Audited summarised consolidated and separate provisional results

For the year ended 28 February 2019

Salient features

Underlying* earnings before interest, tax, depreciation and amortisation (EBITDA) for the year increased by **34%** to

R518m

Reported EBITDA for the year increased by **242%** to

R467m

Net profit after tax increased by **147%** to

R262m

The cost savings target of

R200m

that was set 18 months ago has been exceeded resulting in an improvement in the underlying EBITDA margin to 3.4% from 2.5%

Earnings per share increased by 757 cents to

240 cents

from a loss per share of 517 cents in the prior year

Headline earnings per share increased by 331 cents to

245 cents

compared to a loss of 86 cents in the prior year

DSO improved to

50 days

from 53 days in FY2018

The gearing ratio improved to

27%

from 55%

Cash generated by operations up **28%** to

R500m

(2018: R390m)

Revenue for the year decreased by **2%** to

R15bn

Dividend declared of

96,10 cents

per share (2018: Nil)

** Underlying EBITDA is defined as EBITDA adjusted for once-off costs such as bad debts written off, retrenchment costs, restructure costs and certain accounting adjustments in FY2018 and strategic transformation costs in FY2019.*

Commentary

Overview

Workplaces around the world are changing at a rapid pace driven by technological and social developments, prompting us to push beyond traditional ways of working. South Africa, our core market, faces added challenges of low economic growth, high unemployment and a shortage of critical skills. As South Africa's leading workplace solutions company, we see ourselves as an integral part of finding solutions to these intractable problems. Recruiting, training, upskilling and reskilling of workforces are evermore central to the success of businesses and the economy and we, as Adcorp, are preparing ourselves to be best positioned to support our clients and society at large in these areas.

In our quest to build workplaces and careers for the future we have embarked on a process to fix, stabilise and grow our businesses. The last 18 months have been focused on establishing a platform from which we can build a sustainable future for the Group. This transitional phase has enabled us to effect a financial turnaround while mapping out a strategy that will grow all our businesses to full potential and achieve the ambitious targets we have set for ourselves over the next three years.

Despite continuing challenges at a macro-economic level including rising unemployment in a highly regulated environment in South Africa and persistently low gross domestic product (GDP) growth rates in Australia, we have delivered a financial performance that reflects the early successes of our transformation journey. The Group achieved a reported EBITDA of R467 million, 242% up from 2018, which translates into a sustainable EBITDA of R518 million (2018: R387 million) if we exclude costs specifically relating to the strategic transformation. Profits are up in the past year notwithstanding a 2% decline in revenue resulting primarily from a headcount volume reduction in our Temporary Employment Services (TES) businesses in South Africa, the impact of agricultural cycles in Australia, as well as the sale of the pay-card solution business in our Financial Services segment.

As South Africa's largest TES provider, a significant event for that part of our business during 2018, was the long-awaited Constitutional Court ruling on the matter of the "deeming" provision contained in section 198 of the Labour Relations Act (LRA). Our engagement with clients on the potential implications of the ruling has been an ongoing process, which we started before the final judgment was handed down. TES remains relevant in the South African labour market and will continue to provide opportunities for first-time job seekers, skills development, training and career growth.

We remain fully committed to fair labour practices and will continue to provide our clients with innovative workplace solutions; TES being one of the many workplace solutions provided by Adcorp. As an example of our commitment to fair labour practices, we provide core retirement and funeral benefits to our temporary assignees, through Adcorp Financial Services.

Our ability to provide flexibility and enhance labour productivity means that we continue to be a key contributor to our clients' efforts to weather South Africa's current economic challenges, thus the response to the ruling from our clients has been largely positive and there has been minimal impact on the financial results for the year ended February 2019.

Commentary continued

Stabilising the business

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

Our focused efforts to fix and stabilise the business in the past year have been guided by the four strategic priorities identified by the leadership team namely: defining and focusing on our core business; reducing costs through the deployment of lean and agile business processes; strengthening our brand and transforming our culture.

We have defined ourselves as a workplace solutions company with operating segments in the areas of Resourcing, Training, Consulting and Outsourcing. We have started the work to reorganise our business into this four-pillar operating model, which will enable us to give adequate strategic focus to each of these areas and provide our clients with a holistic workplace, human capital and talent management value proposition. This operational restructure is a critical enabler for future growth as the current operating structure limits the focus on our newer business areas which are experiencing rapid growth in labour markets globally.

The clean-up of the operations in FY2018 enabled a better understanding of the true financial position of the Group and provided us with the necessary visibility on what organisational changes we had to make in order to deliver efficiencies and unlock value.

Fully realising the balance of the promised R200 million Phase One cost savings, and embarking on Phase Two related to optimisation of the Group, has enabled us to make significant headway towards achieving a sustainably lean and agile business by:

- Restoring discipline relating to cost and working capital.
- Successfully migrating off-shore processes into an appropriate cost-effective structure in South Africa.
- Completing the first phase of the restructure of the finance, marketing and human resources functional areas into a Central Shared Services model.

Financial overview

Proforma income statement

	2019 R'000	2018 R'000	Variance %
Revenue	**15 065 369**	15 325 391	(1,7)
Cost of sales	**(13 032 499)**	(13 097 630)	(0,5)
Gross profit	**2 032 870**	2 227 761	(8,7)
Other income	**45 461**	58 067	(21,7)
Operating expenses	**(1 560 676)**	(1 898 367)	17,8
Underlying EBITDA	**517 655**	387 461	33,6
Once off/transformation costs	**(50 498)**	(250 842)	
EBITDA	**467 157**	136 619	241,9
Depreciation and amortisation	**(79 416)**	(128 589)	38,2
Net cost of funding from continuing operations	**(83 593)**	(124 029)	32,6
Impairment of intangible assets, goodwill and bonds	**(6 821)**	(477 797)	98,2
Profit from the sale of subsidiary and associate	**574**	184 960	(98,6)
Share of profits from associates	**–**	16 476	(100,0)
Profit/(loss) before taxation	**297 901**	(392 360)	175,9
Taxation	**(35 578)**	(28 350)	25,5
Profit/(loss) for the year from continuing operations	**262 323**	(420 710)	162,4
Loss for the year from discontinuing operations	**(178)**	(140 322)	(99,9)
Net profit/(loss) for the year	**262 145**	(561 032)	146,7

The Group posted strong results for the year ended 2019, with a net profit after tax of R262 million and positive EPS and HEPS of 240 cents and 245 cents respectively.

The drive to right-size the business and ensure an efficient operating structure and processes is yielding positive outcomes evidenced in a reduction in our operating expenses and EBITDA growth. Our Training business has benefited the most from these initial interventions, resulting in this segment turning the previous losses into profit. We have also adopted a disciplined approach to working capital management which has resulted in increased cash generation and a reduction in the net debt and improved gearing.

The Phase One cost reduction target of R200 million was met and exceeded during the financial year. Opportunities to unlock further efficiencies exist and the focus of Phase Two is optimisation through organisational restructuring, process improvements and investing in appropriate technology enablement.

