adcorp

Connecting Potential

Audited company annual financial statements

for the year ended 28 February 2021

Contents

www.adcorpgroup.com

General information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Adcorp Holdings Limited 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
Directors	GT Serobe (Chairman) P Mnganga H Singh C Maswanganyi T Mokgabudi M Lubega S Sithole MW Spicer Dr J Wentzel N Prendergast MM Nkosi R van Dijk C Smith
Business address	102 Western Service Road Gallo Manor Extension 6 Woodmead Johannesburg 2191
Postal address	PO Box 70635 Bryanston 2021
Bankers	First National Bank
Auditor	Deloitte & Touche
Secretary	Lisa Laporte (appointed with effect from 1 May 2020) Fluidrock Co Sec Proprietary Limited (resigned on 30 April 2020)
Company registration number	1974/001804/06
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008
Preparer	The audited financial statements were independently compiled by Ernst & Young Advisory Services Proprietary Limited Gisela Pieterse CA(SA)
Supervised by	These annual financial statements were prepared under the direction and supervision of Noel Prendergast CA(SA), chief financial officer
Issued	29 June 2021

Directors' responsibilities and approval

The directors are required in terms of the Companies Act of South Africa, No 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the audited financial statements and related financial information included in this report. It is their responsibility to ensure that the audited financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The external auditor is engaged to express an independent opinion on the audited consolidated financial statements.

The audited financial statements are prepared in accordance with International Financial Reporting Standards, the Companies Act of South Africa (No 71 of 2008) and the JSE Listings Requirements, and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a robust control environment. To enable the directors to meet these responsibilities, the board of directors set standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be entirely eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the audited financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the 12 months from approval of the annual financial statements to 30 June 2022 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The company's external auditor is responsible for independently auditing and reporting on the company's audited financial statements. The audited financial statements have been examined by the company's external auditor and their report is presented on pages 9 to 11.

The audited financial statements set out on pages 12 to 43, which have been prepared on the going concern basis, were approved by the board of directors on 29 June 2021 and were signed on their behalf by:

John Wentzel
Chief executive officer

29 June 2021

Noel Prendergast
Chief financial officer

29 June 2021

Chief executive officer and chief financial officer responsibility statement

The directors, whose names are stated below, hereby confirm that:

(a) The annual financial statements set out on pages 12 to 43, fairly present in all material respects the financial position, financial performance and cash flows of Adcorp Holdings Limited in terms of International Financial Reporting Standards;

(b) No facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

(c) Internal financial controls have been put in place to ensure that material information relating to Adcorp Holdings Limited has been provided to effectively prepare the annual financial statements of Adcorp Holdings Limited; and

(d) The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King IV Code on Corporate Governance™*. Where we are not satisfied, we have disclosed to the audit and risk committee and the auditor the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

John Wentzel
Chief executive officer

29 June 2021

Noel Prendergast
Chief financial officer

29 June 2021

Company secretary compliance statement

I certify that, to the best of my knowledge and belief, the company and its subsidiaries 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 71 of 2008, as amended, in respect of the year ended 28 February 2021 and that all such returns appear to be true, correct and up to date.

Lisa Laporte
Company secretary

29 June 2021

Directors' report

The directors have pleasure in submitting their report on the audited financial statements of Adcorp Holdings Limited for the year ended 28 February 2021.

Nature of business

The company is an investment holding company and 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.

There have been no material changes to the nature of the company's business from the prior year.

Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these audited financial statements.

Share capital

Authorised	**2021** Number of shares	2020 Number of shares
Ordinary shares of 2.5 cents each	**183 177 151**	183 177 151
Class B ordinary shares of 2.5 cents each	**16 822 849**	16 822 849

Issued	**2021** **R'000**	2020 R'000	**2021** Number of shares	2020 Number of shares
Ordinary shares of 2.5 cents each	**2 749**	2 749	**109 954 675**	109 954 675
			109 954 675	109 954 675
Class B ordinary shares of 2.5 cents each	**320**	421	**6 729 140**	16 822 849
			6 729 140	16 822 849
Total share capital	**3 069**	3 170		

Refer to note 8 of the audited financial statements for detail of the movement in authorised and issued share capital.

Directorate

The directors in office at the date of this report are as follows:

Directors	Changes
GT Serobe	
P Roux	Appointed 24 April 2020; resigned 31 March 2021
P Mnganga	
GP Dingaan	Resigned 10 September 2020
H Singh	
CJ Kujenga	Resigned 31 May 2020
SN Mabaso-Koyana	Resigned 1 March 2021
C Maswanganyi	
T Mokgabudi	Appointed 15 October 2020
M Lubega	Appointed 1 July 2020
FS Mufamadi	Resigned 10 September 2020
S Sithole	
MW Spicer	
Dr J Wentzel	Appointed 1 April 2021
N Prendergast	Appointed 1 July 2020 as interim chief financial officer; appointed 14 October 2020 as chief financial officer
R van Dijk	
C Smith	

Dividends

No dividend was declared for the financial year ended 28 February 2021 (2020: Rnil). Dividends paid in 2020 relate to the dividend declaration in FY2019 and was paid out to registered shareholders on 19 August 2019.

Directors' interests in contracts

The register of interests of directors and others in shares of the company is available to the shareholder on request.

Special resolutions

At the annual general meeting (AGM) held on 10 September 2020, 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.

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.

Secretary

The company secretary is Lisa Laporte, appointed 1 May 2020.

The board is satisfied that Lisa Laporte has the requisite knowledge of, or experience in relevant laws to fulfil the role.

Events after the reporting period

Debt extension in South Africa

On 3 May 2021, the lenders of the South African operations interest-bearing borrowings agreed to extend the Borrowing Base Facilities Agreement final maturity date to 31 August 2022.

Directors' and prescribed officers' remuneration and interests held

Details of directors' and prescribed officers' remuneration and interests held in shares appear in note 23 of the annual financial statements.

Going concern

In preparing the annual financial statements, the directors are responsible for evaluating the company's ability to continue as a going concern. The directors have assessed the economic environment, current financial position and the company's cash flow position for the next 12 months. The liquidity and solvency position has also been reviewed as part of this assessment. The company was profitable for the year and solvent at year end, however, was in a net current liability position of R748 million at year end due to amounts owing to group subsidiaries. The company's net current liability position is supported by a subordinated loan of R748 million with Adcorp Group South Africa Proprietary Limited and undrawn facilities totalling R550 million enabling the company to settle its obligations as they become due in the normal course of business. It has therefore been concluded that the company's annual financial statements have been appropriately prepared on the going-concern assumption.

The amounts owing from/(to) group companies have no fixed terms of repayment. They are disclosed as current on the statement of financial position as required by IFRS. However, repayment is not expected in the foreseeable future. Therefore, the company's ability to settle its short-term obligations is not a concern.

Solvency

As at 28 February 2021, the company had accumulated losses of R1 013 035 (2020: R825 054) and the company's total assets exceed its liabilities by R1 024 191 (2020: R1 202 937).

Liquidity

In assessing the liquidity position, a cash flow forecast was prepared up until 30 June 2022, which took into consideration the disposal of non-core assets of the company. Collectively, these indicate that the company will have sufficient cash resources for the period under review. Furthermore, the cash position is monitored on a daily basis by management.

Going concern conclusion

Although it is not possible to make an accurate and complete estimate of the full impact that the COVID-19 pandemic's continued national level restrictions imposed will have on the macroeconomic environment within which the company operates, the directors are of the view that there are no material uncertainties that cast doubt on the company's ability to operate into the foreseeable future. The directors are also satisfied that the company has sufficient resources, or access to resources, to continue with all operating activities for the foreseeable future. Based on this assessment, the directors have no reason to believe that the company will not be a going concern for the foreseeable future.

Compiler of annual financial statements

The compiler was responsible for preparation of the annual financial statements based on information provided by management and worked under the supervision of management. Management is responsible for these annual financial statements and a copy of the compilation report is available on request from management.

Compliance with applicable laws

The board hereby confirms that the company is:

- In compliance with the provisions of the Companies Act or laws of establishment, specifically relating to its incorporation; and
- Operating in conformity with its MOI and/or relevant constitutional documents.

Report of the audit and risk committee

The company's audit and risk committee (the committee or ARC) presents its report for the financial year ended 28 February 2021. 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.

Composition, meetings and assessment

The five members of the ARC were recommended by the board to the shareholders and were formally appointed at the previous annual general meeting (AGM) held on 10 September 2020 except for T Mokgabudi who was only appointed on 15 October 2020.

- T Mokgabudi (Chairman)*
- SN Mabaso-Koyana**
- H Singh
- M Lubega
- MW Spicer
- R van Dijk

* *Appointed as member of audit and risk committee on 15 October 2020 and chairman of the audit and risk committee on 1 March 2021.*

** *Resigned as chairman of the audit and risk committee and the board on 1 March 2021.*

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. Eight committee meetings were held during the year including ordinary and special meetings.

In line with King IV, the board and its committee should be assessed once every two years and this was performed during the 2021 financial year.

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 auditor;
- Oversee the integrated reporting process and assess disclosures made to all stakeholders, which included the consolidated 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 internal auditors 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 financial statements for approval by the board.

In order to execute her responsibilities, the chairperson of the committee met separately during the course of the year with the CFO, the company secretary, management and the external auditor.

External auditor appointment and independence

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

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

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

The committee continuously assesses the impact of the overall audit professional environment and current challenges. The external auditor shared their risk management priorities and response thereto. The committee thus satisfied itself of the continued independence and competence of the external auditor.

The audit and risk committee considered the tenure of Deloitte & Touche and has nominated, for re-election at the AGM of shareholders, Deloitte & Touche to continue in office in accordance with section 94(7) of the Companies Act of South Africa. Mr Thega Marriday has been recommended by the Deloitte Africa Executive to continue as the designated individual auditor for Adcorp Holdings Limited for the financial year ended 28 February 2022.

The audit and risk committee has requested and has been provided with all decision letters/explanations issued by IRBA or any other regulator and any summaries relating to monitoring procedures/deficiencies issued by Deloitte & Touche.

Financial statements and accounting policies

The committee has assessed the company's accounting policies and the financial statements for the year ended 28 February 2021 and is satisfied that they are appropriate and comply in all respects with the Companies Act, IFRS and the JSE Listings Requirements together with consideration of the findings from the JSE Reporting back on proactive monitoring of financial statements in 2020 and Combined findings of the JSE proactive monitoring of financial statements: Reviews done 2011 to 2019.

The committee reviewed the processes in place for the reporting of concerns and complaints relating to annual financial reporting and accounting practices, internal audit, contents of the annual financial statements, internal financial controls and any related matters. The committee can confirm that there were no such complaints of substance during the year under review.

The committee supports the opinion of the board and the external auditor with regard to the financial statements which have been approved by the board and will be presented to shareholders at the annual general meeting to be held on 29 July 2021.

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 financial statements in accordance with IFRS and maintaining accountability for the company's assets and liabilities.

