Unaudited Group results

For the six months ended 31 August 2018

Salient features

Group revenue for the period increased by **3%** to **R8 billion** compared to R7,7 billion in August 2017

Australia revenue increased by **11%** in constant currency terms

Underlying EBITDA for the period increased by **33%** to **R231 million**

Net profit from continuing operations of **R99 million** compared to a loss of R36 million

EPS at **90,2 cents** per share compared to a loss of 120,7 cents per share

Cash generated by operations **R358 million** compared to R122 million

Gearing improved to **35%** from **61%** due to reduction in net debt to **R646 million** from **R1,3 billion**

Group operating expenses reduced by **16%** to **R896 million**

Commentary

Overview

The half-year results reflect the early stage positive outcomes of the work performed by the leadership team over the past year to stabilise the Group in preparation for a strategic transformation.

This transitional phase has enabled us to effect a financial turnaround while at the same time mapping out a strategy that will stabilise and grow the business and thus achieve the ambitious targets we have set for ourselves over the next three years. By refocusing on the core, reducing costs through the deployment of lean and agile business processes, strengthening our brand and transforming our culture we believe that we have set the platform for the Adcorp of the future.

The recently concluded Jobs Summit further highlighted the structural and economic challenges that South Africa needs to overcome in order to reduce the unemployment rate which currently stands at 27,2%. For many unemployed South Africans Temporary Employment Services (TES) has and will continue to provide opportunities for first-time job seekers, skills development, training and career growth. We actively seek out appropriate opportunities in the social enterprise space and will increasingly target partnerships with organisations, such as the Youth Employment Service (YES), and participate in employment-creation initiatives with social partners.

Our ability to provide flexibility and enhance labour productivity means that we remain a key contributor to our clients' efforts to weather South Africa's current economic challenges. The period under review has been marked by a difficult trading environment characterised by a transition in the South African political landscape and continued challenges at a macroeconomic level. The depressed economic environment has resulted in continuing growth in unemployment numbers and consequent stifled consumer demand.

It is with this in mind that we have started developing our target operating model which will see us double-down on the work we already do in the areas of resourcing, training, consulting and outsourcing. Our approach is based on leveraging our capabilities and addressing any capability gaps that we identify to ensure that we reach full potential in all the areas in which we operate.

Legislative environment

In July 2018, the Constitutional Court handed down its ruling on the matter of the "deeming" provision contained in s198 of the Labour Relations Act (LRA). The highlights of the interpretation being the following:

- This particular case is about a limited interpretation of whether there are two employers or one related to the "affected employee" only for the purposes of the LRA.
- The only TES "affected employees" are those who earn below the Basic Conditions of Employment Act (BCEA) threshold (currently R205 433 per annum) and who are placed for longer than three-months.
- This judgement does not relate to equal treatment on remuneration and benefits as this was already dealt with in the LRA amendments effective 1 April 2015, although the recent ruling has heightened clients' awareness of the crucial need to equalise in instances where this has not already been effected.

Our engagement with our clients on the potential implications of the ruling has been an ongoing process, even before the final judgement was handed down. The initial response to the ruling from our clients has been largely positive and there has been minimal impact on half-year results.

As a business, we are fully committed to ensuring fair labour practices, and will continue to provide our clients with innovative workplace solutions geared for the future. We anticipate that our relationship with clients that have a similar philosophy will grow from strength to strength as we continue to add value in matching and placing people in businesses that require flexible workforces in order to achieve sustainable growth.

TES is only one of the many workplace solutions provided by Adcorp. We take to heart our responsibility to continue to engage with our clients, assignees and government to enhance employment creation in South Africa.

Operations

South Africa

GDP growth in South Africa has remained low, with the economy slipping into recession during the second quarter of 2018. We have seen an increase in the number of unprotected strikes, business confidence remains low and unemployment continues to rise in a highly regulated labour market. The changing structure of South Africa's economy has seen a move towards tertiary and service-based industries — between 2001 and 2017, skilled employment increased at a rate of 53,6%, while low-skilled employment increased at a lower rate of 19,6%. This signals even tougher times ahead for South Africa's job market, which relies on the low and semi-skilled sectors to employ a large proportion of the workforce.

In our temporary and permanent placement businesses, we are seeing the following trends:

- Substantial mismatch between skills demand and supply in professional services with the highest demand for skills being in finance, specialised ICT and digital job categories. Despite the high unemployment rate in South Africa many of our vacancies in these areas remain open for very long periods given the low supply of skills.
- Employers are largely looking for flexibility in their business cost structures, hence a decline in vacancies for permanent positions and increased demand for contract resources.
- The highest demand is in the age group 25 – 35 for qualified workers with experience.
- There is an ongoing trend of retrenchments given slow economic growth, increased cost pressures and increasing competition.

A brief overview of each operating segment within the Adcorp Group in South Africa is provided below:

Industrial Services

The Industrial Services segment houses two business lines; traditional temporary staffing solutions in largely the industrial space and the functional outsourcing business.

Temporary Employment Services (TES)

This part of our business is most affected by the LRA ruling, although we anticipate relatively low impact to EBITDA as economic conditions continue to drive the need for flexible staffing solutions and clients look to partner with larger TES market players for compliance and risk sharing reasons. In addition Adcorp focuses on providing clients with holistic workplace solutions versus only the traditional labour supply value proposition hence we see ourselves as continuing to have a significant role to play in this space.

Functional Outsourcing

Our Functional Outsourcing business was established in 2015 with pilot projects run for various clients. We anticipate that the business will gain traction in the market as clients look to outsource non-core business processes. We leverage the Group's competencies in workforce solutions to manage people-intensive processes on behalf of our clients in specific market segments, including warehousing, distribution and supply chain management.

