%	100%
<b>HEPS growth – 50%</b>		
Calculated on a linear scale as the three-year average HEPS growth.	0%	0%
	10%	50%
	20%	100%

\* Weighted cost of capital was agreed at 14%.

# Corporate governance continued

## REMUNERATION POLICY AND FRAMEWORK continued

### 4. Minimum shareholding requirements

Many institutional shareholders are requesting a longer vesting period than the three years proposed for Adcorp LTI awards. There is also a trend among many listed corporates in South Africa to require senior executives to maintain exposure to the share price after units have vested.

It is proposed that to achieve both objectives, a minimum shareholding requirement, as set out in the table below, be implemented from FY2018 onwards.

Any disclosed officer would have five years from date of appointment into the role, or five years from implementation of the policy for existing disclosed officers, to build up to the required level of holdings.

These holdings need to be fully 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.

During the current year the Committee assessed the appropriate minimum shareholding requirements in the context of each executive team member's overall remuneration package and revised these as follows:

Remuneration element		CEO	COO	CFO	Operating segment executives
1.	Original direct shareholding requirement	200%	200%	200%	100%
2.	Revised direct shareholding requirement	100%	75%	60%	50%

Details of the aggregate holdings of directors of the company and their immediate families in the issued ordinary shares of the company can be found in note 33 of the annual financial statements, page 132.

## Non-executive directors

### 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 director 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.

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 23 August 2017.

There was no increase in the non-executive directors' fees for FY2018 and no increase has been proposed for FY2019.

Total emoluments to non-executive directors are tabled in note 30.

### 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.

# Corporate governance continued

## RISK REPORT

The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives. Furthermore, this governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical.

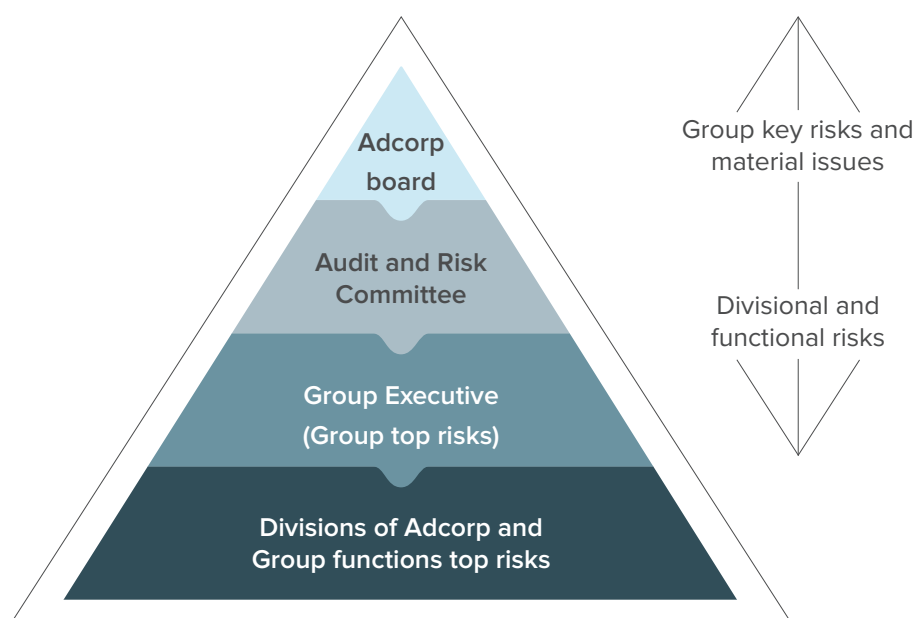
### Governance of risk

The Adcorp board through the Audit and Risk Committee (ARC), is responsible for the governance of risk and enterprise- wide risk management in supporting the Adcorp business turnaround objectives. As a governance principle, the board, through the ARC, also ensures that Adcorp complies with applicable laws and regulations, codes and standards.

As part of the Adcorp Group's turnaround strategy, the risk appetite and tolerance matrix is being further refined, and the related policy will be implemented. The board is responsible for the governance of these risks and determining levels of risk appetite, and is committed to protecting shareholder value by managing risks and opportunities within a predefined framework.

Adcorp's Chief Executive Officer (CEO) and the rest of the Group Executive members are accountable to the board for the management of risks facing Adcorp and supported by the Divisional Managing Executives.

The Divisional Managing Executives use the Operational Executive Committee meeting as part of risk oversight.



### 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.

# Corporate governance continued

## RISK REPORT continued

### 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 management process

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. Management of entities undertake to continuously monitor and review risk areas as part of their day-to-day activities.

### Key focus areas during the year

#### Risk management

The risk management function now covers compliance management to ensure that there is an integrated view of operational and compliance risks. This change was done to ensure that the risk function is able give effective guidance, challenge and support better management of divisions and well as reporting to Adcorp Exco and Audit and Risk Committee.

During the year under review the following enhancements to the risk management processes were undertaken:

Divisional management also includes a representative from the risk department on the operational management committee meeting to facilitate the continuous identification of risks and opportunities.

Business entities undertake to continuously monitor and review risk areas as part of their day-to-day activities.

Key risks identified at divisional level are escalated to Adcorp Group using the monthly Group Exco meetings as the reporting platform.

#### Compliance

The risk and compliance department is now responsible for assisting the various divisions with identifying regulatory risks, assessing impact, and monitoring and reporting any regulatory compliance breaches within the organisation as per the Adcorp's identified regulatory universe.

A compliance management self-assessment was recently conducted to assess the level of compliance with the laws and regulations and to better understand compliance gaps in our processes. During the coming year we will initiate a number of programmes to review and enhance our governance framework.



# Corporate governance continued

## RISK REPORT continued

### 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.

The introduction of formal governance structures for IT in 2016/2017 was further expanded in 2017/2018. The operating structure of the IT team has been rationalised to reduce the historical divisional silos and more effectively integrate the IT leadership team across the various IT functions including financial management systems, payroll systems, time and attendance systems, infrastructure, IT support, business analysis and business intelligence. The functional leaders form an IT Operating Committee, which reports to the IT Steering Committee consisting of key Group business executives focusing on strategic IT decisions that impact the Group.

The IT Steering Committee in turn reports to the Audit and Risk Committee. Reporting from each of these committees has been formalised, and critical strategic and operational decisions are vetted and tracked through a formal approval and project tracking process. This has already benefited the Group where a number of IT risks have been effectively identified and mitigated, resulting in reduced financial exposure in relation to IT projects.

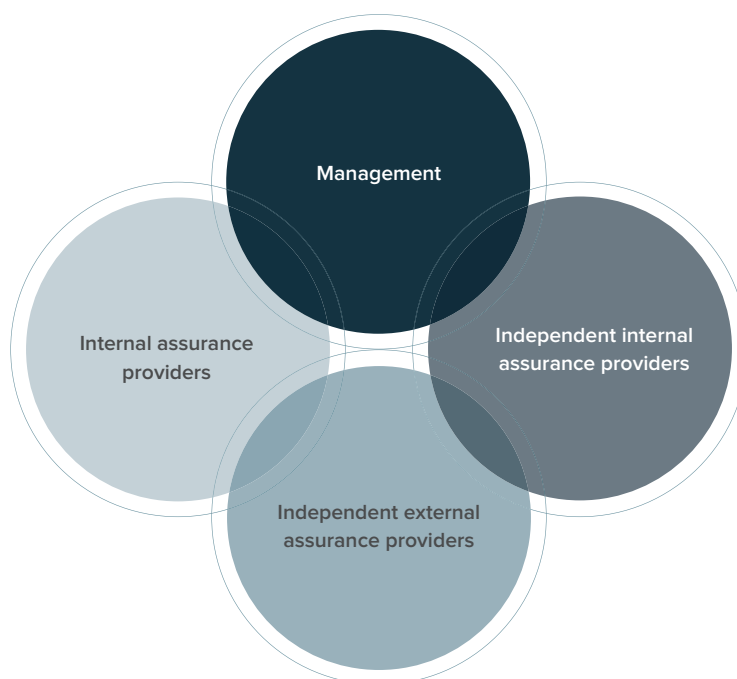
In the upcoming 2018/2019 year we seek to expand the IT governance framework with the introduction of Enterprise Architecture for the Group in line with the The Open Group Architecture Framework (TOGAF) framework. This will effectively document the links and interrelationships between the Business Architecture (core operational processes), Systems Architecture (application landscape), Infrastructure Architecture (infrastructure and servers) and Data Architecture (data, information and reporting) for the Group. As a result, we can expect to more effectively identify the full impact of any changes applied to an architectural component and ensure that such changes to processes, systems, infrastructure or data do not have unintended consequences in other areas of the IT landscape.

### 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.

The board as part of the combined assurance, adopted the four lines of defence model for managing operational risks. This model enables the Group to embed risk management at all levels of the organisation. The combined assurance committee (CAC) consists of members from risk and compliance, internal audit, legal and Group finance 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:



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.

# Corporate governance continued

## REPORT OF THE TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE

In accordance with the terms of reference of the Transformation, Social and Ethics Committee (TSEC), the said Committee disposed expeditiously of its responsibilities and was positive about the nature, scope and extent of matters addressed and the resultant outcomes. Three meetings were convened during the course of the financial year and additional engagements took place under the direction of the Committee in order to on-board new committee members, engage in various projects and the like. Furthermore, TSEC reviewed its terms of reference as is required annually.

In particular, TSEC is energised by the work being done by the working-group aimed at operationalising the vision to enhance stakeholder experience in workplace solutions, focusing in particular on **candidate, assignee and contractor centric** initiatives that are based on the following design principles:

- To create **greater shared value** for these critical stakeholders.
- To leverage the core business value-add by positioning Adcorp proactively as being a **central part of the solution** in respect of addressing the **social** skills.
- To ensure these efforts are **sustainable** by integrating them into the current projects aimed at fixing, stabilising and growing the business.

### Transformational workplace solutions, driving reputation and enhancing stakeholder experience

The working group tasked with driving the abovementioned strategy comprises portfolio and functional heads. It is addressing this on an integrated basis with the understanding that as Adcorp moves higher up the value chain of workforce solutions and as it improves candidate, assignee and contractor centricity, the opportunity would be to increase their share of the outcomes.

In order for this to succeed, it is crucial to understand the stakeholder's interests and to establish how they can be addressed within the value proposition. The work in respect of this has two dimensions, namely current strategies and initiatives which are being conducted and potential new innovative ones that have short-, medium- and longer-term horizons. There is no doubt that recent labour market developments, such as the Youth Employment Service (YES), research being conducted on skills future and the National Minimum Wage Act, provide a significant and heightened opportunity to contribute more than ever before to the social upliftment of many marginalised individuals.

The following projects are either already in progress or being commissioned:

- Client survey indices (industry and Adcorp reputation, reasons why Adcorp services are currently used, reasons to use Adcorp going forward).
- Candidate and assignee experience surveys and engagements feeding into experience journey mapping.
- Revitalising the stakeholder engagement strategy and establishing primary stakeholder interests and the outcomes required to address these.
- Enhanced focus of participation in and fulfilling youth employment, work readiness and related initiatives, and partnering with clients, unions and other stakeholders in this regard.
- Developing a social imperatives index as a lead indicator of the success of policies designed to achieve socio-economic imperatives.
- Continuously working on enhancing benefits packages and wellness.
- Social media optimisation and management.
- Union engagement on a bilateral shared-interest basis.

### Implementation of sustainability principles

Sustainable business strategies and practices were front and centre this year, given the significant strategic realignment required of the new leadership across various strategic imperatives. In addition to the United Nations Global Compact (UNGC) and the OECD guidelines that have been employed to direct and evaluate sustainability across the TSEC drivers, there were a number of additional areas that received the attention of the members. These are set out in the matrix toward the end of this section.

Each meeting of TSEC traversed the performance of Adcorp across fundamental human rights, labour law compliance and key stakeholder relations, the environment and good corporate citizenship. In addition, business-critical trading requirements, such as Adcorp's BBBEE status, the interpretation of the Labour Relations Act (as amended in 2015) and pending statutes, such as the Protection of Personal Information Act (POPI), received close attention of TSEC and the board.

### BBBEE

Empowerdex verify 28 Adcorp businesses and also provide 5 consolidated verifications. Adcorp has designed a centrally driven BBBEE strategy with detailed accompanying plans across all five elements and their respective sub-elements. A total of 23 of the 33 verifications are placed at either levels 1 or 2 and, all in all, 94% of the businesses have been verified between levels 1 and 4. Predictive ratings reflect that this will increase to 97% after the upcoming verification scheduled for May 2018. Given the nature and extent of billings that Adcorp businesses derive from clients, these verification levels, along with the majority black and more than 30% black women shareholding, are critically important.

# Corporate governance continued

## REPORT OF THE TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE continued

### Stakeholder engagement

Adcorp is a prominent member of various social partner forums, including NEDLAC, through its association with Business Unity South Africa (BUSA), the Black Business Council (BBC) and the Confederation of Associations in the Private Employment Sector (CAPES). Through its membership of and active participation within these associations, Adcorp has ongoing engagements with stakeholders in respect of shaping labour market policies, including youth employment, work readiness and career security. It has also been at the forefront of SETA initiatives addressing skills of the future and jobs of the future. In order to address the social ills beyond direct employment, Adcorp has completed a large New Venture Creation project in the Eastern Cape with a 95% throughput rate.

Research into the industry's contribution across the employment and business growth value chain has been a key requirement as important policy decisions impacting the labour market are informed by these findings.

Adcorp has extended organisational rights to a number of trade unions representing its employees across the various sectors and industries, and engages with trade unions at shop-floor, industry and national forums. It seeks to deepen these engagements in order to find further common ground that will allow for ongoing sustainable stakeholder practices.

Furthermore, Adcorp participates at various international forums as a thought leader. These include the World Employment Confederation (WEC) and the International Labour Organisation (ILO).

### Ethics

The Deloitte Call Centre and fraud-line is a key channel for the company to investigate and address matters that undermine the ethics of the business and its values. Along with any other matters referred to it, TSEC oversees that justice and fair conduct and the appropriate managements controls are implemented and accomplished.

### Key themes

The following key themes reflect material matters of focus of TSEC during the period under review. TSEC is satisfied that it has addressed and/or is addressing these matters and that there are no material risks in this regard:

Theme	Area of impact	Action
BBBEE ownership: continuing consequences for two acquisitions expire in November 2019 and 2022 respectively	The black ownership levels of 51% and 30% (the latter in the case of black women) must be maintained	The board has a standing agenda item and a task team with the responsibility of addressing this
Management control: representation of black employees at top, senior and middle management levels	Significant progress has been made across the three higher management levels since the centralisation and automation of talent sourcing across the Group	Strengthen the current model and formalising KPAs in this regard
Labour relations service centre: central management of all potential and actual disputes	This has been seen to be a serious differentiator for Adcorp and has managed reputational risk and stakeholder relations in this domain	Refine and optimise the current model and extend it into new areas
Automation: power BI to provide current metrics across the TSEC value chain	Recruitment, training, employment equity and related human capital metrics are made available	Extend access to and use of metrics to broader stakeholders, thereby driving edge-centric decisions
Reputation, transformation and stakeholder enhancement	As set out in the transformational workplace solutions section of the TSEC report	This is a priority focus area of the board and C-suite leadership.

#### ME Mthunzi

*Chairman, Transformation, Social and Ethics Committee*

25 June 2018

# 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 annual financial statements of Adcorp Holdings Limited.

The board acknowledges its duty to ensure balanced content and fair presentation in the consolidated and separate annual financial statements so that it provides a comprehensive assessment of the performance of the Company and Group for the financial year ended 28 February 2018.

The consolidated and separate annual financial statements are prepared in accordance with the provisions of the Companies Act of South Africa, 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 auditor to report on the fair presentation of the consolidated and separate financial statements, and their report is contained on page 82 to 86.

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

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 annual 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 annual 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 annual financial statements were prepared by: A Viljoen (BCom Honours), and supervised by the Group Chief Financial Officer, CJ Kujenga, CA(SA).

The consolidated and separate annual financial statements set out on page 92 to 153, for the year ended 28 February 2018, were approved by the board on 17 May 2018 and signed on its behalf by:

**Gloria Serobe**  
*Chairman*

Johannesburg

**Innocent Dutiro**  
*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 2018 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  
17 May 2018



# 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 ("the Group") set out on pages 92 to 153, which comprise the statements of financial position as at 28 February 2018, 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 2018, 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 ("IFRS") 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. We have determined that there are no key audit matters to communicate in our audit report with regards to the audit of the separate financial statement of the company in the current year.

Key audit matter	How the matter was addressed in the audit
<b>Impairment assessments of the valuation of goodwill and intangible assets (consolidated financial statements)</b>	
Goodwill and intangible assets comprise 32% of the total assets of the Group. The Group has recognised these assets in the consolidated statement of financial position as a consequence of business acquisitions.	We focused our testing of the impairment of goodwill and intangible assets on the key assumptions made by the directors. Our audit procedures included:
As required by IAS 36: Impairment of Assets ("IAS 36"), the directors conduct annual impairment tests to assess the recoverability of the carrying value of goodwill and intangible assets. This is performed using the discounted cash flow ("DCF") models.	<ul style="list-style-type: none"><li>• Testing the design and implementation of relevant controls over the goodwill and intangible assets impairment assessment.</li><li>• Engaging our internal experts to assist with:<ul style="list-style-type: none"><li>– Critically evaluating whether the models used by the directors to calculate the value in use of the individual cash generating units are aligned with IAS 36.</li><li>– Validating the assumptions used to calculate the discount rates and independently recalculate the discount and growth rates.</li></ul></li><li>• 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.</li><li>• 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.</li><li>• Recomputation of the value in use of each of the cash generating units.</li></ul>
As disclosed in notes 6 and 7 of the consolidated financial statements, there are a number of key sensitive judgements made in determining the inputs into these models. The carrying amounts of the goodwill and intangibles as at 28 February 2018 is R1,4 billion after an impairment charge of R424 million which has been recognised in the current year as disclosed in notes 6 and 7 of the consolidated financial statements.	
The key assumptions with the most significant impact on the valuation models include:	
<ul style="list-style-type: none"><li>• 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.</li><li>• The discount rates applied to the projected future cash flows. The discount rate is subjective and the calculation is complex.</li></ul>	

# Independent auditor's report continued

Key audit matter	How the matter was addressed in the audit
<b>Impairment assessments of the valuation of goodwill and intangible assets</b>	
<p>The directors have engaged specialists to assist with the determination of the discount rates for the significant cash generating units to which the goodwill relates.</p> <p>The impairment assessment of goodwill and intangible assets are considered to be a key audit matter as a result of judgement required to be applied by the directors.</p>	<p>We found that the assumptions used by the directors were comparable with historical performance and the expected outlook and the discount and growth rates used were appropriate in the circumstances.</p> <p>The disclosures of the goodwill and intangible assets are consistent with the requirements of IFRS 3: Business Combinations ("IFRS 3"), IAS 38: Intangible assets ("IAS 38") and IAS 36.</p>
<b>Recoverability of trade accounts receivable balance</b>	
<p>Gross trade accounts receivable comprises 50% of the total assets of the Group and have been recognised in the consolidated statement of financial position and disclosed in note 13 of the consolidated financial statements.</p> <p>As disclosed in note 13 of the consolidated financial statements, the gross trade receivables balance for the Group as at 28 February 2018 is R2,3 billion, the aged gross outstanding debtors (past due 91+ days) for the Group was R144 million, and the provision for doubtful debts raised is R109 million for the Group.</p> <p>The key assumptions with the most significant impact on the assessment of the recoverability of the trade accounts receivables include:</p> <ul style="list-style-type: none"> <li>• Type of debtors and considerations on whether these are historical slow paying debtors.</li> <li>• Collection of cash receipts after year-end.</li> <li>• Arrangements made with debtors in financial difficulty.</li> </ul> <p>We identified the recoverability of trade accounts receivable as a key audit matter as a result of the judgement required to be applied by the directors.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Testing the design and implementation of relevant controls over the valuation of trade accounts receivables.</li> <li>• 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.</li> <li>• Assessing the recoverability of trade accounts receivables taking into account the type of debtors and historical payment terms.</li> <li>• Performing a retrospective review of the provision previously raised against the actual bad debts written off in the current year.</li> <li>• Testing the subsequent receipts received after year-end.</li> <li>• Performing an independent assessment of the provision taking into account the factors above.</li> <li>• Assessed the arrangements made with debtors in financial difficulty.</li> </ul> <p>We found the determined provision for doubtful debts to be appropriate.</p> <p>Based on the procedures performed, the presentation and disclosures in respect of the trade receivables balance are consistent with the requirements of IFRS 7: Financial Instruments – Disclosures.</p>