Governance of risk

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

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

Internal audit

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

During the year under review, the committee:

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

CEO and CFO responsibility statement

The committee evaluated the company's assessment of the CEO and CFO responsibility statement on the financial statements and internal financial controls as required by new JSE Listings Requirements as set out on page 3. The committee received an update on the implementation of the project initiated to ensure compliance with paragraph 3.84(k) of the Listings Requirements of the JSE Limited. The implementation of the project included various stages such as scoping and assessment of materiality, gap analysis and the compilation of comprehensive risk and control matrices covering all of the business processes that have an impact on financial reporting, the review and testing of key controls, consideration of any findings identified by internal audit and the final year end sign off by all the relevant control owners. The process identified significant deficiencies which have been communicated to the committee and external auditors and have been included in a remediation plan by management. The committee has considered the mitigating controls provided by management that provide reasonable assurance that these financial statements are fairly presented.

Impact of COVID-19

The committee considered the impact of COVID-19 on the company's operations and assessed the relevant business and financial risks. The committee also considered the company's proactive response to address the threat posed to the lives and livelihoods of the company's employees and other stakeholders.

Going concern

In preparing the annual financial statements, the directors are responsible for evaluating the company's ability to continue as a going concern and therefore the appropriateness of the going concern assumption in the preparation of the financial statements. The directors have assessed the economic environment, current financial position, and the company's expected cash flows for the next 12 months through to the end of June 2022. The liquidity and solvency position has also been reviewed as part of this assessment.

The company was profitable for the year and solvent at year end, however, was in a net current liability position of R748 million at year end due to amounts owing to group subsidiaries. The company's net current liability position is supported by a subordinated loan of R748 million with Adcorp Group South Africa Proprietary Limited and undrawn facilities totalling R550 million enabling the company to settle its obligations as they become due in the normal course of business. It has therefore been concluded that the company's annual financial statements have been appropriately prepared on the going-concern assumption.

Report of the audit and risk committee continued

The directors are satisfied that there are no material uncertainties that cast doubt on the company's ability to operate as a going concern and that the company has sufficient resources, or access to resources, to continue with all operating activities for the foreseeable future. Based on this assessment, the directors consider it appropriate to adopt the going concern assumption for the preparation of the 2021 financial statements.

Significant areas of judgement

In arriving at the figures disclosed in the financial statements, there are certain areas where judgement is needed. The ARC has considered various elements of the financial statements that require judgement and provided additional commentary on the following:

- Impairment of investment in subsidiaries and intercompany receivables.

Impairment of investment in subsidiaries and intercompany receivables

The committee has considered the book value of the investment in subsidiaries and intercompany receivables in line with recoverable amount of the respective asset class for the period under review. The committee has applied its mind to the assumptions used in determining the recoverable including the following, the financial position of the subsidiary from whom the loans are recoverable, the net asset value of the subsidiary and the financial performance of the subsidiary in the financial year ended 28 February 2021. A detailed view of the impairment assessment and conclusion has been provided in note 3 and 5 in the financial statements.

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

The committee has considered and is satisfied with the appropriateness of the expertise and experience of the chief financial officer, Mr Noel Prendergast, who was appointed as the interim chief financial officer (effective 1 July 2020) and subsequently chief financial officer on 21 October 2020.

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

The audit and risk committee has access to all financial information of the company, including the financial information of subsidiaries of the company.

Key focus areas

In addition to executing on its statutory duties and considering key audit matters, the committee also addressed the following key areas of focus during the year ended 28 February 2021:

- Monitoring progress in term of the company's financial roadmap;
- Receiving and discussing reports from internal audit and monitoring the risks and compliance within the business; and
- Ensuring appropriate governance and oversight of the company's IT transformation process.

The committee has set the following key areas of focus for 2022:

- Continuing to monitor the progress of the company's financial roadmap and approving any amendments necessitated by the turnaround strategy;
- Monitoring actions taken to mitigate the risks of COVID-19 on the business and its stakeholders; and
- Continuing monitoring the risk exposure of the group and ensuring adequate and sound mitigating measures are in place.

Conclusion

Having considered all the material factors and key audit matters the committee recommended the financial statements for the year ended 28 February 2021 for approval to the board. The board has approved the annual financial statements which will be open for discussion at the forthcoming AGM of shareholders.

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

AMokgabudi

T Mokgabudi
Chairman, audit and risk committee

29 June 2021

Independent auditor's report

To the shareholders of Adcorp Holdings Limited

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Adcorp Holdings Limited (the Company) set out on pages 14 to 45, which comprise the separate statement of financial position as at 28 February 2021, and the separate statement of profit or loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Adcorp Holdings Limited as at 28 February 2021, and its separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

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 Separate Financial Statements section of our report. We are independent of the company 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 corresponding sections of the International Ethics Standards Board for Accountants' (IESBSA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code). 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Impairment assessments of investments in subsidiaries</td></tr>
<tr><td>Investments in subsidiaries (R2.2 billion) comprise 47% of the total assets of the Company. The Company has recognised these assets in the separate statement of financial position.

As required by IAS 36 Impairment of Assets ("IAS 36"), the Directors conduct impairment tests to assess the recoverability of the carrying value of investments as a result of reduced profitability of the Group which was identified as an impairment indicator. This is performed using the discounted cash flow ("DCF") model and the Net asset value ("NAV") model.

As disclosed in note 3 of the separate financial statements, there are several key sensitive judgements made in determining the inputs into these models. The carrying amount of the investments in subsidiaries as at 29 February 2021 is R2.2 billion, after taking into account an impairment charge of R218 million which has been recognised in the current year and disclosed in note 3 of the separate financial statements.

The key assumptions with the most significant impact on the valuation models include:
• Growth rates applied to revenue, operating profits and Earnings Before Interest and Tax ("EBITDA"). The growth rates are highly subjective since they are based on the Directors' experience and expectations rather than observable market data;
• Terminal growth rates applied to the valuation models; and
• The discount rates applied to the projected future cash flows. The discount rate is subjective and the calculation is complex.

The impairment assessment of investments in subsidiaries is considered a key audit matter as a result of judgement required to be applied by the Directors.</td><td>We focused our testing of the impairment of investment in subsidiaries on the key assumptions made by the Directors. Our audit procedures included:
• Testing the design and implementation of relevant controls over the impairment assessment;
• Engaging our internal specialists to assist with:
– Critically evaluating whether the models used by the Directors to calculate the value in use are aligned with IAS 36;
– Validating the assumptions used to calculate the discount rates and independently recalculating the discount and growth rates.
• 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 investments;
• Comparing the projected cash flows, including the assumptions relating to revenue, operating profit, EBITDA and terminal growth rates, against historical performance to assess the reasonableness of the Directors' projections; and
• Recomputing the value in use where required for each of the investments and comparing this to the carrying value at 28 February 2021 to determine the appropriateness of either no impairment being required or the adequacy of the impairment being recorded.

Based on the procedures performed and information available, we found the investment in subsidiaries and subsequent impairments as well as the disclosures thereof to be appropriate.</td></tr>
</table>

Independent auditor's report continued

Key audit matter	How the matter was addressed in the audit
Impairment assessments of intercompany loans receivable	
Amounts due by subsidiary companies (R2.3 billion) comprise 49% of the total assets of the Company. The company has recognised these assets in the separate statement of financial position. As disclosed in note 5 of the separate financial statements the total amount outstanding that is due to the Company is R2.3 billion and the expected credit loss (ECL) raised is R1.3 million. The assessment of the calculation of the expected credit loss incorporates both forward-looking information and it incorporates assumptions which are subjective as they are subject to both judgement and estimation by the Directors and management. We identified the impairment of intercompany loan receivables as a key audit matter as a result of the judgement required to be applied by the Directors.	As part of our procedures we understood the process followed by management under the supervision of the Directors to determine the classification of its financial instruments as well as the measurement thereof and assess as to whether this is consistent with the requirements of IFRS 9: *Financial Instruments* ("IFRS 9"). Our audit procedures included: • Testing the design and implementation of relevant controls over the expected credit loss calculation; • Obtaining management's calculations in determining the loss allowance; • Assessing and testing the assumptions and inputs used in the determination of the expected credit loss; and • Assessing whether the presentation and disclosures of the intercompany loan receivable balance is in accordance with the disclosure requirements of IFRS 9. Based on the procedures performed the inputs into the ECL and impairment recognised are considered appropriate. The presentation and disclosures in respect of the intercompany loan receivable balance are materially consistent with the requirements of IFRS 9.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Adcorp Holdings Limited Annual Financial Statements for the year ended 28 February 2021", which includes the Directors' Report, the Report of the Audit and Risk Committee, the Company Secretary Compliance Statement as required by the Companies Act of South Africa and the Chief Executive Officer and Chief Financial Officer responsibility statement and the Integrated Annual Report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon. Our opinion on the 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 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 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 separate financial statements

The directors are responsible for the preparation and fair presentation of the 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the directors are responsible for assessing 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 company or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 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 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the 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 20 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: T Marriday
Partner

29 June 2021

Deloitte & Touche
5 Magwa Crescent
Midrand, 2066
South Africa

Statement of financial position

as at 28 February 2021

	Notes	2021 R'000	2020 R'000
Assets			
Non-current assets			
Investments in subsidiaries	3	**2 180 338**	806 070
Investment held at fair value	4	**18 971**	17 620
Current assets		**2 199 309**	823 690
Amounts due by subsidiary companies	5	**2 283 545**	2 245 481
Other receivables	6	**3 081**	731
Cash and cash equivalents	7	**132 016**	736
		2 418 642	2 246 948
Total assets		**4 617 951**	3 070 638
Equity and liabilities			
Equity			
Share capital and share premium	8	**1 741 178**	1 741 279
Reserves		**296 048**	286 712
Accumulated loss		**(1 013 035)**	(825 054)
		1 024 191	1 202 937
Liabilities			
Non-current liabilities			
Non-current portion of interest-bearing borrowings	11	**400 000**	—
Deferred taxation	12	**27 216**	7 650
		427 216	7 650
Current liabilities			
Trade and other payables	13	**3 388**	1 863
Amounts due to subsidiary companies	14	**3 113 156**	1 088 188
Current portion of interest-bearing borrowings	11	**50 000**	770 000
		3 166 544	1 860 051
Total liabilities		**3 593 760**	1 867 701
Total equity and liabilities		**4 617 951**	3 070 638

The accounting policies on pages 17 to 20 and the notes on pages 21 to 43 form an integral part of the audited financial statements.