Support Services

The Support Services segment houses several business lines; traditional temporary staffing solutions in the office space and nursing, permanent placements and outsourcing of front office support and contact centres. Although this business was severely impacted by the LRA ruling in 2015, we have seen minimal impact to headcount placements with the recent LRA Constitutional Court ruling.

Professional Services

The Adcorp Professional Services segment provides independent contract and permanent resourcing solutions largely in the technology sector. The portfolio is the largest supplier of IT and digital professionals in South Africa. This is complemented by an SAP specialisation and project management, recruitment process outsourcing, managed services and IT training.

Financial Services

The Financial Services segment offers affordable, pay-as-you-go lifestyle benefit solutions customised for the Group's assignee base as well as external clients. We have, during H1 FY2019, disposed of the ADvantage paycard solution (a payment platform that is not dependent on having a bank account). Payment technologies require differential investment in order to keep up to date with the fast changing landscape. We do not see this as a core part of the Group going forward.

Training

Adcorp Training Services facilitates training and provides learning and development solutions to external clients as well as support to other Adcorp divisions. PMI is an accredited Higher Education provider, with 7 Higher Education qualifications, as well as 14 registered apprenticeships and 32 SETA accredited learnerships. We offer a broad selection of short workshops/youth employment readiness programmes as well as specialised training solutions for people living with disabilities.

South Africa's unemployment rate is driven in large part by the lack of an appropriately skilled workforce, and is further exacerbated by slow economic growth. The Adcorp training business has potential to be a key partner to government and corporate South Africa in addressing the skills shortage.

Australia

In Australia, economic and market conditions have remained fairly robust. There is ongoing demand for skills, particularly for temporary and contractor placements in both the private and public sectors. In many cases it is sourcing the supply of skilled talent that proves to be the greater challenge.

The unemployment rate decreased from 5.4% to 5.3% in the month of August 2018, according to the latest figures released by the Australian Bureau of Statistics; this is the lowest it's been in over 5 years. In addition to the unemployment rate, another key labour market indicator is the underemployment rate which measures the number of people who are in work but would like to be working more hours. This indicator has also seen slight improvement in the current year showing that the Australian labour market is gradually absorbing excess supply which is a positive signal for a wage growth.

Our brands in Adcorp Australia provide a diverse workforce across a number of different industries spanning all levels of government and private enterprise. A brief overview of each operating segment is provided below:

Industrial Services

Adcorp Industrial Services – Australia provides services extending to blue-collar workers primarily in agriculture, food processing and logistics, as well as skilled professionals within the oil and gas industry, focusing on technical disciplines. One of the challenges we face in this market is low-cost competitors seeking a share of the industry resulting in continued margin pressure. We leverage the strength of our brand and ISO ratings on the back of our sound track record and longstanding client relationships to remain competitive in this space.

Professional Services

Adcorp Professional Services is a leading technology and digital talent specialist connecting thousands of talented individuals with organisations nationally across Australia and New Zealand. The division also delivers consulting, project and managed services in several specialist domains as well as recruitment process outsourcing and managed service provider solutions throughout Australia.

Financial overview

	YTD August 2018 R'000	YTD August 2017 R'000	Var %
CONTINUING OPERATIONS			
Revenue	**7 972 619**	7 750 162	3
Cost of sales	**(6 892 763)**	(6 613 968)	(4)
Gross profit	**1 079 856**	1 136 194	(5)
Other income	**28 073**	30 043	(7)
Operating expenses	**(876 496)**	(992 606)	12
Underlying EBITDA	**231 433**	173 631	33
Transformation costs/once-off costs	**(19 008)**	(78 400)	
Earnings before depreciation and amortisation	**212 425**	95 231	123
Depreciation and amortisation	**(36 864)**	(67 853)	46
Net cost of funding	**(49 352)**	(55 432)	11
Impairment of intangible assets, goodwill and bonds	**–**	(22 528)	100
Share of profits from associates	**–**	14 186	
Profit on disposal of non-core assets	**1 999**	–	0
Profit/(loss) before taxation	**128 208**	(36 396)	452
Taxation	**(29 137)**	528	
Profit/(loss) for the period from continuing operations	**99 071**	(35 868)	376
DISCONTINUED OPERATIONS			
Loss for the year from discontinuing operations	**(351)**	(92 585)	100
Net profit/(loss) for the period	**98 720**	(128 453)	177
Other comprehensive income/(loss)	**143 134**	19 827	622
Total comprehensive income/(loss) for the period	**241 854**	(108 626)	323

Despite the challenging environment, the Group has delivered a strong performance in the first half of the year, with net profit for the period of R99 million compared to a loss of R36 million for the same period last year.

In the South Africa operations, revenue was relatively flat compared to August 2017. The drive to right size the business and ensure a structure and processes that are efficient and optimal is yielding benefits resulting in a reduction in operating expenses and improved earnings before interest, tax, depreciation and amortisation (EBITDA). The Group is on track to realise the balance of the R200 million savings identified as part of the first phase cost reduction. Both the Support Services and Training businesses have benefited from these early interventions, with the latter no longer trading at a loss.

The prior year clean-up enabled a better understanding of the true financial position of the Group. The costs related to the strategic transformation are reflected separately in order to enable a true understanding of underlying Group performance. Our philosophy is to manage these costs in a manner that ensures the requisite return is realised as part of the turnaround, without usurping the savings achieved under operating expenses.

The improved EBITDA position, together with the focus on liquidity and working capital management has strengthened the cash position of the Group. Increased focus on cash requirement forecasting is enhancing Treasury's ability to manage utilisation of the funding facility. This is driving a reduction in the net cost of funding.

The Group's total assessed loss at 31 August is R739 million. Of this amount R270 million has been recognised. The prior year net tax benefited from recognition of additional assessed losses. As our businesses become more profitable, we anticipate recognizing more of the assessed losses.