# Independent auditor's report continued

Key audit matter	How the matter was addressed in the audit
<b>Tax matters</b>	
<p><b>Income tax</b></p> <p>Due to the multiple tax jurisdictions within which the Group operates and the ambiguity of certain tax laws, determining the amounts that should be recognised for tax is subject to directors' judgement and is thus a key audit matter.</p> <p>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 11 and note 12 in the consolidated financial statements.</p> <hr/> <p><b>Deferred tax</b></p> <p>Deferred tax assets raised on tax losses for the Group amounted to R97 million. This has been recognised in the consolidated statement of financial position.</p> <p>As disclosed in note 11 and note 12 of the consolidated financial statements, the Group has recognised deferred tax assets on tax losses in respect of the entities where it is probable that future taxable income will be generated to realise these recognized tax assets. This requires the directors' judgement in estimating future taxable income.</p> <p>The key assumption with the most significant impact on the determination of the deferred tax asset raised include:</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul> <p>We identified the estimation and valuation of the deferred tax assets raised on tax losses as a key audit matter as a result of the judgement required to be applied by the directors.</p>	<p>We involved our tax specialists to evaluate the recognition and measurement of the current and deferred tax assets and liabilities. This included:</p> <ul style="list-style-type: none"> <li>• Testing the design and implementation of relevant controls over specific tax matters.</li> <li>• Analysing the current and deferred tax calculations for compliance with the relevant tax legislation.</li> <li>• Evaluating the directors' assessment supporting the future cash flows, and analysing these future projected cash flows to determine whether they are reasonable and supportable given the current economic climate and expected future performance of the entities.</li> <li>• 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 director's projections.</li> <li>• Challenging the assumptions made by around the future plans for the entities that have been applied/used to justify the deferred tax assets raised.</li> </ul> <p>Based on the procedures performed and information available, we found the tax balances recorded and the disclosures thereof to be appropriate.</p> <p>We found the presentation and disclosures in respect of the tax balances to be consistent with the requirements of IAS 12: Income Taxes.</p>

Key audit matter	How the matter was addressed in the audit
<b>Prior period restatement</b>	
<p>The directors identified misstatements relating to the incorrect accounting treatment of expense items in the Adcorp Training Services entities.</p> <p>As disclosed in note 3 of the consolidated financial statements, the closing retained earnings and provisions as at 29 February 2016 have been restated by R50 million, and the profit and loss and trade payables for the year ended 28 February 2017 have been restated by R22 million.</p> <p>Management has subsequently corrected the underlying systems that resulted in the misstatement.</p> <p>Management further identified misstatements relating to the incorrect treatment of certain costs capitalized to intangible assets in previous years.</p> <p>As disclosed in note 3 of the consolidated financial statements, the closing retained earnings and intangible assets as at 29 February 2016 have been restated by R5 million.</p> <p>Management further identified misstatements relating to the incorrect valuation of an accounts receivable balance in the prior year.</p> <p>As disclosed in note 3 of the consolidated financial statements, the profit and loss and accounts receivable for the year ended 28 February 2017 have been restated by R10 million.</p> <p>We identified the prior period restatements as a key audit matter.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Testing the design and implementation of relevant controls over relevant prior period restatements.</li> <li>• Critically evaluated management's assessment on the treatment of revenue and related expense items against compliance with various IFRS standards and laws and regulations.</li> <li>• Engaged with our internal specialists to assist with the review and validation of the assumptions used to calculate the misstatement and the quantum of the restatement.</li> <li>• Critically evaluated management's assessment on the treatment of intangible assets against the requirements of IAS 38 – Intangible Assets.</li> <li>• Performed a retrospective review of the provision previously raised against the actual bad debts written off in the current year.</li> <li>• Assessed the recoverability of the accounts receivable taking into account the type of debtors and historical payment terms.</li> <li>• Tested the inputs into the calculation of the restatements.</li> </ul> <p>Based on the procedures performed and information available, we found the restatements recorded to be appropriate.</p> <p>We found, the presentation and disclosures in respect of the prior period restatements are consistent with the requirements of IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors.</p>

## 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.

# Independent auditor's report continued

## **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 ISAs 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 ISAs, 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.
- 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.

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 17 years.

**Deloitte & Touche**  
*Registered Auditor*

**Per: MLE Tshabalala**  
*Partner*

18 May 2018



# Report of the Audit and Risk Committee

for the year ended 28 February 2018

The Group's independent Audit and Risk Committee ("the Committee" or "ARC") presents its report for the financial year ended 28 February 2018. 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 the shareholders and were formally appointed at the previous annual general meeting held on 23 August 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.

In line with King IV, the board and its Committee should be assessed once every two years and this will be performed during the 2019 financial year, following the assessment of 2017.

## Roles and responsibilities

The Committee is satisfied that it has executed its responsibilities in keeping with the requirements of the Companies Act of South Africa, the JSE Listings Requirements and the recommendations of King IV, as well as additional requirements prescribed by its terms of reference, 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;
- oversee and evaluate the governance of risk and the related internal control environment, and consider 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;
- assess key audit matters;
- 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 her responsibilities, the Chairperson of the Committee 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 is 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 met with the external auditors to discuss the overall audit professional environment and current challenges. The external auditors shared their risk management priorities and discussed their response to the matters that have been raised in the public domain. The Committee thus satisfied itself of the continued independence and competence of the external auditor.

The Committee has nominated, for election at the annual general meeting, Deloitte & Touche as the external audit firm for the 2019 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. In addition, the Committee received the required letters from IRBA as to the satisfactory standing of the audit firm and the designated partner.

## 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 2018, 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 2018.

Based on the information and explanations given by directors' 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.

# Report of the Audit and Risk Committee continued

## for the year ended 28 February 2018

### 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 on 17 May 2018, the consolidated and separate financial statements for the year ended 28 February 2018 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, Mr M Peters. 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 Mrs 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 certain 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
- Tax
- Disposals
- Prior period adjustments

#### Goodwill and intangible assets

Goodwill and other indefinite useful-life intangible assets are assessed annually for impairment. Over the years, the Group's intangible asset base grew due to recognition of perceived value from acquisitions in the form of goodwill, trademarks and acquired customer base. The Committee is satisfied with the considerations used by directors in the detailed analysis of the future value that can be derived from these subsidiaries, which resulted in total impairments of R424 million.

#### Trade receivables

Certain weaknesses in the Group's credit management policies came to light over time last year when two clients went into business rescue. The debtors book review and clean-up exercise resulted in a number of significant provisions and write-offs in the current year. Subsequent to that we have implemented stricter credit management policies to ensure that there is no recurrence of the significant level of write-offs experienced this year. The Committee has assessed that these are adequate.

The Committee considers the carrying value of trade receivables 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 the directors on the computation and tax risks relating to the Group and the Company. 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 22% was down compared to 29% in the prior year, mainly due to assess losses that was recognised in the current financial year.

**Disposals**

The Nihilent sale transaction was concluded. Adcorp disposed of its 50% shareholding in Hatch (and resultant effective 34,6% shareholding in Nihilent) during the financial year for a cash consideration of USD25,5 million by means of a share buyback transaction.

The Committee considers the accounting and tax treatment of the transactions to be appropriate.

**Prior period adjustments**

The Committee has considered the circumstances that led to the identified prior year adjustments, the accounting treatment thereof, as well as the remediation made by management to ensure there is no recurrence. The Committee agrees with the treatment and remediation activity related to the adjustments and has ensured that JSE requirements regarding restatements have been adhered to.

**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 Chief Financial Officer, Ms CJ Kujenga, who was appointed on 1 July 2017. The Committee is supportive of the process under way to continue to strengthen the finance function.

**Going concern**

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

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

**SN Mabaso-Koyana**

*Chairperson, Audit and Risk Committee*

17 May 2018

# Directors' report

## for the year ended 28 February 2018

The directors have pleasure in submitting their report and consolidated and separate financial statements for the year ended 28 February 2018.

### Nature of business

The Group has subsidiaries that carry on business in South Africa 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 2018 was 109 954 675 shares of 2,5 cents per share.

Movements in share capital and share premium during the year are shown in note 16.

### Dividend

During the year one of the Group's subsidiaries in Australia paid dividends to its minority shareholders. No interim or final dividend was declared by other subsidiaries in the Group during the current financial year.

### Subsidiaries and associates

Details of the Company's operating subsidiaries and associates are set out in Annexure A on pages 148 to 154.

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

	<b>2018</b>	2017
	<b>R'000</b>	R'000
Total profit after taxation	<b>497 202</b>	357 842
Total losses after taxation	<b>(576 835)</b>	(462 087)
	<b>(79 633)</b>	(104 245)

### Significant shareholders

Details of significant shareholders are included on page 154.

### Special resolutions

At the annual general meeting (AGM) held on 23 August 2017, Adcorp's shareholders passed the following special resolutions for the purposes indicated:

- Special resolution 1: To approve the remuneration payable to 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, capped at 10% of issued share capital.
- 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 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.

## Directorate and secretary

The directors during the year are as follows:

Name	Current year appointments and resignations
<b>Directors during the year</b>	
GT Serobe	Appointed 11 July 2017
JA Boggenpoel	
GP Dingaan	
I Dutiro	Appointed 1 October 2017
MA Jurgens	Appointed 1 August 2017
CJ Kujenga	Appointed 1 July 2017
SN Mabaso-Koyana	
C Maswanganyi*	
TP Moeketsi	Appointed 5 February 2018
ME Mthunzi	
FS Mufamadi	Appointed 11 July 2017
S Sithole	Appointed 4 July 2017
MW Spicer	
<b>Alternate director</b>	
RM Ramaite**	
<b>Resigned</b>	
BE Bulunga	Resigned 11 July 2017
NS Ndhlaizi	Resigned 11 July 2017
MJN Njeke	Resigned 11 July 2017
N Nongogo	Appointed 4 July 2017 and resigned 13 October 2017
RL Pike	Resigned 31 July 2017
TDA Ross	Resigned 11 July 2017
PC Swart	Resigned 11 July 2017
<b>Company secretary</b>	
Kevin Fihrer	

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

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

## Directors' remuneration and interests held

Details of directors' remuneration and interests held in shares appear on pages 128 to 129 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

No material transactions or events took place subsequent to the end of the financial year ended 28 February 2018 and prior to the approval of these consolidated and separate financial statements.

## 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. Accounting policies supported by judgements, estimates and assumptions in compliance with International Financial Reporting Standards are therefore applied on this basis.

## Auditors

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



# Consolidated statement of financial position

as at 28 February 2018

	Notes	2018 R'000	2017 Restated R'000	2016 Restated R'000
<b>Assets</b>				
<b>Non-current assets</b>		<b>1 719 016</b>	2 396 439	2 569 110
Property and equipment	5	<b>65 756</b>	80 458	89 797
Intangible assets	6	<b>275 785</b>	611 369	748 474
Goodwill	7	<b>1 162 010</b>	1 373 162	1 513 633
Investments	8	<b>13 244</b>	10 000	10 000
Investment in associate	9	<b>–</b>	140 808	125 249
Other financial assets	10	<b>10 361</b>	30 930	–
Deferred taxation	11	<b>191 860</b>	149 712	81 957
<b>Current assets</b>		<b>2 801 348</b>	3 044 107	3 238 675
Trade receivables	13	<b>2 272 550</b>	2 359 246	2 488 095
Other receivables	14	<b>77 208</b>	103 377	121 378
Other financial assets	10	<b>12 191</b>	931	29 728
Taxation prepaid		<b>79 071</b>	41 804	55 520
Cash and cash equivalents	15	<b>360 328</b>	538 749	543 954
<b>Assets from continuing operations</b>		<b>4 520 364</b>	5 440 546	5 807 785
Assets held for sale	4	<b>10 434</b>	288 993	565 837
<b>Total assets</b>		<b>4 530 798</b>	5 729 539	6 373 622
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>		<b>1 602 589</b>	2 215 406	2 630 806
Share capital and share premium	16	<b>1 740 858</b>	1 740 858	1 740 858
Reserves		<b>(138 269)</b>	474 548	889 948
<b>Interest-bearing liabilities</b>		<b>1 218 559</b>	1 809 879	1 991 483
<b>Non-current liabilities</b>		<b>978 196</b>	649 229	1 349 256
Long-term loans	18.1	<b>978 196</b>	649 229	1 349 256
<b>Current liabilities</b>		<b>240 363</b>	1 160 650	642 227
Short-term portion of long-term loans	18.2	<b>228 687</b>	720 603	274 383
Bank overdraft	15	<b>11 676</b>	440 047	367 844
<b>Non-interest-bearing liabilities</b>		<b>1 680 405</b>	1 600 151	1 587 134
<b>Non-current liabilities</b>		<b>100 074</b>	107 030	152 256
Share-based payment liability	27	<b>–</b>	–	38 623
Deferred taxation	11	<b>100 074</b>	107 030	113 633
<b>Current liabilities</b>		<b>1 580 331</b>	1 493 121	1 434 878
Trade and other payables	19	<b>1 225 030</b>	1 175 389	1 163 916
Share-based payment liability	27	<b>8 133</b>	39 067	–
Provisions	20	<b>287 202</b>	242 528	239 118
Taxation		<b>59 966</b>	36 137	31 844
<b>Equity and liabilities from continuing operations</b>		<b>4 501 553</b>	5 625 436	6 209 423
Liabilities directly associated with assets classified as held for sale	4	<b>29 245</b>	104 103	164 199
<b>Total equity and liabilities</b>		<b>4 530 798</b>	5 729 539	6 373 622

# Consolidated statement of comprehensive income

for the year ended 28 February 2018

		2018 R'000	Restated 2017 R'000
<b>Continuing operations</b>	Notes		
<b>Revenue</b>	21	<b>15 325 391</b>	15 804 081
Cost of sales		<b>(13 097 630)</b>	(13 470 873)
<b>Gross profit</b>		<b>2 227 761</b>	2 333 208
Other income	22	<b>58 067</b>	46 436
Operating expenses (excluding depreciation and amortisation)		<b>(2 149 209)</b>	(2 033 273)
Earnings before depreciation and amortisation		<b>136 619</b>	346 371
Depreciation and amortisation		<b>(128 589)</b>	(144 494)
<b>Operating profit</b>	23	<b>8 030</b>	201 877
Interest income	24	<b>16 614</b>	9 085
Interest expense	25	<b>(140 643)</b>	(150 955)
Impairment of intangible assets, goodwill and bonds		<b>(477 797)</b>	(132 519)
Profits from the sale of associate	9	<b>184 960</b>	–
Share of profits from associates	9	<b>16 476</b>	23 396
<b>Loss before taxation</b>		<b>(392 360)</b>	(49 116)
Taxation (expense) credit	12.1	<b>(28 350)</b>	5 462
<b>Loss for the year from continuing operations</b>		<b>(420 710)</b>	(43 654)
<b>Discontinued operations</b>			
Loss for the year from discontinued operations	4	<b>(140 322)</b>	(148 758)
<b>Net loss for the year</b>		<b>(561 032)</b>	(192 412)
<b>Other comprehensive (loss*) income</b>			
Exchange differences on translating foreign operations	17.2	<b>(50 677)</b>	(86 448)
Exchange differences arising on the net investment of a foreign operation		<b>(30 964)</b>	(41 905)
Fair value adjustment of derivative financial instrument		<b>1 102</b>	1 869
Other comprehensive loss for the year, net of tax		<b>(80 539)</b>	(126 484)
Non-controlling interest		<b>(2 246)</b>	(1 682)
<b>Total comprehensive loss for the year</b>		<b>(643 817)</b>	(320 578)
<b>Loss attributable to:</b>			
Owners of the parent from continuing operations		<b>(422 956)</b>	(45 336)
Owners of the parent discontinued operations		<b>(140 322)</b>	(148 758)
Non-controlling interest		<b>2 246</b>	1 682
<b>Total comprehensive loss attributable to:</b>			
Owners of the parent continuing operations		<b>(501 249)</b>	(170 138)
Owners of the parent discontinued operations		<b>(140 322)</b>	(148 758)
Non-controlling interest		<b>2 246</b>	1 682
<b>Continuing operations</b>	26		
Basic loss per share – cents		<b>(388,2)</b>	(41,8)
Diluted loss per share		<b>(378,6)</b>	(40,7)
<b>Discontinued operations</b>	26		
Basic loss per share – cents		<b>(128,8)</b>	(137,3)
Diluted loss per share		<b>(125,6)</b>	(133,5)
<b>Total basic (loss) earnings per share – cents</b>			
Basic loss per share – cents	26	<b>(517,0)</b>	(179,1)
Diluted loss per share		<b>(504,2)</b>	(174,1)

\* All items included in other comprehensive loss will be reclassified to profit and loss upon derecognition.

# Consolidated statement of changes in equity

for the year ended 28 February 2018

		Share capital R'000	Share premium R'000	Treasury shares R'000	Share- based payment reserve R'000
	Notes	16.1	16.2	17.1	
<b>Balance as at 28 February 2015</b>		<b>2 733</b>	<b>1 718 856</b>	<b>(12 990)</b>	<b>114 581</b>
Issue of ordinary shares under employee share option plan		16	19 253	–	–
Treasury shares acquired during the year		–	–	(23 973)	–
Dividend distributions		–	–	–	–
Recognition of BBBEE and staff share-based payments		–	–	–	7 206
Profit (loss) for the year (as previously disclosed)		–	–	–	–
Restatement		–	–	–	–
Minority interest		–	–	–	–
Realised foreign exchange gains through profit and loss on disposal of business		–	–	–	–
Other comprehensive income (loss) for the year		–	–	–	–
<b>Balance as at 29 February 2016 (restated)</b>		<b>2 749</b>	<b>1 738 109</b>	<b>(36 963)</b>	<b>121 787</b>
Dividend distributions		–	–	–	–
Recognition of BBBEE and staff share-based payments		–	–	–	7 206
(Loss) profit for the year		–	–	–	–
Other comprehensive (loss) income for the year		–	–	–	–
Minority interest		–	–	–	–
<b>Balance as at 28 February 2017 (restated)</b>		<b>2 749</b>	<b>1 738 109</b>	<b>(36 963)</b>	<b>128 993</b>
Issue of treasury shares under employee share option plan		–	–	<b>13 961</b>	–
Dividend distributions		–	–	–	–
Recognition of BBBEE and staff share-based payments		–	–	–	<b>8 317</b>
(Loss) profit for the year		–	–	–	–
Non-controlling interest		–	–	–	–
Equity due to change in control		–	–	–	–
Other comprehensive (loss) income for the year		–	–	–	–
<b>Balance as at 28 February 2018</b>		<b>2 749</b>	<b>1 738 109</b>	<b>(23 002)</b>	<b>137 310</b>

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
17.2						
<b>(3 442)</b>	<b>(2 391)</b>	<b>650 806</b>	<b>2 468 153</b>	<b>(4 042)</b>	<b>921</b>	<b>2 465 032</b>
–	–	–	19 269	–	–	19 269
–	–	–	(23 973)	–	–	(23 973)
–	–	(164 571)	(164 571)	–	–	(164 571)
–	–	–	7 206	–	(245)	6 961
–	–	207 672	207 672	(862)	–	206 810
–	–	(54 495)	(54 495)	–	–	(54 495)
–	–	–	–	(1 282)	–	(1 282)
7 734	–	–	7 734	–	–	7 734
106 445	(580)	63 456	169 321	–	–	169 321
<b>110 737</b>	<b>(2 971)</b>	<b>702 868</b>	<b>2 636 316</b>	<b>(6 186)</b>	<b>676</b>	<b>2 630 806</b>
–	–	(102 965)	(102 965)	–	–	(102 965)
–	–	–	7 206	–	–	7 206
–	–	(194 094)	(194 094)	1 682	–	(192 412)
(86 448)	1 869	(41 905)	(126 484)	–	–	(126 484)
–	–	–	–	(745)	–	(745)
<b>24 289</b>	<b>(1 102)</b>	<b>363 904</b>	<b>2 219 979</b>	<b>(5 249)</b>	<b>676</b>	<b>2 215 406</b>
–	–	–	<b>13 961</b>	–	–	<b>13 961</b>
–	–	<b>(1 293)</b>	<b>(1 293)</b>	–	–	<b>(1 293)</b>
–	–	–	<b>8 317</b>	–	–	<b>8 317</b>
–	–	<b>(563 278)</b>	<b>(563 278)</b>	<b>2 246</b>	–	<b>(561 032)</b>
–	–	–	–	<b>6 911</b>	–	<b>6 911</b>
–	–	<b>858</b>	<b>858</b>	–	–	<b>858</b>
<b>(50 677)</b>	<b>1 102</b>	<b>(30 964)</b>	<b>(80 539)</b>	–	–	<b>(80 539)</b>
<b>(26 388)</b>	–	<b>(230 773)</b>	<b>1 598 005</b>	<b>3 908</b>	<b>676</b>	<b>1 602 589</b>