Statement of profit or loss and other comprehensive income

for the year ended 28 February 2021

	Notes	2021 R'000	2020 R'000
Other operating expenses		**54 108**	(18 105)
Operating profit/(loss)	15	**54 108**	(18 105)
Finance income	16	**42 276**	77 535
Finance costs	17	**(47 168)**	(77 425)
Impairment of investments and intercompany loans receivable		**(218 982)**	(836 806)
Fair value gain on investment		**1 351**	2 373
Loss before taxation		**(168 415)**	(852 428)
Taxation	18	**(19 566)**	839
Loss for the year		**(187 981)**	(851 589)
Other comprehensive income:			
Items that will be reclassified to profit or loss:			
Exchange differences arising on foreign loan		**—**	6 585
Other comprehensive income for the year net of taxation		**—**	6 585
Total comprehensive loss for the year		**(187 981)**	(845 004)

Statement of changes in equity

for the year ended 28 February 2021

	Share capital R'000	Share premium R'000
Balance at 01 March 2019	3 170	1 738 109
Loss for the year	—	—
Other comprehensive income	—	—
Total comprehensive loss for the year	—	—
Recognition of B-BBEE and staff share-based payments	—	—
Equity-settled share-based payment recorded at a subsidiary level	—	—
Dividends	—	—
Balance at 01 March 2020	3 170	1 738 109
Loss for the year	**—**	**—**
Other comprehensive income	**—**	**—**
Total comprehensive loss for the year	**—**	**—**
Share repurchases	**(101)**	**—**
Recognition of B-BBEE and staff share-based payments	**—**	**—**
Equity-settled share-based payment recorded at a subsidiary level	**—**	**—**
Balance at 28 February 2021	**3 069**	**1 738 109**
Notes	8	8

Total share capital R'000	Share-based payments reserve R'000	Non-distributable reserve R'000	Total reserves R'000	Retained income R'000	Total equity R'000
1 741 279	161 774	119 918	281 692	125 616	2 148 587
—	—	—	—	(851 589)	(851 589)
—	—	—	—	6 585	6 585
—	—	—	—	(845 004)	(851 589)
—	7 206	—	7 206	—	7 206
—	(2 186)	—	(2 186)	—	(2 186)
—	—	—	—	(105 666)	(105 666)
1 741 279	166 794	119 918	286 712	(825 054)	1 202 937
—	**—**	**—**	**—**	**(187 981)**	**(187 981)**
—	**—**	**—**	**—**	**—**	**—**
—	**—**	**—**	**—**	**(187 981)**	**(187 981)**
(101)	**—**	**—**	**—**	**—**	**(101)**
—	**7 206**	**—**	**7 206**	**—**	**7 206**
—	**2 130**	**—**	**2 130**	**—**	**2 130**
1 741 178	**176 130**	**119 918**	**296 048**	**(1 013 035)**	**1 024 191**
8	9	10			

Statement of cash flows

for the year ended 28 February 2021

	Notes	2021 R'000	2020 R'000
Cash flows from operating activities			
Cash generated from/(used in) operations	21	**456 273**	(140 592)
Finance income		**42 276**	77 535
Finance costs		**(47 168)**	(77 425)
Tax paid	19	**—**	111
Net cash from operating activities		**451 381**	(140 371)
Cash flows from financing activities			
Reduction of share capital	8	**(101)**	—
Proceeds from loans		**386 667**	930 000
Repayment of loans		**(706 667)**	(810 000)
Dividends paid	20	**—**	(105 666)
Net cash from financing activities		**(320 101)**	14 334
Total cash movement for the year		**131 280**	(126 037)
Cash at the beginning of the year		**736**	126 773
Total cash at the end of the year		**132 016**	736

Accounting policies

for the year ended 28 February 2021

Corporate information

Adcorp Holdings Limited is a public company incorporated and domiciled in South Africa. The principal activity of the company is investment holding. Areas of activity of its subsidiaries include the rendering of services in areas of permanent recruitment and flexible staffing sectors, professional IT services, as well as the provision of business process outsourcing, training and financial services. Subsidiaries carry on business in South Africa and Australia.

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

1. Significant accounting policies

1.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards, the Companies Act of South Africa and JSE Listings Requirements.

1.2 Basis of preparation

The 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 (No 71 of 2008). The annual financial statements are presented in Rand (ZAR), the currency of South Africa where Adcorp Holdings Limited is incorporated. All values are rounded to the nearest thousand in the tables presented and nearest million in explanatory notes unless otherwise stated.

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

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

Fair value measurements and valuation processes

The company measures certain financial instruments at fair value at each reporting date.

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

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

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

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

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

For assets and liabilities that are recognised on a recurring basis, the company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

1.3 Foreign exchange transactions and balances

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

1.4 Foreign currency transactions

The applicable exchange rates during the financial year were:

	2021	2020
	AUD	AUD
Exchange rate at the beginning of the year	**10.16**	9.99
Exchange rate at the end of the year	**11.65**	10.16
Average exchange rate during the year	**11.61**	10.01

AUD = Australian dollar

Accounting policies continued

for the year ended 28 February 2021

1.5 Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised in the statement of financial position when the company becomes a party to the contractual provisions of the instrument and are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Subsequent measurement of financial assets

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

Financial assets at amortised cost include other receivables (note 6), cash and cash equivalents (note 7) and loans to and from group companies (notes 5 and 14), as the business model is to collect payment of principal and interest.

Financial assets at fair value through profit or loss include an investment in a cell captive arrangement housed within an insurance company (note 4) and measured subsequently at each reporting date at fair value.

The company currently does not recognise any financial assets through other comprehensive income.

Subsequent measurement of financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest rate method or at fair value through profit or loss. The group currently has no financial liabilities classified as at fair value through profit or loss.

Financial liabilities at amortised cost includes interest-bearing borrowings (note 11) and trade and other payables (note 13).

Financial asset write-offs

The company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Derecognition of financial assets and liabilities

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains all the risks and rewards of ownership substantially and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains all the risks and rewards of ownership of a transferred financial asset substantially, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The company derecognises a financial liability when, and only when, the company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the company exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the company accounts for substantial modification of terms of an existing liability or part of it, as an extinguishment of the original financial liability and recognising a new financial liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Any costs or fees incurred are recognised as part of the profit or loss on extinguishment. If the modification is not substantial, the difference between the carrying amount of the liability before the modification and the present value of the cash flows after the modification should be recognised in profit or loss as the modification profit or loss within other profits and losses and any costs or fees incurred adjust the carrying amount of the financial liability and are amortised over the remaining term of the modified liability.

Amortised cost and effective interest rate method

The effective interest method calculates the amortised cost of a financial instrument and allocates income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts excluding ECLs through the expected life of the instrument, or, where appropriate a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

For a financial liability, the effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate a shorter period, to the amortised cost of the liability.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, adjusted for any loss allowances. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowances.

Interest income is recognised in profit or loss and presented in the interest income line item. Interest expense is recognised in profit or loss presented in the interest expense line item.

Trade receivables
The group recognises a loss allowance for ECLs applying the simplified approach and measures the loss allowance at an amount equal to the lifetime ECLs. As there is no significant financing component to trade receivables, the group uses a specific identification and provision matrix when measuring ECL on the trade receivables.

The simplified approach is forward looking and takes into account historical credit loss experience, time value of money and future economic factors including inflation. Losses are recognised in the statement of profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of profit or loss. When a trade receivable is uncollectible, it is written off and recognised in profit or loss.

Credit quality of cash and cash equivalents
The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

1.6 Taxation

Current taxation
Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities
A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxation assets and liabilities are offset when they arise from the same tax reporting entity, and relate to the same authority and when there exists a legal right to offset.

The carrying amount of the deferred taxation assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred taxation asset to be utilised. Unrecognised deferred taxation assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred taxation asset to be recovered.

Tax expenses
Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:
- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

Accounting policies continued

for the year ended 28 February 2021

1.7 Share-based payments

Share-based payment schemes are all settled by providing shares of the company to the recipients. The company accounts for all share-based payments as equity settled.

Equity-settled share-based payment transactions are measured at the fair value of the equity instruments granted. The fair value is measured at the grant date. IFRS 2 defines the grant date as the date at which the entity and another party agree to a share-based payment, being when the entity and counterparty have a shared understanding of the terms and conditions of the arrangement.

1.8 Investments in subsidiaries

All investments in subsidiaries are carried at cost less any impairments.

For the purposes of impairment testing, the cost of each of the subsidiaries is compared to the recoverable amount which is the higher of the value in use or fair value less costs to sell. Where the recoverable amount is lower than the cost, an impairment is recognised in profit or loss. The value in use is determined when an impairment indicator exists.

2. New Standards and Interpretations

2.1 Standards and interpretations not yet effective

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/Interpretation	Effective date: Years beginning on or after	Expected impact
Amendments to References to the Conceptual Framework in IFRS Standards	01 January 2020	The impact of the amendments is not material
Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7	01 January 2020	The amendment has not had an impact on the financial statements as there is currently no hedge accounting
Definition of Material – Amendments to IAS 1 and IAS 8	01 January 2020	The impact of the amendments is not material
Presentation of Financial Statements: Disclosure initiative	01 January 2020	The impact of the amendments is not material
Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	01 January 2020	The impact of the amendments is not material

Notes to the annual financial statements

for the year ended 28 February 2021

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 March 2021 or later periods:

Standard/Interpretation	Effective date: Years beginning on or after	Expected impact
Definition of Accounting Estimates – Amendments to IAS 8	01 January 2023	Unlikely there will be a material impact
Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current	01 January 2023	Unlikely there will be a material impact
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	01 January 2023	Unlikely there will be a material impact
Annual Improvement to IFRS Standards 2018-2020	01 January 2022	Unlikely there will be a material impact
Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	01 January 2022	Unlikely there will be a material impact
Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract	01 January 2022	Unlikely there will be a material impact
Interest Rate Benchmark Reform – Phase 2: (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	01 January 2021	Unlikely there will be a material impact
COVID-19-Related Rent Concessions – Amendment to IFRS 16	01 June 2020	Unlikely there will be a material impact
IFRS 17 – Insurance Contracts	01 January 2023	Unlikely there will be a material impact

3. Investment in subsidiaries

Shares at cost less amounts written off:

	2021 R'000	2020 R'000
Adcorp Flexible Staffing Solutions Proprietary Limited	**209**	209
DAV Personnel Proprietary Limited	**7 269**	7 269
Employrite Proprietary Limited	**41 478**	41 478
Funerary Marketing Services Proprietary Limited	**231 363**	231 363
Premier Personnel Proprietary Limited	**1 946**	1 946
Research Surveys Proprietary Limited	**6 726**	6 726
Adcorp Workforce Managements Solutions Proprietary Limited	**—**	636 698
Paxus Holdings	**284 875**	284 875
Adcorp Group South Africa Proprietary Limited*	**1 895 254**	—
	2 469 120	1 210 564
Accumulated impairment of investment in subsidiaries	**(288 782)**	(404 494)
	2 180 338	806 070
Accumulated impairment of investment in subsidiaries		
Employrite Proprietary Limited	**41 478**	41 478
Funerary Marketing Services Proprietary Limited	**231 363**	13 631
Research Surveys Proprietary Limited	**6 726**	6 726
Adcorp Workforce Managements Solutions Proprietary Limited	**—**	333 444
DAV Personnel Proprietary Limited	**7 269**	7 269
Premier Personnel Proprietary Limited	**1 946**	1 946
	288 782	404 494

* *On 13 November 2020, a B-BBEE transaction was completed and a new company was established, Adcorp Group South Africa Proprietary Limited (AGSA) and a trust registered, Adcorp Employee Benefit Trust 3 (AEBT 3) as contemplated by the B-BBEE transaction. As a result of the B-BBEE transaction, AGSA became the new holding company of Adcorp Management Services Proprietary Limited (which was an indirect subsidiary of Adcorp Holdings Limited) and Adcorp Workforce Management Solutions Proprietary Limited (which was a direct subsidiary of Adcorp Holdings Limited). AEBT 3 was issued with 23,95% of the issued ordinary no par value shares in AGSA, Thornbird Trade and Invest 33 Proprietary Limited 4,16% and Quest Strategic Partners Proprietary Limited 7,31% with Adcorp Holdings Limited holding 64,58% of AGSA ordinary shares and 100% of the "A" preference shares in AGSA. The transfer of Adcorp Workforce Management Solutions Proprietary Limited into AGSA resulted in the net book value of the investment being transfered into AGSA (Net of the accumulated impairment of R333 million).*

Notes to the annual financial statements continued

for the year ended 28 February 2021

3. Investment in subsidiaries continued

Impairment of assets

An impairment exists when the carrying value of an investment or cash-generating unit to which the investment belong exceeds its recoverable amount. The recoverable amount 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 or by comparing to the carrying value of the investment at year end to the proportionate share of the net asset value of the underlying subsidiary. Impairment losses recognised in the current year were based on comparing the carrying value of the investment at year end to the proportionate share of the net asset value of the underlying subsidiary.