Commentary continued

Proforma segment report

	Revenue			EBITDA		
	2019 R'000	2018 R'000	Variance %	**2019 R'000**	2018 R'000	Variance %
South Africa						
Industrial Services	**5 980 971**	6 278 103	(4,7)	**359 634**	338 347	6,3
Professional Services	**1 935 706**	1 802 508	7,4	**174 228**	160 860	8,3
Support Services	**1 371 072**	1 471 207	(6,8)	**53 749**	49 012	9,7
Training	**166 005**	178 454	(7,0)	**7 148**	(32 501)	122,0
Financial Services	**149 335**	192 281	(22,3)	**65 196**	58 218	12,0
Operations results before central costs/ transformation costs	**9 603 090**	9 922 553	(3,2)	**659 955**	573 936	15,0
Central costs*	**–**	16 034		**(287 947)**	(323 634)	11,0
Total – underlying	**9 603 405**	9 938 587	(3,4)	**372 008**	250 302	48,6
Strategic initiatives				**(50 498)**	(250 842)	
Total – SA reported	**9 603 405**	9 938 587	(3,4)	**321 510**	(54 000)	
Australia						
Industrial Services	**1 622 869**	1 696 419	(4,3)	**51 015**	58 096	(12.2)
Professional Services	**3 839 095**	3 690 385	4,0	**112 474**	104 059	8,1
Operations results before central costs	**5 461 964**	5 386 804	1,4	**163 489**	162 155	0,8
Central costs	**–**			**(17 840)**	(24 996)	28,6
Total – Australia reported	**5 461 964**	5 386 804	14,0	**145 648**	137 159	6,2
Total Group – underlying	**15 065 369**	15 325 391	(1,7)	**517 656**	387 461	33,6
Total Group – reported	**15 065 369**	15 325 391	(1,7)	**467 158**	136 619	241,9

* *These are gross central costs before allocations to operating entities. They are currently tracked separately to ensure visibility over the right-sizing of this amount. Central costs comprise head office costs and certain shared functions.*

Adcorp Professional Services continued its strong trajectory in both South Africa and Australia, with 7% revenue growth in South Africa and 4% in Australia. Adcorp Support Services revenue declined by 7% on the back of another challenging year for the business regarding top-line growth. The Training segment revenue also declined by 7% as a result of a decision to cancel non-performing contracts. The Financial Services revenue declined by 22% due to the sale of the pay-card subsidiary, FNDS 3000. Revenue for the Adcorp Industrial Services business decreased marginally for both South Africa and Australia operations. The net impact was a decrease of 2% to overall Group revenues.

The Group underlying EBITDA for the year grew by 34% to R518 million compared to the 2018 results of R387 million, excluding once-off costs. This was largely driven by:

- EBITDA improvements from prior year of 6% in Industrial Services South Africa and 10% in Support Services. Both these segments benefited from a proactive approach to drive cost reduction and efficiencies to enable an agile response to the outcomes of the LRA amendments.
- Professional Services South Africa EBITDA grew by 8%, while the Australia segment EBITDA also increased by 8%.
- The disposal of the low margin pay-card business had a positive impact on our Financial Services business which had a 12% improvement in EBITDA as a result of this as well as continued fiscal discipline in that segment.
- The interventions to stem losses in the Training business yielded positive results and the business posted a positive EBITDA of R7 million compared to the loss of R32 million in the prior year.
- There was an 11% reduction in Central Costs over and above the solid improvement from the segments.

Capital allocation strategy

The Group's capital allocation strategy supports sustainable value creation by:

- Ensuring an improvement in underlying operational performance while the business transformation takes place and
- Driving the implementation of a disciplined approach to capital allocation.

Capital allocation decisions will be underpinned by the need to balance growth and return the value generated by this growth to our shareholders through distributions.

We have significantly strengthened our capital allocation policies to ensure that our teams are focused on high quality growth, which we define as growth that yields returns in excess of our cost of capital. We are driving a focus on the quality of business written, and strong alignment of reward, remuneration and performance especially at senior levels in our business.

We have set our target capital structure at 1.5x Debt: EBITDA and closed the financial year on 1.1x Debt: EBITDA. The headroom created in the balance sheet by the reduced gearing has strengthened the balance sheet and enables the Management team to pursue attractive growth opportunities and review its ability to provide sustainable shareholder distributions.

As a result, the Board has made the decision to resume the payment of dividends by declaring 96.10 cents per share as a full and final dividend for the year ended 28 February 2019. Going forward, the Board will be targeting a dividend cover ratio of 1.5x, however this will be confirmed at the interim results for the 2020 financial year.

Commentary continued

The salient dates pertaining to the final dividend are as follows:
Last date to trade "cum" dividend: Tuesday 13 August 2019
Date trading commences "ex" dividend: Wednesday 14 August 2019
Record date: Friday 16 August 2019
Date of payment: Monday 19 August 2019

Ordinary share certificates may not be dematerialised or rematerialised between Wednesday, 14 August 2019 and Friday, 16 August 2019, both days inclusive.

Shareholders who are not exempt from the dividend withholding tax of 20% will therefore receive a net dividend of 76,88 cents per share.

Management have considered the intrinsic value of the share price, and will take advantage of opportunities available to purchase shares based on available capital allocation options. Any purchased shares will be held as treasury shares.

Changes to the Board of Adcorp

The following changes to the directorate took place during the period under review:

- Resignation of JA Boggenpoel as an independent non-executive director with effect from 20 July 2018.
- Resignation of MA Jurgens as an executive director with effect from 6 September 2018.
- Resignation of K Fihrer as Company Secretarial with effect from 31 May 2019.
- Appointment of P Mnganga as an independent non-executive director with effect from 6 September 2018.
- Appointment of H Singh as an independent non-executive director with effect from 6 September 2018.

The Board would like to thank our outgoing Board members for their contribution over the years. We welcome our new Board members, Phumla Mnganga and Herman Singh, who bring into the Group a valuable set of skills and experience, notably in the areas of human resources and workforce transition, and technology respectively.

Outlook and prospects

In the new financial year, we will turn our attention to the implementation of our new operating model and growth strategy in South Africa and provide greater focus on the prospects for our Australia business.

The Group is committed to achieving its transformation, ensuring future revenue growth and sustained EBITDA margin improvement, while continuing to deliver strong free cash flow.

We remain enthusiastic about our value proposition and are proud to be part of an organisation that is committed to using its capabilities and market position to improve socio-economic conditions in our communities by increasing employability and connecting people with opportunities.

By order of the Board

GT Serobe	**I Dutiro**	**CJ Kujenga**
Chairman	*Chief Executive Officer*	*Chief Financial Officer*

17 May 2019

Audited summarised consolidated statement of financial position

as at 28 February 2019

	Notes	2019 R'000	2018 R'000
Assets			
Non-current assets		**1 711 896**	1 719 016
Property and equipment		**57 647**	65 756
Intangible assets		**231 601**	275 785
Goodwill		**1 188 811**	1 162 010
Investment		**15 247**	13 244
Investment – amortised cost		**–**	10 361
Deferred taxation		**218 590**	191 860
Current assets		**2 647 253**	2 801 348
Trade receivables		**2 086 490**	2 272 550
Other receivables		**103 712**	77 208
Investment – amortised cost		**2 992**	12 191
Taxation prepaid		**87 202**	79 071
Cash and cash equivalents		**366 857**	360 328
Assets from continuing operations		**4 359 149**	4 520 364
Assets held for sale	4	**–**	10 434
Total assets		**4 359 149**	4 530 798
Equity and liabilities			
Capital and reserves		**1 905 474**	1 602 589
Share capital and share premium		**1 740 858**	1 740 858
Treasury shares		**(38 233)**	(23 002)
Reserves		**202 849**	(115 267)
Interest-bearing liabilities	6	**892 189**	1 218 559
Non-current liabilities		**697 126**	978 196
Long-term loans		**690 466**	978 196
Provisions		**6 660**	–
Current liabilities		**195 063**	240 363
Short-term portion of long-term loans		**194 836**	228 687
Bank overdraft		**227**	11 676
Non-interest-bearing liabilities		**1 561 486**	1 680 405
Non-current liabilities		**104 077**	100 074
Deferred taxation		**104 077**	100 074
Current liabilities		**1 457 409**	1 580 331
Trade and other payables		**1 111 233**	1 225 030
Share-based payment liability		**–**	8 133
Provisions		**286 663**	287 202
Taxation		**59 513**	59 966
Equity and liabilities from continuing operations		**4 359 149**	4 501 553
Liabilities directly associated with assets classified as held for sale	4	**–**	29 245
Total equity and liabilities		**4 359 149**	4 530 798