# Consolidated statement of cash flows

for the year ended 28 February 2018

	Notes	2018 R'000	2017 Restated R'000
<b>Operating activities</b>			
Loss before taxation		(473 044)	(149 454)
From continuing operations		(392 360)	(49 116)
From discontinued operations	4	(80 684)	(100 337)
<b>Adjusted for:</b>			
Depreciation	5	31 696	37 311
Amortisation of intangibles	6	96 893	107 183
Impairment of intangible assets, goodwill and bonds		477 797	132 519
Share of profits from associates		(16 476)	(23 396)
Loss (profit) on the sale of property and equipment		839	(1 014)
Share-based payments		8 767	7 648
Share-based payment expense		12 822	7 206
Revaluation of share-based payment liability	27	(4 055)	442
Unrealised foreign exchange loss		451	30 230
Non-cash portion of operating lease rentals		(1 361)	2 314
Profit on the sale of associate	9	(184 960)	–
Net movement on assets held for sale		203 701	(184 422)
Fair value adjustment		(3 298)	–
Increase in bad debt provision	13	(21 274)	(16 608)
Interest income		(16 614)	(9 085)
Interest expense		140 643	150 955
Cash generated from operations before working capital changes		243 760	84 181
Decrease in trade and other receivables		45 930	222 935
Decrease in other financial assets		–	(8 688)
Increase (decrease) in trade and other payables		56 091	(22 999)
Increase (decrease) in provisions		44 674	(17 601)
<b>Cash generated by operations</b>		<b>390 455</b>	<b>257 828</b>
Interest income		16 614	9 085
Interest expense		(140 643)	(150 955)
Cash settlement of share options exercised	27	(31 384)	–
Taxation paid	12.2	(100 692)	(31 632)
Dividend paid	32	(1 293)	(102 965)
<b>Net cash generated (utilised) by operating activities</b>		<b>133 057</b>	<b>(18 639)</b>

	Notes	2018 R'000	2017 Restated R'000
<b>Investing activities</b>			
Additions to property, equipment and intangible assets		<b>(27 234)</b>	(81 692)
Proceeds from sale of property and equipment		<b>2 133</b>	5 875
Net cash outflow on acquisition of subsidiaries	34	<b>(12 060)</b>	(12 152)
Dividends received from associates		–	7 837
Net cash inflow on disposal of associate	9	<b>305 702</b>	–
Net cash inflow from disposal of subsidiary		<b>858</b>	–
Minority interest		–	(745)
<b>Net cash generated (utilised) from investing activities</b>		<b>269 399</b>	(80 877)
<b>Financing activities</b>			
Payment from the issue of treasury shares		<b>13 961</b>	–
Repayment of borrowings		<b>(1 790 664)</b>	(300 853)
Proceeds from borrowings		<b>1 626 468</b>	46 801
Other non-current liabilities – interest-bearing		<b>(2 271)</b>	445
Decrease in other payables		–	(26 078)
<b>Net cash utilised by financing activities</b>		<b>(152 506)</b>	(279 685)
Net increase (decrease) in cash and cash equivalents		<b>249 950</b>	(379 201)
Cash and cash equivalents at the beginning of period/year		<b>98 702</b>	477 903
<b>Cash and cash equivalents at the end of the year</b>		<b>348 652</b>	98 702



# Segment report

for the year ended 28 February 2018

	Industrial			Professional Services			
	South Africa	Australia	Support Services	South Africa	Australia	Training	
Revenue							
– 2018 (R'000)	6 278 103	1 696 419	1 471 207	1 802 508	3 690 385	178 454	
– 2017 (R'000)	6 296 393	1 689 449	1 582 604	1 622 620	4 195 907	251 323	
Internal revenue							
– 2018 (R'000)	39 450	–	6 015	2 240	–	11 192	
– 2017 (R'000)	117 320	–	83 302	4 343	–	40 539	
Operating profit (loss)							
– 2018 (R'000)	180 968	26 551	43 436	151 663	99 100	(54 711)	
– 2017 (R'000)	345 954	(2 633)	66 396	105 902	94 514	9 093	
EBITDA							
– 2018 (R'000)	189 232	58 096	46 474	160 624	104 059	(51 824)	
– 2017 (R'000)	399 749	34 745	70 369	133 108	97 865	12 106	
Depreciation and amortisation							
– 2018 (R'000)	8 262	31 545	3 030	24 821	4 022	2 886	
– 2017 (R'000)	15 146	37 378	8 921	25 021	3 350	2 949	
Interest income							
– 2018 (R'000)	66 145	202	12 219	28 812	120	248	
– 2017 (R'000)	38 476	298	8 568	11 191	233	182	
Interest expense							
– 2018 (R'000)	(56 312)	–	(8 942)	(6 757)	(3 047)	(11 964)	
– 2017 (R'000)	(22 537)	(59)	(9 313)	(46 410)	(6 007)	(10 268)	
Taxation expense (income)							
– 2018 (R'000)	(26 396)	(5 698)	(3 152)	67 431	29 250	(12 822)	
– 2017 (R'000)	(2 451)	(25 043)	1 805	8 434	622	(1 463)	
Asset carrying value from continuing operations*							
– 2018 (R'000)	1 394 421	(127 230)	271 762	747 752	499 450	94 961	
– 2017 (R'000)	1 445 574	411 888	354 309	1 023 507	475 695	96 860	
Liabilities carrying value**							
– 2018 (R'000)	535 976	42 777	153 232	271 081	307 809	149 030	
– 2017 (R'000)	305 752	257 835	176 066	245 134	256 949	97 255	

\* Reconciliation of assets carrying value to balance sheet.

Assets carrying value per the segment report	4 477 219
Other financial asset – relating to Capital Africa	43 145
Total assets per balance sheet	4 520 364

\*\* Reconciliation of liabilities carrying value to balance sheet.

Liabilities carrying value per the segment report	2 851 533
Deferred taxation – relating to Capital Africa	47 431
Total liabilities per balance sheet	2 898 964

\*\*\* Determination of segments were disclosed in note 36.

Financial Services	Subtotal	Central		Total	International	South Africa	Total
		South Africa	Australia				
<b>192 281</b>	<b>15 309 357</b>	<b>16 034</b>	<b>–</b>	<b>15 325 391</b>	<b>5 386 804</b>	<b>9 938 587</b>	<b>15 325 391</b>
163 670	15 801 966	2 115	–	15 804 081	5 885 356	9 918 725	15 804 081
<b>–</b>	<b>58 897</b>	<b>20 155</b>	<b>–</b>	<b>79 052</b>	<b>–</b>	<b>79 052</b>	<b>79 052</b>
–	245 504	823	–	246 327	–	246 327	246 327
<b>55 041</b>	<b>502 048</b>	<b>(446 475)</b>	<b>(47 543)</b>	<b>8 030</b>	<b>78 108</b>	<b>(70 078)</b>	<b>8 030</b>
47 913	667 139	(462 997)	(2 265)	201 877	89 616	112 261	201 877
<b>58 218</b>	<b>564 879</b>	<b>(403 264)</b>	<b>(24 996)</b>	<b>136 619</b>	<b>137 159</b>	<b>(540)</b>	<b>136 619</b>
52 523	800 465	(451 829)	(2 265)	346 371	130 345	216 026	346 371
<b>5 687</b>	<b>80 253</b>	<b>24 854</b>	<b>23 482</b>	<b>128 589</b>	<b>59 049</b>	<b>69 540</b>	<b>128 589</b>
2 266	95 031	24 822	24 641	144 494	65 369	79 125	144 494
<b>8 066</b>	<b>115 812</b>	<b>(100 410)</b>	<b>1 212</b>	<b>16 614</b>	<b>1 534</b>	<b>15 080</b>	<b>16 614</b>
18 661	79 609	(69 616)	1 092	9 085	1 623	7 462	9 085
<b>(4 132)</b>	<b>(91 154)</b>	<b>(32 457)</b>	<b>(17 031)</b>	<b>(140 643)</b>	<b>(20 078)</b>	<b>(120 564)</b>	<b>(140 643)</b>
(2 312)	(96 906)	(33 169)	(20 880)	(150 955)	(26 946)	(124 009)	(150 955)
<b>4 758</b>	<b>53 371</b>	<b>10 074</b>	<b>(35 095)</b>	<b>(28 350)</b>	<b>(11 543)</b>	<b>39 893</b>	<b>(28 350)</b>
11 837	(6 259)	(31 011)	31 808	(5 462)	7 387	(12 849)	(5 462)
<b>202 951</b>	<b>3 084 067</b>	<b>517 608</b>	<b>875 544</b>	<b>4 477 219</b>	<b>1 257 312</b>	<b>3 285 604</b>	<b>4 477 219</b>
220 467	4 028 300	647 230	765 017	5 440 547	1 652 600	3 787 947	5 440 547
<b>24 650</b>	<b>1 484 555</b>	<b>1 065 596</b>	<b>301 382</b>	<b>2 851 533</b>	<b>651 968</b>	<b>2 199 565</b>	<b>2 851 533</b>
17 741	1 356 732	1 530 427	522 871	3 410 030	1 037 655	2 372 375	3 410 030

# Consolidated notes to the annual financial statements

## for the year ended 28 February 2018

### 1. Accounting framework

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

Consequently, all IFRS statements that were effective at 28 February 2018 and are relevant to its operations have been applied.

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

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

Materiality was determined at R20 million based on EBITDA for the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flow and note to the financial statements.

#### New and amended standards and interpretations

The Group applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2018. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The nature and the impact of each amendment is described below:

#### Standard

Amendments to IAS 7: *Statement of Cash Flows: Disclosure Initiative*

Amendments to IAS 12: *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*

Amendments to IFRS 12: *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*

Annual Improvements Cycle – 2014 – 2016

#### Standards issued but not yet effective

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

#### Standard

#### Effective date

Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Not yet determined

IFRS 2: *Classification and Measurement of Share-based Payment Transactions* —  
*Amendments to IFRS 2*

1 Jan 18

IFRS 16: *Leases*

1 Jan 19

#### IFRS 9: Financial instruments

The standard is effective for years commencing on or after 1 January 2018. The standard will be adopted by the Group for the financial reporting period commencing 1 March 2018.

IFRS 9 provides guidance on the classification, measurement and recognition of financial assets and financial liabilities and replaces IAS 39. The standard establishes three measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. Classification of financial assets into these categories is dependent on the entity's business model (which depicts its objectives with respect to the management of financial assets as a whole) and the characteristics of the contractual cash flows of the specific financial asset. There were no significant changes to the classification guidance for financial liabilities.

IFRS 9 introduces a new expected credit loss impairment model that replaces the incurred loss impairment model used in IAS 39.

The Group is in the process of assessing the impact on the financial statements and still to make a decision on the transition method to be applied.

## 1. Accounting framework continued

### IFRS 15: Revenue from contracts with customers

The standard is effective for years commencing on or after 1 January 2018. The standard will be adopted by the Group for the financial reporting period commencing 1 March 2018.

IFRS 15 requires an entity to recognise revenue in such a manner as to depict the transfer of the goods or services to customers, at an amount representing the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard has a five-step process to be applied to all contracts with customers. The standard provides guidance for identifying the contract with the customer, identification of the deliverables (performance obligations), determination of the transaction price (including the treatment of variability in the transaction price and significant financing components), how to allocate the transaction price and when to recognise revenue.

Adcorp has assessed the significant contracts with customers in line with the new standard. Results of the assessment indicate no material impacts are expected. The assessment indicates there may, however, be a change in revenue recognised by ADfusion Contract Management Services Proprietary Limited within the Industrial segment, this is still being investigated by management.

The Group is in the process of accessing the impact on the financial statements and still to make a decision on the transition method to be applied.

### IFRS 16: Leases

The standard is effective for years commencing on or after 1 January 2019. The standard will be adopted by the Group for the financial reporting period commencing 1 March 2019.

IFRS 16 requires a lessee to recognise a right of use asset and lease obligations for all leases except for short-term leases, or leases of low-value assets, which leases may be treated similarly to operating leases under the current standard IAS 17 if the exceptions are applied. A lessee measures its lease obligation at the present value of future lease payments, and recognises a right-of-use asset initially measured at the same amount as the lease obligation including costs directly related to entering into the lease. Right-of-use assets are subsequently treated in a similar way to other assets such as property, plant and equipment or intangible assets dependent on the nature of the underlying item.

The Group has property rental agreements in place. In accordance with the above, right-of-use assets and lease obligations associated to these rentals would be recognised in the statement of financial position.

The Group is in the process of accessing the impact on the financial statements and still to make a decision on the transition method to be applied.

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## 2. Significant accounting policies

### Statement of compliance

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

### Basis of preparation

The consolidated and separate annual 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 annual 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 the Financial Reporting Standards Council and Companies Act of South Africa.

The reports and statements as set out in the consolidated and separate annual financial statements are presented to the shareholders in terms of section 61.7 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: *Share-based payments*, leasing transactions that are within the scope of IAS 17: *Leases* and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2: *Inventories* or value in use in IAS 36: *Impairment of assets*.

### Level of assurance

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

# Consolidated notes to the annual financial statements

## for the year ended 28 February 2018

### 2. Significant accounting policies continued

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.

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).

## 2. Significant accounting policies continued

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; 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.



# Consolidated notes to the annual financial statements

## for the year ended 28 February 2018

### 2. Significant accounting policies continued

#### 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.

#### 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.

#### 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.

#### Other financial assets

Carrying value approximates fair value. And any impairments are recognised to the statement of comprehensive statement.

## 2. Significant accounting policies continued

### 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.

### 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.

### 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.

# Consolidated notes to the annual financial statements

## for the year ended 28 February 2018

### 3. Prior period adjustment

#### Accounting policy

The Group corrected all prior period errors retrospectively in the first set of consolidated and separate annual financial statements after the discovery by:

- restating the comparative amounts for the prior periods or
- if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

During the current financial year, errors were identified in the accounting treatment of certain revenue and expense items in Adcorp Training Services dating back a number of years. This resulted in the cost of sales and trade and other payables being understated with R72 million (this includes 2017 and 2016). The underlying systems that resulted in the error have been corrected.

In the 2017 financial year, one of the debtors in Adcorp Industrial Services entered into business rescue proceedings. At the time, a portion of the related debt was included in the doubtful debt provision but not the full amount. As a result the trade receivables were overstated with R10 million. Both errors have been corrected by restating each of the affected financial statement line items for the prior periods. The effect on the statement of financial position, statement of comprehensive income and statement of changes in equity is set out below:

	2017 R'000	2016 R'000
<b>Statement of financial position</b>		
Overstatement of intangible assets	–	4 535
Overstatement of trade receivables	10 000	–
Understatement of trade and other payables	22 086	49 960
	32 086	54 495
<b>Statement of comprehensive income</b>		
Increase in cost of sales	16 146	–
Increase in provision for bad debts	10 000	–
Increase in interest expense	5 940	–
	32 086	–
<b>Statement of changes in equity</b>		
Opening balance	702 868	650 806
Total comprehensive income as previously reported	(306 878)	106 557
Prior period error adjustment	(32 086)	(54 495)
Closing balance	363 904	702 868

## 4. Discontinued operation

### Accounting policy

The Group has taken the decision to dispose of its Rest of Africa operations during the current financial year, as such its operations are disclosed as discontinued. The comparative figures have been re-presented to include those operations classified as discontinued in the current year.

The board considers the criteria for discontinued operations to have been met for the following reasons:

- i) Buyers have been identified, and sale agreements have been finalised or are at an advanced stage, for the majority of the operations.
- ii) The remaining operations are available for immediate sale.

	2018 R'000	2017 R'000
<b>Profit and loss</b>		
Revenue	117 798	268 869
Cost of sales	(91 837)	(211 033)
Gross profit	25 961	57 836
Other income	10 915	28 078
Operating expenses	(42 260)	(179 107)
Operating loss	(5 384)	(93 193)
Net interest	–	(7 144)
Impairments	(75 300)	–
Net loss before tax	(80 684)	(100 337)
Taxation	(59 638)	(48 421)
Net loss after tax	(140 322)	(148 758)
The impairment relates to fixed assets, debtors, cash, sundry creditors and loans in Africa.		
<b>Assets and liabilities</b>		
<b>Non-current assets held for sale</b>		
Property and equipment	–	31 492
Intangible assets	–	59
Other financial assets	–	6 555
<b>Current assets held for sale</b>		
Trade and other receivables	10 077	65 560
Cash	–	184 422
Tax prepaid	357	905
<b>Total</b>	<b>10 434</b>	<b>288 993</b>
<b>Non-current liabilities associated with assets classified as held for sale</b>		
Trade and other payables	11 306	64 745
Provisions	4 756	21 057
Tax payable	13 183	18 301
<b>Total</b>	<b>29 245</b>	<b>104 103</b>

# Consolidated notes to the annual financial statements

## for the year ended 28 February 2018

### 5. Property and equipment

#### Accounting policy

Property, leasehold improvements, equipment, furniture and fittings are initially recognised at cost and thereafter stated at cost, net of accumulated depreciation and accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses, if any and is not depreciated. Such cost includes the cost of replacing part of the property and equipment.

When significant parts of property and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Land is not depreciated

Buildings owned and occupied	2,86%
Computer and office equipment	20% – 33%
Furniture and fittings	10% – 16,7%
Leasehold improvements	over the lease period

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, depreciation methods and residual values are reassessed on an annual basis with effect of any changes accounted for on a prospective 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.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. At the end of each reporting period, the Group reviews the carrying value of property and equipment to determine whether there is an indication of impairment. If there is an indication of impairment, the recoverable amount is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of its fair value less cost to sell and its value in use. An impairment loss is recognised in profit or loss.

#### Reconciliation of beginning and ending balances by classes of assets

	Land, buildings and leasehold improvements 2018 R'000	Computer and office equipment, furniture and fittings, and work in progress 2018 R'000	Total 2018 R'000	Total 2017 R'000
Balance at the beginning of the year	33 644	46 813	80 457	137 796
Assets at cost	55 086	179 799	234 885	325 094
Accumulated depreciation	(21 442)	(132 986)	(154 428)	(187 298)
<b>Current year movements</b>				
Additions	6 061	14 503	20 564	32 826
Classified as held for sale	–	–	–	(31 491)
<i>Effect of foreign currency exchange differences</i>	(376)	(221)	(597)	(16 502)
Cost	(1 056)	(1 369)	(2 425)	(20 690)
Accumulated depreciation	680	1 148	1 828	4 188
<b>Disposals</b>	(105)	(2 867)	(2 972)	(4 860)
Cost	(3 171)	(27 481)	(30 652)	(62 874)
Accumulated depreciation	3 066	24 614	27 680	58 014
Depreciation	(9 612)	(22 084)	(31 696)	(37 311)
Acquisition through business combination	–	–	–	–
<b>Net book value at the end of the year</b>	<b>29 612</b>	<b>36 144</b>	<b>65 756</b>	<b>80 458</b>
Represented by:				
Assets at cost	56 920	165 452	222 372	234 886
Accumulated depreciation	(27 308)	(129 308)	(156 616)	(154 428)
<b>Net book value at the end of the year</b>	<b>29 612</b>	<b>36 144</b>	<b>65 756</b>	<b>80 458</b>

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

## 6. Intangible assets

### Accounting policy

#### Intangible assets acquired separately

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

#### Internally generated intangible assets – research and development expenditure

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised 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.