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 management of the investee companies is not yet committed to or significant future investments that will enhance the performance of the assets of the subsidiary 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 subsidiaries are discussed further in this note. The estimated future cash flows and discount rates used are pre-tax based on an assessment of the current risks applicable to the specific subsidiary.

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 five years and are extrapolated over the useful life of the asset to reflect the long-term plans for the company using the estimated growth rate for the specific business.

Following observable decline in business results, the company performed an impairment test that was carried out on 31 August 2020, followed by an annual impairment test on 28 February 2021. The impairment tests resulted in an additional R217 million impairment recognised (2020: R184 million) for the full year. As a result of the restructure of Adcorp Workforce Management Solutions Proprietary Limited that is now held by Adcorp Group South Africa Proprietary Limited, the net carrying value (cost less impairment) of Adcorp Workforce Management Solutions Proprietary Limited was derecognised and transferred as part of the cost of the investment now held in Adcorp Group South Africa Proprietary Limited.

Sensitivity analysis

The impairment calculations are most sensitive to the following assumptions:

- Growth rates applied to revenue, operating profits and earnings before interest, taxes, depreciation and amortisation (EBITDA)
- Discount rates
- Terminal growth rates

Anticipated earnings

Only the plans that are committed to and given effect to at 28 February 2021 were effected in the projected earnings.

Discount rates

Discount rates represent the current market assessment of the risks specific to each subsidiary, 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 Adcorp 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 for each subsidiary.

4. Investment

Investment at fair value

	2021 R'000	2020 R'000
Opening balance	**17 620**	15 247
Fair value gain	**1 351**	2 373
Closing balance – carrying amount	**18 971**	17 620

The above investment represents investment in a cell captive arrangement which is housed within an insurance company where the company owns a special class of shares that entitles the company to participate in the administration, risk and economic result of the agreed insurance business introduced to the insurance company. The investment in the unlisted shares are not traded in an active market.

Key judgements

Under this cell captive arrangement Adcorp is insured against future adverse events by investing in shares issued by the insurer. The insurer utilises the capital received from Adcorp to purchase a portfolio of income-generating assets. Claims initiated by Adcorp against the insurer are settled from the portfolio of assets and are typically limited to the funds available from the portfolio.

Adcorp Holdings Limited has determined that it does not have control over its insurance cell captive as the assets and liabilities are controlled by the insurer. There have been no changes during the current financial year to the cell captive arrangement.

5. Amounts due by subsidiary companies

Subsidiaries

	2021 R'000	2020 R'000
Adcorp Flexible Staffing Solutions Proprietary Limited	**1 251**	1 251
Adcorp Fulfilment Services Proprietary Limited	**741 535**	741 302
Adcorp Workforce Solutions Proprietary Limited	**370 417**	369 650
Adcorp Staffing Solutions Proprietary Limited	**458 087**	458 087
Paxus Holdings	**539 311**	503 049
Adcorp Workforce Management Solutions Proprietary Limited	**848 915**	847 511
Adcorp Support Services Proprietary Limited	**658**	7
Expected credit losses	**(676 629)**	(675 376)
	2 283 545	2 245 481
Reconciliation: Expected credit loss on loans to subsidiaries		
Adcorp Flexible Staffing Solutions Proprietary Limited	**1 251**	—
Adcorp Fulfilment Services Proprietary Limited	**217 291**	217 289
Adcorp Staffing Solutions Proprietary Limited	**458 087**	458 087
	676 629	675 376

During the current year intragroup facilities bear interest at 8.25% (2020: 8.25%) and received interest at 4.83% (2020: 4.83%). However,as part of the company's COVID-19 response plan, management elected to provide its subsidiaries with relief by not charging interest on the treasury loans during the financial year. This is a temporary relief measure implemented. No interest is levied on current payables and receivables.

The company has subordinated loans receivable from subsidiary companies until such time that the subsidiary company's assets fairly valued exceeds its liabilities. The subordination agreements were in favour of the following subsidiaries:

- Adcorp Staffing Solutions Proprietary Limited
- Adcorp Fulfilment Services Proprietary Limited

Loans to and from the group companies are generally unsecured and not subject to any fixed terms of repayment.

Key estimates and judgements

The company measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition.

In determining the ECL on intercompany receivable loan accounts, management has considered:

- The financial position of the companies from which intercompany loans are recoverable. The net asset value of the company from which the loan is recoverable was used by management to determine whether the loan could be recovered in the event of the company's liquidation. A negative net asset value would increase the probability of non-recoverability in future; and
- The change in financial performance of the company where declining profitability was considered a potential sign of decreased ability to make payment on receivable balances in future.

Notes to the annual financial statements continued

for the year ended 28 February 2021

5. Amounts due by subsidiary companies continued

Key estimates and judgements continued

Management has assessed that there has not been a significant increase in credit risk associated with the intercompany loan accounts between the 2020 and 2021 financial years. The group's financial performance contributed significantly to the assessed risk and the company therefore expects credit losses of R676.6 million (2020: R675.4 million).

	2021 R'000	2020 R'000
Movement in the allowance for ECLs		
Balance at the beginning of the year	**675 376**	22 278
Amounts provided during the year	**1 253**	653 098
Balance at the end of the year	**676 629**	675 376

The assessed risk resulted in the recognition of expected credit losses on the following intercompany receivables:

Adcorp Fulfilment Services Proprietary Limited

The financial position of the company deteriorated significantly in the prior year and management recognised an expected credit loss on this loan receivable to the extent that it would return the company to a zero net asset value (to the extent currently unrecoverable). There has been no change in credit risk and therefore no change in expected credit loss in the current financial year.

Adcorp Staffing Solutions Proprietary Limited

An expected credit loss of R458 million had been provided for on the loan receivable in the prior year, due to the elevated credit risk arising from the negative net asset value of the company. There has been no change in credit risk and therefore no change in expected credit loss in the current financial year.

Adcorp Flexible Staffing Solutions Proprietary Limited

An expected credit loss of R1.3 million has been provided for on the loan receivable, due to the elevated credit risk arising from the negative net asset value of the company.

6. Other receivables

	2021 R'000	2020 R'000
Financial instruments		
Interest from bank facilities	**129**	91
Other receivables	**195**	121
Non-financial instruments		
VAT	**1 644**	—
Prepayments	**613**	19
Deposits	**500**	500
Total other receivables	**3 081**	731

Fair value of other receivables

Due to the short-term nature of current receivables, their carrying amounts are considered to be the same as their fair value.

Exposure to credit risk

Other receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due.

Key estimates and assumptions

The company has considered the fact that no material write-offs have been made on other receivables in the past and has raised no expected credit loss on these assets.

7. Cash and cash equivalents

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

	2021 R'000	2020 R'000
Bank balances	**132 016**	736

Facilities

The group had the following intra-day facility as at 28 February 2021. The facility is non-interest bearing.

	2021 R'000	2020 R'000
Facility		
Intra-day facility with First National Bank non-interest bearing	**100 000**	100 000
These facilities are repayable on demand, bear interest at rates linked to the prime overdraft rate.		
Security for these facilities are linked to the agreements concluded with the above banking institution as described fully in note 11.		
Total facilities available		
South Africa	**1 000 000**	1 150 000
Total facilities used		
South Africa	**450 000**	770 000
Available facilities		
South Africa		
Revolving credit facility	**400 000**	230 000
Accordian credit facility	**150 000**	150 000
	550 000	380 000

Credit risk

The maximum exposure to credit risk is represented by the carrying amount of cash and cash equivalents. The company only deposits short-term cash surpluses with financial institutions of high-quality credit standing.

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

8. Share capital

	2021 R'000	2020 R'000
Authorised		
183 177 151 ordinary shares of 2.5 cents each (2020: 183 177 151)	**4 579**	4 579
16 822 849 "B" ordinary shares of 2.5 cents each (2020: 16 822 849)	**421**	421
Closing balance	**5 000**	5 000
Issued		
109 954 675 ordinary shares of 2.5 cents each (2020: 109 954 675)	**2 749**	2 749
6 729 140 "B" ordinary shares of 2.5 cents each (2020: 16 822 849)	**320**	421
Share premium	**1 738 109**	1 738 109
Closing balance	**1 741 178**	1 741 279

On 13 November 2020, Adcorp Holdings Limited entered into a share repurchase agreement with Thornbird Trade and Invest 33 Proprietary Limited and Wiphold Financial Services Number Two Proprietary Limited whereby Adcorp Holdings Limited repurchased the 10 093 709 "B" ordinary shares held by Thornbird Trade and Invest 33 Proprietary Limited and Wiphold Financial Services Number Two Proprietary Limited respectively for R0.1 million. Refer to note 9 for further details.

Notes to the annual financial statements continued

for the year ended 28 February 2021

9. Share-based payment reserve

A reconciliation of the share-based payment reserve (per share) is provided below:

	2021 R'000	2020 R'000
Share-based payment reserve		
Opening balance	**166 794**	161 774
Senior management long-term incentive scheme	**16 183**	18 369
Adcorp employee benefit trust and B-BBEE shareholders' trust	**150 611**	143 405
Charge arising from equity-settled share-based schemes	**9 336**	5 020
Senior management long-term incentive scheme	**2 130**	(2 186)
Adcorp employee benefit trust and B-BBEE shareholders' trust	**7 206**	7 206
Closing balance	**176 130**	166 794
Senior management long-term incentive scheme	**18 313**	16 183
Adcorp employee benefit trust and B-BBEE shareholders' trust	**157 817**	150 611

The full expense recognised for share-based payment transactions, for both the management long-term incentive scheme and the Adcorp Employee Benefit Trust and B-BBEE shareholders' trust, arise from equity-settled share-based payment schemes.

There were no cash-settled share-based payment schemes in operation in the financial year.

Key estimated and judgements

The assessed fair value at grant date of options granted during the 28 February 2021 financial year is disclosed below. The fair value of the Share Appreciation Rights at grant date are independently determined using a binomial model. Retention Shares and the performance shares at grant date are independently determined present value of future expected dividends discounted at a risk-free rate. The valuation model takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price of volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option and the correlations and volatilities of the peer group companies.

Senior management long-term incentive scheme

Adcorp awards shares under the scheme as part of their retention and to align management remuneration with the achievement of short and long-term strategic and financial performance targets.