	Revenue			Underlying EBITDA		
	Unaudited six months to 31 August 2018 R'000	Unaudited six months to 31 August 2017 R'000	Var %	Unaudited six months to 31 August 2018 R'000	Unaudited six months to 31 August 2017 R'000	Var %
South Africa						
Industrial Services	**3 198 437**	3 065 667	4	**166 503**	169 702	(2)
Professional Services	**961 809**	904 166	6	**77 898**	78 893	(1)
Support Services	**729 817**	774 207	(6)	**28 741**	21 390	34
Training	**90 913**	95 083	(4)	**6 106**	(12 548)	149
Financial Services	**84 733**	91 685	(8)	**32 113**	30 549	5
South Africa operations before central costs	**5 065 709**	4 930 808	3	**311 361**	287 986	8
Central costs	**1 024**	8 049	(87)	**(150 989)**	(183 560)	18
Total	**5 066 733**	4 938 857	3	**160 372**	104 426	54
Australia						
Industrial Services	**889 510**	866 181	3	**30 483**	26 953	13
Professional Services	**2 016 376**	1 945 124	4	**55 213**	56 419	(2)
Australia operations before central costs	**2 905 886**	2 811 305	3	**85 696**	83 372	3
Central costs	**–**	–		**(14 635)**	(14 167)	(3)
Total	**2 905 886**	2 811 305	3	**71 061**	69 205	3
Total Group	**7 972 619**	7 750 162	3	**231 433**	173 631	33

Underlying EBITDA from South Africa operations before central costs was 8% higher than the same period last year at R311 million, whilst central costs (excluding once off costs) have reduced by 18%.

The Australia businesses have continued to provide a strong performance, with an 11% improvement in EBITDA in Australian Dollars. This increase was dampened by the impact of exchange rate movements resulting in EBITDA of R71 million for the period, representing a net 3% increase in South African rand.

The Adcorp business going forward

With the introduction of a new Management team towards the end of the last financial year, we defined ourselves as **Workplace Solutions Company** and identified four strategic priorities:

STRATEGIC PRIORITIES

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

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

We have spent the first six months of FY2019 unpacking what this means for our business offerings and outlining what needs to be in place for us to achieve our ambitions of Group EBITDA margin of 5% by 2021 and R1 billion EBITDA by 2022.

Our business operates to varying degrees in four key areas: resourcing, training, consulting and outsourcing of people-intensive processes and HR functions. These are the key strategic capabilities on which the future Adcorp will be built.

Resourcing

Adcorp's core business is the recruitment and placement of permanent and temporary staff in primarily IT, administrative and industrial categories.

Training

Given the skills challenges that South Africa faces, we see significant opportunity in building a strong Adcorp training proposition leveraging a number of assets that Adcorp already possesses.

Consulting

By virtue of the deep knowledge we have attained over the years in HR and workforce management, our value proposition has naturally transitioned from beyond just the recruitment and placement of staff to include advisory and client support on HR and Industrial Relations matters.

Outsourcing

This is a growing part of our business where we leverage our knowledge in HR process and people management to provide clients with outsourced services for people-intensive processes in order to enhance productivity and improve labour law compliance.

We will continue to provide financial service solutions to the extent that they enhance the experience of our employees.

South Africa is our core market and our strategic focus area for the short to medium term where the emphasis has been to fix and stabilise operations.

We will retain our presence in the Australian market and pursue any opportunities for growth that leverage the strengths of our core business.

Ensure that the business is lean and agile

Our aim remains to improve the EBITDA margin of the Group from the current 3% to at least 5% by 2021. This will entail clawback of a further R200 million over and above the first phase of cost reductions. To ensure that this change is embedded and sustainable we are working on various projects that will result in structural change across the Group. The most significant of these are noted below:

- **Group simplification** – the legal entity structure of the Group comprises 104 entities, 53 of which are in South Africa. The current legal structure has no alignment to the reporting structure of the Group. The simplification project is underway to provide a blue-print that enables streamlining of these entities, starting with South Africa. This will ultimately assist in achieving operational efficiencies, reduce costs and enhance the effectiveness of the business model.
- **Structural review, process standardisation and re-engineering** – the acquisitive history of the Group resulted in numerous and varied operational and finance processes, as well as complex and inefficient operational structures. We have completed a detailed analysis of the Training business to identify opportunities for standardisation and are in the process of extending this project to the rest of the South African operations.
- **Back-office integration and shared service strategy** – we are in the process of setting up a finance shared service structure. This project is also considering other areas in the Group that may benefit from the economies of scale and scope offered by a shared service structure.
- **Role of the centre** – the Group executive team is now complete with the Chief Commercial Officer and Chief People Officer having commenced work in the latter part of H1. Over the next six months we will finalise the appropriate functional structure of the centre in line with the revised operating model of the Group.

- **Technology enablement** – ensuring that appropriate technology enablement platforms are deployed in the Group will add to our competitive positioning.

Strengthen the brand

A history of an acquisitive growth strategy by Adcorp has seen us own 32 different brands. Despite their diversity, a competitive nature between these brands has had the effect of diluting Adcorp's positioning within the market place. As part of an overall realignment of our value-chain and market repositioning, a brand architecture evaluation process is underway which will also assess how best to streamline our brands. This translates to developing strategies within an over-arching brand architecture that is constructed on the strategic direction of the business as a whole.

Our go-to-market strategy will position the corporate brand as a workplace solutions provider, aimed at strengthening and elevating our entire solution offering in the minds of all of our stakeholders. Adcorp has a very positive impact on society, even in an increasingly digital age, connections remain inextricably linked to human well-being.

