ADCORP

Unaudited Group results

For the six months ended 31 August 2017

SALIENT FEATURES

Nihilent disposal completed. Net proceeds of R307 million, approximate profit of R148 million

Refinance in place

Double-digit EBITDA growth in Australia

Decision taken to wind down Rest of Africa

Revenue decreased by 2% to R7,8 billion

Operating profit decreased to R27,6 million compared to R191,0 million in the prior period

Headline loss per share of 40,1 cents compared to prior period headline earnings per share of 77,5 cents

Loss per share of 120,7 cents compared to prior period earnings per share of 78,4 cents

No dividend declared

Statement of consolidated earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations

for the six months ended 31 August 2017

	Unaudited Six months to 31 August 2017 R'000	Unaudited Six months to 31 August 2016 R'000	Audited Year to 28 February 2017 R'000
Revenue	**7 750 162**	7 890 482	15 804 081
Cost of sales	**(6 613 969)**	(6 728 139)	(13 454 724)
Gross profit	**1 136 193**	1 162 343	2 349 357
Other income	**30 043**	41 354	46 436
Administrative, marketing, selling and operating expenses	**(1 138 611)**	(1 012 687)	(2 168 707)
Operating profit	**27 625**	191 010	227 086
Adjusted for:			
Depreciation	**17 211**	18 228	37 311
Amortisation of intangible assets	**50 641**	53 433	107 183
EBITDA	**95 477**	262 671	371 580

Comments

Overview

The Group's poor performance heralded a season of unprecedented shareholder action. A new, experienced executive leadership team is now in place. This new leadership team has worked tirelessly to understand the challenges the Group has faced, and has started mapping out a strategy to turn the business around.

Despite the reported loss in the half year results, the fundamentals of the business remain in place and the new leadership team is excited by the potential of the Group. Adcorp has a solid core business and plays an integral role in resolving South Africa's employment challenges.

In June 2017, Value Capital Partners (VCP) purchased an effective 14,55% of the Group's shareholding. VCP is an activist shareholder whose business model applies private equity principles to unlock value in the listed entity space. VCP's strategy is to identify companies with an attractive business model, that they believe have an intrinsic value above the share price, and work with the board and management to ensure realisation of this value.

The Group's performance is a culmination of a combination of legacy matters, the most significant of which are discussed below:

Underperformance of some acquisitions

Approximately R2 billion has been spent on various forms of expansion since 2012. Some of this investment was made in regions and sectors outside of the traditional ones where the Group had expertise and in industries that experienced an economical downturn. In particular, the exposure to oil and gas clients across the Rest of Africa and in DARE (Australia) resulted in operating losses of R136 million and R86 million respectively in the prior year due to reduced operations and impairments.

Overgeared balance sheet

The Group has a significant debt burden due to amounts borrowed to fund the expansion strategy. This has worsened over the years due to inadequate working capital management practices coupled with a track record for paying attractive dividends out of borrowed funds.

Complex management structure

The Group has historically had a multi-layered top management structure, resulting in significant employment costs. Additionally, this served to remove line of sight of the group leadership to certain operations.

Adverse legislative environment

The 2015 amendments to the Labour Relations Act (LRA) significantly impacted volumes in certain parts of the business. In particular, the Support services businesses has shrunk from a R1,3 billion turnover business in FY15, to R800 million currently. The process to rationalise the business, in response to this has now commenced.

Increased central costs

Despite the economic and legislative challenges faced by the Group, central costs increased significantly and have more than doubled over the last three years. As set out further the increase in central cost is an immediate focus of the new management team.

Core operations

The latest unemployment rate stands at 27,7%[1], which is at a 14 year high. If one includes discouraged workseekers then the national unemployment rate rises to 36,4%. The unemployment rate among youth under 25 years of age is a staggering 67,4%.

Temporary Employment Services (TES) enable just short of 10% of all employment in South Africa. The Group is the leading workforce solutions business in South Africa and plays a key socio-economic role in providing employment and increasing employability:

- Approximately 80% of the individuals we place into employment are labour market "outsiders". In other words youth, first-time jobseekers and re-entrants to the labour market. Furthermore, we estimate that at least 20% of these individuals secure permanent employment within three years of placement by our businesses.
- In Australia, Labour Solutions Australia (LSA) performs strongly in the agriculture, meat processing and logistics industries.
- The Group's vocational training enrolls in excess of 3 500 learners per annum.
- Adcorp runs one of the largest national academies for persons with disabilities, training more than 600 individuals per annum.
- Our technical training centres train over 1 400 artisans per annum across 13 trades. This creates a pathway to employment as qualified trade persons. Prior to this training these youth were mostly unemployed.
- Continuous upskilling of unemployed youth through the Group's New Venture Creation and Agricultural Training programmes impacts the lives of more than 1 000 learners in rural areas annually.

[1] *Stats SA – Q12017*

A brief overview of each operating segment within the Group is provided below:

Industrial Services

This operating segment provides industrial staffing solutions in the 'blue collar' and technical areas and places assignees: engineers, project support staff, artisans, construction workers, logistics, manufacturing and warehousing staff. The Labour Relations dispensation over the past few years has provided an opportunity to elevate strategic engagement with key clients across the country, which are characterised by sustainable growth opportunities.

The industries, such as manufacturing, retail and mining, all have a need for flexible labour solutions and we work with them to provide a comprehensive service covering areas such as talent mobilisation and demobilisation, running payrolls, transformation, operational workforce modelling and related functions while ensuring governance, labour law compliance and cradle-to-grave dispute management and resolution support through the Labour Relations Service Centre.

The Functional Outsourcing business was started in 2015. It leverages the Group's competencies in workforce solutions to provide clients with end-to-end outsourced business solutions, such as warehouse, distribution and supply chain management.

Support Services

This operating segment provides support staffing solutions in 'white collar' areas, such as nursing, clerical, admin, office and call centre positions. Support Services has been the most affected by LRA, resulting in a significant reduction in headcount placements. The executive team is working closely with the management in Support Services to review the business model and rationalise its structures.

Professional Services

This operating segment provides highly skilled IT and digital, focused professionals. It also delivers consulting, project and managed services in a number of specialist domains. The portfolio is the largest supplier of IT and digital professionals in South Africa and one of the leading providers in Australia. This is complemented by a SAP specialisation in South Africa and project management, recruitment process outsourcing, managed service provider, digital, recruitment and IT training across both geographies. Extensive long-term partnerships with clients support the attraction of talent across the spectrum.