The plan includes two types of awards:

- Performance Shares (PS): a conditional right to Adcorp shares, the vesting of which is subject to the fulfilment of service conditions as well as performance conditions. As specified in the award letter, participants will not be entitled to dividends or having any voting rights on the Performance Shares until the awards vest. Vesting periods are three years from date of award.
- Retention Shares (RS): these are similar to PS but are not conditional on performance of Adcorp.

The following reconciles the outstanding share options granted under the senior management long-term incentive scheme at the end of the financial year:

	2021		2020	
Senior management long-term incentive scheme	**Number of share options**	**Weighted average exercise price**	**Number of share options**	**Weighted average exercise price**
Outstanding at the beginning of the year	**1 957 659**	**20.15**	5 479 735	14.47
Granted during the year	**5 482 388**	**4.26**	1 384 412	23.93
Forfeited during the year	**(1 085 787)**	**15.59**	(4 906 488)	14.96
Outstanding at the end of the year	**6 354 260**	**7.21**	1 957 659	20.15

9. Share-based payment reserve continued

Senior management long-term incentive scheme continued

The following options were issued under the senior management long-term incentive scheme in the current and prior financial years:

	Number still in issue	Grant date	Vesting date	Expiry date	Type	Fair value at grant date
Issued in FY2018	209 650	2018/02/02	2021/02/02	2024/02/02	RS	17.99
Issued in FY2019	83 519	2018/05/18	2021/05/18	2024/05/18	PS	17.03
Issued in FY2019	336 450	2018/06/21	2021/06/20	2024/06/20	PS	17.16
Issued in FY2019	32 592	2019/01/22	2022/06/20	2025/06/20	PS	19.27
Issued in FY2020	509 084	2019/05/28	2022/03/01	2022/06/01	PS	23.93
Issued in FY2021	5 182 965	2020/12/01	2023/11/30	2023/11/30	PS	4.26
	6 354 260					

The fair value of the Share Appreciation Rights at grant date are independently determined using a binomial model.

The inputs to the model determining the fair value of the options at grant date are set out below:

Inputs	2021	2020
Weighted average share price (R)	**5.62 – 24.94**	17.99 – 24.94
Expected volatility (%)	**34.06 – 90.56**	34.06 – 42.26
Expected life (years)	**3 – 6**	3 – 6
Risk-free rate (%)	**4.20 – 7.76**	6.95 – 7.76
Expected dividend yield (%)	**00.00 – 9.28**	0.00 – 2.44

Adcorp Employee Benefit Trust and B-BBEE shareholders' interest

In terms of the BEE transaction in FY2013 (2013 B-BBEE transaction), Adcorp has created and issued a total of 6 729 140 "B" ordinary shares (2020: 16 822 849) to its empowerment shareholders at a par value of 2.5 cents per share:

- 6 729 140 (2020: 6 729 140) are owned by a trust called the Adcorp Employee Benefit Trust 2 (AEBT2).
- Nil (2020: 5 887 997) participation has been allocated to women's empowerment group, Wiphold Financial Services Number Two Proprietary Limited.
- Nil (2020: 4 205 712) participation was allocated to an empowerment business, Thornbird Trade and Invest 33 Proprietary Limited. 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.

On 13 November 2020, Adcorp Holdings Limited entered into a share repurchase agreement with Thornbird Trade and Invest 33 Proprietary Limited and Wiphold Financial Services Number Two Proprietary Limited whereby Adcorp Holdings Limited repurchased all the "B" ordinary shares held by Thornbird Trade and Invest 33 Proprietary Limited and Wiphold Financial Services Number Two Proprietary Limited respectively for R0.102 million.

Issued	2021	2020
"B" class shares in Adcorp Holdings		
16 822 849 ordinary shares of 2.5 cents per share (2020: 16 882 849)	**421**	421
Sales repurchased – 10 093 709 shares	**(253)**	—
	168	421
Nil "A" ordinary shares of no par value in Quest Staffing Solutions Proprietary Limited (2020: 400 shares)	**—**	25
Nil "A" ordinary shares of no par value in Fortress Administration Proprietary Limited (2020: 450 shares)	**—**	230
	168	676

On 13 November 2020, the company implemented a new BEE transaction (refer to group consolidated financial statements for details) and the 400 and 450 "A" ordinary shares issued in subsidiaries as presented in the table above were purchased at the presented values by Adcorp Fulfilment Services Proprietary Limited and Adcorp Staffing Solutions Proprietary Limited respectively from Quest Strategic Partners Proprietary Limited and Wiphold Financial Services Number Three Proprietary Limited respectively.

Notes to the annual financial statements continued

for the year ended 28 February 2021

9. Share-based payment reserve continued

Adcorp Employee Benefit Trust and B-BBEE shareholders' interest continued

In respect of the 2013 B-BBEE deal, the fair value of the cancelled options and new options issued on date of modification were calculated using the Black Scholes option-pricing model. The inputs to the model are set out below:

	2014
Weighted average share price (R)	34.86
Weighted average exercise price (R)	42.17
Expected volatility (%)	24.47
Expected life (years)	10.00
Risk-free rate (%)	7.99
Expected dividend yield (%)	4.07

Using the modification cost principles under IFRS 2: *Share-based Payments*, the total modified cost of the options is R145.6 million. The total value to be amortised over the 10-year period is the aggregate of (a) 40% of the modification option cost plus (b) the unamortised option value relating to the 2007 B-BBEE deal. Details of the amounts expensed over the remaining period of the scheme are as follows:

Details of the amounts expensed over the period are as follows:

	2021 R'000	2020 R'000
One year	**7 206**	7 206
Two to five years	**14 412**	21 618
	21 618	28 824

The following reconciles the outstanding share options granted under the Adcorp Employee Benefit Trust at the beginning and end of the financial year:

	2021		2020	
Adcorp Employee Benefit Fund Trust 2	**Number of share options**	**Weighted average exercise price**	**Number of share options**	**Weighted average exercise price**
"B" ordinary shares				
Outstanding balance at the beginning of the year	**6 729 140**	**42.17**	6 729 140	42.17

10. Non-distributable reserve

	2021 R'000	2020 R'000
Unrealised profit arising on sale of BEE companies into new entity during 2004	**119 918**	119 918

11. Interest-bearing borrowings

	2021 R'000	2020 R'000
Non-current interest-bearing borrowings		
ZAR New revolving credit facility	**400 000**	—
	400 000	—
Current interest-bearing borrowings		
ZAR Term loan	**—**	200 000
ZAR Revolving credit facility	**—**	570 000
ZAR New revolving credit facility	**50 000**	—
Total current interest-bearing borrowings	**50 000**	770 000

The ZAR term loan and ZAR revolving credit facility (borrowing base facility) presented in the comparative year, matured on 30 November 2020. On 24 November 2020, Adcorp Holdings Limited renegotiated its borrowing base facility through an amendment and restatement agreement relating to the borrowing base facility originally dated 8 December 2017 which became effective on 30 November 2020. Under the amendment and restatement agreement, the facilities were restructured to include a revolving credit facility of R850 million (ZAR New Revolving credit facility) maturing on 31 May 2022 and an accordion facility of R150 million which matures three months following the commencement of the availability period for the accordion facility which shall be no later than 31 May 2022. The accordion facility covers a three-month period from December in any year to February of the next year the last of which period shall be December 2021 to February 2022 which is available in the event of the company's working capital requirements over this period, at the company's sole discretion. The ZAR New Revolving credit facility reduces automatically to R700 million on 28 February 2021 and to R400 million on 1 July 2021. The repayment profile of the ZAR New Revolving credit facility is therefore:

Repayment date	Repayment amount
28 February 2021	150 000
1 July 2021	300 000
31 May 2022	400 000

Any amount outstanding on the ZAR New Revolving credit facility is to be repaid before or on each of the revolving credit facility reduction dates. Any amount on the accordion facility which remains outstanding on the maturity date, will be repaid in full on that date. Interest is compounded monthly in arrears at an agreed margin plus JIBAR which is determined on each measurement date being the last day of each financial quarter with reference to the agreed leverage ratio at such measurement date in accordance with the following table:

Leverage ratio	Applicable margin
Less than 2 times	3.40%
From 2 times up to (and including) 2.5 times	3.65%
Greater than 2.5 times up to (and including) 3 times	4.65%
3 times and above	5.15%

On 30 November 2020, the ZAR term loan was R67 million and the ZAR revolving credit facility was R400 million (collectively the borrowing base facility at that date amounted to R467 million). In line with the company's accounting policy, the amendment to the borrowing base facility constituted a substantial modification of the terms of the existing borrowing base facility as the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received was more than 10% different from the discounted present value of the remaining cash flows of the existing facility. An amount of R67 million was drawn down on the ZAR revolving credit facility on 30 November 2020. As a result, on 30 November 2020, R467 million of the borrowing base facility was derecognised and a new financial liability being the ZAR new revolving credit facility in the tables above was recognised. A loss on extinguishment of R4 million was recognised in profit and loss on that date relating to a participation fee on the modification of the borrowing base facility.

Notes to the annual financial statements continued

for the year ended 28 February 2021

11. Interest-bearing borrowings continued

The agreement sets out various events of default. For as long as an event of default has occurred and is continuing, the margin shall be the applicable margin as set out in the table above plus 2% per annum. The financial covenants set out in the agreement include the following:

- An interest cover of 2.5:1 for the measurement period expiring 28 February 2021 and 3:1 for each measurement period expiring thereafter.
- A current ratio of 1.25:1 at each measurement period.
- A leverage ratio of 3:1 for the measurement period expiring 28 February 2021, 2.5:1 for the measurement period expiring 31 May 2021, 2:1 for the measurement period expiring 31 August 2021 and 1.5:1 for each measurement period thereafter.
- At each measurement date between the effective date and the date upon which the revolving credit facility has been reduced to R400 million (i.e. 1 July 2021), the actual EBITDA of the South African company shall not deviate from the forecasted EBITDA reflected in the base case financial model, by more than 15%.

As at the reporting date, no events of default had occurred and the group has complied with all financial covenants on the amended and restated borrowing base facility.

On 3 May 2021, the maturity date of the ZAR New Revolving credit facility was extended to 31 August 2022.

The accordion facility was not utilised during the current financial year.

Security

Trade receivables are used as security to secure funding relating to the borrowing base facility. The eligible receivables are defined as those with outstanding invoices aged up to 90 days. Under the terms agreed to, the company is restricted from invoice discounting and any other factoring arrangements on the eligible receivables.

As security for the borrowing base facility, a shared security agreement was entered into that holds a cession over the trade receivables between the following operating subsidiaries of the Adcorp Group:

- 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 Management Solutions Proprietary Limited
- Adcorp Workforce Solutions Proprietary Limited
- TalentCru 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
- Fortress Administration Proprietary Limited

Reconciliation of movements on interest-bearing borrowings

	2021 R'000	2020 R'000
Opening balance	**770 000**	650 000
Repayments	**(706 667)**	(810 000)
Proceeds from facilities	**386 667**	930 000
Derecognition of ZAR Term loan	**(66 667)**	—
Derecognition of ZAR Revolving credit facility	**(400 000)**	—
Recognition of ZAR New revolving credit facility	**466 667**	—
	450 000	770 000

12. Deferred taxation

Deferred tax liability

	2021 R'000	2020 R'000
Deferred tax on fair value adjustment of foreign loan	**(27 216)**	(7 650)
Deferred tax liability	**(27 216)**	(7 650)
Reconciliation of deferred tax liability		
At the beginning of the year	**(7 650)**	(5 090)
Fair value adjustment on foreign loan	**(19 566)**	(2 560)
	(27 216)	(7 650)

13. Trade and other payables

	2021 R'000	2020 R'000
Financial instruments		
Trade payables	**380**	—
Accruals	**3 008**	1 863
	3 388	1 863

Trade and other payables do not carry interest and are stated at their nominal value. The carrying amount approximates the fair value. The average credit period on trade and other payables is 30 days. All amounts will be settled within 12 months and are therefore considered to be short term in nature.