Transform the culture

Employees and Assignees remain at the heart of Adcorp and as such having the right culture that promotes and signifies this is imperative. We remain committed to creating an environment where all people thrive and have the opportunity to excel. With the arrival of our Chief People Officer we are starting to gain traction on our transformational culture journey. The desire is to inculcate a solidified Adcorp culture across all our companies where collaboration is key in order to deliver a consistent service and experience to all internal and external stakeholders. Central to this culture will be the Adcorp People Philosophy which will focus on attracting, developing, rewarding and retaining exceptional people. Promoting a high performance culture will remain a central focus of our philosophy while providing transparency, consistency and equitable remuneration principles. Underpinning this philosophy will be standardized revitalized policies and automated human resource practices through the implementation of a human capital management system.

Changes to the board of Adcorp

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

- Resignation of JA Boggenpoel as an independent non-executive director with effect from 20 July 2018.
- Resignation of MA Jurgens as an executive director with effect from 6 September 2018. He however continues in the employ of Adcorp in his role of heading up Adcorp's Australian operations.
- Appointment of P Mnganga as an independent non-executive director with effect from 6 September 2018.
- Appointment of H Singh as an independent non-executive director with effect from 6 September 2018.

The board would like to thank our outgoing board members for their contribution over the years. We welcome our new board members Phumla Mnganga and Herman Singh who bring into the Group a new mix of skills, experience and networks which will be of considerable value as we build the Adcorp of the future.

By order of the board

GT Serobe
Chairman

I Dutiro
Chief Executive Officer

CJ Kujenga
Chief Financial Officer

12 October 2018

Condensed consolidated statement of financial position

as at 31 August 2018

	Notes	Unaudited six months to 31 August 2018 R'000	Restated Unaudited six months to 31 August 2017 R'000*	Audited year to 28 February 2018 R'000
Assets				
Non-current assets		**1 774 671**	2 382 922	1 719 016
Property and equipment	11	**65 137**	89 027	65 756
Intangible assets		**265 934**	540 329	275 785
Goodwill		**1 222 110**	1 390 022	1 162 010
Investments		**13 670**	10 000	13 244
Investment in associate		–	154 994	–
Other financial assets		**10 361**	31 497	10 361
Deferred taxation		**197 459**	167 053	191 860
Current assets		**3 000 848**	2 799 937	2 801 348
Trade receivables		**2 170 205**	2 195 886	2 272 550
Other receivables		**141 732**	235 856	77 208
Other financial assets		–	–	12 191
Taxation prepaid		**89 541**	44 445	79 071
Cash and cash equivalents		**599 370**	323 750	360 328
Assets from continuing operations		**4 775 519**	5 182 859	4 520 364
Assets held-for-sale	6	–	196 691	10 434
Total assets		**4 775 519**	5 379 550	4 530 798
Equity and liabilities				
Capital and reserves		**1 851 214**	2 132 843	1 602 589
Share capital and share premium		**1 740 858**	1 740 858	1 740 858
Reserves		**110 356**	391 985	(138 269)
Interest-bearing liabilities		**1 231 757**	1 617 599	1 218 559
Non-current liabilities		**892 985**	1 378	978 196
Long-term loans		**892 985**	1 378	978 196
Current liabilities		**338 772**	1 616 221	240 363
Short-term portion of long-term loans		**338 046**	1 273 513	228 687
Bank overdraft		**726**	342 708	11 676
Non-interest-bearing current liabilities		**1 692 548**	1 558 076	1 680 405
Non-current liabilities		**91 878**	107 936	100 074
Share-based payment liability		–	6 151	–
Deferred taxation		**91 878**	101 785	100 074
Current liabilities		**1 600 670**	1 450 140	1 580 331
Trade and other payables		**1 242 858**	1 148 928	1 225 030
Share-based payment liability		–	11 203	8 133
Provisions		**309 506**	257 606	287 202
Derivative financial instruments		–	3 857	–
Taxation		**48 306**	28 546	59 966
Equity and liabilities from continuing operations		**4 775 519**	5 308 518	4 501 553
Liabilities directly associated with assets classified as held-for-sale	6	–	71 032	29 245
Total equity and liabilities		**4 775 519**	5 379 550	4 530 798

* *Investment in associate was reclassified from assets held-for-sale to non-current assets in August 2017. Refer to note 5.*

Condensed consolidated statement of comprehensive income

for the six months ended 31 August 2018

	Notes	Unaudited six months to 31 August 2018 R'000	Restated Unaudited six months to 31 August 2017 R'000	Audited year to 28 February 2018 R'000
Continuing operations				
Revenue		**7 972 619**	7 750 162	15 325 391
Cost of sales		**(6 892 763)**	(6 613 968)	(13 097 630)
Gross profit		**1 079 856**	1 136 194	2 227 761
Other income		**28 073**	30 043	58 067
Operating expenses		**(895 504)**	(1 071 006)	(2 149 209)
Earnings before depreciation and amortisation		**212 425**	95 231	136 619
Depreciation and amortisation		**(36 864)**	(67 853)	(128 589)
Operating profit		**175 561**	27 378	8 030
Interest income		**7 072**	4 199	16 614
Interest expense		**(56 424)**	(59 631)	(140 643)
Impairment of intangible assets, goodwill and bonds		**–**	(22 528)	(477 797)
Profits from the sale of associate		**–**	–	184 960
Profit on disposal of non-core assets		**1 999**	–	–
Share of profits from associates*		**–**	14 186	16 476
Profit/(loss) before taxation		**128 208**	(36 396)	(392 360)
Taxation		**(29 137)**	528	(28 350)
Profit/(loss) for the period/year from continuing operations		**99 071**	(35 868)	(420 710)
Discontinued operations				
Loss for the period/year from discontinued operations	6	**(351)**	(92 585)	(140 322)
Net profit/(loss) for the period/year		**98 720**	(128 453)	(561 032)
Other comprehensive income/(loss)**				
Exchange differences on translating foreign operations		**72 302**	6 895	(50 677)
Exchange differences arising on the net investment of a foreign operation		**71 253**	18 002	(30 964)
Fair value adjustment of derivative financial instrument		**–**	(1 603)	1 102
Other comprehensive income/(loss) for the period/year, net of tax		**143 555**	23 294	(80 539)
Non-controlling interest		**(421)**	(3 467)	(2 246)
Total comprehensive income/(loss) for the period/year		**241 854**	(108 626)	(643 816)
Earnings/(loss) attributable to:				
Owners of the parent from continuing operations		**98 650**	(39 335)	(422 955)
Owners of the parent from discontinued operations		**(351)**	(92 585)	(140 322)
Non-controlling interest		**421**	3 467	2 246
Total comprehensive earnings/(loss) attributable to:				
Owners of the parent from continuing operations		**242 626**	(12 574)	(501 248)
Owners of the parent from discontinued operations		**(351)**	(92 585)	(140 322)
Non-controlling interest		**(421)**	(3 467)	(2 246)
Total basic earnings/(loss) per share (cents)				
Basic earnings/(loss) per share		**90,2**	(120,7)	(517,0)
Diluted earnings/(loss) per share		**87,3**	(118,8)	(504,2)