Financial Services

The operating segment offers affordable, pay-as-you-go financial service and lifestyle benefit solutions customised for the Group's assignee base as well as external clients. The Group's ADvantage paycard ensures a safe, easy to use payment platform that is not dependent on having a bank account. This has assisted in differentiating Adcorp from its competitors.

Training

This operating segment facilitates training and provides solutions to external clients and support to other Adcorp service lines. The Training business has the capacity and accreditation to provide 44 learnership and higher education qualifications, from NQF level 1 to 8 (B,Sc Honours). Additionally, it has 12 000 m^2 of training facilities and provides artisan and mining training in 13 trades.

Legislative landscape

The focal point of the LRA that was promulgated in January 2015 related to the "equal treatment" and "deeming" provisions contained in s198 of the said Act.

The "deeming" provision addresses whether the client and/or the TES is the employer after three months in respect of assignees earning below R205 433 pa. In 2017 the Labour Appeal Court overturned the Labour Court decision which had confirmed the dual employment relationship of the TES (as primary employer) and the client (as secondary employer) for purposes of the LRA. Our view is that the dual employment relationship provides the best protection for our assignees, and is also aligned to the definitions in the broad labour law and tax spectrum. This matter will be heard by the Constitutional Court in February 2018.

The "equal treatment" provision requires that temporary and permanent workers be paid equally for work of equal value, only if both individuals are absolutely comparable in all respects. The LRA therefore specifies that it is not unfair to treat employees differently on the basis of experience, performance, qualifications and other similar factors. Our expertise in this area has enabled us to support our clients in implementation of the LRA requirements.

The Group is a strong advocate of ensuring the protection of employees in this "vulnerable" category. We continue to engage our clients regarding the impact of this legislation on their workforce solutions, and have found that this has served to strengthen client engagement and relationships. It has also provided us with a platform to diversify our operating model in affected parts of the business and we have every confidence that this will translate to revenue growth.

Setting a new strategy

The immediate priorities of the new team are as follows:

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

These are discussed in more detail below.

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

The first point of call for the new executive leadership team has been to ensure that the senior leadership structures across the Group's operations are simplified and that the right people are in place to drive the businesses forward. As a result, a mutual agreement was reached with certain executives to exit from the business.

A comprehensive business review of each operating entity is in progress with a view to:

- understand the key levers required to provide the relevant returns.
- identify and dispose of non-core businesses.
- realign underperforming businesses.
- address underperforming revenue streams.

2. Ensure that the business is lean and agile

The growing cost base of the business has disadvantaged the Group and made it unable to respond effectively to economic changes. The new leadership team has identified three key areas of focus that will enable the Group in this regard:

A need to de-gear and strengthen the balance sheet – the proceeds from the disposal of Nihilent will be used to pay down a portion of the Group's debt. Furthermore, the Group has managed to secure funding of R1 billion in South Africa and AUD47 million in Australia. These funds will be used to refinance the current debt, at terms that are more appropriate and suitable for the turnaround requirements of the Group. The details of the refinance debt package are discussed further in a separate note in this report.

Improve working capital management – the Group has trade receivables of R2,4 billion. Working capital management is a critical part of the business and an ongoing focus area for management to ensure we meet our weekly payroll obligations. Historical practice resulted in a significant increase in bad debt write-offs. To ensure that these incidents do not recur management are in the process of embedding new treasury, credit policies and processes. The entire structure of the relevant working capital functions is currently under review.

Reduce costs on a sustainable basis – A recent analysis of the Group indicates that costs need to be reduced by at least R200 million on a sustainable basis. This cost reduction will come from a combination of rationalisation of IT infrastructure, back-office functions, simplification of senior leadership functions and headcount reduction. Significant progress has already been made in this regard and ongoing optimisation activities are under way.

3. Strengthen the brand

Companies with sizeable labour costs require workforce flexibility in order to remain competitive under ever increasing economic challenges. In addition, there is ongoing discussion about the future of work, the workplace and workforces of the future. Adcorp is ideally positioned to take advantage of these trends and work with our clients strategically in this regard.

The new management team is assessing the brand and market positioning of the Group and its subsidiaries.

4. Transform the culture and re-energise our people

The Adcorp world is evolving. Over time, as the culture develops and changes, a focus to instill shared values and common cultural characteristics will be fostered, while remaining flexible enough to be differentiate where it makes sense. Efficiency is a key enabler of growth at Adcorp and to this end a lean yet effective and meaningful corporate structure will be executed.

The management team believes that these priorities will hold the Group in good stead as we work together to develop our longer-term strategy over the next few months. The team look forward to sharing this strategy with the release of the year-end results FY2018.

Financial overview

General

The Group's results have been negatively impacted by a number of once-off restructuring costs and bad debts as reflected in the table below:

	R'000	R'000
Reported net (loss)/EBITDA from continuing operations	(128 454)	95 477
Rest of Africa impairment (IFRA requirement due to reclassification of discontinuing operations)	65 338	—
Rest of Africa operating loss	27 247	—
Impairment of intangible assets	22 528	—
Impact of non-recurring bad debt write-offs	78 400	78 400
Quality of earnings	**65 059**	**173 877**

Quality of earnings is defined as net loss/EBITDA adjusted for impairments and bad debt write-offs.

These are discussed in more detail below.

Discontinuing operations

The Group's operations across the Rest of Africa have, for a number of years, been severely impacted by the decline in oil and gas prices and this was exacerbated by the foreign exchange losses in the prior year. A decision has been taken to wind down these operations. This will have the positive impact of stemming losses from the Rest of Africa and enabling the management team to focus on the South African and Australian businesses. We will continue to explore the correct strategy and model of doing business in the Rest of Africa. Therefore, the Rest of Africa is disclosed as a discontinuing operation in the results as presented.

Continuing operations

Trading across the Group has been stable for the period and revenue growth has been relatively flat when compared to the prior period. Revenue declines in the Support Services and Training businesses were offset by positive contribution from the Industrial Services, Professional Services and Financial Services businesses.

At both an Earnings before Interest, Taxation, Depreciation and Amortization (EBITDA) and Operating Profit level, before allocation of central costs, the Group recorded a decline of 11% from prior period.

The Professional Services business grew EBITDA by 23% from prior period, showing double digit growth for both the South African and Australian operations. Financial Services also recorded a solid 18% growth in EBITDA from the prior period.

Industrial Services business showed a decline in earnings at an EBITDA level of 13% from the prior period, largely as a result of the wind down of the Fortress business. Excluding the Fortress business, this division grew by 6% on a like for like basis.