The company has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

14. Amounts due to subsidiary companies

Subsidiaries

	2021 R'000	2020 R'000
Adcorp Management Services Proprietary Limited	**1 487 780**	1 054 241
Quest Staffing Solutions Proprietary Limited	**2 085**	2 574
Research Surveys Proprietary Limited	**17 867**	17 867
Capital Outsourcing Group Proprietary Limited – Africa	**12 722**	12 722
Adcorp Contracting Proprietary Limited	**37**	309
TalentCru Proprietary Limited	**475**	475
Adcorp Group South Africa Proprietary Limited	**1 592 000**	—
Production Management Institute of Southern Africa Proprietary Limited	**190**	—
	3 113 156	1 088 188

During the current year intragroup facilities bear interest at 8.25% (2020: 8.25%) and received interest at 4.83% (2020: 4.83%). As part of the company's COVID-19 response plan, management elected to provide its subsidiaries with relief by not charging interest on the treasury loans during the financial year. This is a temporary relief measure implemented. No interest is levied on current payables and receivables.

Loans from subsidiaries are generally unsecured and not subject to any fixed terms of repayment.

Fair value of amounts due to subsidiaries

The fair value of group loans payable approximates their carrying amounts.

Notes to the annual financial statements continued

for the year ended 28 February 2021

15. Operating (profit)/loss

	2021 R'000	2020 R'000
Operating (profit)/loss for the year is stated after charging (crediting) for the following, among others:		
Audit fees	**190**	434
Remuneration, other than to employees		
Consulting and professional services	**1 539**	433
Share-based payments expense	**7 206**	7 206
	8 745	7 639
Other		
Administrative and managerial services*	**(5 025)**	—
Board fees	**6 775**	6 114
Administration costs	**3 577**	2 174
Computer expenses	**814**	1 128
Other expenses	**696**	616
Exchange differences arising on the foreign loan	**(69 880)**	—
Total	**(54 108)**	18 105

** Relates to recovery of costs for services performed on behalf of subsidiaries.*

16. Finance income

	2021 R'000	2020 R'000
Interest income		
Investments in financial assets:		
Bank and other cash	**13 299**	10 373
Other interest received	**—**	161
Loans to group companies:		
Subsidiaries*	**28 977**	67 001
Total interest income	**42 276**	77 535

** As part of the company's COVID-19 response plan, management elected to provide its subsidiaries with relief by not charging interest on the treasury loans during the financial year. This is a temporary relief measure implemented. The interest income relates to the recovery of the facility funds from Adcorp Management Services Proprietary Limited.*

17. Finance costs

	2021 R'000	2020 R'000
Long-term loans	**47 163**	77 381
Bank	**5**	44
Total finance costs	**47 168**	77 425

18. Taxation

	2021 R'000	2020 R'000
Current		
Local income tax – current period	—	(839)
Deferred tax		
Current period	(19 566)	—
Income tax recognised in other comprehensive income		
Exchange differences of net investment of foreign operations	—	(2 560)
Reconciliation of the tax expense		
Reconciliation between loss before taxation and tax expense:		
Loss before taxation	(168 415)	(852 428)
Tax at the applicable tax rate of 28% (2020: 28%)	(47 156)	(238 680)
Tax effect of adjustments on taxable income:		
Non-deductible expenses*	67 209	239 287
Other permanent differences	(487)	(607)
Prior year underprovision	—	(839)
	19 566	(839)

** Non-deductible expenses relate to share-based payment expenses and impairment of investments.*

When there is uncertainty over income tax treatments, an entity shall determine whether to disclose:

- judgements made in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and rates applying paragraph 122 of IAS 1: *Presentation of Financial Statements*, and
- information about the assumptions and estimates made in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates applying paragraphs 125 to 129 of IAS 1.

If an entity concludes it is probable that a taxation authority will accept an uncertain tax treatment, the entity shall determine whether to disclose the potential effect of the uncertainty as a tax-related contingency applying paragraph 88 of IAS 12.

The company considered whether it has any uncertain tax positions, particularly those relating to deductibility of related party interest. The company's tax filings include deductions related to related party interest on capital loans and the taxation authorities may challenge those tax treatments. The Interpretation resulted in the reclassification of the projected tax impact of Rnil (2020: R838 561) from deferred tax to current tax in the financial statements of the company.

19. Tax paid

	2021 R'000	2020 R'000
Balance at the beginning of the year	—	(728)
Current tax for the year recognised in profit or loss	—	839
Tax paid for the year	—	111

20. Dividends paid

	2021 R'000	2020 R'000
Dividends	—	(105 666)

Dividends paid in FY2020 relate to the dividend declaration in FY2019 and were paid out to registered shareholders on 19 August 2019.

Notes to the annual financial statements continued

for the year ended 28 February 2021

21. Cash generated from operations

	2021 R'000	2020 R'000
Loss before taxation	**(168 415)**	(852 428)
Adjustments for:		
Impairment of loans and investments and intercompany loans receivable	**218 982**	836 810
Fair value gain on investment	**(1 351)**	(2 373)
Finance income	**(42 276)**	(77 535)
Finance costs	**47 168**	77 425
Share-based payment expenses	**7 206**	7 206
Foreign exchange difference relating to translation of foreign operation	**(69 880)**	—
Changes in working capital:		
(Increase)/decrease in other receivables	**(2 350)**	1 040
Increase/(decrease) in trade and other payables	**1 525**	(1 026)
Movement in intercompany accounts	**465 664**	(129 711)
	456 273	(140 592)
The movement in the intercompany accounts is adjusted for the impact of non-cash movements relating to:		
Foreign exchange difference relating to translation of foreign operation	**69 880**	9 142
Share-based payment scheme at subsidiary recognised in equity	**2 130**	(2 186)
Acquisition of investment in subsidiary	**(1 592 000)**	—
Intercompany balances	**1 985 654**	(136 667)
Net movement in intercompany accounts	**465 664**	(129 711)

22. Related parties

Relationships

Subsidiaries – refer to note 3.

Refer to notes 5 and 14 for details regarding related parties balances.

	2021 R'000	2020 R'000
Related party transactions		
Interest paid to (received from) related parties		
Subsidiaries*	**(28 977)**	(67 001)
Administrative and managerial services income		
Subsidiaries	**(5 025)**	—

** Interest received from subsidiaries relate to the recovery of the facility funds from Adcorp Management Services Proprietary Limited.*

23. Directors' and prescribed officers' emoluments

Executive

2021

	Salary R'000	Bonus R'000	Employee benefits R'000	Separation cost R'000	Notice and leave pay R'000	Total R'000
CJ Kujenga (resigned 31 May 2020)	**884**	**—**	**63**	**1 241***	**1 412**	**3 600**
P Roux (appointed 24 April 2020; resigned 31 March 2021)	**5 104**	**14 100**	**352**	**—**	**—**	**19 556**
N Prendergast (appointed 01 July 2020)	**2 010**	**612**	**90**	**—**	**—**	**2 712**
	7 998	**14 712**	**505**	**1 241**	**1 412**	**25 868**

** The separation cost was accrued in the 2020 financial year and paid during the current financial year.*

23. Directors' and prescribed officers' emoluments continued

Executive continued

2020

	Salary R'000	Employee benefits R'000	Separation cost R'000	Notice and leave pay R'000	Total R'000
CJ Kujenga (resigned 31 May 2020)	3 695	381	1 241	—	5 317
I Dutiro (resigned 08 October 2019)	3 404	680	11 661	2 237	17 982
	7 099	1 061	12 902	2 237	23 299

Prescribed officers

2021

	Salary R'000	Bonus R'000	Employee benefits R'000	Notice and leave pay R'000	Total R'000
R de Grooth	**2 412**	**720**	**270**	**—**	**3 402**
K Vittee	**2 222**	**699**	**386**	**—**	**3 307**
T Fowler	**2 205**	**751**	**188**	**—**	**3 144**
U Fear (resigned 31 May 2020)	**476**	**—**	**31**	**(5)**	**502**
T Sadik (resigned 30 April 2020)	**453**	**—**	**—**	**149**	**602**
H Weyers (resigned 28 February 2021)	**1 045**	**15**	**73**	**345**	**1 478**
	8 813	**2 185**	**948**	**489**	**12 435**

2020

	Salary R'000	Bonus R'000	Employee benefits R'000	Total R'000
R de Grooth	2 201	1 216	211	3 628
K Vittee	1 708	—	193	1 901
U Fear (resigned 31 May 2020)	1 967	—	278	2 245
T Sadik (resigned 30 April 2020)	981	—	—	981
T Fowler	2 199	1 397	193	3 789
	9 056	2 613	875	12 544

Notes to the annual financial statements continued

for the year ended 28 February 2021

23. Directors' and prescribed officers' emoluments continued

Non-executive directors

2021	Directors' fees R'000
GT Serobe	**777**
P Mnganga	**362**
GP Dingaan (resigned 10 September 2020)	**114**
SN Mabaso-Koyana (resigned 01 March 2021)	**427**
C Maswanganyi	**241**
T Mokgabudi (appointed 15 October 2020)	**243**
M Lubega	**249**
FS Mufamadi (resigned 10 September 2020)	**65**
MN Nkosi	**236**
H Singh	**702**
S Sithole	**338**
MW Spicer	**467**
R van Dijk	**306**
C Smith	**1 656**
	6 183

2020	R'000
GT Serobe	927
P Mnganga	361
GP Dingaan	406
SN Mabaso-Koyana	1 059
C Maswanganyi	349
TP Moeketsi (resigned 06 June 2019)	184
ME Mthunzi (resigned 06 June 2019)	99
FS Mufamadi	368
MN Nkosi (appointed 06 June 2019, previously an alternate director)	455
H Singh	607
S Sithole	441
MW Spicer	636
R van Dijk (appointed 06 June 2019)	355
C Smith (appointed 10 January 2020)	295
	6 542

23. Directors' and prescribed officers' emoluments continued

Directors' shareholding as at 28 February 2021

Executive directors	Number of unexercised options as at 29 February 2020	Number of options granted	Number of options exercised	Number of options forfeited	Number of unexercised options at 28 February 2021	Vesting date
N Prendergast	—	**516 129**	—	—	**516 129#**	30/11/2023
CJ Kujenga	116 568	—	—	**(116 568)**	— *	20/06/2021
	241 000	—	—	**(241 000)**	— #	02/02/2021
	125 182	—	—	**(125 182)**	— #	01/03/2022

Prescribed officers	Number of unexercised options as at 29 February 2020	Number of options granted	Number of options exercised	Number of options forfeited	Number of unexercised options at 28 February 2021	Vesting date
R de Grooth	35 000	—	—	—	**35 000#**	01/03/2020
	68 671	—	—	—	**68 671#**	20/06/2021
	76 135	—	—	—	**76 135#**	01/03/2022
	—	**483 969**	—	—	**483 969#**	30/11/2023
K Vittee	139 650	—	—	—	**139 650#**	01/03/2020
	74 132	—	—	—	**74 132#**	20/06/2021
	62 262	—	—	—	**62 262#**	01/03/2022
	—	**469 965**	—	—	**469 965#**	30/11/2023
H Weyers (resigned 28 February 2021)	36 478	—	—	**(366 478)**	—	20/06/2021
	20 114	—	—	**(20 114)**	—	01/03/2022
	—	**159 677**	—	**(159 677)**	—	30/11/2023
T Fowler	64 779	—	—	—	**64 779#**	20/06/2021
	52 751	—	—	—	**52 751#**	01/03/2022
U Fear	48 899	—	—	**(48 899)**	—	01/03/2022

 # Performance shares.
** Sign-on shares.*
On resignation, rights to all shares in the long-term incentive scheme are forfeited.