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.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

A summary of the policies applied to the Group's intangible assets is as follows:

	Development costs	Trademarks	Customer base	Other intangible assets
Useful lives	Finite (10 to 15 years)	Finite (7 to 20 years)	Finite (3 to 15 years)	Finite (4 years)
Amortisation method used	Amortised on a straight-line basis over its estimated useful lives	Amortised on a straight-line basis over its estimated useful lives	Amortised on a straight-line basis over its estimated useful lives	Amortised on a straight-line basis over its estimated useful lives
Internally generated or acquired	Internally generated	Acquired	Acquired	Acquired



# Consolidated notes to the annual financial statements

## for the year ended 28 February 2018

### 6. Intangible assets continued

#### Reconciliation of beginning and ending balances by classes of assets

	Capitalised development 2018 R'000	Trade- marks 2018 R'000	Customer base 2018 R'000	Other 2018 R'000	Total 2018 R'000	Total 2017 Restated R'000
<b>Intangible assets</b>						
<b>Restated balance at the beginning of the year</b>	<b>92 737</b>	<b>143 407</b>	<b>346 562</b>	<b>28 663</b>	<b>611 369</b>	748 475
Assets at cost	<b>312 368</b>	<b>219 571</b>	<b>770 918</b>	<b>78 600</b>	<b>1 381 457</b>	1 325 954
Accumulated amortisation	<b>(219 631)</b>	<b>(76 164)</b>	<b>(449 018)</b>	<b>(49 937)</b>	<b>(794 750)</b>	(641 269)
Foreign exchange movements	–	–	<b>24 662</b>	–	<b>24 662</b>	63 790
Additions	<b>4 882</b>	–	–	<b>1 788</b>	<b>6 670</b>	48 866
Acquisitions through business combinations	–	–	–	–	–	6 535
Assets held for sale	–	–	–	–	–	102
Amortisation expense	<b>(15 563)</b>	<b>(16 809)</b>	<b>(51 070)</b>	<b>(13 451)</b>	<b>(96 893)</b>	(107 183)
Impairment loss recognised in profit and loss	<b>(26 536)</b>	<b>(64 640)</b>	<b>(145 486)</b>	–	<b>(236 662)</b>	(46 298)
Foreign exchange movements	–	–	<b>(8 699)</b>	–	<b>(8 699)</b>	(39 128)
<b>Net book value at the end of the year</b>	<b>55 520</b>	<b>61 958</b>	<b>141 307</b>	<b>17 000</b>	<b>275 785</b>	611 369
Represented by:						
Assets at cost	<b>317 250</b>	<b>219 571</b>	<b>770 918</b>	<b>80 388</b>	<b>1 388 127</b>	1 381 457
Accumulated amortisation and impairments	<b>(261 730)</b>	<b>(157 613)</b>	<b>(645 574)</b>	<b>(63 388)</b>	<b>(1 128 305)</b>	(794 750)
Foreign exchange movements	–	–	<b>15 963</b>	–	<b>15 963</b>	24 662
<b>Net book value at the end of the year</b>	<b>55 520</b>	<b>61 958</b>	<b>141 307</b>	<b>17 000</b>	<b>275 785</b>	611 369

#### Key estimates and assumptions

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

Customer base represents the customer bases purchased on acquisition of businesses.

Other intangible assets relate to:

- learning programmes, NQF accreditations development and a database valuation;
- a candidate database that was purchased on acquisition of businesses and accreditation of programmes; and
- accreditation programme costs incurred on accrediting training programmes with the relevant training authorities.

During the current year of impairment assessment, the recoverable amounts (based on value in use) of trade marks and customer base were assessed and were found to be less than the carrying amounts resulting in impairment losses. The following key assumptions were made:

- Period covered by the forecasts and budgets of 5 years.
- Growth in operating profit per annum of between 3 and 5%.
- Growth rate to extrapolate cash flows beyond period covered by mentioned forecasts and budgets of 3%.
- Annual pre-tax discount rate applied to cash flow of 20,3%.

The key assumptions relating to 2017 has been disclosed in the 2017 consolidated and separate annual financial statements.

Based on the above calculation the trademarks and customer base for Dare and Adcorp Workforce Solutions Proprietary Limited were impaired. The method for determining the value in use of intangible assets is similar to the method disclosed in goodwill, refer to note 7 for detail on determining value in use.

Adcorp has reviewed its systems and associated system enablement in relation to the operational strategy for the Group. As part of this review the directors have identified that there are a number of capitalised amounts relating to components in the current implementation of Microsoft Dynamics AX that are no longer utilised or require redevelopment. The capital amounts in relation to these areas have therefore been impaired as they no longer have a retained value to the Group.

## 7. Goodwill

### Accounting policy

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill arising on 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.

Goodwill and other indefinite useful-life intangible assets are assessed annually for impairment.

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 are expected to benefit from the synergies of the combination.

A cash-generating unit (CGU) to which goodwill has been allocated is tested for impairment annually, or more frequently, when there is an indication that the unit may be impaired. If the recoverable amount of the 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.

The estimated future cash flows and discount rates used are pre-tax based on an assessment of the current risks applicable to the specific CGU.

The weighted average cost of capital rate is derived from taking into account market risks as well as the cost of debt.

The variables used in the model are established on the basis of management judgement and current market conditions. Management judgement is also applied in estimating the future cash flows of the cash-generating units.

### Key estimates and assumptions

Key assumptions include the discount rate and cash flows used to determine the value in use. Future cash flows are estimated based on the most recent budgets and forecasts approved by management covering periods between three to five years and are extrapolated over the useful life of the asset to reflect the long-term plans for the Group using the estimated growth rate for the specific business.

The Group performed its annual impairment test in February 2018.

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value-in-use calculation is based on a discounted cash flow (DCF) model. Impairment losses recognised in the current year were based on the value in use of the relevant cash-generating units.

The cash flow inputs to the DCF were derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. In certain instances the budgets have been revised to take into account the business risks.

The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate used for the terminal-value calculation. The key assumptions used to determine the recoverable amount for the different CGUs are discussed further in this note.

# Consolidated notes to the annual financial statements

## for the year ended 28 February 2018

### 7. Goodwill continued

#### Reconciliation of beginning and ending balances

	2018 R'000	2017 R'000
<b>Cost</b>		
Opening balance	1 576 128	1 630 516
Additional amounts recognised from business combinations during the year (refer to note 34)	12 060	9 257
Foreign currency adjustment	(35 513)	(63 645)
<b>Closing balance</b>	<b>1 552 675</b>	<b>1 576 128</b>
<b>Impairment</b>		
Opening balance	(202 966)	(116 883)
Impairment of goodwill during the year*	(187 699)	(86 083)
<b>Closing balance</b>	<b>(390 665)</b>	<b>(202 966)</b>
<b>Carrying amount at the end of the year</b>	<b>1 162 010</b>	<b>1 373 162</b>
* Impairments is included in the statement of comprehensive income.		
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:		
<b>Industrial Services</b>	<b>463 756</b>	<b>607 517</b>
<b>South Africa</b>	<b>288 657</b>	<b>360 957</b>
Adcorp BLU, a division of Adcorp Workforce Solutions Proprietary Limited	209 348	209 348
Staff U Need, a division of Adcorp Staffing Solutions Proprietary Limited	79 309	151 609
<b>Australia</b>	<b>175 099</b>	<b>246 560</b>
Labour Solutions Australia Group of Companies	175 099	191 714
Dare Energy Proprietary Limited	–	54 846
<b>Support Services</b>	<b>–</b>	<b>36 800</b>
Adcorp Workforce Solutions Proprietary Limited	–	26 924
Quest Staffing Solutions Proprietary Limited	–	9 876
<b>Financial Services</b>	<b>148 656</b>	<b>162 011</b>
FMS, a division of Adcorp Support Services Proprietary Limited	148 656	162 011
<b>Professional Services</b>	<b>549 598</b>	<b>561 892</b>
<b>South Africa</b>	<b>348 331</b>	<b>348 331</b>
Adcorp Workforce Management Solutions Proprietary Limited	341 061	341 061
DAV Professional Placement Group, a division of Adcorp Fulfilment Services Proprietary Limited	7 270	7 270
<b>Australia</b>	<b>201 267</b>	<b>213 561</b>
Paxus Holdings Pte	187 178	205 026
TalentCru Proprietary Limited	7 796	8 535
Razzbri Proprietary Limited	6 293	–
Capital Outsourcing Group Proprietary Limited	–	4 942
<b>Total</b>	<b>1 162 010</b>	<b>1 373 162</b>

## 7. Goodwill continued

### Industrial Services segment CGUs

#### South Africa

##### Staff U Need

The projected cash flows used in the value-in-use calculation were adjusted to reflect increased margin pressure from clients in this segment. The pre-tax discount rate applied was 20,3% (FY2017: 19,2%) and cash flows beyond the five years were extrapolated using a 3% terminal growth rate. This resulted in an impairment of R72 million.

##### BLU

Impairment testing on the BLU CGU was based on conservative year-on-year growth projections at a maximum growth of 5%, applying a pre-tax discount rate of 20,3% (FY2017: 19,2%) and a terminal growth rate of 3%. This analysis reflected headroom of R320 million, and no impairment was recognised.

#### Australia

##### Labour Solutions Australia

The projected cash flows used in the value-in-use calculation were based on the five-year financial plan. The pre-tax discount rate applied was 12,0% (FY2017: 12,4%) and cash flows beyond five years were extrapolated based on a terminal growth rate of 2,5%. This analysis reflected headroom of R105 million, and no impairment was recognised.

##### Dare Energy

The projected cash flows used in the value-in-use calculation were based on the five year financial plan. The pre-tax discount rate applied was 12,5% (FY2017: 12,4%) and a terminal growth rate of 2,5%. This resulted in a impairment of R55 million.

### Support Services segment CGUs

The projected cash flows used in the value-in-use calculation were adjusted to reflect increased margin pressure from clients in this segment. The pre-tax discount rate applied was 20,3% (FY2017: 19,2%) and cash flows beyond the five years were extrapolated using a 3% terminal growth rate. This resulted in an impairment of R37 million.

### Professional Services segment CGUs

#### South Africa

The projected cash flows used in the value-in-use calculation were based on the five-year financial plan. The pre-tax discount rate applied was 20,3% (FY2017: 19,2%) and cash flows beyond five years were extrapolated based on a terminal growth rate of 3%. This analysis reflected headroom of R20 million, and no impairment was recognised.

#### Australia

The projected cash flows used in the value-in-use calculation were based on the five year financial plan. The pre-tax discount rate applied was 11,5% (FY2017: 12,4%) and cash flows beyond five years were extrapolated based on a terminal growth rate of 2,5%. This analysis reflected headroom of R76 million, and no impairment was recognised.

### Financial Services

The projected cash flows used in the value-in-use calculation were based on the five year financial plan. The pre-tax discount rate applied was 20,3% (FY2017: 19,2%) and a terminal growth rate of 3%. This resulted in a impairment of R13,4 million.

### Training Services

During the current financial year, the Training segment acquired the business of ICAN for R5 million. Based on projected cash flows the full amount was impaired in the current financial year.

### Sensitivity analysis

The impairment calculations are most sensitive to the following assumptions:

- Anticipated earnings growth
- Discount rates

**Anticipated earnings** – Directors recognises the ongoing uncertainty with regard to certain aspects of the legislative environment within which the Industrial Services segment CGUs operate. The continued positive engagement with clients provides management with confidence that the inputs to the DCF calculation are appropriate. A decline in earnings of 70% would result in impairment of R50 million.

# Consolidated notes to the annual financial statements

## for the year ended 28 February 2018

### 7. Goodwill continued

**Discount rates** – Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

	2018 R'000	2017 R'000
As a result of the annual impairment review, the Group impaired the goodwill in the following cash-generating units:		
<b>Industrial Services</b>		
<b>South Africa</b>		
Staff U Need, a division of Adcorp Staffing Solutions Proprietary Limited	(72 300)	–
Capital Outsourcing Group Proprietary Limited	(4 942)	–
<b>Australia</b>		
Dare Energy Proprietary Limited	(55 301)	(86 083)
<b>Support Services</b>		
Adcorp Workforce Solutions Proprietary Limited	(26 924)	–
Quest Staffing Solutions Proprietary Limited	(9 876)	–
<b>Training Services</b>		
ICAN, a division of Production Management Institute Proprietary Limited	(5 000)	–
<b>Financial Services</b>		
FMS, a division of Adcorp Support Services Proprietary Limited	(13 356)	–
<b>Total</b>	<b>(187 699)</b>	<b>(86 083)</b>

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.

### 8. Investments

#### Accounting policy

Investments in securities are recognised on a trade date basis and are initially measured at fair value. Investments are classified as held for trading, 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 year. 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 year. Proceeds from disposals which are not due within one year have been discounted to net present value.

#### Investment – held for trading

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

#### Details of investments

	2018 R'000	2017 R'000
<b>Investment</b>		
Opening balance	10 000	10 000
Fair value gain	3 244	–
<b>Closing balance*</b>	<b>13 244</b>	<b>10 000</b>

\* 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.

Refer to note 35.5 for disclosure

## 9. Investment in associate

### Accounting policy

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, assets and liabilities of associates are incorporated in these consolidated 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: *Financial instruments: Recognised and Measurement* 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.

Summarised financial information in respect of the Group's associate is set out below.

During the current financial year, the Group disposed of its 34,6% equity stake in Nihilent Technologies PVT Limited on 5 October 2017.

The proceeds were as follows:

	2018 R'000	2017 R'000
<b>Investments</b>		
Carrying value at the beginning of the year	140 808	125 249
Share of current period earnings (gross of dividends received)	16 476	23 396
Dividends received	–	(7 837)
Disposal	(157 284)	–
Carrying amount	–	140 808
Gross proceeds received	342 244	–
Profit on the sale	184 960	–
Tax	(36 542)	–
	2018 R'000	Total Feb 2017 R'000
<b>Total assets</b>	–	674 798
Non-current assets	–	181 927
Current assets	–	492 871
<b>Total liabilities</b>	–	153 345
Non-current liabilities	–	–
Current liabilities	–	153 345
<b>Net assets</b>	–	521 453
Total revenue	–	701 172
Total profit (loss) for the year	–	67 619
Group's share of associates' profit for the year	16 476	23 396



# Consolidated notes to the annual financial statements

## for the year ended 28 February 2018

### 9. Investment in associates continued

#### Nihilent Technologies PVT Limited

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 up to September 2017. Nihilent's profit and loss for the year has been converted using an average exchange rate for the period ended 5 October 2017 of USD1 = ZAR13,58 (2017: USD1 = ZAR14,33).

### 10. Other financial assets

#### Details of financial assets held at year-end

On 17 October 2017, the Group invested a total value of \$2 306 145 in three-year term USD-linked government bonds in Angola. The coupon rate is 7% payable every six months.

On 15 November 2016, the Group invested a total dollar value of \$2 399 376 in two-year term USD-linked government bonds in Angola. The coupon rate is 7% payable every six months. The maturity date is 15 November 2018 and therefore this is disclosed under other current assets in the current financial year.

The prior year MELT financial asset, against which a provision was raised in the previous year has been written off in the current year, disclosed as part of discontinued operations.

	R'000
<b>2018</b>	
Opening balance	31 861
Current year bond	33 441
60% impairment	(36 195)
MELT impairment	(6 555)
Closing balance	22 552
Long-term portion	10 361
Current portion	12 191
<b>2017</b>	
<b>Carrying value of the MELT financial asset designated as</b>	
Held-to-maturity investments (amortised cost model)	6 555
<b>Carrying value of the bond financial asset designated as</b>	
Held-to-maturity investments (amortised cost model)	30 930
Current portion	931
	31 861

#### Credit risk

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

As no security was obtained over the Mozambique purchase price and the purchaser is considered one of medium to high risk, a full impairment of the purchase price was made at 28 February 2018.

#### Market risk

As a result of the government bond investments, 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.

There is no measurable market for the nature of the Mozambique purchase price financial asset, which increases the risk profile of repayment, hence the full impairment.

#### Impairment

An impairment of 60% against both the value of the government bonds and the residual cash in the Angola branch operation has been effected in as at 28 February 2018 in order to take into account the possible eventual value of the remittance of funds back to South Africa.

Owing to the risk associated with collection of the purchase price relating to the Mozambique training centre assets sold, the full outstanding amount has been impaired.

The carrying value approximates the fair value.

Refer to note 35.5 for IFRS 13: *Fair value measurements*.

	2018 R'000	2017 R'000
<b>11. Deferred taxation</b>		
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	<b>191 860</b>	149 712
Aggregate net deferred tax liabilities	<b>(100 074)</b>	(107 030)
Net position	<b>91 786</b>	42 682

GROUP	As at 28 February 2017	Income statement movements	Other comprehensive movements	Recognised in equity	As at 28 February 2018
<b>Deferred tax assets</b>					
Deferred tax raised on provisions	107 887	(35 342)	–	(92)	<b>72 453</b>
Excess tax allowances and depreciation charge	132	(132)	–	–	<b>–</b>
Deferred tax raised on performance shares	4 593	(3 013)	–	–	<b>1 580</b>
Operating lease timing adjustments	6 504	(945)	–	–	<b>5 559</b>
Computed losses	82 877	14 464	–	–	<b>97 341</b>
Income received in advance	3 118	(3 118)	–	–	<b>–</b>
Intangible asset – other	75 117	(47 341)	–	–	<b>27 776</b>
Section 24C future expense deduction	785	(785)	–	–	<b>–</b>
Other	4 778	(4 778)	–	–	<b>–</b>
	<b>285 791</b>	<b>(80 990)</b>	<b>–</b>	<b>(92)</b>	<b>204 709</b>
<b>Deferred tax liability</b>					
Excess tax allowances and depreciation charge	(475)	475	–	–	<b>–</b>
Deferred tax raised on performance shares	(6 559)	5 608	–	–	<b>(951)</b>
Operating lease timing adjustments	68	(68)	–	–	<b>–</b>
Prepayments	(7 205)	5 081	–	–	<b>(2 124)</b>
Intangible asset – Software	(21 914)	(32 856)	–	–	<b>(54 770)</b>
Foreign exchange differences	(4 382)	4 382	–	–	<b>–</b>
Deferred tax arising on fair value adjustment on acquisition	(133 912)	133 912	–	–	<b>–</b>
Section 24C future expense deduction	(773)	773	–	–	<b>–</b>
Deferred tax on fair value adjustment of foreign loan	(5 788)	1 337	12 042	(1 093)	<b>6 498</b>
Deferred tax on impairments in intercompany loans	(26 033)	26 033	–	–	<b>–</b>
Deferred tax on accrued revenue	(36 025)	882	–	–	<b>(35 143)</b>
Other	(111)	(2 166)	–	–	<b>(2 276)</b>
Deferred tax on interest	–	(24 157)	–	–	<b>(24 157)</b>
	<b>(243 109)</b>	<b>119 236</b>	<b>12 042</b>	<b>(1 093)</b>	<b>(112 923)</b>
Net	<b>42 682</b>	<b>38 246</b>	<b>12 042</b>	<b>(1 185)</b>	<b>91 786</b>

Deferred tax assets were raised on estimated tax losses to the extent that management considers its probable that future taxable income will be generated in order to utilise the assessed loss recognised. In determining that future taxable income will be generated, consideration was given to forecasts and budgets and as a result, the deferred tax asset is considered recoverable. The total amount of assessed losses on which no deferred tax was raised is R428 million.