Fortress is a Payroll Bureau business within Industrial Services South Africa. It contributed R20 million to the segment's 2016 Half Year EBITDA and is currently making a loss of approximately R22 million. Fortress is also where a significant portion of the Group's bad debt write offs emanated.

Management interventions in the Australian based DARE business during 2017 are starting to yield fruit, and DARE is on track to meet its 2018 budget.

Support Services business showed a decline of approximately R30 million in EBITDA from the prior period, largely driven by loss of volume and a loss-making contract (which has now been favorably renegotiated post the reporting period). The Training business recorded a decline of approximately R24 million in EBITDA from the prior period, largely as a result of timing impact on its contracts.

Overall, the core of the business recorded stable to strong performance from the prior period, and management are focused on a strategic and operational efficiency review of the Support Services and Training businesses.

An analysis of the EBTIDA from continuing operations is set out below:

Analysis of EBITDA from continuing operations

R'000	Unaudited Six months to 31 August 2017	Unaudited Six months to 31 August 2016	% change	Audited year to 28 February 2017
Industrial Services	**169 702**	195 917	(13)	371 903
Support Services	**21 390**	51 470	(58)	66 249
Professional Services	**78 893**	63 934	23	118 955
Financial Services	**30 549**	25 963	18	46 323
Training	**(12 548)**	12 364	(>100)	25 988
South Africa	**287 986**	**349 648**	**(18)**	**629 418**
Industrial Services	**26 953**	19 123	41	30 603
Professional Services	**56 419**	48 001	18	85 966
Australia	**83 372**	**67 124**	**24**	**116 569**
EBITDA from continuing operations before central costs and once off costs	**371 358**	**416 772**	**(11)**	**745 987**
Central costs	**(197 481)**	(154 101)	28	(328 335)
EBITDA from continuing operations before once-off costs	**173 877**	**262 671**	**(34)**	**417 652**
Once-off costs	**(78 400)**	—	(>100)	(46 072)
Net EBITDA from continuing operations	**95 477**	**262 671**	**(64)**	**371 580**

Cash generation remains a key management focus. The Group's cash conversion ratio is 128% which is above the Group's target conversion ratio of 80%.

Operating expenses

One of the most significant areas that has negatively impacted the Group has been the huge central cost base. The central costs at half-year (excluding non-cash items once off restructuring cost) are R197 million and comprise largely employment costs, the business process outsourcing outsourced contract and IT costs. The new leadership team has to date:

- Reviewed the organisational structure – the significant central employment costs arises largely due to a top-heavy structure, and in some instances duplicated or redundant roles.The Group commenced a rationalisation process in September that will result in a significant reduction in this cost line on a sustainable basis.
- Commenced the exit of the business processing outsourcing contract – this contract costs the Group R60 million per annum, and was entered into without the requisite reduction in local costs, i.e. a number of the business processing outsourcing processes are duplicated in-country. We believe that we will have fully exited the contract by the end of the 2019 financial year.
- The Group has a complex IT landscape due to multiple systems and platforms that are in use. A simplification project has commenced, and IT governance is receiving more attention from the board.
- Implemented robust accounting principles by aligning half-year and full-year accounting policies. This has resulted in certain provisions and costs being accounted for in this period which was not included in the prior period.

We anticipate that the full impact of the cost saving initiatives will materialise in FY19.

Earnings per share and headline earnings per share

The Group recorded a basic loss per share from continuing operations of 49,0 cents and headline loss per share of 28,2 cents largely due to the material once-off costs incurred in the period. The once-off costs relate largely to two significant debtors that went into business rescue proceedings. A full analysis of earnings per share and headline earnings per share is included in note 6.

Interim dividend

No interim dividend is declared.

Changes to the board of Adcorp

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

- Appointment of C Maswanganyi as a non-executive director (with MR Ramaite being his alternate) with effect from 1 March 2017.
- Appointment of CJ Kujenga as the Chief Financial Officer with effect from 1 July 2017.

- Appointment of S Sithole and N Nongogo as non-executive directors with effect from 4 July 2017.
- Resignation of BE Bulunga, NS Ndhlazi, MJN Njeke, TDA Ross and PC Swart with effect from 11 July 2017.
- Appointment of GT Serobe as a non-executive director and the Chairman with effect from 11 July 2017.
- Appointment of FS Mufamadi as a non-executive director with effect from 11 July 2017.
- Resignation of RL Pike with effect from 31 July 2017.
- Appointment of MA Jurgens as the Chief Operating Officer with effect from 1 August 2017.
- Appointment of I Dutiro as the Chief Executive Officer with effect from 1 October 2017.
- Resignation of N Nongogo with effect from 13 October 2017.

We thank the outgoing board members for their contribution over the years.

Events after the reporting date

Subsequent to the closure of the interim financial period ended 31 August 2017 and the date of the approval of these unaudited interim financial statements, namely 26 October 2017, the following events or transactions took place:

Disposal of Nihilent

The disposal of Adcorp's effective 34,6% equity stake in Nihilent Technologies Pvt Limited (Nihilent) to Dimension Data Protocol BV was successfully concluded on 5 October 2017 when Competition Commission approval was obtained. As at 31 August 2017, Adcorp's net investment in Nihilent reflected a carrying amount of R155 million. Adcorp's share of profits from Nihilent for the period ended 31 August 2017 amounted to R14,2 million.

Profit of approximately R148 million was realised as a result of this disposal and will be included in the year-end financial results. Net proceeds received on Nihilent were R307 million and the intention is to use the disposal proceeds to pay down local debt, thereby reducing the Group interest burden and associated gearing levels. Nihilent is disclosed as a discontinuing operation in the results presented.

Refinancing and covenants

The issuer would like to advise bondholders that as at 31 August, the Group had R859 million of debt related to the registered domestic medium-term note ("DMTN") programme, which was secured in 2013. The related covenants are onerous, in particular the EBITDA/interest cover requirement of at least 4.0 times, assumes that the Group results would continue to trend on the 2013 upward trajectory.

As at 31 August 2017, Adcorp Holdings Limited did not meet certain financial covenants under the DMTN Programme. Specifically, the Group was not in compliance with its EBITDA/Interest cover ratio. Accordingly, as at 31 August 2017 the Group has returned the classification of all outstanding debt balances as current and this classification led to the Group's current liabilities exceeding the current assets by approximately R184 million as at 31 August 2017.