Audited summarised consolidated statement of profit or loss

for the year ended 28 February 2019

Continuing operations	Note	2019 R'000	2018 R'000
Revenue		**15 065 369**	15 325 391
Cost of sales		**(13 032 499)**	(13 097 630)
Gross profit		**2 032 870**	2 227 761
Other income		**45 461**	58 067
Operating expenses (excluding depreciation and amortisation)		**(1 611 174)**	(2 149 209)
Earnings before depreciation and amortisation		**467 157**	136 619
Depreciation and amortisation		**(79 416)**	(128 589)
Operating profit		**387 741**	8 030
Interest income		**21 031**	16 614
Interest expense		**(104 624)**	(140 643)
Impairment of intangible assets, goodwill and bonds		**(6 821)**	(477 797)
Profits from the sale of subsidiary and associate		**574**	184 960
Share of profits from associates		**–**	16 476
Profit/(loss) before taxation		**297 901**	(392 360)
Taxation expense		**(35 578)**	(28 350)
Profit/(loss) for the year from continuing operations		**262 323**	(420 710)
Discontinued operations			
Loss for the year from discontinued operations	4	**(178)**	(140 322)
Profit/(loss) for the year		**262 145**	(561 032)
Profit/(loss) attributable to:			
Owners of the parent from continuing operations		**261 850**	(422 956)
Owners of the parent discontinued operations		**(178)**	(140 322)
Non-controlling interest		**473**	2 246
Continuing operations			
Basic earnings/(loss) per share (cents)		**240,1**	(388,2)
Diluted earnings/(loss) per share (cents)*		**234,3**	(388,2)
Discontinued operations			
Basic loss per share (cents)		**(0,16)**	(128,8)
Diluted loss per share (cents)*		**(0,16)**	(128,8)
Total basic earnings/(loss) per share			
Basic earnings/(loss) per share (cents)		**240,0**	(517,0)
Diluted earnings/(loss) per share (cents)*		**234,1**	(517,0)

** The 2018 diluted loss per share have been restated to exclude the impact of performance award that have an anti-dilutive impact. The adjustment is not quantitatively material. The anti-dilutive impact of the performance awards was identified during the Johannesburg Securities Exchange's proactive monitoring process carried out on the 2018 financial statements. Diluted loss share were previously reported as:*

- *Continuing operations (378.6)*
- *Discontinued operations (125.6)*
- *Total diluted loss per share (504.2)*

Audited summarised consolidated statement of other comprehensive income

for the year ended 28 February 2019

	2019 R'000	2018 R'000
Profit/(loss) for the year	**262 145**	(561 032)
Other comprehensive income/(loss)*		
Exchange differences on translating foreign operations	**10 774**	(50 677)
Exchange differences arising on the net investment of a foreign operation	**23 527**	(30 964)
Fair value adjustment of derivative financial instrument	**–**	1 102
Other comprehensive income/(loss) for the year, net of tax	**34 301**	(80 539)
Non-controlling interest	**(473)**	(2 246)
Total comprehensive income/(loss) for the year	**295 973**	(643 817)
Total comprehensive income/(loss) attributable to:		
Owners of the parent continuing operations	**295 678**	(501 249)
Owners of the parent discontinued operations	**(178)**	(140 322)
Non-controlling interest	**473**	2 246

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

Audited summarised consolidated statement of cash flows

for the year ended 28 February 2019

	Note	2019 R'000	2018 R'000
Operating activities			
Profit/(loss) before taxation		**297 723**	(473 044)
From continuing operations		**297 901**	(392 360)
From discontinued operations	4	**(178)**	(80 684)
Adjusted for:			
Foreign currency exchange gains – discontinued operations		**(25 236)**	–
Fair value adjustments – discontinued operations		**25 407**	–
Interest income – discontinued operations		**(3 752)**	–
Depreciation		**25 845**	31 696
Amortisation of intangibles		**53 571**	96 893
Impairment of intangible assets, goodwill and bonds		**6 821**	477 797
Share of profits from associates		**–**	(16 476)
(Profit)/loss on the sale of property and equipment		**(803)**	839
Share-based payments		**24 464**	8 767
Share-based payment expense		**24 464**	12 822
Revaluation of share-based payment liability		**–**	(4 055)
Unrealised foreign exchange loss (gain)		**(1 514)**	451
Non-cash portion of operating lease rentals		**(3 417)**	(1 361)
Profit on the sale of associate		**(574)**	(184 960)
Net movement on assets held for sale		**(18 811)**	203 701
Fair value adjustment		**(2 003)**	(3 298)
Non-cash adjustments		**(4 639)**	–
Increase in bad debt provision		**(14 127)**	(21 274)
Interest income		**(21 031)**	(16 614)
Interest expense		**104 624**	140 643
Cash generated from operations before working capital changes		**442 548**	243 760
Decrease in trade and other receivables		**173 683**	45 930
(Decrease)/Increase in trade and other payables		**(113 797)**	56 091
Increase in provisions		**6 121**	44 674
Other non-cash items		**(8 541)**	–
Cash generated by operations		**500 014**	390 455
Interest income		**24 783**	16 614
Interest expense		**(104 624)**	(140 643)
Cash settlement of share options exercised		**(8 133)**	(31 384)
Taxation paid		**(59 550)**	(100 692)
Dividend paid		**(2 234)**	(1 293)
Net cash generated by operating activities		**350 256**	133 057

	Note	**2019 R'000**	2018 R'000
Investing activities			
Additions to property, equipment and intangible assets		**(32 138)**	(27 234)
Proceeds from sale of property and equipment		**5 083**	2 133
Proceeds from other financial assets		**32 508**	–
Net cash outflow on acquisition of subsidiaries		**–**	(12 060)
Net cash inflow on disposal of associate		**1 000**	305 702
Net cash inflow from disposal of subsidiary		**10 250**	858
Net cash generated from investing activities		**16 703**	269 399
Financing activities			
Payment from the issue of treasury shares		**(15 231)**	13 961
Repayment of borrowings		**(1 366 966)**	(1 790 664)
Proceeds from borrowings		**1 033 216**	1 626 468
Other non-current liabilities – interest-bearing		**–**	(2 271)
Net cash utilised by financing activities		**(348 981)**	(152 506)
Net increase in cash and cash equivalents		**17 978**	249 950
Cash and cash equivalents at the beginning of the year		**348 652**	98 702
Cash and cash equivalents at the end of the year*		**366 630**	348 652

** Immaterial impact of change of foreign exchange rates.*

Audited summarised consolidated statement of changes in equity

for the year ended 28 February 2019

	Share capital R'000	Share premium R'000	Treasury shares R'000	Share-based payment reserve R'000
Balance as at 28 February 2017	2 749	1 738 109	(36 963)	128 993
Issue of treasury shares under employee share option scheme	–	–	13 961	–
Dividend distributions	–	–	–	–
Recognition of BBBEE and staff share-based payments	–	–	–	8 317
Loss for the year	–	–	–	–
Non-controlling interest	–	–	–	–
Equity due to change in control	–	–	–	–
Other comprehensive/(loss) income for the year	–	–	–	–
Balance as at 28 February 2018	2 749	1 738 109	(23 002)	137 310
Recognition of BBBEE and staff share-based payments	**–**	**–**	**–**	**24 464**
Treasury shares acquired	**–**	**–**	**(15 231)**	**–**
Dividend distributions	**–**	**–**	**–**	**–**
Profit for the year	**–**	**–**	**–**	**–**
Other comprehensive income	**–**	**–**	**–**	**–**
Equity due to change in control	**–**	**–**	**–**	**–**
Balance as at 28 February 2019	**2 749**	**1 738 109**	**(38 233)**	**161 774**

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	Employees' share option scheme reserve R'000	Total R'000
24 289	(1 102)	363 904	2 219 979	(5 249)	676	2 215 406
–	–	–	13 961	–	–	13 961
–	–	(1 293)	(1 293)	–	–	(1 293)
–	–	–	8 317	–	–	8 317
–	–	(563 278)	(563 278)	2 246	–	(561 032)
–	–	–	–	6 911	–	6 911
–	–	858	858	–	–	858
(50 677)	1 102	(30 964)	(80 539)	–	–	(80 539)
(26 388)	–	(230 773)	1 598 005	3 908	676	1 602 589
–	**–**	**–**	**24 464**	**–**	**–**	**24 464**
–	**–**	**–**	**(15 231)**	**–**	**–**	**(15 231)**
–	**–**	**(2 234)**	**(2 234)**	**–**	**–**	**(2 234)**
–	**–**	**261 672**	**261 672**	**473**	**–**	**262 145**
10 774	**–**	**23 527**	**34 301**	**–**	**–**	**34 301**
–	**–**	**–**	**–**	**(560)**	**–**	**(560)**
(15 614)	**–**	**52 192**	**1 900 977**	**3 821**	**676**	**1 905 474**

Segment report

for the year ended 28 February 2019

Information reported to the Group's Chief Executive (the chief operating decision maker (CODM)) for the purposes of resource allocation and assessment of segment performance is focused on the different service offerings and geographical region of operations. The Group's reportable segments under IFRS 8 are therefore as follows:

Industrial Services

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

Support Services

This operating segment provides support staffing solutions in "white collar" areas, such as nursing, clerical, administration, office and call centre positions.