# Consolidated notes to the annual financial statements

## for the year ended 28 February 2018

	2018 R'000	2017 R'000
<b>12.1 Taxation</b>		
<b>CONTINUED OPERATIONS</b>		
<b>Current tax</b>		
– Current year	95 028	66 562
– Prior year under (over)provision	580	(531)
<b>Deferred tax</b>		
– Current year	(63 725)	(73 152)
– Prior year (over) underprovision	(3 533)	1 673
<b>Foreign tax</b>		
– Foreign withholding tax	–	(14)
	<b>28 350</b>	<b>(5 462)</b>
<b>Income tax recognised in the other comprehensive income</b>		
Deferred taxation		
– Exchange differences of net investment of foreign operations	12 042	(24 083)
<b>Taxation reconciliation</b>		
<b>Profit (loss) before tax</b>	<b>(392 360)</b>	<b>(49 116)</b>
South African standard tax rate (%)	28	28
Normal tax at standard rate	<b>(109 861)</b>	<b>(13 753)</b>
<i>Adjustment for the tax effect at the standard rate of the following items:</i>		
Exempt income	<b>(91 506)</b>	<b>(40 948)</b>
Share profits from associates	<b>(4 612)</b>	<b>(6 551)</b>
Profit on disposal of associates	<b>(51 789)</b>	<b>–</b>
Incentive income	<b>(35 105)</b>	<b>(34 397)</b>
<i>Non-deductible items charged against income:</i>		
– Capital losses	–	13 625
– Non-deductible expenses	<b>51 745</b>	<b>–</b>
– Impairment of intangible assets, goodwill and loans	<b>89 755</b>	<b>36 090</b>
– Share-based payments – permanent	<b>2 018</b>	<b>2 018</b>
<i>Special allowances claimed:</i>		
– Learnerships	<b>(23 780)</b>	<b>(12 507)</b>
– Other special allowances	–	–
Current year tax losses not recognised	<b>62 831</b>	<b>42 163</b>
Prior year unrecognised tax losses utilised in current year	<b>(12 559)</b>	<b>(40 756)</b>
Other permanent differences	<b>(735)</b>	<b>(442)</b>
Prior year overprovision	<b>(2 952)</b>	<b>(531)</b>
STC or WHT on dividends	–	148
Deferred tax on impairments in intercompany loans	–	–
Income of controlled foreign companies	–	–
Transfer pricing	–	–
Rate change adjustment	<b>(231)</b>	<b>(1 226)</b>
Foreign currency rate differential	<b>2 926</b>	<b>–</b>
Foreign taxes paid	<b>36 542</b>	<b>8 984</b>
Prior year under provision on deferred taxation	–	1 673
Deferred tax on interest	<b>24 157</b>	<b>–</b>
<b>Actual tax charge for the year</b>	<b>28 350</b>	<b>(5 462)</b>
<b>DISCONTINUED OPERATIONS</b>		
<b>Current tax</b>		
– Current year	<b>31 299</b>	<b>10 564</b>
– Prior year overprovision	–	(1 258)
<b>Deferred tax</b>		
– Current year	<b>28 339</b>	<b>33 820</b>
– Prior year overprovision	–	(875)
<b>Foreign tax</b>		
– Foreign withholding tax	–	6 170
	<b>59 638</b>	<b>48 421</b>
<b>Total Group</b>	<b>87 988</b>	<b>42 959</b>

	2018 R'000	2017 R'000
<b>12.1 Taxation continued</b>		
<b>Reconciliation of estimated tax losses available in the Group:</b>		
Estimated losses at the beginning of the year	601 020	472 443
Increases in tax losses for the year	409 342	225 539
Tax losses utilised during the year	(235 105)	(97 486)
Tax losses revised on assessment	–	524
	<b>775 257</b>	601 020
<b>Which consists of:</b>		
Losses recognised	347 648	295 990
Losses not recognised	427 609	305 030
	<b>775 257</b>	601 020
<b>12.2 Taxation paid</b>		
Net amount prepaid at the beginning of the year	(11 729)	38 848
Amounts charged to statement of comprehensive income	(95 609)	(81 496)
Foreign currency	(12 459)	(713)
Net amount unpaid at the end of the year	19 105	11 729
<b>Net cash payment</b>	<b>(100 692)</b>	(31 632)

### 13. Trade receivables

#### Accounting policy

Receivables and other current assets are initially recognised at fair value and subsequently measured at amortised cost, less impairments.

No fair value adjustment is made for the effect of time value of money where receivables have a short-term profile.

In determining recoverability of the debts, a provision for impairment to trade receivables is considered when there is objective evidence that the Group will not be able to collect all amounts due as the result of one or more events that occurred after the initial recognition and that loss event has an impact on the estimated future cash flow of the financial asset that can be reliably estimated. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or late payments are considered indicators that the trade receivable is impaired.

The provision is recognised through the use of an allowance account for losses. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income within operating expenses. When a trade receivable is uncollectible it is written off.

	2018 R'000	2017 R'000
	<b>2 272 550</b>	2 359 246
Trade receivables	<b>2 381 610</b>	2 447 032
Provision for bad debts	<b>(109 060)</b>	(87 786)
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:		
	<b>2 381 610</b>	2 447 032
South Africa	<b>1 725 702</b>	1 643 406
Australia	<b>655 908</b>	803 626

Debtors days outstanding at the end of February 2018 was 53 days (2017: 55 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.

Effective December 2017, before accepting any new customer, the South Africa operations uses an external credit bureau to assess the potential customer's credit quality and defines credit limit by customer.

The carrying value approximates the fair value.

# Consolidated notes to the annual financial statements

## for the year ended 28 February 2018

### 13. Trade receivables continued

Trade receivables are provided as security for all banking facilities available to the Group as disclosed in note 18.

The carrying value approximates the fair value.

	<b>Gross</b>	<b>Impairment</b>	<b>Gross</b>	<b>Impairment</b>
	<b>2018</b>		<b>2017</b>	
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
The ageing of trade receivables at the reporting date was:	<b>2 381 610</b>	<b>(109 060)</b>	2 447 032	(87 786)
Not past due	<b>1 581 224</b>	–	1 426 279	–
Past due 0 – 30 days	<b>429 399</b>	–	614 821	–
Past due 31 – 60 days	<b>160 721</b>	–	181 554	–
Past due 61 – 90 days	<b>65 792</b>	–	70 204	–
Past due 91 – 365 days	<b>144 474</b>	<b>(109 060)</b>	154 174	(87 786)
Movement in the provision for bad debts during the year under review was as follows:				
Closing balance		<b>109 060</b>		87 786
Balance at the beginning of the year		<b>87 786</b>		36 599
Amounts written off		<b>(143 693)</b>		(12 832)
Amounts provided for during the year		<b>164 967</b>		64 019

	<b>2018</b>	<b>2017</b>
	<b>R'000</b>	<b>R'000</b>
<b>14. Other receivables</b>	<b>77 208</b>	103 377
Deposits	<b>5 560</b>	3 677
Prepayments and sundry billings	<b>24 026</b>	35 472
Sundry loans	–	5 063
Other*	<b>47 622</b>	59 165

\* Included is SETA and payroll billings.

### 15. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following:

Statement of financial position amounts:

Cash resources*	<b>360 328</b>	538 749
Bank overdrafts	<b>(11 676)</b>	(440 047)
	<b>348 652</b>	98 702

\* Includes restricted cash related to Capital Outsourcing Group Proprietary Limited of R11 million and R90 million in the prior year.

Bank overdrafts are considered as part of cash and cash equivalents.

#### Group facilities

The Group had the following overdraft facilities as at 28 February 2018:

ABSA	–	245 000
First National Bank	<b>100 000</b>	190 000
<b>Total overdraft facilities</b>	<b>100 000</b>	435 000

In the prior year the ABSA overdraft facility included a seasonal facility of R75 million that expired 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 18.

#### Available facilities

South Africa	<b>225 000</b>	–
Australia	<b>144 456</b>	–
	<b>369 456</b>	–

The carrying value approximates the fair value.

	2018 R'000	2017 R'000
<b>16. Share capital and share premium</b>		
<b>Share capital and share premium</b>		
<b>Authorised</b>		
183 177 151 ordinary shares of 2,5 cents each (2017: 183 177 151)	4 579	4 579
16 822 849 'B' ordinary shares of 2,5 cents each (2017: 16 822 849)	421	421
	<b>5 000</b>	5 000
<b>Issued</b>		
109 954 675 ordinary shares of 2,5 cents each (2017: 109 954 675)	2 749	2 749
16 822 849 'B' ordinary shares of 2,5 cents each (2017: 16 822 849)	–	–
	<b>2 749</b>	2 749
Number of shares ('000)	<b>109 398</b>	108 383
Opening balance	<b>109 955</b>	109 955
Treasury shares	<b>(557)</b>	(1 572)
<b>Share premium</b>	<b>1 738 109</b>	1 738 109
Closing balance*	<b>1 738 109</b>	1 738 109
<b>Total share capital and share premium</b>	<b>1 740 858</b>	1 740 858

\* No movement in share premium in current and prior year.

## 17. Reserves

### 17.1 Treasury shares

#### Accounting policy

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

Adcorp Fulfilment Services Proprietary Limited	(23 002)	(36 963)
– 556 607 shares (2017: 1 571 826)	(22 834)	(36 795)
Adcorp Employee Benefit Trust 2 consolidated		
– 6 729 140 'B' shares (2017: 6 729 140)	(168)	(168)

### 17.2 Foreign currency translation reserve

Balance at 1 March	24 289	110 737
Arising on translation of foreign operation	(50 677)	(86 448)

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into rand amounts are brought to account by entries made directly to the foreign currency translation reserve.

### 17.3 BEE shareholders' interest employee share scheme

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 (2017: 16 822 849) to its empowerment shareholders at a value of 2,5 cents per share, of which 6 729 140 (2017: 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 qualifying 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.



# Consolidated notes to the annual financial statements

## for the year ended 28 February 2018

### 17. Reserves continued

#### 17.3 BEE shareholders' interest employee share scheme continued

	2018 R'000	2017 R'000
<b>Issued</b>		
16 822 849 'B' ordinary shares of 2,5 cents per share (2017: 16 822 849)	<b>421</b>	421
400 'A' ordinary shares of no par value in Quest Staffing Solutions Proprietary Limited (2017: 400)	<b>25</b>	25
450 'A' ordinary shares of no par value in Fortress Administration Proprietary Limited (2017: 450)	<b>230</b>	230
	<b>676</b>	676

In respect of the 2013 BBEE 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.

The inputs into the model are set out below:

#### 2013 BBEE deal

Using the modification cost principles under IFRS 2, the total modified cost of the option is R145,6 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 BBEE deal, as above.

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

One year	<b>7 206</b>	7 206
Year two to five	<b>28 824</b>	28 824
More than five years	<b>7 206</b>	14 412

At the commencement of the 2013 BBEE 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 2018	Number of shares 2017
<b>'B' ordinary shares</b>		
Outstanding at the beginning of the year	<b>6 729 140</b>	6 729 140
Outstanding at the end of the year	<b>6 729 140</b>	6 729 140
Exercisable at the end of the year	<b>–</b>	–

	Interest rate	Maturity	2018 R'000	2017 R'000
<b>18. Interest-bearing liabilities</b>				
<b>Secured – at amortised cost less amount capitalised</b>				
<b>18.1 Long-term loans – non-current portion</b>				
Amortising term loan	JIBAR +340	Six equal instalments on the last of each of the five months prior to 30 November 2020	<b>978 196</b>	649 229
Amortising revolving loan			<b>200 000</b>	–
	JIBAR +340		<b>725 000</b>	–
Corporate bond	JIBAR +249	8 March 2018	–	400 000
Corporate bond	JIBAR +240	31 July 2018	–	150 000
Corporate bond	JIBAR +250	4 December 2018	–	100 000
Transaction costs capitalised			–	(771)
Amortising revolving loan – Australia	2,9% – 3,15%	Equal semi-annual instalments	<b>53 196</b>	–
			<b>228 687</b>	720 603
<b>18.2 Short-term loans</b>				
Commercial paper		27 November 2017	–	50 000
Corporate bond	JIBAR +260		–	209 000
Amortising revolving loan – Australia	3,15%		<b>228 687</b>	447 944
	(FY17: 3,85%)			
Accrued interest			–	13 659

On 8 December 2017 the Group successfully redeemed all corporate bonds under its South African-based domestic medium term note (DMTN) programme and replaced it with a syndicated loan facility.

As security for the South Africa loan facility granted to the Group, a shared security agreement was entered into that holds a cession over the trade receivables between the following operating subsidiaries of the Adcorp Group:

- All About Project Management Proprietary Limited
- Adcorp Staffing Solutions Proprietary Limited
- Adcorp Fulfilment Services Proprietary Limited
- Adcorp Management Services Proprietary Limited
- Adcorp Support Services Proprietary Limited
- Quest Staffing Solutions Proprietary Limited
- Fortress Administration Proprietary Limited
- Paracon SA Proprietary Limited
- Mondial IT Solutions Proprietary Limited
- Production Management Institute Of Southern Africa Proprietary Limited
- Adcorp Workforce Solutions Proprietary Limited
- Adcorp Workforce Management Solutions Proprietary Limited
- Comsel Eighteen Proprietary Limited
- Talentcru Proprietary Limited
- Tiger Tail Digital Proprietary Limited
- Torque Technical Computer Training Proprietary Limited
- Zest Hospitality Proprietary Limited
- Adcorp Contracting Proprietary Limited
- Adcorp Technical Training Proprietary Limited
- Adfusion Contract Management Services Proprietary Limited
- Adcorp Advantage Proprietary Limited
- FNDS3000 Proprietary Limited
- M Squared Consulting MSP Proprietary Limited

The list of guarantors under current facility is different to those that formed part of the DMTN programme. A full list of the DMTN guarantors was provided in the 2017 financial statements.

# Consolidated notes to the annual financial statements

## for the year ended 28 February 2018

### 19. Trade and other payables

#### Accounting policy

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

Trade and other payables are carried at fair value.

The average credit period on trade and other payables is 30 days. No interest is incurred on trade and other payables unless payment is not effected timely. All amounts will be settled within 12 months and are therefore considered to be short term in nature.

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

The carrying value approximates the fair value.

	2018 R'000	2017 R'000
	<b>1 225 030</b>	1 175 389
Trade creditors	<b>252 940</b>	224 446
VAT	<b>206 891</b>	164 692
Operating expense accruals	<b>250 759</b>	248 190
Payroll accruals	<b>399 719</b>	465 368
Income received in advance	<b>39 026</b>	27 465
Other creditors	<b>61 326</b>	24 408
Obligation under finance leases	<b>14 369</b>	20 820

### 20. Provisions

#### Accounting policy

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### Provision for leave pay

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 the balance sheet date in accordance with the Basic Conditions of Employment Act. The provision includes both temporary and permanent employees.

#### Bonuses

Bonus provision includes both temporary and permanent staff. The Group rewards the meeting of strategic financial and non-financial objectives through bonuses to permanent employees. The provision is utilised when the bonus is approved and paid out in May of the following financial year. Temporary staff bonuses are raised based on contractual obligations with our assignee and candidate base.

#### Other

Other provisions represent the directors' best estimate of future economic benefits that may be required to cover claims on services rendered by the Group. The provisions have been determined based on assessments and estimates by management. Actual results could differ from estimates and there is no certainty regarding timing of these cash flows.

	As at 28 Feb 2017 R'000	Provisions raised 2018 R'000	Provisions utilised 2018 R'000	Transfer between provisions 2018 R'000	Foreign exchange movement 2018 R'000	Transfer to liabilities held-for- sale 2018 R'000	As at 28 Feb 2018 R'000
Leave pay	134 980	<b>181 856</b>	<b>(175 502)</b>	–	<b>(1 659)</b>	<b>4 081</b>	<b>143 756</b>
Bonuses	76 428	<b>155 831</b>	<b>(143 122)</b>	–	<b>(1 730)</b>	<b>4 945</b>	<b>92 352</b>
Other	31 120	<b>49 405</b>	<b>(36 732)</b>	–	<b>25</b>	<b>7 276</b>	<b>51 094</b>
Total	242 528	<b>387 092</b>	<b>(355 356)</b>	–	<b>(3 364)</b>	<b>16 302</b>	<b>287 202</b>
	2016 R'000	2017 R'000	2017 R'000	2017 R'000	2017 R'000	2017 R'000	2017 R'000
Leave pay	127 746	173 529	(163 141)	(2 000)	(2 288)	1 134	134 980
Bonuses	78 659	132 995	(135 445)	–	(1 350)	1 569	76 428
Other	32 713	57 205	(78 640)	2 000	(466)	18 308	31 120
Total	239 118	363 729	(377 226)	–	(4 104)	21 011	242 528

	2018 R'000	2017 R'000
<b>21. Revenue</b>		
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 is recognised on a percentage completion basis, as the services are rendered.		
Revenue comprises mainly the invoice value of temporary employment and permanent placement services and outsourced-based solutions provided 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.		
<b>Revenue from the rendering of services</b>	<b>15 325 391</b>	15 804 081
<b>22. Other income</b>	<b>58 067</b>	46 436
Other income includes training levies recovered and bureau income.		
<b>23. Operating profit</b>		
Operating profit is determined after allowing for the following items:		
Auditors' remuneration	(19 980)	(24 150)
– fee for audit	(14 380)	(14 120)
– fee for audit (prior year underprovision)	(2 600)	(1 014)
– fee for other services	(3 000)	(9 016)
Realised foreign exchange losses	(452)	(30 231)
Retirement benefits	(77 024)	(74 561)
Leasing and rentals		
– properties and premises	(75 711)	(86 653)
– office furniture and equipment	(19 298)	(15 527)
– motor vehicles	(496)	(1 713)
Staff costs	(1 309 235)	(1 322 981)
Transaction and establishment cost	–	(26 668)
<b>24. Interest income</b>	<b>16 614</b>	9 085
Bank deposits	11 531	8 651
Interest received on other financial assets	4 871	–
Other	12	434
<b>25. Interest expense</b>	<b>(140 643)</b>	(150 955)
Bank overdrafts	(43 024)	(54 597)
Interest-bearing borrowings	(90 427)	(89 887)
Other	(7 192)	(6 471)

# Consolidated notes to the annual financial statements

## for the year ended 28 February 2018

	2018 R'000	2017 R'000
<b>26. Earnings per share</b>		
The calculation of earnings per share on continuing operations attributable to the ordinary equity holders of the parent is based on losses of R422 956 341 (2017: R45 336 278) and discontinued loss of R140 322 087 (2017: R148 758 230 ordinary shares of 108 946 470 (2017: 108 382 849), being the weighted average number of shares relative to the above earnings.		
<b>Continuing operations</b>		
Basic loss per share – cents	(388,2)	(41,8)
Diluted loss per share	(378,6)	(40,7)
<b>Discontinuing operations</b>		
Basic loss per share – cents	(128,8)	(137,3)
Diluted loss per share	(125,6)	(133,5)
<b>Total basic loss per share – cents</b>		
Basic loss per share – cents	(517,0)	(179,1)
Diluted loss per share	(504,2)	(174,1)
113 220 069 (2017: 111 467 949) weighted diluted number of shares are determinate as follows:		
<b>Reconciliation of diluted number of shares</b>		
Ordinary shares	108 946 470	108 382 849
Adcorp employee share schemes – dilution*	4 273 599	3 085 100
<b>Diluted number of shares</b>	<b>113 220 069</b>	<b>111 467 949</b>
<b>Reconciliation of headline (loss) earnings from continuing operations**</b>		
Loss for the year	(422 956)	(45 336)
Profit on sale of property and equipment	(839)	(1 014)
Taxation recovered on the sale of property and equipment	235	284
Impairment of intangible assets, goodwill and bonds	477 797	132 519
Profits from the sale of associate	(184 960)	–
Taxation charged on sale of associate	36 542	–
Headline (loss) earnings	(94 181)	86 453
Headline (loss) earnings per share – cents	(86,4)	79,8
Diluted headline (loss) earnings per share – cents	(84,3)	77,6
<b>Reconciliation of headline loss from discontinued operations**</b>		
Loss for the year	(140 322)	(148 758)
Impairment of investments, goodwill and loans	75 300	–
Headline loss	(65 022)	(148 758)
Headline loss per share – cents	(59,7)	(137,3)
Diluted headline loss per share – cents	(58,2)	(133,5)
<b>Reconciliation of headline loss from total operations</b>		
Loss for the year	(563 278)	(194 094)
Impairment of investments, goodwill and loans	553 097	132 519
Profit on sale of property and equipment	(839)	(1 014)
Taxation recovered on the sale of property and equipment	235	284
Profits from the sale of associate	(184 960)	–
Taxation charged on sale of associate	36 542	–
Headline loss	(159 203)	(62 305)
Headline loss per share – cents	(146,1)	(57,5)
Diluted headline loss per share – cents	(142,5)	(55,9)

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

\*\* Headline (loss) earnings per share is based on earnings adjusted for (profit) loss on sale of assets, impairment of investments, goodwill, bonds and the sale of associate.

## 27. Share-based payments

### Accounting policy

#### Equity-settled

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 modified binomial tree 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.

#### Cash-settled

Settlement of these share-based payments is done either through the transfer of shares from those held as treasury shares or through the acquisition of shares in the open market and the subsequent delivery to participants.

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.

### Employee share option plan

#### Adcorp Holdings 2006 Share Trust

Under the scheme, eligible employees receive conditional allocations of share appreciation rights (SARs), performance shares (PFs) and retention shares (RS). 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 and retention share the right to shares or cash.

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.

During the current year a decision was taken to equity-settle all share options issued from 2 February 2018.

The total liability at the end of the financial year is R8 million (2017: R39 million), and the movement was as follows:

	2018 R'000	2017 R'000
Opening balance	39 067	38 625
Share-based payment expense*	4 505	–
Cash-settlement of share options exercised	(31 384)	–
Revaluation of share-based payment liability	(4 055)	442
Closing balance	8 133	39 067

\* Net of IFRS 2 BBBEE annual expense as per note 17.3. 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 statement of comprehensive income.