Notes to the annual financial statements continued

for the year ended 28 February 2021

23. Directors' and prescribed officers' emoluments continued

Schedule of directors' interests – Adcorp Holdings Limited (number of shares)

Directors' names	Direct 2021	Indirect 2021	Total 2021	Direct 2020	Indirect 2020	Total 2020
I Dutiro (resigned 08 October 2019)	**—**	**—**	**—**	6 330	—	6 330
CJ Kujenga (resigned 31 May 2020)	**—**	**—**	**—**	—	2 554 620	2 554 620
TP Moeketsi* (resigned 06 June 2019)	**—**	**—**	**—**	—	28 443 256	28 443 256
S Sithole*	**—**	**32 758 743**	**32 758 743**	—	28 443 256	28 443 256
MW Spicer	**—**	**48 000**	**48 000**	—	48 000	48 000
C Smith	**—**	**1 601 463**	**1 601 463**	—	—	—
MM Nkosi*	**—**	**32 758 743**	**32 758 743**	—	28 443 256	28 443 256
	—	**67 166 949**	**67 166 949**	6 330	87 932 388	87 938 718
Less double counting for Value Capital Partners (VCP)	**—**	**(32 758 743)**	**(32 758 743)**	—	(56 886 512)	(56 886 512)
	—	**34 408 206**	**34 408 206**	6 330	31 045 876	31 052 206

* *Interest held through VCP.*

24. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2021

	Notes	Fair value through profit or loss R'000	Financial assets at amortised cost R'000	Total R'000
Investment	4	**18 971**	**—**	**18 971**
Amounts due by subsidiary companies	5	**—**	**2 283 545**	**2 283 545**
Other receivables	6	**—**	**324**	**324**
Cash and cash equivalents	7	**—**	**132 016**	**132 016**
		18 971	**2 415 885**	**2 434 856**

2020

	Notes	Fair value through profit or loss R'000	Financial assets at amortised cost R'000	Total R'000
Investment	4	17 620	—	17 620
Amounts due by subsidiary companies	5	—	2 245 481	2 245 481
Other receivables	6	—	212	212
Cash and cash equivalents	7	—	736	736
		17 620	2 246 429	2 264 049

24. Financial instruments and risk management continued

Categories of financial liabilities

2021

	Notes	Financial liabilities at amortised cost R'000	Total R'000
Trade and other payables	13	**3 388**	**3 388**
Amounts due to subsidiary companies	14	**3 113 156**	**3 113 156**
Interest-bearing borrowings	11	**450 000**	**450 000**
		3 566 544	**3 566 544**

2020

	Notes	Financial liabilities at amortised cost R'000	Total R'000
Trade and other payables	13	1 863	1 863
Amounts due to subsidiary companies	14	1 088 188	1 088 188
Interest-bearing borrowings	11	770 000	770 000
		1 860 051	1 860 051

Capital risk management

The company manages its capital to ensure that entities in the company 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 company consists of debt, which includes the interest-bearing borrowings disclosed in note 11, cash and cash equivalents disclosed in note 7, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 8 and 9.

The company's investment committee has considered the cost of capital and the risks associated with each class of capital. The current gearing ratio is 26% (2020: 64%). The gearing ratio is determined as net debt (being interest-bearing borrowings less cash and cash equivalents) as a percentage of total equity. 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 is reviewed on an ongoing basis as the strategic transformation progresses.

Financial risk management

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The company is exposed to credit risk on the loans to fellow subsidiaries as the loans are non-interest bearing. The maximum exposure to credit risk is presented in the table below:

		2021			2020		
	Notes	**Gross carrying amount R'000**	**Credit loss allowance R'000**	**Amortised cost/fair value R'000**	Gross carrying amount R'000	Credit loss allowance R'000	Amortised cost/fair value R'000
Amounts due by subsidiary companies	5	**2 960 174**	**(676 629)**	**2 283 545**	2 920 857	(675 376)	2 245 481
Other receivables	6	**324**	**—**	**324**	712	—	712
Cash and cash equivalents	7	**132 016**	**—**	**132 016**	736	—	736
		3 092 514	**(676 629)**	**2 415 885**	2 922 305	(675 376)	2 246 929

Notes to the annual financial statements continued

for the year ended 28 February 2021

24. Financial instruments and risk management continued

Interest risk management

The company is exposed to interest rate risk because it has interest-bearing borrowings (note 11) that attract interest at a floating rate.

At 28 February 2021, if interest rates had been 1% higher/lower and all other variables were held constant, the profit or loss for the year would have decreased/increased by R4.5 million (2020: decreased/increased by R7.7 million).

The sensitivity analyses have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting year. The analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

Liquidity risk management

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

The company has the following facilities available:

	2021 R'000	2020 R'000
Non-interest-bearing facilities		
Intra-day facility with First National Bank non-interest-bearing	**100 000**	100 000
Non-interest-bearing facilities	**100 000**	100 000
Total interest-bearing borrowing facilities available		
South Africa	**1 000 000**	1 150 000
– ZAR new revolving credit facility	**850 000**	–
– ZAR revolving credit facility	**–**	800 000
– ZAR term loan	**–**	200 000
– Accordion facility	**150 000**	150 000
Total interest-bearing borrowing facilities available	**1 000 000**	1 150 000
Interest-bearing borrowing facilities utilised		
South Africa	**450 000**	770 000
– ZAR new revolving credit facility	**450 000**	–
– ZAR revolving credit facility	**–**	570 000
– ZAR term loan	**–**	200 000
– Accordion facility	**–**	–
Total interest-bearing borrowing facilities utilised	**450 000**	770 000
Unutilised interest-bearing borrowing facilities		
South Africa	**550 000**	380 000
– ZAR new revolving credit facility	**400 000**	–
– ZAR revolving credit facility	**–**	230 000
– ZAR term loan	**–**	–
– Accordion facility	**150 000**	150 000
Total unutilised interest-bearing borrowing facilities	**550 000**	380 000
Maturity analysis of non-derivative financial liabilities (including interest)		
Trade and other payables (note 13)	**3 388**	1 863
Interest-bearing borrowings (note 11)	**50 000**	770 000
Amounts due to subsidiary companies (note 14)	**3 113 156**	1 088 188
Total due within one year	**3 166 544**	1 860 051
After one year but within two years	**400 000**	—
Total due after one year	**400 000**	—
Total debt	**3 566 544**	1 860 051

25. Fair value information

Some of the company'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 assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used):

Financial assets/ financial liabilities	2021 R'000	2020 R'000	Valuation technique(s) and key inputs	Fair value hierarchy	Relationship of unobservable inputs to fair value
Investment	**18 971**	17 620	Fair value – market valuation	Level 3	The fair value is determined based on the net asset value of the insurance cell captive at the reporting date. The net asset value is determined from financial information received from the insurer

26. Commitments

Guarantees

	2021 R'000	2020 R'000
The bank has issued guarantees to creditors to the value of	**25 191**	28 250

27. Going concern

In preparing the annual financial statements, the directors are responsible for evaluating the company's ability to continue as a going concern and as a consequence the appropriateness of the going concern assumption in the preparation of the annual financial statements. The directors have assessed the economic environment, current financial position and the company's cash flow position for the next 12 months through to the end of June 2022.

Solvency

As at 28 February 2021, the total assets of the company exceeded the total liabilities by R1 024 191 (2020: R1 202 937) and the current ratio as at 28 February 2021 was 0.76:1. There are no events anticipated in the year ahead that indicate any risk to the company's solvency position.

Liquidity

In assessing the liquidity position, cash flow forecasts were prepared, which covered the period up until the end of June 2022. The cash position is monitored daily by management and the company is comfortable with its liquidity levels. The company was profitable for the year and solvent at year end, however, was in a net current liability position of R748 million at year end due to amounts owing to group subsidiaries. The company's net current liability position is supported by a subordinated loan of R748 million with Adcorp Group South Africa Proprietary Limited and undrawn facilities totalling R550 million enabling the company to settle its obligations as they become due in the normal course of business. It has therefore been concluded that the company's annual financial statements have been appropriately prepared on the going-concern assumption.

Going concern conclusion

It is not possible to make an accurate and complete estimate of the full impact that the COVID-19 pandemic's continued national lockdowns and level restrictions imposed will have on the macroeconomic environment within which the company operates.

The board is satisfied that there are no material uncertainties that cast doubt on the company's ability to operate as a going concern and that the company has sufficient resources, or access to resources, to continue with all operating activities for the foreseeable future. The amounts owing from/(to) group companies have no fixed terms of repayment. They are disclosed as current on the statement of financial position as required by IFRS. However, repayment is not expected in the foreseeable future. Therefore, the company's ability to settle its short-term obligations is not a concern.

Based on this assessment, the board considers it appropriate to adopt the going concern assumption for the preparation of the 2021 annual financial statements.

28. Events after the reporting period

Debt extension in South Africa

On 3 May 2021, the lenders of the South African operations interest-bearing borrowings agreed to extend the Borrowing Base Facilities Agreement final maturity date to 31 August 2022.

Annexure A: Details of significant subsidiaries

for the year ended 28 February 2021

Name of subsidiary	Nature of business/status
Adcorp Fulfilment Services Proprietary Limited	Holding company
Adcorp Group South Africa Proprietary Limited	Holding company
Adcorp Holdings Australia Proprietary Limited	Holding company
Adcorp Management Services Proprietary Limited	Shared services
Adcorp Staffing Solutions Proprietary Limited	Holding company
Adcorp Staffing Solutions Proprietary Limited	Holding company
Adcorp Support Services Proprietary Limited (held for sale)	Financial services
Adcorp Technical Training Proprietary Limited	Training
Adcorp Workforce Management Solutions Proprietary Limited	Holding company
Adcorp Workforce Management Solutions Proprietary Limited	Holding company
Adcorp Workforce Solutions Proprietary Limited	Flexible staffing
Adfusion Contract Management Services Proprietary Limited	Recruitment
All About Xpert Australia Proprietary Limited	Project management products and services
All About Xpert Technologies Proprietary Limited	Project management products and services
Comsel Eighteen Proprietary Limited	Supplier of IT services
Fortress Administration Solutions Proprietary Limited	Outsourcing solutions
Fortress Administration Solutions Proprietary Limited	Outsourcing solutions
Inn-Staff Swaziland Proprietary Limited	Flexible staffing
Labour Solutions Australia Agri Proprietary Limited	Flexible staffing
Labour Solutions Australia Proprietary Limited	Flexible staffing
Labour Solutions Partners Proprietary Limited	Flexible staffing
Paxus Australia Proprietary Limited	Supplier of IT services
Production Management Institute of Southern Africa Proprietary Limited	Training
Quest Staffing Solutions Proprietary Limited	Flexible staffing
Quest Staffing Solutions Proprietary Limited	Flexible staffing
TalentCru Proprietary Limited	Emergent business
TalentCru Proprietary Limited (Australia)	Emergent business
Torque Technical Computer Training Proprietary Limited	Supplier of IT services
Zest Hospitality Services Proprietary Limited	Outsourcing solutions

The table of significant subsidiaries, subsidiaries disposed during the current financial year excludes dormant subsidiaries and subsidiaries in a deregistration process.