Professional Services

This operating segment provides highly skilled IT and digitally focused professionals. It also delivers consulting, project and managed services in a number of specialist domains.

Training

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

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.

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

Segment profit represents the profit earned by each segment without allocation of the share of profits of associates and joint ventures, central administration costs including directors' salaries, finance income, non-operating gains or losses in respect of financial instruments and finance costs, and income tax expense. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance. For the purposes of monitoring segment performance and allocating resources between segments the Group's Chief Executive monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of investments in associates and joint ventures, other financial assets (except for trade and other receivables) and tax assets. Goodwill has been allocated to reportable segments as described in note 6. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

Segment report continued

for the year ended 28 February 2019

	Industrial			Professional Services		
	South Africa R'000	Australia R'000	Support Services R'000	South Africa R'000	Australia R'000	Training R'000
Revenue						
– 2019	**5 980 971**	**1 622 869**	**1 371 072**	**1 935 706**	**3 839 095**	**166 005**
– 2018	6 278 103	1 696 419	1 471 207	1 802 508	3 690 385	178 454
Internal revenue						
– 2019	**199 250**	**–**	**434 476**	**1 560**	**–**	**8 077**
– 2018	39 450	–	6 015	2 240	–	11 192
Operating profit/(loss)						
– 2019	**339 768**	**49 116**	**46 513**	**180 632**	**110 967**	**3 836**
– 2018	180 968	26 551	43 436	151 663	99 100	(54 711)
EBITDA						
– 2019	**344 005**	**51 123**	**49 387**	**188 552**	**116 142**	**5 806**
– 2018	189 232	58 096	46 474	160 624	104 059	(51 824)
Depreciation and amortisation						
– 2019	**4 243**	**2 007**	**2 877**	**23 707**	**5 175**	**1 970**
– 2018	8 262	31 545	3 030	24 821	4 022	2 886
Interest income						
– 2019	**76 191**	**110**	**13 281**	**27 217**	**7**	**190**
– 2018	66 145	202	12 219	28 812	120	248
Interest expense						
– 2019	**(48 406)**	**–**	**(9 988)**	**(4 755)**	**–**	**(4 401)**
– 2018	(56 312)	–	(8 942)	(6 757)	(3 047)	(11 964)
Taxation expense/(income)						
– 2019	**(68 452)**	**15 165**	**(17 461)**	**22 384**	**26 797**	**(11 621)**
– 2018	(26 396)	(5 698)	(3 152)	67 431	29 250	(12 822)
Asset carrying value from continuing operations*						
– 2019	**1 305 993**	**198 897**	**243 865**	**704 299**	**584 444**	**60 177**
– 2018	1 394 421	(127 230)	271 762	747 752	499 450	94 961
Liabilities carrying value**						
– 2019	**529 172**	**49 978**	**74 402**	**320 427**	**338 215**	**130 760**
– 2018	535 976	42 777	153 232	271 081	307 809	149 030

* *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

Financial Services R'000	Subtotal R'000	Central South Africa R'000	Central Australia R'000	Total R'000	International R'000	South Africa R'000	Total R'000
149 336	**15 065 054**	**315**	**–**	**15 065 369**	**5 461 964**	**9 603 405**	**15 065 369**
192 281	15 309 357	16 034	–	15 325 391	5 386 804	9 938 587	15 325 391
–	**643 363**	**13 609**	**–**	**656 972**	**–**	**656 972**	**656 972**
–	58 897	20 155	–	79 052	–	79 052	79 052
63 389	**794 221**	**(360 117)**	**(46 363)**	**387 741**	**113 720**	**274 021**	**387 741**
55 041	502 048	(446 475)	(47 543)	8 030	78 108	(70 078)	8 030
65 189	**820 204**	**(329 762)**	**(23 284)**	**467 158**	**143 981**	**323 176**	**467 157**
58 218	564 879	(403 264)	(24 996)	136 619	137 159	(540)	136 619
1 518	**41 497**	**14 738**	**23 181**	**79 416**	**30 363**	**49 053**	**79 416**
5 687	80 253	24 854	23 482	128 589	59 049	69 540	128 589
10 245	**127 241**	**(107 553)**	**1 343**	**21 031**	**1 460**	**19 571**	**21 031**
8 066	115 812	(100 410)	1 212	16 614	1 534	15 080	16 614
(4 578)	**(72 128)**	**(16 676)**	**(15 820)**	**(104 624)**	**(15 820)**	**(88 804)**	**(104 624)**
(4 132)	(91 154)	(32 457)	(17 031)	(140 642)	(20 078)	(120 564)	(140 642)
16 459	**(16 729)**	**63 727**	**(11 420)**	**35 578**	**30 542**	**5 036**	**35 578**
4 758	53 371	10 074	(35 095)	28 350	(11 543)	39 893	28 350
184 585	**3 282 260**	**558 052**	**518 836**	**4 359 148**	**1 302 177**	**3 056 971**	**4 359 148**
202 951	3 084 067	517 608	875 544	4 477 219	1 247 764	3 229 455	4 477 219
17 470	**1 460 424**	**789 835**	**203 416**	**2 453 675**	**591 609**	**1 862 066**	**2 453 675**
24 650	1 484 555	1 065 596	301 382	2 851 533	651 968	2 199 565	2 851 533

Notes to the audited summarised consolidated financial statements

for the year ended 28 February 2019

1. Basis of preparation

The summarised consolidated financial statements are prepared in accordance with the JSE Listings Requirements and the requirements of the Companies Act, No 71 of 2008 of South Africa. The summarised consolidated financial statements are prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council, and must also, as a minimum contain the information required by IAS 34 *Interim Financial Reporting*. The accounting policies applied in the preparation of the summarised consolidated financial statements are in accordance with IFRS and, with the exception of the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts*, are consistent with those applied in the preparation of the previous consolidated audited financial statements for the year ended 28 February 2018. The Group has adopted IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* and the adoption thereof did not have any material impact on the results for the period. These results have been prepared under the historical cost convention.

These summarised consolidated financial statements were prepared under the supervision of Ms Cheryl-Jane Kujenga, in her capacity as CFO and have been audited by the Company's auditors.

2. Auditor's reports

These summary consolidated financial statements for the year ended 28 February 2019 have been audited by Deloitte & Touche, who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated financial statements from which these summary consolidated financial statements were derived.

A copy of the auditor's report on the summary consolidated financial statements and of the auditor's report on the consolidated financial statements are available for inspection together with the accompanying financial statements during office hours 08:00 to 16:00, Monday to Friday at the Company's registered office, Adcorp Office Park, corner William Nicol Drive and Wedgewood Link, Bryanston, together with the financial statements identified in the respective auditor's reports.

The auditor's reports do not necessarily report on all of the information contained in this announcement, shareholders are therefore advised that in order to obtain full understanding of the nature of the auditor's engagement they should obtain a copy of that report together with the accompanying financial information from the Company's registered office.

Any forward-looking statement have not been reviewed or reported on by the Company's external auditor.

3. Going concern

The directors believe that the Group has 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 shall continue as a going concern.