The following options were in existence as at 28 February 2018:

	Number	Grant date	Vesting date	Expiry date
Issued in FY2015	540 000	2015/05/25	2018/27/05	2021/05/25 <sup>#</sup>
Issued in FY2018	1 562 999	2018/02/02	2021/02/02	2024/02/02 <sup>~</sup>
Issued in FY2018	1 500 000	2018/02/02	*	2023/02/02 <sup>^</sup>
Issued in FY2018	635 600	2018/02/02	2021/02/02	2024/02/02 <sup>#</sup>
	4 238 599			

<sup>#</sup> PFs

<sup>~</sup> RS

<sup>^</sup> SARs

\* Vesting in three equal tranches 2021, 2022 and 2023.



# Consolidated notes to the annual financial statements

## for the year ended 28 February 2018

### 27. Share-based payments continued

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 2018	Weighted average exercise price 2018 R	Number of share options 2017	Weighted average exercise price 2017 R
Outstanding balance at the beginning of the year	3 085 100	32,66	3 818 500	32,63
Lapsed during the year	–	–	(733 400)	32,29
Granted during the year	3 698 599	13,97	–	–
Exercised during the year	(2 545 100)	13,65	–	–
Outstanding at the end of the year	4 238 599	16,22	3 085 100	32,66
Exercisable at the end of the year	540 000	31,64	1 450 000	33,80
<b>Adcorp Employee Benefit Trust 2 (refer to note 17.3)</b>				
Outstanding balance at the beginning of the year	6 729 140		6 729 140	
Issued during the year	–		–	
Outstanding at the end of the year	6 729 140		6 729 140	
Exercisable at the end of the year	–		–	

The share options outstanding at the end of the year had a range of exercise prices between R31,18 and R33,80 (2017: R31,64 and R33,80) and a weighted average remaining contractual life of 1 095 days (2017: 365 days).

The following parameters were used in determining the option valuation:

	2018
Spot price	17,99
Strike price	17,67
Risk free rate (%)	7,43
Dividend yield	No expectation of paying dividends
Volatility (%)	35,74

Volatility was determined using the equally weighted volatility method.

### 28. Directors' and prescribed officers' emoluments

Executive directors 2018	Salary R'000	Bonus R'000	Employee benefits R'000	Sub-total R'000	Realised gains on share options R'000	Total R'000	Bonus paid in 2019 in relation to 2018 financial year
I Dutiro*	1 914	–	377	2 291	–	2 291	1 833
MA Jurgens**	5 500	2 717	289	8 506	1 078	9 584	2 713
CJ Kujenga***	2 029	–	220	2 249	–	2 249	891
RL Pike****	2 764	–	5 712	8 476	12 222	20 698	–
BE Bulunga*****	3 169	775	453	4 397	–	4 397	–
PC Swart*****	2 318	–	4 593	6 911	11 204	18 115	–
	17 694	3 492	11 644	32 830	24 504	57 334	5 437

\* I Dutiro was appointed as Group CEO on 1 October 2017.

\*\* MA Jurgens was appointed as Group COO on 1 August 2017. He is paid in Australian dollar and an average exchange rate of R10,11 is used to convert his emoluments into rand.

\*\*\* CJ Kujenga was appointed as the Group CFO on 1 July 2017.

\*\*\*\* RL Pike resigned from the board on 31 July 2017.

\*\*\*\*\* BE Bulunga resigned from the board on 11 July 2017.

\*\*\*\*\* PC Swart resigned from the board on 11 July 2017.

## 28. Directors' and prescribed officers' emoluments continued

	Salary R'000	Bonus R'000	Medical aid/ provident fund R'000	Retirement benefits R'000	Allow- ance R'000	Severance pay 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
2017										
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

\* 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.

\*\* AM Sher resigned from the board with effect 31 January 2017.

	Salary R'000	Bonus R'000	Employee benefits R'000	Sub- total R'000	Realised gains on share options R'000	Total R'000	Bonus paid in 2019 in relation to 2018 financial year
<b>Prescribed officers 2018</b>							
J Botha	2 472	1 248	429	4 149	–	4 149	1 000
R de Grooth	1 403	1 935	511	3 849	411	4 260	1 000
K Vittee	2 133	1 787	441	4 361	1 297	5 658	950
M Pitman	3 208	1 420	164	4 792	–	4 792	1 500
H Weyers	1 024	548	243	1 815	–	1 815	400
	10 240	6 938	1 788	18 966	1 708	20 674	4 850

	Salary R'000	Bonus R'000	Employee benefits R'000	Severance pay R'000	Total R'000	Bonus paid in 2017 in relation to 2016 financial year
<b>Prescribed officers 2017</b>						
B Carr	2 016	1 912	475	1 711	6 114	1 528
MA Jurgens	5 347	2 569	1 148	–	9 064	900
J Botha	2 370	1 885	531	–	4 786	1 000
FA Gazendam*	3 544	–	567	2 581	6 692	1 147
K Vittee	2 016	1 787	476	–	4 279	1 326
R van der Horst	2 785	1 109	629	–	4 523	227
L Wilson**	1 923	1 608	226	–	3 757	164
T Smeeton	2 400	1 000	–	–	3 400	1 574
R Nel	1 842	1 150	–	–	2 992	–
	24 243	13 020	4 052	4 292	45 607	7 866

\* FA Gazendam resigned on 31 December 2016.

\*\* L Wilson was appointed as acting Group Chief Financial Officer effective 1 February 2017.

# Consolidated notes to the annual financial statements

## for the year ended 28 February 2018

### 29. Directors' and prescribed officers' participation in long-term incentive scheme

Directors' shareholding at 28 February 2018	Number of unexercised options as at 28 Feb 2017	Number of options granted	Number of options exercised	Number of options forfeited	Number of unexercised options as at 28 Feb 2018	Strike price (R)	Vesting date
<b>Executive directors</b>							
BE Bulunga	40 000	–	(40 000)	–	–	–	27/02/17#
	115 000	–	(115 000)	–	–	–	21/05/18#
RL Pike	450 000	–	(450 000)	–	–	–	27/02/17#
	450 000	–	(450 000) <sup>+</sup>	–	–	–	21/05/18#
PC Swart	412 500	–	(412 500)	–	–	–	27/02/17#
	412 500	–	(412 500) <sup>+</sup>	–	–	–	21/05/18#
I Dutiro		930 533	–	–	930 533	–	02/02/21*
		1 500 000	–	–	1 500 000	8,07	**
MA Jurgens	105 000	–	(105 000)	–	–	–	27/02/17#
	105 000	–	–	–	105 000	–	21/05/18#
	–	391 466	–	–	391 466	–	02/02/21*
	–	139 650	–	–	139 650	–	02/02/21#
CJ Kujenga	–	241 000	–	–	241 000	–	02/02/21*
K Vittee	105 000	–	–	–	105 000	–	21/05/18#
	–	139 650	–	–	139 650	–	02/02/21#
<b>Prescribed officers</b>							
J Botha	40 000	–	(40 000)	–	–	33,80	27/02/17#
	–	53 200	–	–	53 200	17,99	02/02/20#
R de Grooth	35 000	–	–	–	35 000	33,80	27/02/17#
	–	35 000	–	–	35 000	17,99	02/02/20#
M Pitman	35 000	–	–	–	35 000	33,80	27/02/17#
	–	35 000	–	–	35 000	17,99	02/02/20#

<sup>+</sup> As part of their exit arrangements the former CEO and COO were allowed to retain this tranche of shares.

<sup>#</sup> Performance shares (PFs).

<sup>\*</sup> Sign-on shares.

<sup>\*\*</sup> Share appreciation rights (SARs). Vesting in three equal tranches 2021; 2022; 2023.

Refer to note 28 for resignations and appointments.

### 30. Directors' and prescribed officers' emoluments

#### Non-executive directors

	Directors' fees
2018	R'000
GT Serobe (appointed 11 July 2017)	669
JB Boggenpoel	557
GP Dingaan	365
SN Mabaso-Koyana	704
C Maswanganyi	579
TP Moeketsi (appointed 5 February 2018)	90
ME Mthunzi	523
FS Mufamadi (appointed 11 July 2017)	290
NS Ndhrazi (resigned 11 July 2017)	173
MJN Njeke (resigned 11 July 2017)	374
N Nogogo (appointed 4 July 2017 and resigned 13 October 2017)	72
TDA Ross (resigned 11 July 2017)	290
S Sithole (appointed 4 July 2017)	391
MW Spicer	840
	<b>5 917</b>

*Note – the fees for the February meetings are normally paid in March as part of payroll, however, for the current year as directors now submit invoices as required by SARS and these were invoiced at the end of February, these amounts have been included above. The fees are therefore effectively for five quarters as opposed to four quarters in 2017.*

	Directors' fees
2017	R'000
<b>Non-executive directors</b>	
MJN Njeke	1 000
JA Boggenpoel*	–
C Maswanganyi	211
GP Dingaan	291
SN Mabaso-Koyana	556
ME Mthunzi	516
NS Ndhrazi	331
MR Ramaite	202
TDA Ross	603
MW Spicer	483
	<b>4 193</b>

\* JA Boggenpoel was appointed with effect 1 January 2017. No fees accrued to her as at the end of February 2017.

# Consolidated notes to the annual financial statements

## for the year ended 28 February 2018

### 31. Schedule of directors' interests – Adcorp Holdings Limited

Year ended 28 February 2018

	2018			2017		
	Direct	Indirect	Total	Direct	Indirect	Total
<b>Directors' names</b>						
GT Serope (appointed 11 July 2017)	–	–	–	–	–	–
JA Boggenpoel (appointed 1 January 2017)	–	–	–	–	–	–
GP Dingaan	–	–	–	–	–	–
I Dutiro (appointed 1 October 2017)	18 000	–	18 000	–	–	–
MA Jurgens (appointed 1 August 2017)	133 471	–	133 471	–	–	–
CJ Kujenga (appointed 1 July 2017)	–	–	–	–	–	–
SN Mabaso-Koyana	–	–	–	–	–	–
C Maswanganyi	–	–	–	–	–	–
TP Moeketsi (appointed 5 February 2018)	–	17 899 084 <sup>(1)</sup>	17 899 084	–	–	–
ME Mthunzi	–	–	–	–	–	–
FS Mufamadi (appointed 11 July 2017)	–	–	–	–	–	–
S Sithole (appointed 4 July 2017)	–	17 899 084 <sup>(1)</sup>	17 899 084	–	–	–
MW Spicer	–	48 000	48 000	–	48 000	48 000
<b>Alternate directors</b>						
RM Ramaite	15 000	–	15 000	15 000	–	15 000
<b>Resigned</b>						
BE Bulunga (resigned 11 July 2017)	–	–	–	–	–	–
NS Ndhrazi (resigned 11 July 2017)	–	–	–	–	–	–
MJN Njeke (resigned 11 July 2017)	–	–	–	–	–	–
N Nongogo (appointed 13 October 2017)	–	–	–	–	–	–
RL Pike (resigned 31 July 2017)	735 431 <sup>(2)</sup>	–	735 431	828 580	–	828 580
TDA Ross (resigned 11 July 2017)	–	–	–	–	–	–
AM Sher (resigned 31 Jan 2017)	–	115 000 <sup>(3)</sup>	115 000	–	175 000	175 000
PC Swart (resigned 11 July 2017)	–	697 125	697 125	–	243 375	243 375
	901 902	36 658 293	37 560 195	843 580	466 375	1 309 955
<b>Less double counting for VCP</b>	–	(17 899 084)	(17 899 084)	–	–	–
	901 902	18 759 209	19 661 111	843 580	466 375	1 309 955

Note 1 – shares are held through funds managed by Value Capital Partners (VCP) and the Adcorp director is also a director of VCP.

Note 2 – as at the date of this report nil shares were held.

Note 3 – as at the date of this report 111 000 shares were held.

The only changes in the interests to the date of this report, are those specified in notes 2 and 3 above.

	2018 R'000	2017 R'000
<b>32. Dividends</b>		
<b>32.1 Dividend paid</b>		
Amounts declared and paid	(1 293)	(104 458)
Received on treasury shares	–	1 493
<b>Net cash payments</b>	<b>(1 293)</b>	<b>(102 965)</b>
During the year one of the Group's subsidiaries in Australia paid dividends to its minority shareholders.		
<b>32.2 Dividend declared</b>		
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
No final dividend has been declared in the current and prior financial year		

	Sale of services		Holding company management fees		Accounting and information technology fees	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000	2018 R'000	2017 R'000
<b>33. Related parties</b>						
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)						
<b>33.1 Trading transactions</b>						
During the year, Group entities entered into the following transactions:						
Subsidiaries of Adcorp Holdings Limited	<b>79 052</b>	246 325	<b>238 382</b>	155 956	<b>111 394</b>	183 545

Refer to Annexure A for related-party balances.

### 33.2 BBBEE shareholders' interest

Certain directors of the Group are directors of the Group's BBBEE partners (refer to note 17,3).

GP Dingaan and NS Ndhlahi, 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.

For key management interest disclosures, please refer to notes 28,29, 30 and 31.

Subsidiary acquired	Segment	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Cost of acquisition R'000
<b>34. Acquisition of business 2018</b>					
Razzbri (Proprietary Limited)*	APS Australia	Recruitment process outsourcing	09/01/2017	100	7 060
ICAN**	Training	Skills development of people with disabilities	03/01/2017	100	5 000
<b>2017</b>					
WHR Solutions Proprietary Limited (WHR)	APS Australia	Recruitment process outsourcing	01/07/2016	100	15 792

The total amount was allocated to goodwill in the current year.

\* Adcorp Holdings Australia acquired 80% of Razzbri on 1 August 2017 for AUD1 million and a deferred payment for the acquisition of the outstanding shareholding based on a 4 x multiple of earnings for FY2020 and FY2021.

\*\* The goodwill of R5 million in ICAN was impaired at acquisition.



# Consolidated notes to the annual financial statements

## for the year ended 28 February 2018

### 35. 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 note 18, cash and cash equivalents disclosed in note 15, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 16 and statement of changes in equity.

An investment committee was constituted during FY2018. This committee has considered the cost of capital and the risks associated with each class of capital. The current gearing ratio of 53% (FY2017: 57%) is considered high, and the committee is working on the determination of an appropriate capital framework and target gearing for the Group. The Group historically had a target gearing ratio of 37% which has not been achieved in recent 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 101 to 105.

	2018 R'000	2017 R'000
<b>35.1 Categories of financial instruments</b>		
<b>Financial assets</b>		
Investments – fair value through profit and loss	13 244	10 000
Receivables (including cash resources) – amortised cost	2 673 307	3 038 999
Other financial assets – fair value through profit and loss	22 552	31 862
<b>Financial liabilities</b>		
Amortised cost (including bank overdraft)	2 443 589	2 859 647
<b>The following table details the Group's remaining contractual maturity for its financial liabilities:</b>		
Within one year	1 236 553	2 189 594
Later than one year and not later than five years	1 053 196	670 053

### 35.2 Financial risk management objectives

The Group's executive and head office treasury function provides services to the business, coordinates access to domestic financial markets, and monitors and manages the financial risks relating to the operations of the Group. These risks include market risk, credit risk, liquidity risk and cash flow interest rate risk. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The head office treasury function reports quarterly to the board, which monitors risks and policies implemented to mitigate risk exposures.

### 35.3 Interest rate risk management

The Group is exposed to interest rate risk because it has borrowings that attract interest at floating rate.

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.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's loss for the year after tax would increase/decrease by R14 million (2017: decrease/increase by R13 million).

### 35. Financial instruments continued

#### 35.4 Financial risk management

##### Liquidity risk

Liquidity risk is the risk that the Group will not be able to repay its financial obligations as they fall due.

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 18.

##### Credit risk

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.

	On demand R'000	Less than 3 months R'000	3 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000	Total R'000
Interest bearing loans – South Africa				925 000		925 000
Interest-bearing loans – Australia			232 780	53 196		285 976
Trade and other payables		1 224 783				1 224 783

##### Foreign currency

The company undertakes transactions denominated in foreign currencies, consequently, exposures to exchange rate fluctuations arise.

The sensitivity analysis below represents the extent to which the company has monetary assets and liabilities other than the company's functional currency. Based on the net exposure below it is estimated that a 10% change in the Australian dollar foreign exchange rate against the functional currency will impact the fair value of the net asset value as well as the Group's profit to the extent of R11 million (2017: R1 million).

#### 35.5 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	2018 R'000	2017 R'000	Valuation technique(s) and key inputs	Fair value hierarchy	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Investment	13 244	10 000	Fair value – Market valuation	Level 2	n/a	n/a
Other financial assets	10 361	31 861	Bond – Fair value – Market valuation	Level 1	n/a	n/a
Derivative financial instrument	–	1 574	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	Level 2	n/a	n/a

# Consolidated notes to the annual financial statements

## for the year ended 28 February 2018

### 36. Business and geographical segments

A brief overview of each operating segment within the Group is provided below:

#### Industrial Services

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

#### Support Services

This operating segment provides support staffing solutions in 'white collar' areas, such as nursing, clerical, admin, office and call centre positions.

#### Professional Services

This operating segment provides highly skilled IT and digital, focused professionals. It also delivers consulting, project and managed services in a number of specialist domains.

#### Financial Services

The operating segment offers affordable, pay-as-you-go financial service and lifestyle benefit solutions customised for the Group's assignee base as well as external clients.

#### Training

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

The geographic segment report is disclosed as (a) International (being operations in Australia) and (b) South Africa. The segment report appears on page 98.

	2018 R'000	2017 R'000
<b>37. Operating lease arrangements</b>		
<b>The Group as lessee</b>		
Minimum lease payments under operating property and IT-related leases recognised as an expense in the year	<b>76 985</b>	91 223
At the statement of financial position date, the Group has outstanding commitments under non-cancellable operating leases which fall due as follows:	<b>117 628</b>	164 815
Within one year	<b>48 314</b>	55 059
In the second to fifth years inclusive	<b>69 314</b>	109 756
After five years	<b>—</b>	—
Average lease terms (months)	<b>36</b>	35

	2018 R'000	2017 R'000
<b>38. Contingent liabilities and commitments</b>		
The bank has issued lease guarantees to the value of	<b>6 000</b>	7 048
In the prior year 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. The matter is being defended by the Group.		
<b>39. Subsequent events</b>		
No material transactions or events subsequent to the end of the financial year ended 28 February 2018 and prior to the approval of these consolidated and separate financial statements took place.		
<b>40. Going concern</b>		
Based on the assessment of the solvency and liquidity and the applicability of the going concern assertion as to the affairs of the Group, the Group shall be a going concern for the foreseeable future.		