* *Share of profits from associates was reclassified from the prior period to be consistent with year-end disclosure. Refer to note 5.*

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

Condensed consolidated statement of cash flow

for the six months ended 31 August 2018

	Note	Unaudited six months to 31 August 2018 R'000	Unaudited six months to 31 August 2017 R'000	Audited year to 28 February 2018 R'000
Operating activities				
Profit/(loss) before taxation		**127 857**	(128 565)	(473 044)
From continuing operations		**128 208**	(36 396)	(392 359)
From discontinued operations	6	**(351)**	(92 169)	(80 684)
Adjusted for:				
Depreciation		**15 219**	17 211	31 696
Amortisation of intangibles		**21 645**	50 641	96 893
Impairment of intangible assets, goodwill and loans		**–**	87 866	477 797
Profit on the sale of business		**(1 999)**	–	–
Share of profits from associates		**–**	(14 186)	(16 476)
(Profit)/loss on the sale of property and equipment		**(116)**	248	839
Share-based payments		**11 913**	(4 920)	8 767
Share-based payment expense		**11 913**	6 899	12 822
Revaluation of share-based payment liability		**–**	(11 819)	(4 055)
Unrealised foreign exchange (profit)/loss		**(2 005)**	1 902	451
Non-cash portion of operating lease rentals		**63**	(531)	(1 361)
Profit on the sale of associate		**–**	–	(184 960)
Net movement on assets held-for-sale		**(18 811)**	58 771	203 701
Fair value adjustment		**(427)**	–	(3 298)
Increase in bad debt provision		**(2 405)**	(35 967)	(21 274)
Interest income		**(7 072)**	(6 281)	(16 614)
Interest expense		**56 424**	71 266	140 643
Cash generated from operations before working capital changes		**200 286**	97 455	243 760
Decrease in trade and other receivables		**115 285**	63 693	45 930
Decrease in other financials assets		**–**	6 919	–
Increase/(decrease) in trade and other payables		**20 170**	(39 646)	56 091
Increase/(decrease) in provisions		**22 304**	(5 979)	44 674
Cash generated by operations		**358 045**	122 442	390 455
Interest income		**7 072**	6 281	16 614
Interest expense		**(56 424)**	(71 266)	(140 643)
Cash settlement of share options exercised		**(7 199)**	(17 141)	(31 384)
Taxation paid		**(67 815)**	(44 257)	(100 692)
Dividend paid		**(1 403)**	–	(1 293)
Net cash generated/(utilised) by operating activities		**232 276**	(3 941)	133 057

Condensed consolidated statement of cash flow

for the six months ended 31 August 2018

	Note	Unaudited six months to 31 August 2018 R'000	Unaudited six months to 31 August 2017 R'000	Audited year to 28 February 2018 R'000
Investing activities				
Additions to property, equipment and intangible assets		**(13 937)**	(24 794)	(27 234)
Proceeds from sale of property and equipment		**1 048**	962	2 133
Net proceeds on the sale of business		**4 051**	–	858
Net cash outflow on acquisition of subsidiaries		**–**	(5 000)	(12 060)
Net cash inflow on disposal of associate		**–**	–	305 702
Decrease/(increase) in investment in subsidiary		**2 654**	(854)	–
Net cash (utilised)/generated from investing activities		**(6 184)**	(29 686)	269 399
Financing activities				
Payment from the issue of treasury shares		**–**	12 884	13 961
Facility payment		**(66 444)**	(96 319)	(1 790 664)
Drawdown of facility		**91 957**	–	1 626 468
Other non-current liabilities – interest-bearing		**(1 613)**	(598)	(2 271)
Net cash generated/(utilised) by financing activities		**23 900**	(84 033)	(152 506)
Net increase/(decrease) in cash and cash equivalents		**249 992**	(117 660)	249 950
Cash and cash equivalents at the beginning of the period/year		**348 652**	98 702	98 702
Cash and cash equivalents at the end of the period/year		**598 644**	(18 958)	348 652