4. Discontinued operations

The Group disposed of its rest of Africa operations which were disclosed as discontinued operations in 2018. The disposal transaction has been completed and the costs incurred in the current year relate to costs of winding up the operations (including closure of dormant entities).

	2019 R'000	2018 R'000
Profit or loss		
Revenue	**73**	117 798
Cost of sales	**(296)**	(91 837)
Gross profit/(loss)	**(223)**	25 961
Other income	**7 420**	10 915
Foreign currency exchange gains	**25 236**	–
Operating expenses	**(10 956)**	(42 260)
Operating profit/(loss)	**21 477**	(5 384)
Interest income	**3 752**	–
Impairments	**(25 407)**	(75 300)
Net loss before tax	**(178)**	(80 684)
Taxation	**–**	(59 638)
Net loss after tax	**(178)**	(140 322)
The impairment relates to other financial assets, cash and trade receivables in Africa.		
Assets and liabilities		
Current assets held for sale		
Trade and other receivables	**–**	10 077
Tax prepaid	**–**	357
Total	**–**	10 434
Non-current liabilities associated with assets classified as held for sale		
Trade and other payables	**–**	11 306
Provisions	**–**	4 756
Tax payable	**–**	13 183
Total	**–**	29 245

Notes to the audited summarised consolidated financial statements continued

for the year ended 28 February 2019

5. Earnings per share

The calculation of earnings per share on continuing operations attributable to the ordinary equity holders of the parent is based on earnings of R261 849 887 (2018: R422 956 341) and discontinued loss of R178 826 (2018: R140 322 087) ordinary shares of 109 043 442 (2018: 108 946 470), being the weighted average number of shares relative to the above earnings.

	2019 R'000	2018 R'000
Continuing operations		
Basic earnings/(loss) per share (cents)	**240,1**	(388,2)
Diluted earnings/(loss) per share	**234,3**	(388,2)
Discontinuing operations		
Basic loss per share (cents)	**(0,16)**	(128,8)
Diluted loss per share	**(0,16)**	(128,8)
Total basic loss per share (cents)		
Basic earnings/(loss) per share (cents)	**240,0**	(517,0)
Diluted earnings/(loss) per share	**234,1**	(517,0)
111 754 773 (2018: 108 946 470) weighted diluted number of shares are determined as follows:		
Reconciliation of diluted number of shares		
Ordinary shares	**109 043 442**	108 946 470
Adcorp employee share schemes – dilution*	**2 711 331**	4 273 599
Adcorp employee share schemes – anti-dilutive shares excluded***		(4 273 599)
Diluted number of shares	**111 754 773**	108 946 470
Reconciliation of headline earnings/(loss) from continuing operations**		
Profit/loss for the year	**261 850**	(422 956)
Profit on sale of property and equipment	**(803)**	(839)
Taxation recovered on the sale of property and equipment	**–**	235
Impairment of intangible assets, goodwill and bonds	**6 821**	477 797
Profits from the sale of businesses	**(574)**	(184 960)
Taxation charged on sale of associate	**–**	36 452
Headline earnings/(loss)	**267 294**	(94 271)

5. Earnings per share continued

	2019 R'000	2018 R'000
Headline earnings/(loss) per share (cents)	**245,1**	(86)
Diluted headline earnings/(loss) earnings per share (cents)	**239,2**	(86)
Reconciliation of headline earnings/(loss) from discontinued operations**		
Profit/(loss) for the year	**(178)**	(140 322)
Impairment of investments, goodwill and loans	**–**	75 300
Headline earnings/(loss)	**(178)**	(65 022)
Headline earnings/(loss) per share (cents)	**–**	(60)
Diluted headline earnings/(loss) per share (cents)	**(0,2)**	(60)
Reconciliation of headline earnings/(loss) from total operations		
Profit/(loss) for the year	**261 672**	(563 278)
Impairment of investments, goodwill and loans	**6 821**	553 097
Profit on sale of property and equipment	**(803)**	(839)
Taxation recovered on the sale of property and equipment	**–**	235
Profits from the sale of businesses	**(574)**	(184 960)
Taxation charged on sale of associate	**–**	36 542
Headline earnings/(loss)	**267 116**	(159 203)
Headline earnings/(loss) per share (cents)	**245,0**	(146,1)
Diluted headline earnings/(loss) per share (cents)	**239,0**	(146,1)

* *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.*
*** *The 2018 shares have been adjusted to exclude the impact of anti-dilutive shares.*

Notes to the audited summarised consolidated financial statements continued

for the year ended 28 February 2019

6. Interest-bearing liabilities

6.1 Long-term portion

	Interest rate	Maturity	2019 R'000	2018 R'000
Long-term loans – non-current portion			**690 466**	978 196
Amortising term loan	JIBAR +340	Six equal instalments on the last of each of the five months prior to 30 November 2020	**200 000**	200 000
Amortising revolving loan	JIBAR +340		**450 000**	725 000
Amortising revolving loan	2,9% – 3,15%	Equal semi-annual instalments due August 2020 and February 2021	**40 466**	53 196

6.2 Short-term portion

	Interest rate	Maturity	2019 R'000	2018 R'000
Long-term loans – current portion			**194 836**	228 687
Amortising revolving loan	3,15% (FY18: 3,15%)	Equal semi-annual instalments due August 2019 and February 2020	**194 836**	228 687

Trade receivables are used as security to secure funding relating to the revolving loan facilities.

6. Interest-bearing liabilities continued

6.2 Short-term portion continued

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
- 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
- Adcorp Contracting Proprietary Limited
- Adcorp Technical Training Proprietary Limited
- Adfusion Contract Management Services Proprietary Limited
- Adcorp Advantage Proprietary Limited
- M Squared Consulting MSP Proprietary Limited

7. Subsequent events

No material transactions or events subsequent to the end of the financial year ended 28 February 2019 and prior to the approval of these consolidated and separate financial statements took place.

Notes to the audited summarised consolidated financial statements continued

for the year ended 28 February 2019

8. 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, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the 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 is 27,22% (FY2018: 53%). The committee has worked on the determination of an appropriate capital framework and target gearing for the Group. The Group historically had a target gearing ratio of 37%. Going forward, the Committee believes that the appropriate leverage ratio for the nature of the business is the Debt-to-EBITDA ratio and has a target of 1.5x. This will be reviewed on an ongoing basis as the strategic transformation progresses.

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 in the Annual Financial Statements.

8.1 Categories for financial instruments

	2019 R'000	2018 R'000
Financial assets		
Investments – fair value through profit or loss	**15 247**	13 244
Receivables (excluding cash resources) – amortised cost	**2 086 490**	2 272 550
Cash	**366 857**	360 328
Investment – amortised cost	**9 284**	22 552
Financial liabilities		
Amortised cost (excluding bank overdraft)	**2 003 195**	2 431 913
Bank overdraft	**227**	11 676
The following table details the Group's remaining contractual maturity for its financial liabilities:		
Within one year	**1 312 729**	1 236 553
Later than one year and not later than five years	**690 466**	1 053 196

8. Financial instruments continued

8.2 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.

8.3 Interest 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 R11,7 million (2018: decrease/increase by R14 million).

8.4 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 17.

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	–	–	–	650 000	–	650 000
Interest-bearing loans – Australia	–	–	194 836	40 466	–	235 302
Trade and other payables	–	890 685	–	–	–	890 685

Notes to the audited summarised consolidated financial statements continued

for the year ended 28 February 2019

8. Financial instruments continued

8.4 Financial risk management continued

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 R12 million (2018: R11 million).