It has therefore been a key focus of the new management team to ensure that new debt is secured for the Group at more favourable terms. We are pleased to announce that a new funding facility has been secured. The facility provides the Group with R1 billion that can be used to refinance the existing bonds and to fund working capital requirements. The issuer intends to start a bond buy back process via a tender offer before the end of November 2017. Further details of the tender offer will be provided once available.

Adcorp Holdings Australia has recently come to agreement on a revised funding facility for the Australian operations. The new funding structure is a mix between amortising term debt, revolving credit and bank guarantee for a total amount of AUD47 million at terms that are more favourable for the Group as a whole.

Outlook and prospects

The strong performance in Professional Services and Financial Services is expected to continue for the remainder of the financial year, and both Industrial Services and Support Services are expecting stronger performance in the second half of the financial year.

There has been a tremendous amount of change in the Group in the first half of the year. We enter the second half of the year with confidence that the early work performed by our new executive team provides a platform for improved performance and growth.

This general forecast has not been reviewed or reported on by the Group's auditors.

By order of the board

GT Serobe
Chairman

I Dutiro
Chief Executive Officer

CJ Kujenga
Chief Financial Officer

30 October 2017

Condensed consolidated statement of comprehensive income

for the six months ended 31 August 2017

	Notes	Unaudited Six months to 31 August 2017 R'000	Unaudited Six months to 31 August 2016 R'000	Audited Year to 28 February 2017 R'000
CONTINUING OPERATIONS				
Revenue		**7 750 162**	7 890 482	15 804 081
Cost of sales		**(6 613 969)**	(6 728 139)	(13 454 724)
Gross profit		**1 136 193**	1 162 343	2 349 357
Other income		**30 043**	41 354	46 436
Administration expenses		**(675 421)**	(560 656)	(1 283 308)
Marketing and selling expenses		**(325 007)**	(327 259)	(636 711)
Other operating expenses		**(138 183)**	(124 772)	(248 688)
Operating profit		**27 625**	191 010	227 086
Interest received		**4 199**	7 891	9 085
Interest paid		**(59 631)**	(66 051)	(145 015)
Impairment of intangible assets and loans		**(22 528)**	(139)	(132 519)
(Loss)/profit on the sale of property and equipment		**(248)**	1 480	940
(Loss)/profit before taxation		**(50 583)**	134 191	(40 423)
Taxation		**528**	1 669	5 462
(Loss)/profit for the period/year from continuing operations		**(50 055)**	135 860	(34 961)
DISCONTINUING OPERATIONS				
Loss for the period/year from discontinuing operations	4	**(92 585)**	(58 689)	(148 758)
Share of profits from associates		**14 186**	8 670	23 393
Net (loss)/profit for the period/year		**(128 454)**	85 841	(160 326)
Other comprehensive income/(loss)*				
Exchange differences on translating foreign operations		**6 895**	(55 796)	(86 448)
Exchange differences arising on the net investment of a foreign operation		**18 002**	(9 461)	(41 905)
Fair value adjustment of derivative financial instrument		**(1 603)**	81	1 869
Non-controlling interest		**(3 467)**	(870)	(1 682)
Other comprehensive income/(loss) for the period/year, net of tax		**19 827**	(66 046)	(128 166)
Total comprehensive (loss)/income for the period/year		**(108 627)**	19 795	(288 492)
Profit attributable to:				
Owners of the parent				
Owners of the parent from continuing operations		**(53 522)**	134 990	(36 643)
Owners of the parent from discontinuing operations		**(78 399)**	(50 019)	(125 368)
Non-controlling interest				
Non-controlling interest from continuing operations		**3 467**	870	1 682
Non-controlling interest from discontinuing operations		**—**	—	—
Total comprehensive income attributable to:				
Owners of the parent from continuing operations		**(30 228)**	69 814	(163 127)
Owners of the parent from discontinuing operations		**(78 399)**	(50 019)	(125 368)
Non-controlling interest				
Non-controlling interest from continuing operations		**3 467**	870	1 682
Non-controlling interest from discontinuing operations		**—**	—	—

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

Condensed consolidated statement of financial position

as at 31 August 2017

	Notes	Unaudited Six months to 31 August 2017 R'000	Unaudited Six months to 31 August 2016 R'000	Audited Year to 28 February 2017 R'000
Assets				
Non-current assets		**2 232 462**	2 450 606	2 260 165
Property and equipment		**89 027**	93 622	80 458
Intangible assets		**544 863**	705 762	615 903
Goodwill		**1 390 022**	1 513 191	1 373 162
Investments		**10 000**	10 000	10 000
Other financial assets		**31 497**	—	30 930
Deferred taxation		**167 053**	128 031	149 712
Current assets		**2 809 937**	3 242 152	3 054 105
Trade, other receivables and prepayments		**2 441 742**	2 650 462	2 472 621
Other financial assets		**—**	16 922	931
Taxation prepaid		**44 445**	25 210	41 804
Cash resources		**323 750**	549 558	538 749
Assets from continuing operations		**5 042 399**	5 692 158	5 314 270
Assets held-for-sale	4	**351 685**	566 038	429 801
Total assets		**5 394 084**	6 258 796	5 744 071
Equity and liabilities				
Capital and reserves		**2 219 424**	2 708 943	2 301 987
Share capital		**2 749**	2 749	2 749
Share premium		**1 738 109**	1 738 109	1 738 109
Treasury shares		**(24 079)**	(36 963)	(36 963)
Share-based payment reserve		**132 596**	125 390	128 993
Foreign currency translation reserve		**31 184**	54 941	24 289
Cash flow hedging reserve		**(2 705)**	(2 890)	(1 102)
Accumulated profit		**336 566**	832 873	450 485
Equity attributable to equity holders of the parent		**2 214 420**	2 714 209	2 306 560
Non-controlling interest		**4 328**	(5 942)	(5 249)
BEE shareholders' interest		**676**	676	676
Non-current liabilities		**109 642**	1 478 865	758 250
Other non-current liabilities – interest-bearing		**1 378**	—	1 991
Long-term loan – interest-bearing		**—**	1 319 829	649 229
Share-based payment liability		**6 151**	44 221	—
Obligation under finance lease		**328**	4 388	—
Deferred taxation		**101 785**	110 427	107 030
Current liabilities		**2 993 986**	1 945 907	2 579 731
Non-interest-bearing current liabilities		**1 361 353**	1 415 906	1 401 825
Trade and other payables		**1 060 141**	1 173 264	1 082 521
Share-based payment liability		**11 203**	—	39 067
Provisions		**257 606**	214 303	242 526
Other vendor payables		**—**	14 292	—
Derivative financial instruments		**3 857**	4 129	1 574
Taxation		**28 546**	9 918	36 137
Interest-bearing current liabilities		**1 632 633**	530 001	1 177 906
Leasehold liabilities		**16 412**	15 392	17 256
Current portion of interest-bearing liabilities	8	**1 273 513**	49 635	720 603
Bank overdraft		**342 708**	464 974	440 047
Liabilities from continuing operations		**5 323 052**	6 133 715	5 639 968
Liabilities directly associated with assets classified as held-for-sale	4	**71 032**	125 081	104 103
Total equity and liabilities		**5 394 084**	6 258 796	5 744 071