Contents

Company statement of financial position	139
Company statement of comprehensive income	140
Statement of changes in equity	141
Statement of cash flows	142
Notes to the Company statement of cash flows	143
Notes to the Company annual financial statements	144

# Company statement of financial position

as at 28 February 2018

	Notes	2018 R'000	2017 R'000
<b>Assets</b>			
<b>Non-current assets</b>		<b>1 103 441</b>	1 213 838
Investments	1	<b>13 244</b>	10 000
Investment in subsidiaries	2	<b>1 083 944</b>	1 203 838
Deferred taxation	8.1	<b>6 253</b>	–
<b>Current assets</b>		<b>2 923 797</b>	2 897 795
Trade, other receivables and prepayments	3	<b>1 549</b>	450
Amounts due by subsidiary companies	4	<b>2 799 413</b>	2 896 923
Cash resources	5	<b>122 835</b>	422
<b>Total assets</b>		<b>4 027 238</b>	4 111 633
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>		<b>2 202 217</b>	2 534 492
Share capital and share premium	6	<b>1 741 279</b>	1 741 279
Reserves	6	<b>460 938</b>	793 213
<b>Non-current liabilities</b>		<b>925 000</b>	655 017
Long-term loan and other non-current liabilities – interest-bearing	7	<b>925 000</b>	649 229
Deferred taxation	8.1	–	5 788
<b>Current liabilities</b>		<b>900 021</b>	922 124
Trade and other payables	9	<b>4 242</b>	2 669
Amounts due to subsidiary companies	4	<b>892 990</b>	384 249
Taxation		<b>2 789</b>	2 789
Short-term loans	7	–	272 387
Bank overdraft	5	–	260 030
<b>Total equity and liabilities</b>		<b>4 027 238</b>	4 111 633



# Company statement of comprehensive income

for the year ended 28 February 2018

	Notes	2018 R'000	2017 R'000
<b>Revenue</b>		–	232 946
Other income		–	536
Operating expenses	10	<b>(31 168)</b>	(23 967)
<b>Operating (loss) profit</b>		<b>(31 168)</b>	209 515
Interest income	11	<b>5 021</b>	137 622
Interest expense	12	<b>(143 438)</b>	(118 602)
Impairment of loans and investments		<b>(142 172)</b>	–
Fair value gain on investment		<b>3 243</b>	–
<b>(Loss) profit before taxation</b>		<b>(308 514)</b>	228 535
Taxation		–	(5 175)
<b>(Loss) profit for the year</b>		<b>(308 514)</b>	223 360
<b>Other comprehensive (loss) income*</b>			
Exchange differences arising on the net investment of a foreign operation		<b>(30 967)</b>	(41 905)
<b>Total comprehensive (loss) income for the year</b>		<b>(339 481)</b>	181 455

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

# Company statement of changes in equity

for the year ended 28 February 2018

	Share capital R'000	Share premium R'000	Non-distributable reserve R'000	Share-based payment reserve R'000	Retained earnings R'000	Attributable to equity holders of the parent R'000
<b>Balance as at 29 February 2016</b>	3 170	1 738 109	119 918	121 787	467 305	2 450 289
Dividend distributions	–	–	–	–	(104 458)	(104 458)
Recognition of BBBEE and staff share-based payments	–	–	–	7 206	–	7 206
Profit for the year	–	–	–	–	223 360	223 360
Other comprehensive loss for the year	–	–	–	–	(41 905)	(41 905)
<b>Balance as at 28 February 2017</b>	3 170	1 738 109	119 918	128 993	544 302	2 534 492
Issue of ordinary shares under employee share option plan	–	–	–	–	–	–
Dividend distributions	–	–	–	–	–	–
Recognition of BBBEE and staff share-based payments	–	–	–	7 206	–	7 206
Loss for the year	–	–	–	–	(308 514)	(308 514)
Other comprehensive loss for the year	–	–	–	–	(30 967)	(30 967)
<b>Balance as at 28 February 2018</b>	<b>3 170</b>	<b>1 738 109</b>	<b>119 918</b>	<b>136 199</b>	<b>204 821</b>	<b>2 202 217</b>

# Company statement of cash flows

for the year ended 28 February 2018

	Notes	2018 R'000	2017 R'000
<b>Cash generated (utilised) by operations</b>	A	<b>517 476</b>	262 045
Interest income		<b>5 021</b>	137 622
Interest expense		<b>(143 438)</b>	(118 602)
Taxation paid	B	–	2 359
Dividend paid	C	–	(104 458)
<b>Net cash generated by operating activities</b>		<b>379 059</b>	178 966
<b>Financing activities</b>			
Loans repaid		<b>(272 387)</b>	(300 853)
Loans raised		<b>275 771</b>	141 786
<b>Net cash generated by financing activities</b>		<b>3 384</b>	(159 067)
Net increase in cash and cash equivalents		<b>382 443</b>	19 899
Cash and cash equivalents at the beginning of the year		<b>(259 608)</b>	(279 506)
<b>Cash and cash equivalents at the end of the year</b>		<b>122 835</b>	(259 608)

For the purposes of the statement of cash flows, cash and cash equivalents comprise bank balance less bank overdrafts.

# Notes to the Company statement of cash flows

for the year ended 28 February 2018

	2018 R'000	2017 Restated R'000
<b>A. Cash generated from operations</b>		
<b>Operating activities</b>		
(Loss) profit before taxation and dividends	(308 514)	(4 411)
<b>Adjusted for:</b>		
Dividend received	–	232 946
Impairment of loans	(142 172)	
Fair value gain	(3 243)	–
Share-based payment expense	7 206	7 206
Interest income	(5 021)	(137 622)
Interest expense	143 438	118 602
<b>Cash generated from operations before working capital changes</b>	<b>(23 962)</b>	216 721
Decrease in trade and other receivables and prepayments	(1 102)	1 142
Increase (decrease) in trade and other payables	(1 573)	(442)
Net movement in holding and fellow subsidiaries intercompany accounts	540 967	44 624
<b>Cash generated (utilised) by operations</b>	<b>517 476</b>	262 045
<b>B. Taxation paid</b>		
Net amount prepaid at the beginning of the year	(2 789)	4 745
Amounts charged to statement of comprehensive income	–	(5 175)
Net amount unpaid at the end of the year	2 789	2 789
<b>Net cash payment</b>	<b>–</b>	2 359
<b>C. Dividend paid</b>		
Amounts declared and paid	–	(104 458)
<b>Net cash payments</b>	<b>–</b>	(104 458)

# Notes to the Company annual financial statements

for the year ended 28 February 2018

	2018 R'000	2017 R'000
<b>1. Investments</b>		
Opening balance	10 000	10 000
Fair value gain	3 244	–
<b>Closing balance</b>	<b>13 244</b>	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.		
<b>2. Investment in subsidiaries</b>		
<b>Investments</b>		
(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	(126 620)	(6 726)
<b>Closing balance</b>	<b>1 083 944</b>	1 203 838
<b>3. Trade and other receivables</b>		
Deposits	296	296
Prepayments	18	–
Interest accrual	1 115	–
Other	122	154
	<b>1 551</b>	450
<b>4. Amounts due to (by) subsidiary companies</b>		
(For details refer to Annexure A)		
Amounts due by subsidiary companies	2 821 691	2 896 923
Amounts due to subsidiary companies	(892 990)	(384 249)
	<b>1 928 701</b>	2 512 674
Less: Provision for impairment of loans	(22 278)	–
	<b>1 906 423</b>	2 512 674
During the current year intragroup facilities bear interest at 8,25% and receive interest at 4,83%. No interest is levied on current payables and receivables.		
<b>5. Cash and cash equivalents</b>		
Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts:		
Cash resources	122 835	422
Bank overdrafts	–	(260 030)
	<b>122 835</b>	(259 608)

			2018 R'000	2017 R'000
<b>6. Share capital and share premium</b>				
<b>Share capital</b>				
<b>Authorised</b>				
183 177 151 ordinary shares of 2,5 cents each (2017: 183 177 151)			4 579	4 579
16 822 849 'B' ordinary shares of 2,5 cents each (2017: 16 822 849)			421	421
			5 000	5 000
<b>Issued</b>				
109 954 675 ordinary shares of 2,5 cents each (2017: 109 954 675)			2 749	2 749
16 822 849 'B' ordinary shares of 2,5 cents each (2017: 16 822 849)			421	421
			3 170	3 170
Number of shares ('000)			109 955	109 955
<b>Share premium</b>				
Closing balance*			1 738 109	1 738 109
<b>Total share capital and share premium</b>			<b>1 741 279</b>	1 741 279
* No movement in share premium in current and prior year.				
<b>Reserves</b>				
<b>Non-distributable reserve</b>				
Unrealised profit arising on sale of BEE companies into new entity during 2004			119 918	119 918
<b>Share-based payment reserve</b>				
Opening balance			128 992	121 787
Recognition of BBBEE and staff share-based payments			7 206	7 206
			136 198	128 993
	Interest rate	Maturity	2018 R'000	2017 R'000
<b>7. Interest-bearing liabilities</b>				
<b>Secured – at amortised cost less amount capitalised</b>				
<b>Long-term loans – non-current portion</b>				
Amortising term loan	JIBAR +340	Six equal instalments on the last of each of the five months prior to 30 November 2020	925 000	649 229
Amortising revolving loan	JIBAR +340		200 000	–
	JIBAR +340		725 000	–
Corporate bond	JIBAR +249	8 March 2018	–	400 000
Corporate bond	JIBAR +240	31 July 2018	–	150 000
Corporate bond	JIBAR +250	4 December 2018	–	100 000
Short-term loans			–	272 387
Commercial paper			–	50 000
Corporate bond			–	209 000
Accrued interest			–	13 387



# Notes to the Company annual financial statements continued

for the year ended 28 February 2018

## 7. Interest-bearing liabilities continued

On 8 December 2017 the Group successfully redeemed all corporate bonds under its South African-based domestic medium-term Note (DMTN) programme and replaced it with a syndicated loan facility bearing interest at JIBAR plus 340bps per annum. The loans are repayable in six equal instalments on the last of each of the five months prior to the final maturity date on 30 November 2020.

As security for the South Africa loan facility granted to the Group, a shared security agreement was entered into that holds a cession over the trade receivables between the following operating subsidiaries of the Adcorp Group:

- All About Project Management Proprietary Limited
- Adcorp Staffing Solutions Proprietary Limited
- Adcorp Fulfilment Services Proprietary Limited
- Adcorp Management Services Proprietary Limited
- Adcorp Support Services Proprietary Limited
- Quest Staffing Solutions Proprietary Limited
- Fortress Administration Proprietary Limited
- Paracon SA Proprietary Limited
- Mondial IT Solutions Proprietary Limited
- Production Management Institute Of Southern Africa Proprietary Limited
- Adcorp Workforce Solutions Proprietary Limited
- Adcorp Workforce Management Solutions Proprietary Limited
- Comsel Eighteen Proprietary Limited
- Talentcru Proprietary Limited
- Tiger Tail Digital Proprietary Limited
- Torque Technical Computer Training Proprietary Limited
- Zest Hospitality Proprietary Limited
- Adcorp Contracting Proprietary Limited
- Adcorp Technical Training Proprietary Limited
- Adfusion Contract Management Services Proprietary Limited
- Adcorp Advantage Proprietary Limited
- FNDS3000 Proprietary Limited
- M Squared Consulting MSP Proprietary Limited

The list of guarantors under current facility is different to those that formed part of the DMTN programme. A full list of the DMTN guarantors was provided in the 2017 financial statements.

	2018 R'000	2017 R'000
<b>8. Deferred taxation</b>		
<b>Deferred tax asset (liability)</b>		
Deferred tax on fair value adjustment of foreign loan	6 253	(5 788)
	<b>6 253</b>	<b>(5 788)</b>
<b>8.1 Taxation</b>		
<b>Current tax</b>		
– Current year	–	5 175
	–	5 175
Income tax recognised in other comprehensive income		
Deferred tax		
– Exchange differences of net investment of foreign operation	12 042	–
	<b>12 042</b>	<b>–</b>

	2018 R'000	2017 R'000
<b>8.1 Taxation continued</b>		
Profit (loss) per accounts	(153 620)	228 535
South African standard tax rate (%)	28	28
Normal tax at standard rate	(43 014)	63 990
<i>Adjustment for the tax effect at the standard rate of the following items:</i>		
Exempt income	–	(65 225)
<i>Non-deductible items charged against income:</i>		
– Capital losses		4 392
– Non-deductible expenses	45 418	–
– Impairment of intangible assets, goodwill and loans	(3 562)	–
– Share-based payments – permanent	2 018	2 018
Other permanent differences	(860)	–
Actual tax charge for the year	–	5 175
<b>9. Trade and other payables</b>		
Trade creditors	88	398
Accruals	4 154	2 271
	<b>4 242</b>	<b>2 669</b>
The average credit period on trade and other payables is 30 days (2017: 30 days). No interest is incurred on trade and other payables unless payment is not effected timeously.		
<b>10. Operating loss</b>		
Operating loss is determined after allowing for the following items:		
Auditors' remuneration	468	(333)
Consulting fees	(4 901)	(811)
Directors' emoluments		
– non-executive directors	(5 917)	(3 964)
BEE share-based payment expense (refer to note 17.3 of the Group)	(7 206)	(7 206)
<b>11. Interest income</b>	<b>5 021</b>	<b>137 622</b>
Group loans	–	137 578
Bank deposits	5 021	44
<b>12. Interest expense</b>	<b>(143 438)</b>	<b>(118 602)</b>
Group loans	(37 870)	(9 893)
Bank overdrafts	(15 142)	(18 999)
Interest-bearing borrowings	(90 426)	(89 710)
<b>13. Financial instruments</b>		
<b>Categories of financial instruments</b>		
<b>Financial assets</b>		
Investments – at fair value through profit and loss	13 244	10 000
Loans and receivables (including cash resources) – amortised cost	2 988 723	2 897 742
<b>Financial liabilities</b>		
Amortised cost (including bank overdraft)	1 822 232	1 565 894
The following table details the Group's remaining contractual maturity for its financial liabilities:		
Within one year	660	916 665
Later than one year and not later than five years	1 000 000	649 229

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).

## Annexure A: Details of subsidiaries and associates

for the year ended 28 February 2018

Name of subsidiary	Nature of business/status	Share type	Authorised share capital of subsidiary/associate		Issued share capital of subsidiary/associate	
			R'000 Feb 2018	R'000 Feb 2017	R'000 Feb 2018	R'000 Feb 2017
Adchip Managed Solutions Proprietary Limited	Dormant	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	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 Limited (deregistered during the year)	Holding company	Ordinary	–	1	–	1
Adcorp Holdings Singapore Pte Limited	Holding company	Ordinary	1	1	1	1
Adcorp Management Services Proprietary Limited	Shared services	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	Holding company	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	Holding company	Ordinary	900 000 000	900 000 000	349 716 709	349 716 709
Adcorp Workforce Management Solutions Proprietary Limited	Holding company	Conv. Red. preference	100 000 000	100 000 000	–	–
Adcorp Workforce Solutions Proprietary Limited	Flexible staffing	Ordinary	1 000 000 000	1 000 000 000	100 000 000	100 000 000
ADfusion Contract Management Services Proprietary Limited	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	100	1	100	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 (sold during the year)	Flexible staffing	Ordinary	–	3 000	–	3 000
Capital Outsourcing Group Limited – Zambia (sold during the year)	Flexible staffing	Ordinary	–	5 000	–	5 000
Capital Outsourcing Group Limited – Uganda	Flexible staffing	Ordinary	10 000	10 000	10 000	10 000
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 (sold during the year)	Flexible staffing	Ordinary	–	100 000 000	–	75 000
Capital Outsourcing Group Proprietary Limited – International (sold during the year)	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 (sold during the year)	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

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 2018	Feb 2017	Feb 2018	Feb 2017	Feb 2018	Feb 2017	Feb 2018	Feb 2017
100	100	-	-	-	-	-	-
200	200	-	-	-	-	-	-
100	100	-	-	-	-	497	(20)
10 000	10 000	-	-	-	-	-	(57 144)
1	1	-	-	-	-	(7 049)	4 487
10 000	10 000	208	208	1 251	1 251	-	-
9 000	9 000	-	-	712 376	730 887	(6 166)	(17 795)
30 000 100	30 000 100	284 874	284 874	453 230	496 237	(68 427)	(61 491)
-	1	-	-	-	-	-	-
1	1	-	-	-	-	-	-
400	400	-	-	(855 023)	(328 191)	(267 356)	(125 889)
100	100	-	-	456 051	456 051	(32 353)	48 781
-	-	-	-	-	-	-	-
100	100	-	-	(2 553)	(2 553)	13 161	42 953
100	100	-	-	-	-	(40 151)	6 808
349 716 709	349 716 709	636 699	636 699	-	-	314 975	(27 574)
-	-	-	-	-	-	-	-
100 000 000	100 000 000	-	-	369 812	370 804	50 118	15 711
2 000	1 400	-	-	-	-	2 975	(3 262)
340	340	-	-	-	-	(254)	547
80	70	-	-	-	-	12 017	2 903
10 000	10 000	-	-	-	-	4 171	5 577
75	1	1	1	-	(1)	-	-
1 000	1 000	-	-	-	-	-	370
-	3 000	-	-	-	-	-	-
-	5 000	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	75 000	-	-	-	-	-	-
-	-	-	-	-	-	-	-
10 000	10 000	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
10 600	10 600	-	-	-	(12 722)	-	-

## Annexure A: Details of subsidiaries and associates continued

for the year ended 28 February 2018

Name of subsidiary	Nature of business/status	Share type	Authorised share capital of subsidiary/associate		Issued share capital of subsidiary/associate	
			R'000 Feb 2018	R'000 Feb 2017	R'000 Feb 2018	R'000 Feb 2017
Capital Staffing Limitada (Angola) (sold during the year)	Flexible staffing	Ordinary	–	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	1	1
Dare Holdings Proprietary Limited	Flexible staffing	Ordinary	2	2	2	2
Dare Holdings LLC (Texas, USA)	Dormant	Ordinary	100	100	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 (deregistered)	Emergent business	Ordinary	–	–	–	–
FMS Marketing Solutions Proprietary Limited (deregistered)	Dormant	Ordinary	–	–	–	–
FNDS3000 Proprietary Limited	Payroll card	Ordinary	1 000	1 000	100	100
Fortress Administration Proprietary Limited	Outsourcing solutions	Ordinary	550	550	550	550
Fortress Administration Proprietary Limited	Outsourcing solutions	'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
Inn-Staff Swaziland Proprietary Limited	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
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 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	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 (deregistration)	Dormant	Ordinary	–	–	–	–
Paxsal Business Process Outsourcing Proprietary Limited (deregistered)	Holding company	Ordinary	–	4 000	–	100
Quest Flexible Staffing Solutions Proprietary Limited	Dormant	Ordinary	200	200	100	100
Quest Staffing Solutions Proprietary Limited	Flexible staffing	Ordinary	1 000	1 000	600	600
Quest Staffing Solutions Proprietary Limited	Flexible staffing	'A' ordinary	1 000	1 000	400	400

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 2018	Feb 2017	Feb 2018	Feb 2017	Feb 2018	Feb 2017	Feb 2018	Feb 2017
-	-	-	-	-	-	-	-
100	100	-	-	-	-	-	-
100	100	-	-	-	-	-	-
120	120	-	-	-	-	2 587	4 502
1	1	-	-	-	-	(190 107)	(1 576)
-	-	-	-	-	-	11 037	(101 707)
100	100	-	-	-	-	269	(2 657)
100	100	7 270	7 270	-	-	-	-
749	749	-	-	-	-	(18)	(598)
-	-	41 478	41 478	-	-	-	-
-	-	231 363	231 363	-	-	-	-
100	100	-	-	-	-	11 341	8 669
550	550	-	-	497	496	(159 693)	(44 472)
-	-	-	-	-	-	-	-
1 000	1 000	-	-	-	-	-	-
100	100	-	-	-	-	-	-
100	100	-	-	-	-	5 188	6 829
100	100	-	-	-	-	(489)	33
100	100	-	-	-	-	(8)	58
100	100	-	-	-	-	-	-
100	100	-	-	-	-	34 564	-
920	920	-	-	-	-	14 234	26 219
100	100	-	-	-	-	-	14
60 530 464	60 530 464	-	-	-	-	(12 206)	(14 462)
100	100	-	-	-	-	-	-
200	200	-	-	-	-	-	5 612
1 000	1 000	-	-	-	-	(310)	(241)
11 000	11 000	-	-	-	-	2 051	6 072
100	100	-	-	-	-	-	-
87 682 486	87 682 486	-	-	-	-	-	-
700	700	-	-	841 196	841 197	35 144	13 561
152 856	152 856	-	-	-	-	80 693	82 975
100	100	-	-	-	-	(10)	-
100	100	-	-	(5 939)	(11 306)	(48 161)	6 320
101	101	-	-	-	-	(2)	(438)
-	-	1 946	1 946	-	-	-	-
-	100	-	-	-	-	-	27 594
100	100	-	-	-	-	-	-
600	600	-	-	(9 241)	(9 242)	(15 801)	6 419
-	-	-	-	-	-	-	-