Share type	Authorised share capital of subsidiary/associate February 2021 Number	February 2020 Number	Issued share capital of subsidiary/associate February 2021 Number	February 2020 Number	Number of shares held by Adcorp February 2021 Number	February 2020 Number
Ordinary	**20 000**	20 000	**9 000**	9 000	**9 000**	9 000
Redeemable preference	**10 000**	–	**1 592**	–	**1 592**	–
Ordinary	**30 000 100**	30 000 100	**30 000 100**	30 000 100	**30 000 100**	30 000 100
Ordinary	**4 000**	4 000	**400**	400	**400**	400
Ordinary	**4 000**	4 000	**100**	100	**100**	100
Class "A" redeemable preference	**225 000**	225 000	**–**	–	**–**	–
Ordinary	**1 000**	1 000	**100**	100	**100**	100
Ordinary	**1 000**	1 000	**100**	100	**100**	100
Ordinary	**900 000 000**	900 000 000	**349 716 709**	349 716 709	**349 716 709**	349 716 709
Convertible redeemable preference	**100 000 000**	100 000 000	**–**	–	**–**	–
Ordinary	**1 000 000 000**	1 000 000 000	**100 000 000**	100 000 000	**100 000 000**	100 000 000
Ordinary	**4 000**	4 000	**2 000**	2 000	**2 000**	2 000
Ordinary	**100**	100	**100**	100	**80**	80
Ordinary	**100**	100	**100**	100	**75**	75
Ordinary	**1 000**	1 000	**120**	120	**120**	120
Ordinary	**550**	550	**550**	550	**550**	550
A' ordinary	**450**	450	**450**	450	**–**	–
Ordinary	**100**	100	**100**	100	**100**	100
Ordinary	**1 000**	1 000	**1 000**	1 000	**1 000**	920
Ordinary	**60 530 464**	60 530 464	**60 530 464**	60 530 464	**60 530 464**	60 530 464
Ordinary	**200**	200	**200**	200	**200**	200
Ordinary	**152 856**	152 856	**152 856**	152 856	**152 856**	152 856
Ordinary	**4 000**	4 000	**100**	100	**100**	100
Ordinary	**1 000**	1 000	**600**	600	**600**	600
A' ordinary	**1 000**	1 000	**400**	400	**–**	–
Ordinary	**300**	300	**100**	100	**100**	100
Ordinary	**1 000**	1 000	**100**	100	**100**	100
Ordinary	**1 000**	1 000	**100**	100	**100**	100
Ordinary	**4 000**	4 000	**100**	100	**100**	100

Shareholder analysis

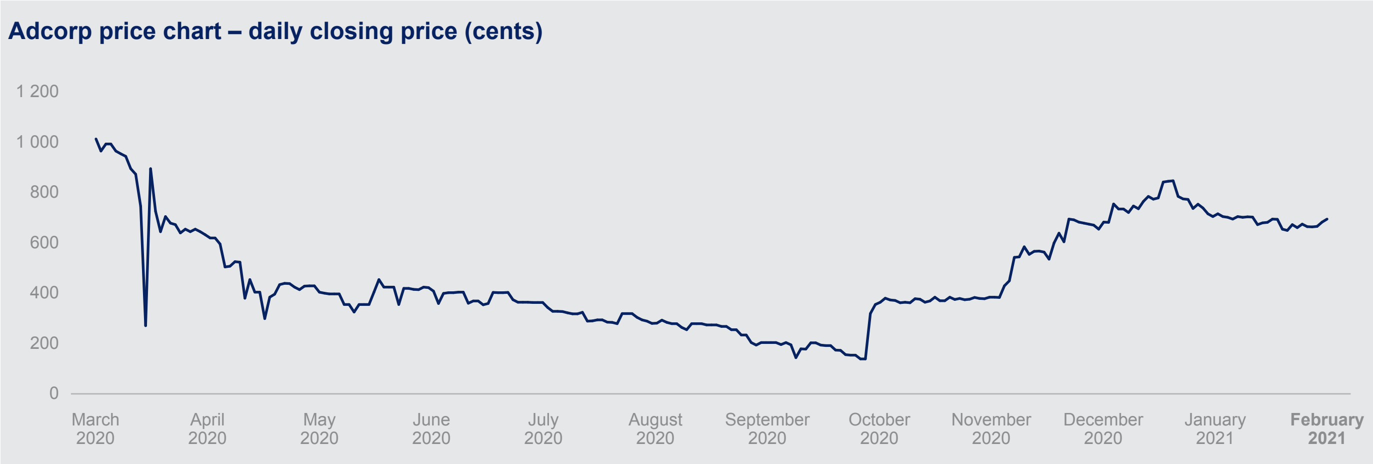
Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	4 003	84,86	418 290	0,38
1 001 – 10 000	409	8,67	1 348 307	1,23
10 001 – 100 000	192	4,07	6 541 877	5,95
100 001 – 1 000 000	88	1,87	26 948 039	24,51
Over 1 000 000	25	0,53	74 698 162	67,93
Total	**4 717**	**100,00**	**109 954 675**	**100,00**
Distribution of shareholders				
Assurance companies	18	0,38	2 689 142	2,45
Close corporations	16	0,34	157 399	0,14
Collective investment schemes	76	1,61	31 788 793	28,91
Control accounts	1	0,02	108	0,00
Foundations and charitable funds	25	0,53	948 469	0,86
Hedge funds	3	0,06	20 839 390	18,95
Insurance companies	7	0,15	288 489	0,26
Investment partnerships	10	0,21	2 089 246	1,90
Managed funds	15	0,32	127 485	0,12
Medical aid funds	9	0,19	474 461	0,43
Organs of state	2	0,04	2 579 260	2,35
Private companies	30	0,64	2 071 244	1,88
Public companies	1	0,02	16	0,00
Public entities	2	0,04	103 356	0,09
Retail shareholders	4 255	90,21	3 749 718	3,41
Retirement benefit funds	129	2,74	36 131 194	32,86
Scrip lending	4	0,09	1 255 076	1,14
Stockbrokers and nominees	20	0,42	3 339 898	3,04
Treasury	1	0,02	556 605	0,51
Trusts	83	1,76	764 736	0,70
Unclaimed scrip	10	0,21	590	0,00
Total	**4 717**	**100,00**	**109 954 675**	**100,00**
Shareholder type				
Non-public shareholders	6	0,13	34 971 141	31,81
Directors and associates (direct holding)	1	0,02	6 330	0,01
Directors and associates (indirect holding)	4	0,09	34 408 206	31,29
Treasury	1	0,02	556 605	0,51
Public shareholders	4 711	99,87	74 983 534	68,19
Total	**4 717**	**100,00**	**109 954 675**	**100,00**

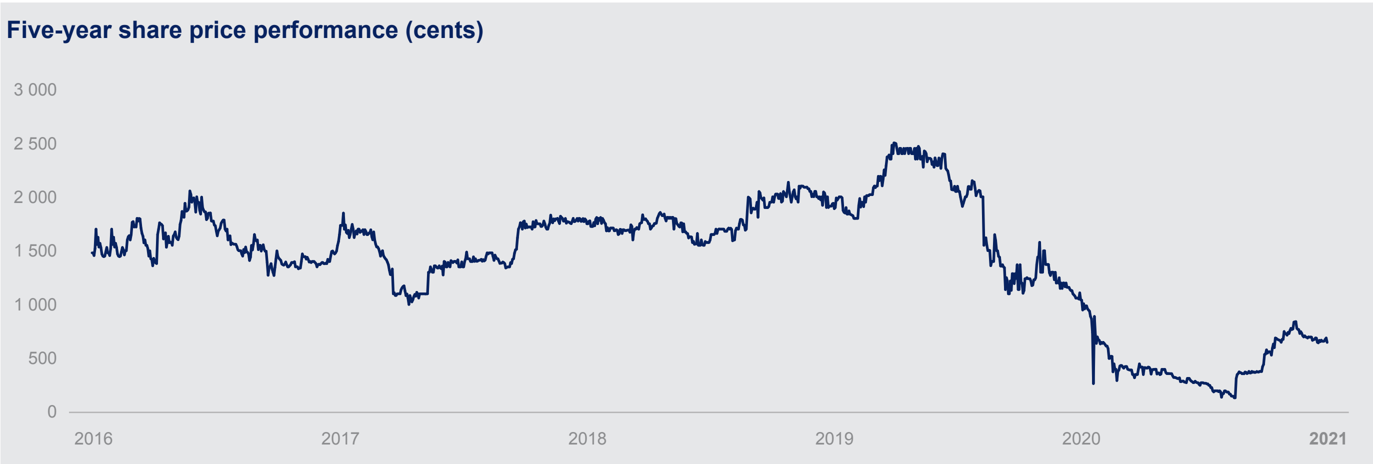
Fund managers with a holding greater than 5% of the issued shares	Number of shares	% of issued capital
Value Capital Partners	32 758 743	29,79
Allan Gray	21 512 994	19,57
Kagiso Asset Management	19 914 543	18,11
PSG Asset Management	9 070 949	8,25
Total	**83 257 229**	**75,72**
Beneficial shareholders with a holding greater than 5% of the issued shares		
H4 Collective Investments	20 053 299	18,23
Allan Gray	9 819 879	8,93
PSG	9 070 949	8,25
Kagiso	6 042 585	5,50
Sentinel Mining Industry Retirement Funds	5 725 340	5,21
Total	**50 712 052**	**46,12**

Total number of shareholdings	**4 717**
Total number of shares in issue	**109 954 675**

Share price performance	
Opening price 1 March 2020	R10,08
Closing price 28 February 2021	**R6,49**
Closing high for the period	**R10,08**
Closing low for the period	**R1,35**
Number of shares in issue	**109 954 675**
Volume traded during the period	**41 065 441**
Ratio of volume traded to shares issued (%)	**37,35%**
Rand value traded during the period	**R191 056 330**
Price/earnings ratio as at 28 February 2021	**21,21**
Earnings yield as at 28 February 2021	**4,71**
Dividend yield as at 28 February 2021	**0,00**
Market capitalisation at 28 February 2021	**R713 605 841**

Shareholder analysis continued





Corporate information

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Listed on the JSE in 1987
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ISIN: ZAE000000139
Website: www.adcorpgroup.com

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