Condensed consolidated statement of cash flow

for the six months ended 31 August 2017

	Unaudited Six months to 31 August 2017 R'000	Unaudited Six months to 31 August 2016 R'000	Audited Year to 28 February 2017 R'000
Operating activities			
(Loss)/profit before taxation	**(128 565)**	97 924	(117 365)
From continuing operations	**(50 583)**	134 191	(40 423)
From discontinuing operations	**(77 982)**	(36 267)	(76 942)
Adjusted for:			
Depreciation	**17 211**	18 228	37 311
Impairment of intangible assets, goodwill and loans	**87 866**	139	132 519
Share of profits from associates	**(14 186)**	(8 670)	(23 396)
Amortisation of intangibles	**50 641**	53 433	107 183
Amortisation of intangibles – acquired in a business combination	**42 163**	43 226	87 394
Amortisation of intangibles – other than those acquired in a business combination	**8 478**	10 207	19 789
Loss/(profit) on the sale of property and equipment	**248**	(1 480)	(1 014)
Share-based payments	**(4 920)**	9 199	7 647
Share-based payment expense	**6 899**	22 002	7 206
Revaluation of share-based payment liability	**(11 819)**	(12 803)	441
Unrealised foreign exchange loss	**1 902**	18 036	30 231
Non-cash portion of operating lease rentals	**(531)**	1 325	2 314
Net movement on assets held-for-sale	**58 771**	(267 632)	(184 422)
(Increase)/decrease in bad debt provision	**(35 967)**	216	(26 608)
Interest received	**(6 281)**	(8 560)	(12 300)
Interest paid	**71 266**	71 386	151 865
Cash generated/(utilised) from operations before working capital changes	**97 455**	(16 456)	103 965
Decrease/(increase) in trade and other receivables and prepayments	**63 693**	(23 007)	222 935
Decrease/(increase) in other financials assets	**6 919**	12 806	(8 688)
(Decrease)/increase in trade and other payables	**(39 646)**	58 340	(45 088)
(Decrease)/increase in provisions	**(5 979)**	(43 098)	(17 601)
Cash generated/(utilised) by operations	**122 442**	(11 415)	255 523
Interest received	**6 281**	8 560	12 300
Interest paid	**(71 266)**	(71 386)	(151 865)
Cash settlement of share options exercised	**(17 141)**	—	—
Taxation paid	**(44 257)**	(11 564)	(31 632)
Dividend paid	**—**	—	(102 965)
Net cash utilised by operating activities	**(3 941)**	(85 805)	(18 639)

	Unaudited Six months to 31 August 2017 R'000	Unaudited Six months to 31 August 2016 R'000	Audited Year to 28 February 2017 R'000
Investing activities			
Additions to property, equipment and intangible assets	**(24 794)**	(32 239)	(81 692)
Proceeds from sale of property and equipment	**962**	1 786	5 875
Acquisition of businesses	**(5 000)**	(12 198)	(12 152)
Dividends received from associates	**—**	—	7 837
Minority interest	**(854)**	(626)	(745)
Net cash utilised from investing activities	**(29 686)**	(43 277)	(80 877)
Financing activities			
Shares awarded to employees	**12 884**	—	—
Loans repaid	**(96 319)**	(29 673)	(300 853)
Loans raised	**—**	(225 850)	46 801
Other non-current liabilities – interest-bearing	**(598)**	3 071	445
Decrease in other payables	**—**	(11 785)	(26 078)
Net cash utilised by financing activities	**(84 033)**	(264 237)	(279 685)
Net decrease in cash and cash equivalents	**(117 660)**	(393 319)	(379 201)
Cash and cash equivalents at the beginning of the period/year	**98 702**	477 903	477 903
Cash and cash equivalents at the end of the period/year	**(18 958)**	84 584	98 702

Condensed consolidated statement of changes in equity

for the six months ended 31 August 2017

	Share capital R'000	Share premium R'000	Treasury shares R'000	Share-based payment reserve R'000
Balance as at 29 February 2016 (audited)	2 749	1 738 109	(36 963)	121 787
Movement in BEE shareholders' interest	—	—	—	3 603
Profit for the period	—	—	—	—
Other comprehensive (loss)/income for the period	—	—	—	—
Minority interest	—	—	—	—
Balance as at 31 August 2016 (unaudited)	2 749	1 738 109	(36 963)	125 390
Dividend distributions	**—**	**—**	**—**	**—**
Recognition of BBBEE and staff share-based payments	**—**	**—**	**—**	**3 603**
Loss for the year	**—**	**—**	**—**	**—**
Other comprehensive (loss)/income for the period	**—**	**—**	**—**	**—**
Non-controlling interest	**—**	**—**	**—**	**—**
Balance as at 28 February 2017 (audited)	**2 749**	**1 738 109**	**(36 963)**	**128 993**
Recognition of BBBEE and staff share-based payments	**—**	**—**	**—**	**3 603**
Loss for the year	**—**	**—**	**—**	**—**
Disposal of shares	**—**	**—**	**12 884**	**—**
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**