8.5 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	2019 R'000	2018 R'000	Valuation technique(s) and key inputs	Fair value hierarchy	Significant observable input(s)	Relationship of unobservable inputs to fair value
Investment	**15 247**	13 244	Fair value – market valuation	Level 2	Aggregated publicly traded unit trusts at fair market value	A significant increase in the fair value of invested unit trusts would result in a significant increase in fair value
Investment – amortised cost	**2 992**	22 552	Bond – Fair value – Market valuation	Level 2	Foreign currency exchange rates	A significant change in the foreign currency exchange rate will lead to a significant change in the fair value of the investment

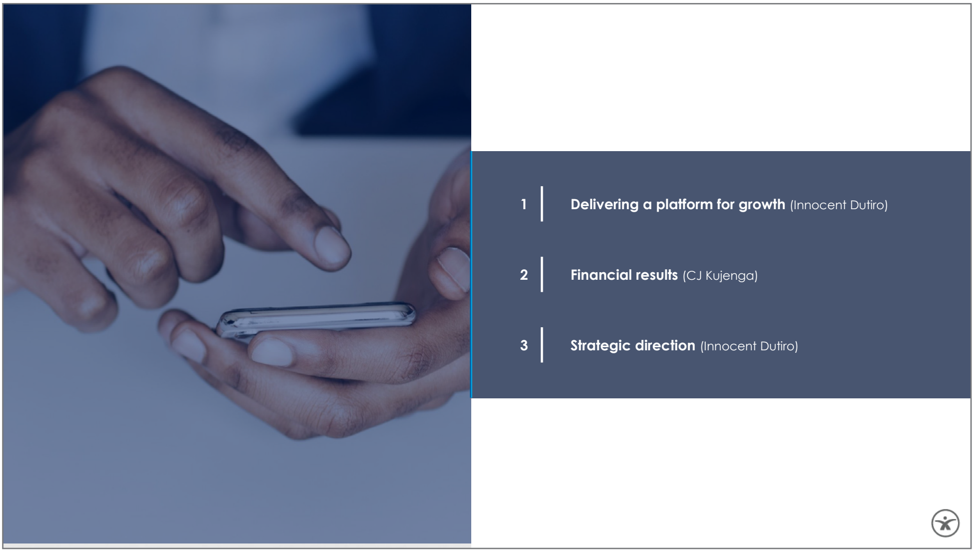
FORWARD LOOKING STATEMENTS

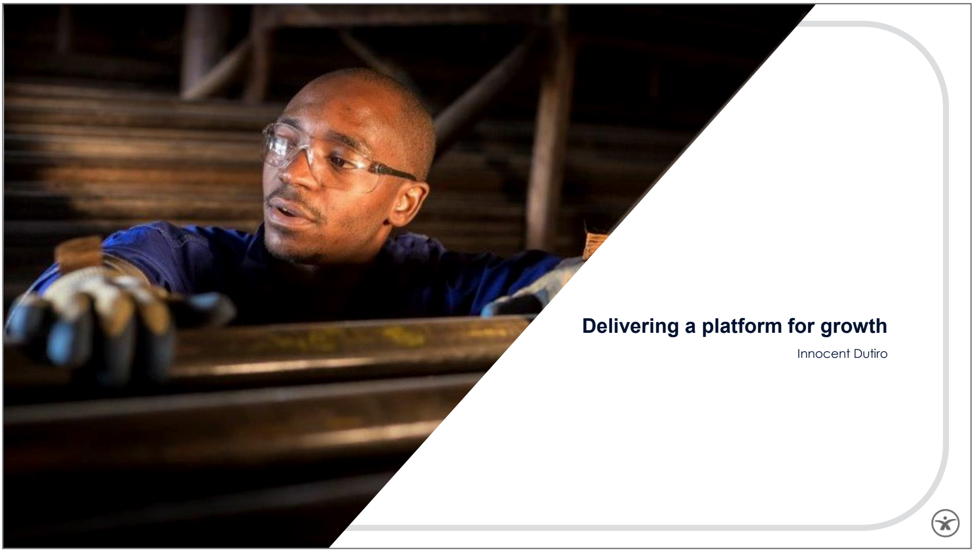
The statements contained herein may contain certain forward-looking statements relating to the Group that are based on the beliefs of the Group's management as well as assumptions made by and information currently available to the Group's management. These forward-looking statements are, by their nature, 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. Forward-looking statements are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment.

Although forward-looking statements contained in this presentation are based upon what management of the Company believes are reasonable assumptions, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements apply only as of the date on which they are made, and Adcorp undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

20 May 2019

Notes


1 Delivering a platform for growth (Innocent Dutiro)
2 Financial results (CJ Kujenga)
3 Strategic direction (Innocent Dutiro)


Delivering a platform for growth
Innocent Dutiro

Notes

Introduction

What you will hear today

- **REVIEW OF OUR PERFORMANCE** for the year ended 28 February 2019
- Our **REVISED OPERATING MODEL** and the value it will create
- The Adcorp **BUSINESS OUTLOOK** for the year ahead

Last eighteen months have been focused on establishing a platform from which we can build a sustainable future for the Group

Period under review marked by a **difficult trading environment**:

- Rising unemployment in South Africa
- Low GDP growth rates in Australia
- Stifled consumer demand

Performance highlights

Reported **EBITDA** ↑ **242%** to R467 million	Net **profit** after tax ↑ **147%** to R262 million	**Revenue** ↓ **2%** to R15.0 billion (2018: R15.3 billion)	**Cash** generated by operations ↑ **28%** to R500 million (2018: R390 million)
Earnings per share **240 cents** (2018: Loss per share 517 cents)	**Headline earnings per share** **245 cents** (2018: Loss per share 86 cents)	Improvement in **DSO** to **50 days** from 53 days in 2018	Gearing ratio improved to **27%** from 55%

*Dividend declared of **96,10 cents** per share (2018: Nil)*

Notes

South Africa macroeconomic environment presents unique labour market challenges

South African unemployment rate increased to 27.6%

- Driven in large part by lack of appropriately skilled workforce
- Exacerbated by slow economic growth
- Youth unemployment 55,2%

OUR CONTRIBUTION

...FACILITATING JOB CREATION

- Adcorp helped over **73 215** South Africans achieve employment during FY2019
- **~80%** of our temporary assignees are youth (25 – 35)

...BUILDING A TALENT PIPELINE *and preparing South Africans for the future world of work*

- **1 032** employed and unemployed young South Africans were placed on NQF 1 to 5 learnerships with our clients
- **419** artisan apprentices were enrolled on our training programmes in FY2019

A leading workplace solutions company and market leader in human capital and talent management

1 Resourcing	2 Outsourcing	3 Training	4 Consulting
Adcorp's ***core business*** is the ***recruitment and placement*** of permanent and temporary staff in primarily IT, administrative and industrial categories	Provide clients with outsourced services for ***people-intensive processes***	We facilitate **training** and provide **learning and development** solutions in the form of learnerships, corporate short courses and **employment readiness** programmes	Leverage our knowledge in ***HR process and people management*** to provide thought leadership in the labour market
Increase employability and connect people with opportunities	Enhance productivity and improve labour law compliance	Support skilling and reskilling of South Africa's workforce	Support our clients as they prepare for the future of work

Build workplaces and careers for the future

Notes

Transformation journey

Our **focus over the past year** has been to **continue fixing** and **stabilising** the business in preparation for **growth**

R1 BILLION
EBITDA
by 2022

FIX → **STABILISE** → **GROW**

End FY2019 | End FY2020 | End FY2022

STRATEGIC FOCUS	▪ Fix and stabilise South Africa operations ▪ Define new operating model	▪ Transition into new operating model ▪ Implement long-term growth strategy for South Africa ▪ Develop long-term growth strategy for Australia

WHAT WE'VE DONE IN THE PAST YEAR

- Effected a **financial turnaround** of the business
- Restored discipline relating to **cost and working capital**
- **Stemmed the losses** in the Training business
- Successfully **migrated off-shored processes** into an appropriate cost-effective structure in South Africa
- Completed the first phase of the **restructure of our support functions**
- Fully realised the balance of the promised **R200 million Phase One cost-savings**
- Commercial execution of Phase Two targeted at **optimising operating structures** and process re-engineering
- Finalised the **long-term growth strategy** for South Africa underpinned by a new operating model

Performance against our strategy

Build a STRONG business that is FOCUSED on leveraging our core

Defined core business areas, growth strategy and operating model to support delivery
- **Resourcing**
- **Outsourcing**
- **Training**
- **Consulting**