Condensed consolidated statement of changes in equity

for the six months ended 31 August 2018

	Share capital R'000	Share premium R'000	Treasury shares R'000	Share-based payment reserve R'000
Balance as at 28 February 2017 (restated)	2 749	1 738 109	(36 963)	128 993
Disposal of shares	–	–	12 884	–
Movement in BEE shareholders' interest	–	–	–	3 603
Loss for the period	–	–	–	–
Other comprehensive income/(loss) for the period	–	–	–	–
Non-controlling interest	–	–	–	–
Balance as at 31 August 2017 (unaudited)	2 749	1 738 109	(24 079)	132 596
Issue of treasury shares under employee share option plan	–	–	1 077	–
Dividend distributions	–	–	–	–
Recognition of BBBEE and staff share-based payments	–	–	–	4 714
Loss for the period	–	–	–	–
Equity due to change in control				
Other comprehensive (loss)/income for the period	–	–	–	–
Non-controlling interest	–	–	–	–
Balance as at 28 February 2018 (audited)	2 749	1 738 109	(23 002)	137 310
Recognition of BBBEE and staff share-based payments	**–**	**–**	**–**	**11 913**
Dividend distributions	**–**	**–**	**–**	**–**
Profit for the period	**–**	**–**	**–**	**–**
Other comprehensive income/(loss) for the period	**–**	**–**	**–**	**–**
Change in control	**–**	**–**	**–**	**–**
Non-controlling interest	**–**	**–**	**–**	**–**
Balance as at 31 August 2018 (unaudited)	**2 749**	**1 738 109**	**(23 002)**	**149 223**

Foreign currency translation reserve R'000	Cash flow hedging reserve R'000	Retained earnings R'000	Attributable to equity holders of the parent R'000	Non-controlling interest R'000	BEE shareholders' interest R'000	Total R'000
24 289	(1 102)	363 904	2 219 979	(5 249)	676	2 215 406
–	–	–	12 884	–	–	12 884
–	–	–	3 603	–	–	3 603
–	–	(131 921)	(131 921)	3 467	–	(128 454)
6 895	(1 603)	18 002	23 294	–	–	23 294
–	–	–	–	6 110	–	6 110
31 184	(2 705)	249 985	2 127 839	4 328	676	2 132 843
–	–	–	1 077	–	–	1 077
–	–	(1 293)	(1 293)	–	–	(1 293)
–	–	–	4 714	–	–	4 714
–	–	(431 357)	(431 357)	(1 221)	–	(432 578)
		858	858	–		858
(57 572)	2 705	(48 966)	(103 833)	–	–	(103 833)
–	–	–	–	801	–	801
(26 388)	–	(230 773)	1 598 005	3 908	676	1 602 589
–	**–**		**11 913**	**–**	**–**	**11 913**
–	**–**	**(1 403)**	**(1 403)**	**–**	**–**	**(1 403)**
–	**–**	**98 299**	**98 299**	**421**	**–**	**98 720**
72 302	**–**	**71 253**	**143 555**	**–**	**–**	**143 555**
–	**–**	**(6 816)**	**(6 816)**	**–**	**–**	**(6 816)**
–	**–**	**–**	**–**	**2 656**	**–**	**2 656**
45 914	**–**	**(69 440)**	**1 843 553**	**6 985**	**676**	**1 851 214**

Condensed segment report of continuing operations

for the six months ended 31 August 2018

	Industrial Services	Support Services	Professional Services	Training	South Africa Financial Services
Revenue					
– August 2018 (unaudited)	**3 198 437**	**729 817**	**961 809**	**90 913**	**84 733**
– August 2017 (unaudited)	3 065 667	774 207	904 166	95 083	91 685
– February 2018 (audited)	6 278 103	1 471 207	1 802 508	178 454	192 281
Internal revenue					
– August 2018 (unaudited)	**27 779**	**4 616**	**836**	**2 010**	**–**
– August 2017 (unaudited)	20 002	7 081	1 298	4 237	–
– February 2018 (audited)	39 450	6 015	2 240	11 192	–
Gross profit					
– August 2018 (unaudited)	**395 100**	**128 989**	**199 650**	**61 839**	**52 110**
– August 2017 (unaudited)	442 706	127 665	203 748	45 065	52 260
– February 2018 (audited)	887 350	275 944	390 355	85 618	101 128
EBITDA					
– August 2018 (unaudited)	**166 037**	**27 501**	**77 898**	**3 874**	**32 112**
– August 2017 (unaudited)	169 702	21 390	78 893	(12 548)	30 549
– February 2018 (audited)	189 232	46 474	160 624	(51 824)	58 218
Asset carrying value from continuing operations*					
– August 2018 (unaudited)	**1 238 796**	**231 227**	**769 666**	**57 181**	**215 095**
– August 2017 (unaudited)	1 250 679	319 615	1 102 470	96 486	215 125
– February 2018 (audited)	1 394 421	271 762	747 752	94 961	202 951
Liabilities carrying value**					
– August 2018 (unaudited)	**560 470**	**93 286**	**333 759**	**120 318**	**25 928**
– August 2017 (unaudited)	485 226	154 614	311 785	92 755	24 334
– February 2018 (audited)	535 976	153 232	271 081	149 030	24 650

* *Reconciliation of assets carrying value to statement of financial position on 28 February 2018*

Assets carrying value per segment report	*4 477 219*
Other financial assets – relating to Capital Africa	*43 145*
Total per statement of financial position	*4 520 364*

** *Reconciliation of liabilities carrying value to statement of financial position on 28 February 2018*

Liabilities carrying value per segment report	*2 851 533*
Deferred taxation – relating to Capital Africa	*47 431*
Total per statement of financial position	*2 898 964*