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
110 737	(2 971)	757 363	2 690 811	(6 186)	676	2 685 301
—	—	—	3 603	—	—	3 603
—	—	84 971	84 971	870	—	85 841
(55 796)	81	(9 461)	(65 176)	—	—	(65 176)
—	—	—	—	(626)	—	(626)
54 941	(2 890)	832 873	2 714 209	(5 942)	676	2 708 943
—	**—**	**(102 965)**	**(102 965)**	**—**	**—**	**(102 965)**
—	**—**	**—**	**3 603**	**—**	**—**	**3 603**
—	**—**	**(246 979)**	**(246 979)**	**812**	**—**	**(246 167)**
(30 652)	**1 788**	**(32 444)**	**(61 308)**	**—**	**—**	**(61 308)**
—	**—**	**—**	**—**	**(119)**	**—**	**(119)**
24 289	**(1 102)**	**450 485**	**2 306 560**	**(5 249)**	**676**	**2 301 987**
—	**—**	**—**	**3 603**	**—**	**—**	**3 603**
—	**—**	**(131 921)**	**(131 921)**	**3 467**	**—**	**(128 454)**
—	**—**	**—**	**12 884**	**—**	**—**	**12 884**
6 895	**(1 603)**	**18 002**	**23 294**	**—**	**—**	**23 294**
—	**—**	**—**	**—**	**6 110**	**—**	**6 110**
31 184	**(2 705)**	**336 566**	**2 214 420**	**4 328**	**676**	**2 219 424**

Total interest-bearing liabilities of the Group

	Unaudited Six months to 31 August 2017 R'000	Unaudited Six months to 31 August 2016 R'000	Audited Year to 28 February 2017 R'000
Net gearing (%)	**58**	48	56
Net bank balances	**(18 958)**	84 584	98 702
Other non-current liabilities	**1 378**	0	1 991
Long-term loans	**—**	1 319 829	649 229
Long-term loans – South Africa	**—**	870 653	649 229
Long-term loans – Australia	**—**	449 176	—
Obligations under finance lease	**328**	4 388	—
Leasehold liabilities	**16 412**	15 392	17 256
Current portion of interest-bearing liabilities	**1 273 513**	49 635	720 603
Current portion of interest-bearing liabilities – South Africa	**871 487**	10	720 603
Current portion of interest-bearing liabilities – Australia	**402 027**	49 625	—
Total interest-bearing liabilities	**1 291 631**	1 389 244	1 389 079
Total net interest-bearing liabilities	**1 272 673**	1 473 828	1 487 781
Total long-term debt (%)	**0**	95	47
Total short-term debt (%)	**100**	5	53
Total	**100**	100	100

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 2017 R'000	Unaudited Six months to 31 August 2016 R'000	Audited Year to 28 February 2017 R'000	Fair value hierarchy	Valuation technique(s) and key inputs
Investment	**10 000**	10 000	10 000	Level 1	Fair value – Market valuation
Other financial assets	**—**	16 922	—	Level 3	Fair value – Directors' valuation
Other financial assets	**31 497**	—	30 930	Level 1	Bond fair value – Market valuation
Derivative financial instrument	**3 857**	4 129	1 574	Level 2	Fair value – Discounted cash flow
Share-based payment liability	**17 354**	44 221	39 066	Level 2	Fair value – Standard present value model

Condensed segment report of continuing operations (unaudited)

for the six months ended 31 August 2017

	Unaudited Six months to 31 August 2017 R'000	Unaudited Six months to 31 August 2016 R'000	Audited Year to 28 February 2017 R'000
Revenue			
Industrial Services	**3 931 848**	3 897 207	7 985 842
South Africa	**3 065 667**	3 071 516	6 296 393
Australia	**866 181**	825 691	1 689 449
Support Services	**774 207**	857 436	1 582 604
South Africa	**774 207**	857 436	1 582 604
Australia	**—**	—	—
Professional Services	**2 849 290**	2 938 442	5 818 527
South Africa	**904 166**	774 766	1 622 620
Australia	**1 945 124**	2 163 676	4 195 907
Financial Services	**91 685**	81 054	163 670
South Africa	**91 685**	81 054	163 670
Australia	**—**	—	—
Training	**95 083**	116 334	251 323
South Africa	**95 083**	116 334	251 323
Australia	**—**	—	—
Sub-total	**7 742 113**	7 890 473	15 801 966
South Africa	**4 930 808**	4 901 106	9 916 610
Australia	**2 811 305**	2 989 367	5 885 356
Central cost	**8 049**	9	2 115
South Africa	**8 049**	9	2 115
Australia	**—**	—	—
Total	**7 750 162**	7 890 482	15 804 081
South Africa	**4 938 857**	4 901 115	9 918 725
Australia	**2 811 305**	2 989 367	5 885 356
Operating profit			
Industrial Services	**173 515**	201 539	411 378
South Africa	**165 370**	200 345	414 011
Australia	**8 145**	1 194	(2 633)
Support Services	**19 882**	45 982	73 950
South Africa	**19 882**	45 982	73 950
Australia	**—**	—	—
Professional Services	**121 787**	87 688	207 732
South Africa	**66 167**	49 984	113 218
Australia	**55 620**	37 704	94 514
Financial Services	**29 249**	25 120	52 190
South Africa	**29 249**	25 120	52 190
Australia	**—**	—	—
Training	**(14 093)**	8 986	29 428
South Africa	**(14 093)**	8 986	29 428
Australia	**—**	—	—
Sub-total	**330 340**	369 315	774 678
South Africa	**266 575**	330 417	682 797
Australia	**63 765**	38 898	91 881
Central and once off cost	**(302 715)**	(178 305)	(547 592)
South Africa	**(275 008)**	(174 001)	(400 265)
Australia	**(27 707)**	(4 304)	(147 327)
Total	**27 625**	191 010	227 086
South Africa	**(8 433)**	156 416	282 532
Australia	**36 058**	34 594	(55 446)