Continue to provide **Financial Service solutions** that enhance the experience of our employees and assignees

Australia business strategy in development

Ensure that the business is LEAN AND AGILE

Various projects in flight/ completed that will result in **structural change**:
- Group simplification
- Structural review, process standardisation and re-engineering
- Back-office integration and central shared service model
- Technology enablement project

STRENGTHEN the brand

Development of a **client centric, One Adcorp** solutions-based go-to-market approach

Brand architecture evaluation process is underway

Development of robust **stakeholder engagement** strategy

Alignment of our corporate social investment programmes with our organisational purpose to **build workplaces and careers for the future**

TRANSFORM the culture

Create a culture that is empowering, innovative and diverse, driven by the **Adcorp People Philosophy**
- Attract, reward and retain exceptional people
- Drive a high-performance culture
- Align financial well-being of employees with the economic interest of shareholders

Progress: ○ Not started ● Complete

Notes

Financial results

CJ Kujenga

Focus areas and progress

	Focus areas	Progress
1	**Simplify Group structure in line with the strategic direction**	Blueprint finalised and implementation is commencing in line with the revised operating model
2	***Finalise development of the capital allocation framework**	Target capital structure set at 1.5x Debt: EBITDA Strengthened capital allocation policies and defined capital allocation priorities Aligned performance metrics
3	**Progress implementation of cost reduction and efficiency improvements**	Sustainable cost reduction of R446m since 2017 Phase Two optimisation has commenced
4	**Migrate offshored processes into an appropriate cost effective structure in South Africa**	Migration of processes completed
5	***Maintain focus on working capital and liquidity management**	Positive results evident in cash, net cost of funding and closing net debt position

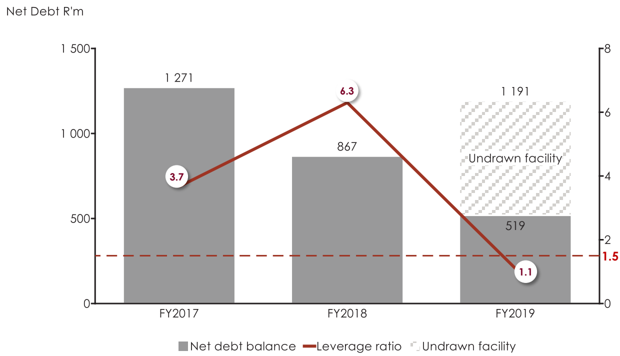
this will remain a continual focus area

Progress: Not started Complete

Notes

Performance has improved across key metrics

Balance sheet has been de-geared providing headroom for value creation



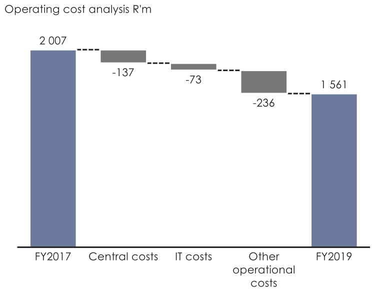
Commentary

- Diligent approach to cash and working capital management has reduced net debt to R519m
- Leverage measure transitioning from gearing (Debt: Equity) to Debt: EBITDA in line with how we manage the business. Debt is based on the net debt position
- Gearing of 27% vs. 55% (2018) → Debt: EBITDA of 1,1x vs. 6,3x achieved in the current year
- Target set at 1,5x. Closed the year with headroom against target
- R672m undrawn facilities

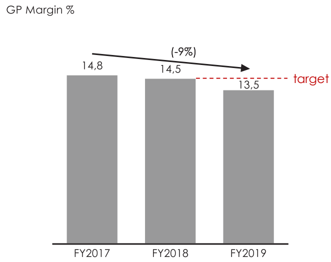
Notes

Margin optimisation is tracking the trajectory required for the FY2021 target of 5%

Concerted efforts on cost savings resulted in **improved EBITDA**



...partially offset *by a drop in gross profit margins*



Ongoing focus is to further reduce costs by R100 million and improve GP % to 14.5% by FY2021

Summarised consolidated operating profit

R'000	2019 R'000	2018 R'000	Var %
Revenue	**15 065 369**	15 325 391	-2%
Cost of sales	(13 032 499)	(13 097 630)	
Gross profit	**2 032 870**	2 227 761	-9%
GP%	13,5%	14,5%	
Other income	45 461	58 067	
Operating expenses	(1 560 676)	(1 898 367)	-18%
Underlying EBITDA	**517 655**	387 461	34%
EBITDA Margin %	3,4%	2,5%	
Transformation costs / Once off costs	(50 498)	(250 842)	
EBITDA	**467 157**	136 619	242%
Depreciation and amortisation	(79 416)	(128 589)	38%
Operating profit	**387 741**	8 030	4 729%

Commentary

- Revenue has dropped by 2% in the current year mainly due to headcount volume reduction in both Industrial Services and Support Services and negative impact of agricultural cycles in Industrial Services Australia
- GP margin dropped due to a combination of pricing pressure, difficult economic conditions experienced by clients as well as changes in accounting for a significant contract in Outsourcing from revenue recognized as an agent i.e. net basis, to recognition as a principal i.e. gross basis
- Operating costs have decreased by 18% as part of the cost reduction initiative
- Transformation costs relate to strategic initiatives
- This all resulted in a reported EBITDA increase of 242% and operating profit improvement to R387m from R8m

Notes

Summarised consolidated statement of profit and loss

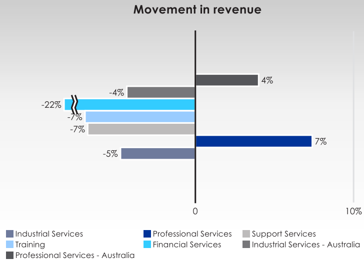
R'000	2019 R'000	2018 R'000	Var %
Operating profit	**387 741**	8 030	
Net cost of funding	(83 593)	(124 029)	33%
Impairment of intangible assets, goodwill and bonds	(6 821)	(477 797)	
Profit on disposal of associate (pre-tax)	574	184 960	
Share of profits from associates	—	16 476	
Profit / (Loss) before taxation	**297 901**	(392 360)	176%
Taxation	(35 578)	(28 350)	26%
Profit / (Loss) for the year from continuing operations	**262 323**	(420 710)	162%
Loss for the year from discontinuing operations	(178)	(140 322)	
Net profit / (loss) for the year	**262 145**	(561 032)	147%
Effective tax rate	**12,0%**	-7,0%	
Earnings per share continuing operations (cents)	**240,0**	(517,0)	
Headline earnings per share continuing operations (cents)	**245,0**	(86,0)	

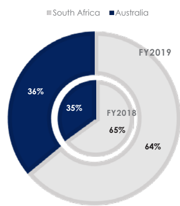
Commentary

- The focus to manage cash has resulted in a drop in net financing costs by 33%
- The Impairment expense was as a result of the Razzbri business in Australia
- The effective tax rate is 12%, largely driven by the ETI, learnership allowances and the recognition of certain assessed losses as deferred tax assets
- Net profit from continuing operations improved by 162%
- No trading taking place in the rest of Africa operations, but costs incurred as part of closure

Segmental performance - Revenue

	2019 R'000	2018 R'000	Var %
South Africa			
Industrial Services	5 980 971	6 278 103	-5%
Professional Services	1 935 706	1 802 508	7%
Support Services	1 371 072	1 471 207	-7%
Training	166 005	178 454	-7%
Financial Services	149 335	192 281	-22%
Central costs	315	16 034	-98%
Total – SA reported	**9 603 405**	9 938 587	-3%
Australia			
Industrial Services	1 622 869	1 696 419	-4%
Professional Services	3 839 095	3 690 385	4%
Total - Australia reported	**5 461 964**	5 386 804	1%
Total Group - reported	**15 065 369**	15 325 391	-2%