			Australia					
Subtotal	Central	Total	Industrial	Professional Services	Subtotal	Central	Total	Total Group
5 065 709	**1 024**	**5 066 733**	**889 510**	**2 016 376**	**2 905 886**	**–**	**2 905 886**	**7 972 619**
4 930 808	8 049	4 938 857	866 181	1 945 124	2 811 305	–	2 811 305	7 750 162
9 922 553	16 034	9 938 587	1 696 419	3 690 385	5 386 804	–	5 386 804	15 325 391
35 241	**2 134**	**37 375**	**–**	**–**	**–**	**–**	**–**	**37 375**
32 618	9 010	41 628	–	–	–	–	–	41 628
58 897	20 155	79 052	–	–	–	–	–	79 052
837 688	**(133)**	**837 555**	**84 534**	**157 767**	**242 301**	**–**	**242 301**	**1 079 856**
871 444	6 070	877 514	84 838	173 842	258 680	–	258 680	1 136 194
1 740 395	7 327	1 747 722	166 318	313 721	480 039	–	480 039	2 227 761
307 422	**(166 058)**	**141 364**	**30 483**	**55 213**	**85 696**	**(14 635)**	**71 061**	**212 425**
287 986	(261 960)	26 026	26 953	56 419	83 372	(14 167)	69 205	95 231
402 724	(403 264)	(540)	58 096	104 059	162 155	(24 996)	137 159	136 619
2 511 965	**680 536**	**3 192 501**	**238 925**	**647 093**	**886 018**	**697 000**	**1 583 018**	**4 775 519**
2 984 375	617 158	3 601 533	364 794	551 562	916 356	664 970	1 581 326	5 182 859
2 711 847	517 306	3 229 153	(127 230)	499 752	372 522	875 544	1 248 066	4 477 219
1 133 761	**932 890**	**2 066 651**	**51 354**	**396 619**	**447 973**	**409 681**	**857 654**	**2 924 305**
1 068 714	1 302 945	2 371 659	72 321	297 594	369 915	434 101	804 016	3 175 675
1 133 969	1 065 596	2 199 565	42 777	307 809	350 586	301 382	651 968	2 851 533

Notes to the unaudited condensed consolidated interim financial statements

for the six months ended 31 August 2018

1. Basis of preparation and significant accounting policies

The Group's unaudited consolidated condensed financial statements (financial results) are prepared in accordance with the requirements of the JSE Limited Listings Requirements for interim reports, the requirements of the Companies Act applicable to consolidated condensed financial statements, The interim report is prepared in accordance with and containing the information required by IAS 34: Interim Financial Reporting, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council. The accounting policies applied in the preparation of the financial results are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the Group's previous consolidated interim and year-end financial statements, except for the adoption of IFRS 15 and IFRS 9.

The Group adopted IFRS 15 as of 1 March 2018, and applied the modified retrospective approach. The implementation of IFRS 15 resulted in revenue and cost of sale being accounted for on a gross basis and not on a net margin basis. The gross numbers are included in revenue and cost of sales as at 31 August 2018. This has no impact on equity in the prior periods and at year-end.

The Group also adopted IFRS 9 as of 1 March 2018. An assessment was done to determine if there should be an adjustment to equity as at 1 March 2018. The difference between IAS 39 and IFRS 9 was immaterial for the Group, therefore no adjustment was made. The bad debt provision for 31 August 2018 is in line with the expected IFRS 9 provision.

The Group will adopt IFRS 16 on the required date. The Group is in the process to assess the impact on the financial statements.

The unaudited condensed interim financial statements for the six months ended 31 August 2018 were compiled under the supervision of CJ Kujenga CA(SA), MBA (Executive), the Group Chief Financial Officer.

2. Auditors' responsibility

These unaudited condensed interim financial results have not been audited nor reviewed by the Group's auditors.

Any forward-looking statement in these results have not been reviewed or reported on by the Group's auditors.

3. Going concern

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

4. Exchange rate

The average AUD/ZAR exchange rate from 1 March 2018 to 31 August 2018, is R9,69 and the closing rate on 31 August 2018 is R10,61 (average 31 August 2017: R10,48 and closing R10,30).

5. Prior period adjustment

During the current period it has come to the Group's attention that the profit from associates were incorrectly classified under discontinued operations as at 31 August 2017, this was corrected at 31 August 2018 and had no impact on the Group's equity since it is a reclassification between discontinued and continuing operations. Since there was no impact on equity, a third balance sheet is not presented.

Notes to the unaudited condensed consolidated interim financial statements continued

for the six months ended 31 August 2018

6. Discontinued operations

The Group took the decision to dispose of its African operations during the previous financial year and, as such, these operations have been disclosed as discontinued.

	Unaudited six months to 31 August 2018 R'000	Unaudited six months to 31 August 2017 R'000	Audited year to 28 February 2018 R'000
Profit and loss			
Revenue	–	86 366	117 798
Cost of sales	–	(69 620)	(91 837)
Gross profit	–	16 746	25 961
Other income	–	9 398	10 915
Operating expenses	**(351)**	(43 421)	(42 260)
Operating loss	**(351)**	(17 277)	(5 384)
Net interest	–	(9 554)	–
Impairments	–	(65 338)	(75 300)
Net loss before tax	**(351)**	(92 169)	(80 684)
Taxation	–	(416)	(59 638)
Net loss after tax	**(351)**	(92 585)	(140 322)
The impairment relates to fixed assets, debtors, cash, sundry creditors and loans in Africa.			
Assets and liabilities			
Non-current assets held-for-sale			
Property and equipment	–	2 206	–
Intangible assets	–	–	–
Other financial assets	–	–	–
Trade and other receivables	–	62 072	10 077
Cash	–	127 050	–
Tax prepaid	–	5 363	357
Total	–	196 691	10 434
Non-current liabilities associated with assets classified as held-for-sale			
Trade and other payables	–	40 747	11 306
Bank overdraft	–	338	–
Provisions	–	18 741	4 756
Tax payable	–	11 206	13 183
Total	–	71 032	29 245