Condensed segment report of continuing operations (unaudited) continued

for the six months ended 31 August 2017

	Unaudited Six months to 31 August 2017 R'000	Unaudited Six months to 31 August 2016 R'000	Audited Year to 28 February 2017 R'000
EBITDA			
Industrial Services	**196 655**	215 040	402 506
South Africa	**169 702**	195 917	371 903
Australia	**26 953**	19 123	30 603
Support Services	**21 390**	51 470	66 249
South Africa	**21 390**	51 470	66 249
Australia	**—**	—	—
Professional Services	**135 312**	111 935	204 921
South Africa	**78 893**	63 934	118 955
Australia	**56 419**	48 001	85 966
Financial Services	**30 549**	25 963	46 323
South Africa	**30 549**	25 963	46 323
Australia	**—**	—	—
Training	**(12 548)**	12 364	25 988
South Africa	**(12 548)**	12 364	25 988
Australia	**—**	—	—
Sub-total	**292 957**	416 772	745 987
South Africa	**209 585**	349 648	629 418
Australia	**83 372**	67 124	116 569
Central and once off cost	**(275 881)**	(154 101)	(374 407)
South Africa	**(261 714)**	(154 413)	(217 238)
Australia	**(14 167)**	312	(157 169)
Total	**95 477**	262 671	371 580
South Africa	**26 272**	195 235	412 180
Australia	**69 205**	67 436	(40 600)
Net asset carrying value			
Industrial Services	**1 348 579**	1 974 497	1 629 434
South Africa	**733 641**	924 964	900 734
Australia	**292 473**	530 840	304 113
Discontinuing operations	**322 465**	518 693	424 587
Support Services	**165 001**	229 402	178 243
South Africa	**165 001**	229 402	178 243
Australia	**—**	—	—
Professional Services	**893 659**	325 067	856 311
South Africa	**639 691**	672 398	637 564
Australia	**253 968**	(347 331)	218 747
Financial Services	**190 791**	212 783	202 727
South Africa	**190 791**	212 783	202 727
Australia	**—**	—	—
Training	**75 778**	67 247	71 795
South Africa	**75 778**	67 247	71 795
Australia	**—**	—	—
Sub-total	**2 673 808**	2 808 996	2 938 510
South Africa	**1 804 902**	2 106 794	1 991 063
Australia	**546 441**	183 509	522 860
Discontinuing operations	**322 465**	518 693	424 587
Central cost	**(454 384)**	(100 053)	(636 523)
South Africa	**(685 254)**	(772 830)	(878 669)
Australia	**230 870**	672 777	242 146
Total	**2 219 424**	2 708 943	2 301 987
South Africa	**1 119 648**	1 333 964	1 112 394
Australia	**777 311**	856 286	765 006
Discontinuing operations	**322 465**	518 693	424 587

	Unaudited Six months to 31 August 2017 R'000	Unaudited Six months to 31 August 2016 R'000	Audited Year to 28 February 2017 R'000
Asset carrying value			
Industrial Services	**1 625 473**	1 698 795	1 867 323
South Africa	**1 260 679**	1 469 106	1 455 436
Australia	**364 794**	229 689	411 887
Support Services	**319 615**	357 136	354 308
South Africa	**319 615**	357 136	354 308
Australia	**—**	—	—
Professional Services	**1 503 038**	1 027 742	1 358 393
South Africa	**951 476**	906 079	882 698
Australia	**551 562**	121 663	475 695
Financial Services	**215 125**	268 531	220 467
South Africa	**215 125**	268 531	220 467
Australia	**—**	—	—
Training	**96 486**	90 716	97 002
South Africa	**96 486**	90 716	97 002
Australia	**—**	—	—
Sub-total	**3 759 737**	3 442 920	3 897 493
South Africa	**2 843 381**	3 091 568	3 009 911
Australia	**916 356**	351 352	887 582
Central cost	**1 282 662**	2 249 838	1 416 777
South Africa	**617 691**	678 498	651 761
Australia	**664 971**	1 571 340	765 016
Total	**5 042 399**	5 692 758	5 314 270
South Africa	**3 419 260**	3 722 917	3 516 826
Australia	**1 581 327**	1 922 692	1 652 598

Condensed segment report of continuing operations (unaudited) continued

for the six months ended 31 August 2017

	Unaudited Six months to 31 August 2017 R'000	Unaudited Six months to 31 August 2016 R'000	Audited Year to 28 February 2017 R'000
Liabilities carrying value			
Industrial Services	**557 547**	627 266	563 587
South Africa	**485 226**	466 497	455 813
Australia	**72 321**	(160 769)	107 774
Support Services	**154 614**	127 734	176 065
South Africa	**154 614**	127 734	176 065
Australia	**—**	—	—
Professional Services	**609 379**	702 675	502 082
South Africa	**311 785**	233 681	245 134
Australia	**297 594**	468 994	256 948
Financial Services	**24 334**	55 748	17 740
South Africa	**24 334**	55 748	17 740
Australia	**—**	—	—
Training	**20 708**	23 469	25 207
South Africa	**20 708**	23 469	25 207
Australia	**—**	—	—
Sub-total	**1 366 582**	1 536 892	1 284 681
South Africa	**996 667**	907 129	919 959
Australia	**369 915**	629 763	364 722
Central cost	**1 737 046**	1 887 880	2 053 300
South Africa	**1 302 945**	1 451 328	1 530 430
Australia	**434 101**	436 552	522 870
Total	**3 103 628**	3 424 772	3 337 981
South Africa	**2 299 612**	2 358 457	2 450 389
Australia	**804 016**	1 066 315	887 592

In the current year there where was no allocation of central cost to the operating segments. All central cost is disclosed under its own segment.

Comparative figures are disclosed on the same basis.

Notes to the unaudited condensed consolidated interim financial statements

for the six months ended 31 August 2017

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 provisional reports, the requirements of the Companies Act applicable to consolidated condensed financial statements, the framework, measurement and recognition requirements of IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of IAS 34 *Interim Financial Reporting*.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.

The unaudited condensed interim financial statement for the six months ended 31 August 2017 were compiled under the supervision of CJ Kujenga CA(SA), 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.

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. Discontinuing operations

The Group has taken the decision to dispose of its' African operations during the current financial year, as such its operations is disclosed as discontinuing.

	Unaudited Six months to 31 August 2017 R'000	Unaudited Six months to 31 August 2016 R'000	Audited year to 28 February 2017 R'000
Profit and loss			
Revenue	**86 366**	175 052	268 869
Cost of sales	**(69 620)**	(133 760)	(211 033)
Gross profit	**16 746**	41 292	57 836
Other income	**9 398**	10 566	28 078
Operating expenses	**(43 421)**	(91 461)	(179 107)
Operating loss	**(17 277)**	(39 603)	(93 193)
Net interest	**(9 553)**	(5 334)	(7 144)
Impairments	**(65 338)**	—	—
Net loss before tax	**(92 168)**	(44 937)	(100 337)
Taxation	**(417)**	(13 752)	(48 421)
Net loss after tax	**(92 585)**	(58 689)	(148 758)
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**	36 433	31 492
Intangible assets	**—**	96	59
Other financial assets	**—**	—	6 555
Current assets held for sale			
Trade and other receivables	**62 072**	115 837	65 560
Cash	**127 050**	268 887	184 422
Tax prepaid	**5 363**	10 867	905
Total	**196 691**	432 120	288 993

Notes to the unaudited condensed consolidated interim financial statements continued

for the six months ended 31 August 2017

	Unaudited Six months to 31 August 2017 R'000	Unaudited Six months to 31 August 2016 R'000	Audited year to 28 February 2017 R'000
4. Discontinuing operations continued			
Non-current liabilities associated with assets classified as held-for-sale			
Trade and other payables	**40 747**	77 055	64 745
Bank overdraft	**338**	1 255	—
Provisions	**18 741**	24 270	21 057
Tax payable	**11 206**	22 500	18 301
Total	**71 032**	125 081	104 103
	125 659	307 039	184 890
The Group disposed of its 34,6% equity stake in Nihilent on 5 October 2017. At 31 August 2017 the investment was disclosed as an asset held-for-sale			
Investment in associates	**154 994**	133 918	140 808
Total	**351 685**	566 038	429 801

5. Acquisition of businesses

On 1 March 2017, a subsidiary of Adcorp Holdings Limited bought I-CAN, a division of CS Hentiq 1005 Proprietary Limited, for R5 million from CS Hentiq 1005 Proprietary Limited.