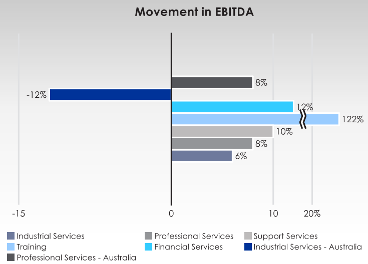


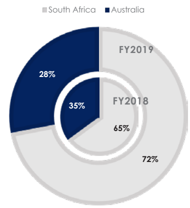


Notes

Segmental performance – Underlying EBITDA

	2019 R'000	2018 R'000	Var %
South Africa			
Industrial Services	359 634	338 347	6%
Professional Services	174 228	160 860	8%
Support Services	53 749	49 012	10%
Training	7 148	(32 501)	122%
Financial Services	65 196	58 218	12%
Operations results before central costs	**659 955**	**573 936**	15%
Central costs	(287 947)	(323 634)	11%
Total – South Africa	**372 008**	**250 302**	49%
Australia			
Industrial Services	51 015	58 096	-12%
Professional Services	112 474	104 059	8%
Operations results before central costs	**163 489**	**162 155**	1%
Central costs	(17 841)	(24 996)	29%
Total - Australia	**145 647**	**137 159**	6%
Total Group – underlying	**517 655**	**387 461**	34%





Summarised consolidated statement of financial position

	2019 R'000	2018 R'000	Var %
Assets			
Property and equipment	57 647	65 756	-12%
Intangible assets and Goodwill	1 421 661	1 437 796	-1%
Investments and other financial assets	15 247	23 605	-35%
Tax and deferred tax asset	305 792	270 931	13%
Trade receivables	2 095 774	2 224 511	-6%
Other receivables	102 463	137 438	-25%
Cash at bank	366 857	339 735	8%
Assets from continuing operations	**4 365 441**	**4 499 771**	-3%
Assets held for sale	-	31 027	
Total assets	**4 365 441**	**4 530 798**	**-4%**
Equity and liabilities			
Capital and reserves	1 911 764	1 602 587	19%
Interest bearing borrowings	885 529	1 218 560	-27%
Share-based payment liability	-	8 133	-100%
Tax and deferred tax liability	163 590	160 040	2%
Provisions, trade and other payables	1 404 556	1 512 232	-7%
Equity and liabilities from continuing operations	4 365 439	4 501 553	-3%
Liabilities directly classified as held for sale		29 245	-100%
Total equity and liabilities	**4 365 439**	**4 530 798**	-4%

Commentary

- Additional assessed losses of R98m were recognized which resulted in an additional deferred tax asset of R27m in the current year. The unrecognised portion of the assessed loss is R313m (2018: R428m)
- Trade Receivables decreased by 6% due to better collections which can be seen in the reduction in our DSO
- The improvement on the debtor's book has had a positive impact on the interest-bearing debt and cash position of the SA business
- During the year management purchased R15m worth of treasury shares. Opportunistic purchases will continue in FY2020 in line with share price
- Shares awarded under the senior management long-term incentive are now accounted for as equity settled therefore no liability recognized

Notes

We are focused on creating sustainable shareholder returns

Sustainable growth in total shareholder returns

Focus on delivering value through growth

- Drive profitable revenue growth
- Improve margins
- Deliver strong cash flow
- Segment restructure enables portfolio management

Capital allocation strategy

- Efficient & flexible capital structure
- Return to sustainable dividend pay-out
- Unlock growth funding
- Enablement funding for existing portfolio

Measured holistically

- **EBITDA growth** >25% CAGR by FY2022
- **EBITDA margin improvement** 5% by FY2021
- **ROIC** Based on NPAT, in excess of WACC
- **HEPS Growth** 20% growth based on underlying HEPS
- **DSO and cash conversion** 45 days / 85%
- **Leverage (Debt : EBITDA)** 1,5x
- **Dividend cover** 1,5x

Significantly strengthened capital allocation policies and aligned governance and performance metrics

Balance sheet much stronger and has headroom to enable resumption of shareholder distribution

Dividend for the year – 96,10 cents

Strategic direction

Innocent Dutiro

Notes

Delivery of the strategy will be enabled by an operating model that ensures integration, transparency and agility

R1 BILLION
EBITDA
by 2022

	1 Resourcing	2 Outsourcing	3 Training	4 Consulting	Australia
Ambition	Maintain **market leadership** in Temporary Employment Services	Become **market leader in HR and Functional Outsourcing**	Grow Training business to **full potential** and be a trusted **advisor** in L&D	Be a **thought leader** in the labour market and HR **digital transformation**	**Protect and grow** core business
Strengths	▪ South Africa's largest Temporary Employment Services provider ▪ Well established permanent recruitment brands ▪ Competitive positioning in IT contracting market	▪ Capability to manage high-volume, people intensive processes ▪ Agility to co-create solutions	▪ Numerous accreditations ▪ Strong client relationships ▪ Successful IT training business (Torque IT) ▪ Campuses across the country	▪ Established project management capability ▪ Extensive experience in Labour Relations management	▪ Strong brand and ISO ratings ▪ Leading supplier of IT and digital professionals in Australia
Priorities	Streamline and automate processes to improve margins Enhance client, assignee and candidate experience Enhance permanent placement offering	Optimise business structures in line with outsourcing business model Enhance productivity and service delivery model through technology Invest in growth strategy	Develop our value proposition to address our clients' regulatory and transformative L&D needs	Invest in growth strategy	Invest in growth and diversification strategies

Levers that enable delivery of the operating model

Candidate engagement
Build market leading candidate experience

Client Experience
New client offering to address the workplace of the future

Cost
Optimise operational efficiency to achieve low costs

Culture
Embed a collaborative results driven culture

Talent
Recruit, develop, retain with focus on most critical roles

Technology
Use technology to support business ambitions

Operating Model
Lean operating model that supports business

Reputational transformation
Reposition the brand to be synonymous with talent and employability

Notes

Our investment case

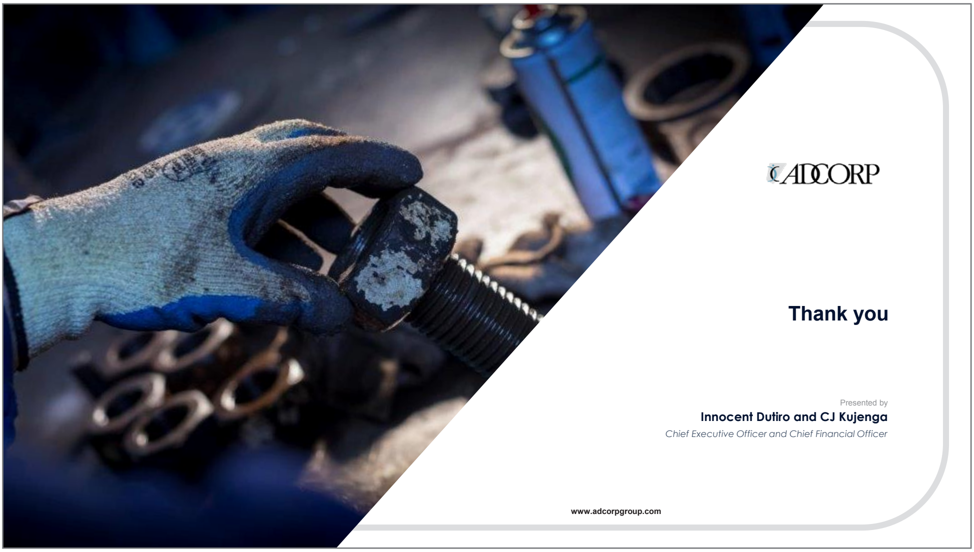
An organisation that is committed to using its capabilities and market position to **improve socio-economic conditions in our communities** by **increasing employability** and **connecting people with opportunities**

Clear **portfolio alignment** to enable each aspect of the business to be optimised

Focused strategic choices related to value accretive acquisitions and growth initiatives

A **commitment** to continual efficiency gains

A **highly cash generative** business with the ability to provide sustainable distributions to shareholders



Notes

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Listed 1987
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ISIN: ZAE000000139
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