## Annexure A: Details of subsidiaries and associates continued

for the year ended 28 February 2018

Name of subsidiary	Nature of business/status	Share type	Authorised share capital of subsidiary/associate		Issued share capital of subsidiary/associate	
			R'000 Feb 2018	R'000 Feb 2017	R'000 Feb 2018	R'000 Feb 2017
Reveal Group Proprietary Limited, formerly WDB Technologies Proprietary Limited	Dormant	Ordinary	4 000	4 000	1 000	1 000
Research Surveys Proprietary Limited	Dormant	Ordinary	100 000	100 000	200	200
Sishayele 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	Emergent business	Ordinary	1 000	1 000	100	100
Talentcru Proprietary Limited (Australia)	Emergent business	Ordinary	100	100	100	100
The Kelly Personnel Group Proprietary Limited	Dormant	Ordinary	4 000	4 000	100	100
The Personnel Concept Proprietary Limited	Dormant	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
Tiger Tail Digital Proprietary Limited (formerly Paracon Project Management Proprietary Limited)	Dormant	Ordinary	1 000	1 000	200	200
Torque Holdings Proprietary Limited	Holding company	Ordinary	1 000	1 000	332	332
Torque Learning Solutions Proprietary Limited	Supplier of IT services	Ordinary	1	1	1	1
Torque Technical Computer Training Proprietary Limited	Supplier of IT services	Ordinary	1 000	1 000	100	100
Zest Hospitality Proprietary Limited	Outsourcing solutions	Ordinary	4 000	4 000	100	100
<b>Subtotal positive</b>						
<b>Subtotal negative</b>						
<b>Total subsidiaries</b>						
<b>Name of associate and joint ventures</b>						
Hatch Investments (Mauritius) Limited (sold during the year)	Holding company	Ordinary	–	100 000	–	1 004
PRP Solutions Proprietary Limited (sold during the year)	Productivity tools and time tracking software	Ordinary	–	1 000	–	300
<b>Total associates</b>						



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 2018	Feb 2017	Feb 2018	Feb 2017	Feb 2018	Feb 2017	Feb 2018	Feb 2017
1 000	1 000	–	–	–	–	–	–
200	200	6 726	6 726	(17 866)	(17 867)	–	–
60	60	–	–	–	–	–	–
300	300	–	–	–	–	76	72
100	100	–	–	(2 368)	(2 368)	34 085	11 801
100	100	–	–	–	–	5 168	2 862
100	100	–	–	–	–	–	–
40 000	40 000	–	–	–	–	–	–
750	750	–	–	–	–	–	–
200	200	–	–	–	–	976	–
332	332	–	–	–	–	17 491	15 031
1	1	1	1	–	(1)	84	–
100	100	–	–	–	–	–	–
100	100	–	–	–	–	3 344	3 096
		1 210 566	1 210 565	2 834 413	2 896 923	497 202	357 842
				(892 990)	(384 249)	(576 835)	(462 087)
		1 210 566	1 210 565	1 941 423	2 512 673	(79 633)	(104 245)
–	502	–	–	–	–	16 476	23 396
–	90	–	–	–	–	–	–
						16 476	23 396

# Shareholders' information

Analysis of ordinary shareholders as at 28 February 2018\*

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
<b>Shareholder spread</b>				
1 – 1 000 shares	1 894	70,75	320 593	0,29
1 001 – 10 000 shares	399	14,90	1 320 845	1,20
10 001 – 100 000 shares	240	8,97	8 650 964	7,87
100 001 – 1 000 000 shares	123	4,60	42 521 709	38,67
1 000 001 shares and over	21	0,78	57 140 564	51,97
Total	2 677	100,00	109 954 675	100,00

## Distribution of shareholders

Assurance companies	22	0,82	2 551 068	2,32
Close corporations	19	0,71	186 818	0,17
Collective investment schemes	94	3,50	41 500 313	37,74
Control accounts	1	0,04	108	0,00
Custodians	12	0,45	30 041	0,03
Foundations and charitable funds	27	1,01	719 004	0,65
Hedge funds	9	0,34	14 704 413	13,37
Insurance companies	5	0,19	368 447	0,34
Investment partnerships	13	0,49	212 435	0,19
Managed funds	19	0,71	1 248 792	1,14
Medical aid funds	9	0,34	608 156	0,55
Organs of State	7	0,26	5 903 023	5,37
Private companies	31	1,16	612 916	0,56
Public entities	4	0,15	141 711	0,13
Retail shareholders	2 090	78,07	3 103 658	2,82
Retirement benefit funds	171	6,38	30 752 973	27,97
Scrip lending	4	0,15	1 844 930	1,68
Sovereign funds	1	0,04	19 670	0,02
Stockbrokers and nominees	16	0,60	3 195 732	2,90
Treasury	2	0,07	556 605	0,51
Trusts	111	4,15	1 693 572	1,54
Unclaimed scrip	10	0,37	290	0,00
Total	2 677	100,00	109 954 675	100,00

## Shareholder type

Non-public shareholders	9	0,34	18 700 160	17,01
Directors and associates (direct holding)	3	0,11	166 471	0,15
Directors and associates (indirect holding)	3	0,11	17 947 084	16,32
Directors and associates of major subsidiaries (direct holding)	1	0,04	30 000	0,03
Treasury	2	0,08	556 605	0,51
Public shareholders	2 668	99,66	91 254 515	82,99
Total	2 677	100,00	109 954 675	100,00

## Fund managers with a holding greater than 5% of the issued shares

Allan Gray	20 559 087	18,63
Value Capital Partners	17 899 084	16,22
Kagiso Asset Management	15 481 426	14,03
PSG Asset Management	8 692 514	7,88
Sanlam Investment Management	6 255 116	5,67
Mergence Africa Investments	5 993 474	5,44
Total	74 880 701	67,87

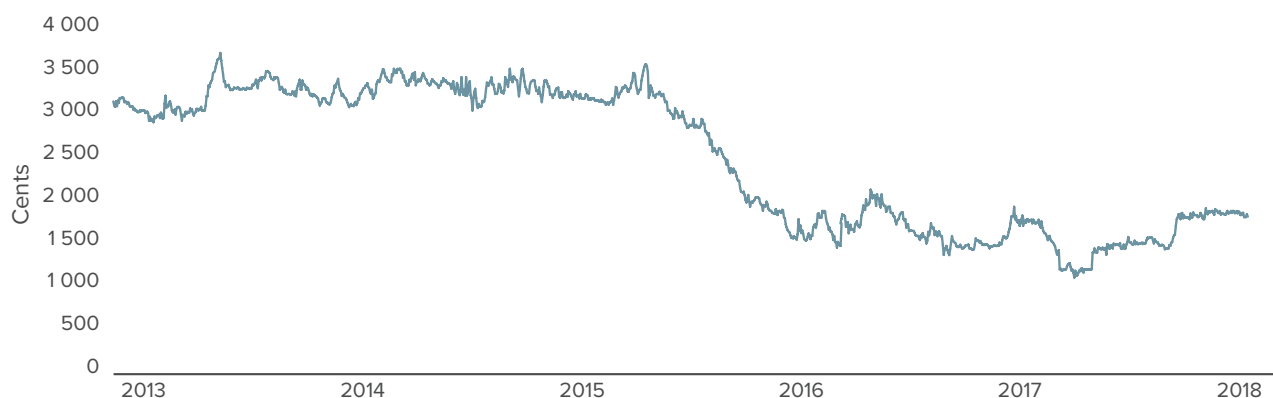
## Beneficial shareholders with a holding greater than 5% of the issued shares

H4 Collective Investments	13 954 611	12,65
Allan Gray	9 974 132	9,04
PSG	7 941 219	7,20
Sanlam Group	6 827 733	6,19
Sentinel Mining Industry Retirement Funds	5 907 726	5,35
Total	44 605 421	40,43

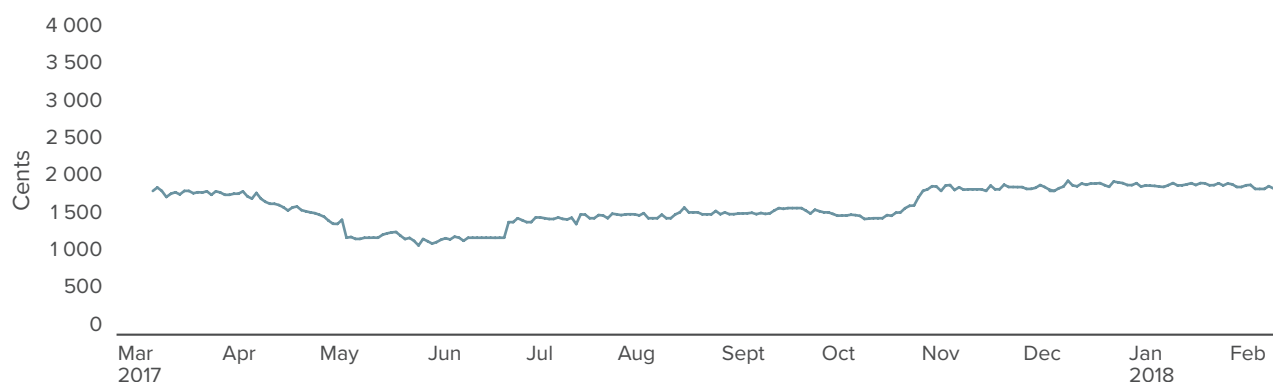
Total number of shareholders	2 677
Total number of shares in issue	110 329 791

\* This is as at 23 February being the last Friday of the month when STRATE runs the monthly register.

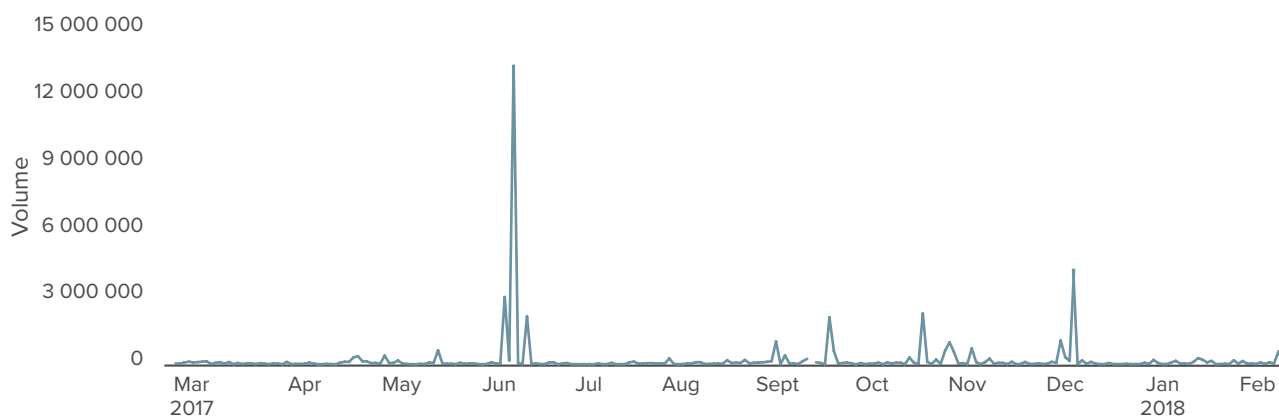
### Five-year share price performance



### Adcorp price chart – daily closing price



### Adcorp volume chart – 1 March 2017 to 28 February 2018



### JSE share price performance

Opening price 1 March 2017	R16,52
Closing price 28 February 2018	R17,31
Closing high for period	R18,30
Closing low for period	R10,01
Number of shares in issue	109 954 675
Volume traded during period	48 287 862
Ratio of volume traded to shares issued (%)	43,92
Rand value traded during the period	R663 208 844
Price/earnings ratio as at 28 February 2018	(11,90)
Earnings yield as at 28 February 2018 (%)	(8,41)
Dividend yield as at 28 February 2018 (%)	0,00
Market capitalisation at 28 February 2018	R1 903 315 424

# Administration

## Adcorp Holdings Limited

Registration number 1974/001804/06

Listed 1987

Website: [www.adcorpgroup.com](http://www.adcorpgroup.com)

## Registered office

Adcorp Holdings Limited

Adcorp Office Park

Nicolway East, Bryanston

Cnr William Nicol Drive and Wedgewood Link

Bryanston

2021

PO Box 70635, Bryanston, 2021

Tel: 011 244 5300

Email: [info@adcorpgroup.com](mailto:info@adcorpgroup.com)

## Company Secretary

Kevin Fihrer

Adcorp Office Park

Nicolway East, 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](mailto:kevin.fihrer@adcorpgroup.com)

## Investor relations

Nomonde Xulu

Tel: 011 244 5300

Direct: 011 244 5609

Email: [nomonde.xulu@adcorpgroup.com](mailto:nomonde.xulu@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

Eversheds Sutherland SA

3rd Floor, 54 Melrose Boulevard

Melrose Arch, Melrose North

Johannesburg

2196

PO Box 782244, Sandton City, 2146

Tel: 087 358 9857

## 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](mailto: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

# 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, 22 June 2018, that the annual general meeting (AGM) of shareholders of Adcorp Holdings Limited will be held at 08:30 on Monday, 30 July 2018, 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 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 AGM is Friday, 20 July 2018. Accordingly, the last day to trade Adcorp shares in order to be recorded in the register to be entitled to vote will be Tuesday, 17 July 2018.

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.fuhrer@adcorpgroup.com](mailto:kevin.fuhrer@adcorpgroup.com)) by no later than 08:30 on Wednesday, 25 July 2018, 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 AGM is to present the annual financial statements for the year ended 28 February 2018 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](http://www.adcorpgroup.com).

## Ordinary resolutions

The minimum percentage of voting rights required for each of the resolutions set out in items 1 to 7 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, I Dutiro, MA Jurgens and TP Moeketsi who were appointed as directors post the previous AGM held on 23 August 2017, in accordance with the Company's Memorandum of Incorporation (MOI).

To re-elect, by way of separate resolutions, GP Dingaan, ME Mthunzi and MW Spicer who retire by rotation in accordance with the provisions of the Company's MOI and offer themselves for re-election.

Details of the directors offering themselves for election and re-election are as follows:

- 1.1 GP Dingaan – Date of appointment 18 August 2010
- 1.2 I Dutiro – Date of appointment 1 October 2017
- 1.3 MA Jurgens – Date of appointment 1 August 2017
- 1.4 TP Moeketsi – Date of appointment 5 February 2018
- 1.5 ME Mthunzi – Date of appointment 28 February 2010
- 1.6 MW Spicer – Date of appointment 21 August 2013

Refer to pages 59 to 62 of this integrated annual report of which this notice forms part for a brief description and curriculum vitae of each director.

# Notice of annual general meeting continued

## **2. Ordinary resolutions number 2.1 to 2.5: 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: Chairperson

2.2 JA Boggenpoel: Member

2.3 FS Mufamadi: Member

2.4 MW Spicer: Member

Refer to pages 60 to 61 of this integrated annual report of which this notice forms part for a brief description and curriculum vitae for each Audit and Risk Committee member.

## **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 2019 is MLE Tshabalala.

The Audit and Risk Committee and the board have evaluated the performance and independence of Deloitte & Touche and recommend their reappointment as the external auditors of the Company.

## **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 the 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 on pages 71 to 74.

Shareholders are reminded that in terms of King IV, the passing of this ordinary resolution is by way of a non-binding vote. Should 25% or more of the votes cast vote against this ordinary resolution, Adcorp undertakes to engage with shareholders as to the reasons therefore.

## **6. Ordinary resolution number 6: Non-binding advisory vote on the remuneration implementation report**

To endorse, by way of a non-binding advisory vote, the Company's remuneration implementation report, as set out in the integrated annual report on pages 69 to 70.

Shareholders are reminded that in terms of King IV, the passing of this ordinary resolution is by way of a non-binding vote. Should 25% or more of the votes cast vote against this ordinary resolution, Adcorp undertakes to engage with shareholders as to the reasons therefore.

## **7. Ordinary resolution number 7: 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.

## 8. 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 2017/2018	Proposed for 2018/2019	Current for 2017/2018	Proposed for 2018/2019
<b>Board</b>				
Chairperson	95 191	95 191	142 787	142 787
Lead independent non-executive	31 810	31 810	47 716	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
<b>Audit and Risk Committee</b>				
Chairperson	31 516	31 516	47 275	47 275
Non-executive	15 759	15 759	23 637	23 637
<b>Remuneration Committee</b>				
Chairperson	13 741	13 741	20 613	20 613
Non-executive	8 217	8 217	12 326	12 326
<b>Nominations Committee</b>				
Chairperson	13 741	13 741	20 613	20 613
Non-executive	8 217	8 217	12 326	12 326
<b>Transformation, Social and Ethics Committee</b>				
Chairperson	12 959	12 959	19 438	19 438
Non-executive	8 217	8 217	12 326	12 326
<b>Investment Committee</b>				
Chairperson	31 516	31 516	47 275	47 275
Non-executive	15 759	15 759	23 637	23 637

## 9. 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 17 May 2018, 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 AGM or 15 months from the date of passing of this special resolution, whichever is earlier.



## Notice of annual general meeting continued

- 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 the board approves the repurchase of its shares;
- (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 the board approves the repurchase of its shares. 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 the board approves the repurchase of its shares; 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 the board approves the repurchase of its shares.

### **10. Special resolution number 3: Financial assistance for the provision of loans or other financial assistance to present or future related and interrelated 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 interrelated company or for the purchase of any debt securities of the Company or a present or future related or interrelated 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 interrelated to the Company, for such amounts and on such terms and conditions as the board of the Company may determine.

### **Other disclosure in terms of section 11.26 of the JSE Listings Requirements**

The JSE Listings Requirements require the following disclosure, which is contained in the annual report of which this notice forms part:

- Directors and management (pages 59 to 62)
- Major shareholders of the Company (page 154)
- Directors' interest in securities (page 132)
- Stated capital of the Company (page 121)

## 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 59 to 62 of this integrated annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the special resolutions and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolutions contain all such information as required by law and the JSE Listings Requirements.

## 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 08:30 on Thursday, 26 July 2018.

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

25 June 2018

# 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 Monday, 30 July 2018, at 08:30 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 GP Dingaan			
	1.2 I Dutiro			
	1.3 MA Jurgens			
	1.4 TP Moeketsi			
	1.5 ME Mthunzi			
	1.6 MW Spicer			
2.	Ordinary resolution number 2: Election of Audit and Risk Committee members			
	2.1 SN Mabaso-Koyana			
	2.2 JA Boggenpoel			
	2.3 FS Mufamadi			
	2.4 MW Spicer			
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 the remuneration policy			
6.	Ordinary resolution number 6: Non-binding advisory vote on the remuneration implementation report			
7.	Ordinary resolution number 7: Authority to implement resolutions passed at the AGM			
8.	Special resolution number 1: Remuneration payable to non-executive directors			
9.	Special resolution number 2: Repurchase of the Company's shares up to 10%			
10.	Special resolution number 3: Financial assistance for the provision of loans or other financial assistance to present or future related or interrelated companies			

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2018

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 08:30 on Thursday, 26 July 2018. A proxy form not lodged by this time may be handed to the Chairman before the due commencement of the meeting.
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.

# 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 2018.

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.

### Assurance standard 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'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 second Integrated Report assurance engagement conducted for Adcorp by IBIS.

### Assurance objectives

The purpose of the assurance engagement was to provide the management of Adcorp and their stakeholders with an independent moderate level assurance opinion on whether the Report meets the following objectives:

- Adherence to the AA1000APS (2008) AccountAbility principles of inclusivity, materiality and responsiveness.
- Fair reporting on a selection of Key Performance Indicators (KPIs) as related to the identified material issues listed below.

#### For both permanent and temporary workforce:

- South African workforce composition by race, gender, citizenship and disability (pages 45 to 46 and 47 to 50)
- South African labour turnover rate by province, gender and age group (pages 48 and 50)
- Incidents of child labour statement (pages 47 and 49)
- Incidents of forced labour statement (pages 47 and 49)
- Incidents of discrimination statement (pages 47 and 49)

#### For temporary workforce only:

- Number of employees covered by collective bargaining agreements (page 50)

#### Environmental:

- Amount of fuel (diesel and petrol) used within the Scope 1 reporting boundary (page 54)
- Amount of printing paper used (page 54)

### 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; and
- 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 entire population for Adcorp South Africa;
- Testing, on a sample basis, the measurement, collection, aggregation and reporting of selected sustainability information for the most material operations including Adcorp Blu, Charisma, Paracon, Quest Staffing and Quest Support;
- 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 recognised its accountability and has expressed its commitment to create shared value for all its stakeholders in alignment with its new corporate strategy.

#### In relation to the materiality principle

Adcorp has established the material issues that can potentially impact on the group and its stakeholders together with the implementation of risk mitigation measures related to the identified issues.

#### In relation to the responsiveness principle

Adcorp has demonstrated an understanding of their stakeholders and their expectations, and has significantly revised its strategy for enriching encounters between candidates and employers within the workplace while creating shared value for all its stakeholders. It is recommended that Adcorp continue with the implementation of its strategy and demonstrate achievements and improvements related to stakeholder expectations going forward.

#### 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. However, a slight increase in the error rates during the sampling process was noted from the previous year to this reporting period, particularly for Adcorp Blu. This points to the need for improved internal controls governing the capturing and verification of employee information. 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, 18 May 2018



*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.*