Adcorp's Holdings Australia acquired 80% of Razzbri on 1 August 2017 for AUD1 and a deferred payment for the acquisition of the outstanding shareholding based on a 4 x multiple of earnings for FY 20 and FY 21.

These acquisitions were not material to the Group.

6. Earnings per share

	Unaudited Six months to 31 August 2017 R'000	Unaudited Six months to 31 August 2016 R'000	Audited year to 28 February 2017 R'000
The calculation of earnings per share is based on (losses)/profits out of:			
continuing operations	**(53 522)**	134 990	(36 643)
discontinued operations	**(78 399)**	(50 019)	(125 368)
Weighted average number of shares – 000's	**109 332**	108 383	108 383
Diluted weighted average number of shares – 000's	**111 001**	112 201	111 468
Basic (loss)/earnings per share from continuing operations (cents)	**(49,0)**	124,5	(33,8)
Diluted (loss)/basic earnings per share from continuing operations (cents)	**(48,2)**	120,3	(32,9)
Basic (loss)/earnings per share from total operations (cents)	**(120,7)**	78,4	(149,5)
Diluted basic (loss)/earnings per share from total operations (cents)	**(118,9)**	75,7	(145,3)
Calculation of headline (loss)/earnings per share			
(Loss)/profit for the period/year from continuing operations	**(53 522)**	131 652	(36 643)
Loss/(profit) on sale of property and equipment	**248**	(1 480)	(940)
Taxation (charged)/recovered on the sale of property and equipment	**(69)**	414	263
Impairment of investments and loans	**22 528**	139	132 519
Headline (loss)/earnings from continuing operations	**(30 815)**	130 725	95 199
Loss for the period/year from discontinuing operations	**(78 399)**	(58 688)	(148 761)
Impairment of investments and loans	**65 338**	—	—
Headline loss from discontinuing operations	**(13 061)**	(58 688)	(148 761)
(Loss)/profit for the period/year from total operations	**(131 921)**	72 964	(185 404)
Loss/(profit) on sale of property and equipment	**248**	(1 480)	(940)
Taxation (charged)/recovered on the sale of property and equipment	**(69)**	414	263
Impairment of investments and loans	**87 866**	139	132 519
Headline (loss)/earnings from total operations	**(43 876)**	72 037	(53 562)

	Unaudited Six months to 31 August 2017 R'000	Unaudited Six months to 31 August 2016 R'000	Audited year to 28 February 2017 R'000
Headline (loss)/earnings per share from continuing operations (cents)	**(28,2)**	123,7	87,8
Diluted headline (loss)/earnings per share from continuing operations (cents)	**(27,8)**	119,5	85,4
Headline (loss)/earnings per share from total operations (cents)	**(40,1)**	77,5	(27,9)
Diluted headline (loss)/earnings per share from total operations (cents)	**(39,5)**	74,9	(27,1)

7. Property and equipment

During the current period, the Group purchased assets of R24,7 million (August 2016: R32,2 million).

8. Current portion of interest-bearing liabilities

As at 31 August 2017, Adcorp Holdings Limited did not meet certain financial covenants under the DMTN Programme. Specifically, the Group was not in compliance with its EBITDA interest cover ratio and the net interest-bearing debt/EBITDA ratio. Accordingly, as at 31 August 2017, the Group classified all outstanding balances of such corporate bonds as current.

9. Related parties

The Group did not enter into any transactions with Group parties other than those with subsidiaries which were eliminated on consolidation. All transactions took place on an arm's length basis.

	Unaudited Six months to 31 August 2017 R'000	Unaudited Six months to 31 August 2016 R'000	Audited year to 28 February 2017 R'000
Trading transactions			
Sales of services	**41 628**	92 293	246 327
Management fee from Holding entity	**61 954**	64 936	155 95
Accounting and information technology fees	**62 255**	93 159	183 545

Interest was charged to and received from Group companies from the holding entity.

10. Contingent liabilities and commitments

The bank has guaranteed R5,6 million (August 2016: R7,5 million) on behalf of the Group to creditors, As at balance sheet date, the Group has outstanding operating lease commitments totalling R104,1 million (August 2016: R162,1 million) in non-cancellable property leases.

11. Events after the reporting date

For events after the reporting date, refer to page 7 of the commentary.

Notes

Notes

Corporate information

Adcorp Holdings Limited

("Adcorp" or "Adcorp Group" or "the Group")
Registration number 1974/001804/06
Share code: ADR
ISIN number: ZAE000000139

Executive directors

I Dutiro (*Chief Executive Officer*), MA Jurgens (*Chief Operating Officer*), CJ Kujenga (*Chief Financial Officer*)

Non-executive directors

GT Serobe (*Chairman*), GP Dingaan, C Maswanganyi, S Sithole

Independent non-executive directors

JA Boggenpoel, SN Mabaso-Koyana, FS Mufamadi, ME Mthunzi, MW Spicer (*Lead Independent*)

Alternate non-executive directors

MR Ramaite

Physical address

Adcorp Office Park
Nicolway Bryanston
Cnr William Nicol Drive and Wedgewood Link
Bryanston, 2021
PO Box 70635, Bryanston, 2021
Tel: 011 244 5300
Website: www.adcorpgroup.com
Registration number 1974/001804/06

Company secretary

KH Fihrer

Transfer secretaries

Terbium Financial Services (Pty) Ltd
Beacon House
31 Beacon Road
Florida North
1709

Sponsor

Deloitte & Touche Sponsor Services (Pty) Ltd
Building 8, Deloitte Place
The Woodlands
20 Woodlands Drive
Woodmead, Sandton
2196

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Midnight STAR