Notes to the unaudited condensed consolidated interim financial statements continued

for the six months ended 31 August 2018

	Unaudited six months to 31 August 2018 R'000	Unaudited six months to 31 August 2017 R'000	Audited year to 28 February 2018 R'000
7. Earnings and headline earnings per share			
The calculation of earnings per share is based on profits/(losses) out of:			
Continuing operations	**98 650**	(39 335)	(422 955)
Discontinued operations	**(351)**	(92 585)	(140 322)
Weighted average number of shares – 000's	**108 946**	109 332	108 946
Diluted weighted average number of shares – 000's	**112 643**	111 001	111 720
Continuing operations (cents)			
Basic earnings/(loss) per share	**90,5**	(36,0)	(388,2)
Diluted earnings/(loss) per share	**87,6**	(35,4)	(378,6)
Discontinued operations (cents)			
Basic loss per share	**(0,3)**	(84,7)	(128,8)
Diluted loss per share	**(0,3)**	(83,4)	(125,6)
Total basic earnings/(loss) per share (cents)			
Basic earnings/(loss) per share	**90,2**	(120,7)	(517,0)
Diluted earnings/(loss) per share	**87,3**	(118,8)	(504,2)
Reconciliation of headline earnings/(loss) from continuing operations			
Profit/(loss) for the period/year from continuing operations	**98 650**	(39 336)	(422 956)
(Profit)/loss on sale of property and equipment	**(116)**	248	(839)
Taxation recovered/(charged) on the sale of property and equipment	**32**	(69)	235
Impairment of intangible assets, goodwill and bonds	**–**	22 528	477 797
Profit on the sale of business	**(1 999)**	–	–
Profit from the sale of associate	**–**	–	(184 960)
Taxation charged on the sale of associate	**–**	–	36 542
Headline earnings/(loss)	**96 567**	(16 629)	(94 181)
Headline earnings/(loss) per share – cents	**88,6**	(15,2)	(86,4)
Diluted headline earnings/(loss) per share – cents	**85,7**	(15,0)	(84,3)
Reconciliation of headline earnings/(loss) from discontinued operations			
Loss for the period/year from discontinued operations	**(351)**	(92 585)	(140 322)
Impairment of intangible assets, goodwill and bonds	**–**	65 388	75 300
Headline loss	**(351)**	(27 197)	(65 022)
Headline loss per share – cents	**(0,3)**	(24,9)	(59,7)
Diluted headline loss per share – cents	**(0,3)**	(24,5)	(58,2)
Reconciliation of headline earnings/(loss) from total operations			
Profit/(loss) for the period/year from total operations	**98 299**	(131 921)	(563 278)
(Profit)/loss on sale of property and equipment	**(116)**	248	(839)
Taxation recovered/(charged) on the sale of property and equipment	**32**	(69)	235
Impairment of intangible assets, goodwill and bonds	**–**	87 866	553 097
Profit on the sale of business	**(1 999)**	–	–
Profit from the sale of associate	**–**	–	(184 960)
Taxation charged on the sale of associate	**–**	–	36 542
Headline earnings/(loss)	**96 216**	(43 876)	(159 203)
Headline earnings/(loss) per share – cents	**88,3**	(40,1)	(146,1)
Diluted headline earnings/(loss) per share – cents	**85,4**	(39,5)	(142,5)

8. Disposal of business

During the period the Group sold one of its subsidiaries in the financial segment. The carrying value of the assets and liabilities disposed of is as follows:

	Unaudited six months to 31 August 2018 R'000
Analysis of assets and liabilities disposed of:	
Property and equipment	**2 587**
Trade and other receivables	**2 139**
Intangible assets	**1 195**
Goodwill	**7 444**
Trade and other payables	**(2 947)**
Deferred taxation	**(117)**
Net asset value of subsidiary disposed of	**10 301**
Loss on disposal of subsidiary:	
Net asset value of subsidiary disposed of by a major subsidiary of the Group	**10 301**
Proceeds on disposal	**(7 250)**
	3 051

9. Total interest-bearing liabilities of the Group

	Unaudited six months to 31 August 2018 R'000	Unaudited six months to 31 August 2017 R'000	Audited year to 28 February 2018 R'000
Net gearing (%)	**35**	61	54
Net cash/(overdraft) bank balances	**598 644**	(18 958)	348 652
Other non-current liabilities	**–**	1 378	–
Long-term loans	**892 985**	–	978 196
Long-term loans – South Africa	**850 000**	–	925 000
Long-term loans – Australia	**42 985**	–	53 196
Obligations under finance lease	**111**	328	(280)
Leasehold liabilities	**13 925**	16 412	14 647
Current portion of interest-bearing liabilities	**338 046**	1 273 513	228 687
Current portion of interest-bearing liabilities – South Africa	**–**	871 486	–
Current portion of interest-bearing liabilities – Australia	**338 046**	402 027	228 687
Total interest-bearing liabilities	**1 245 067**	1 291 631	1 221 250
Total net interest-bearing liabilities	**646 423**	1 310 589	872 598
Total long-term debt (%)	**72**	–	80
Total short-term debt (%)	**28**	100	20
Total	**100**	100	100

10. Financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period/year.

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used):

	Unaudited six months to 31 August 2018 R'000	Unaudited six months to 31 August 2017 R'000	Audited year to 28 February 2018 R'000	Fair value hierarchy	Valuation technique(s) and key inputs
Investment	**13 670**	10 000	13 244	Level 2	Fair value based on insurance payments
Other financial assets	**10 361**	31 497	10 361	Level 2	Market valuation subject to management assessment for impairments

11. Property and equipment

During the current period the Group purchased assets of R13,9 million (August 2017: R24,7 million). At 31 August 2018 the Group has no capital commitments to purchase property and equipment.

12. Contingent liabilities and commitments

The bank has guaranteed R5,5 million (August 2017: R5,6 million) on behalf of the Group to creditors. As at balance sheet date the Group has outstanding operating lease commitments totalling R187 million (August 2017: R104,1 million) in non-cancellable property leases.

The nature of the Group's business may result in certain employment cost that is not provided for.

13. Related parties

No other related parties than those disclosed in the segment report were identified.

14. Events after the reporting date

No material transactions or events took place subsequent to the end of the interim financial period and prior to the approval of these unaudited financial statements.

15. Dividends paid

No dividend was paid by the holding company during the period under review. One of the Group's subsidiaries in Australia paid a dividend to its minority shareholders.

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