

Integrated annual report
2019

adcorp
Connecting Potential

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For ease of reference and further reading, the following icons are used in the report:



Assurance provided by third-party assurance providers



Further reference in the report



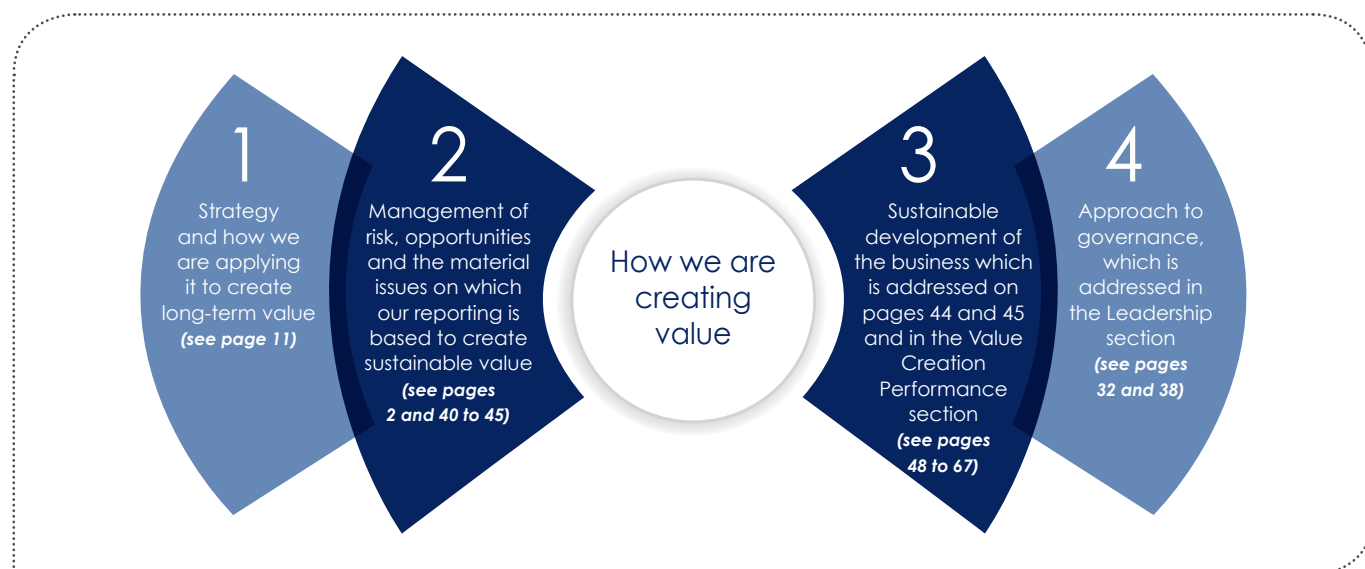
¹ Area of compliance with King IV Report on Corporate Governance™*

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Approach to reporting

The aim of our reporting is to provide our stakeholders with information that we have identified as being of material interest and that will provide you with the information you need to make an informed assessment of Adcorp's ability to create value over the short, medium and long term.

To achieve this, we have provided you with information on our:



We do not produce separate sustainability, remuneration, and governance reports. Our objective is to provide our stakeholders with the information they need to assess the future performance they can expect of our business, including our environmental, social and governance performance, through the integration of information on our performance in all the capitals into this report.

Since our new leadership team took over in October 2017 their focus has been on fixing and stabilising our core business. As a result, while Adcorp, which has a low environmental footprint, has continued to measure and apply the strategy in place to address our environmental footprint, we have not yet relooked at this approach and will be doing so in the year ahead.

Reporting scope and boundary

This report provides information relating to Adcorp's strategy and business model, operating context, material issues, risks and opportunities, governance and operational performance for the period 1 March 2018 to 28 February 2019. It covers both Adcorp's South African operations and its international operations, which are primarily based in Australia, and the key functions over which we exercise control.



Standards, codes, principles and guidelines applied to reporting

Standards/codes/principles/guidelines	Level of application/compliance in our reporting
International Financial Reporting Standards (IFRS)	Complied with
International Integrated Reporting Council's (IIRC) International Report Framework	Guided by its principles
King Code on Corporate Governance 2016™ (King IV)	Applied and application reported on
JSE Listings Requirements	Complied with
Companies Act 71 of 2008	Complied with
Principles of United Nations Global Compact	Applied
Labour Relations Act 66 of 1995 (LRA)	Complied with
Broad-Based Black Economic Empowerment (B-BBEE) Amended Codes of Good Practice scorecard	https://www.adcorpgroup.com/about/empowermentandsustainability/



Approach to materiality

Our aim in preparing this report is to provide information on matters that have a bearing on Adcorp's ability to create value and that are of interest to current and prospective investors and other stakeholders who wish to make an informed assessment of our ability to deliver value over the short, medium and long term. Material matters were established through external engagement with investors and other stakeholders, through the rigorous process the Board and management followed to arrive at our strategic objectives and what is required to achieve these objectives and the internal engagement with our South African and Australian employees (see page 54).

Assurance

We use a combined assurance model to ensure the information we provide, and our underlying processes support the credibility and integrity of our reporting. Deloitte & Touche, as the independent external auditors, issued an unqualified audit opinion on our annual financial statements (see pages 100 to 104), and IBIS ESG Assurance provided independent assurance over material sustainability information (see pages 84 and 85). Our financial, operating, compliance and risk management controls are assessed by our Internal Audit function, which is overseen by the Chief Financial Officer and the Audit and Risk Committee. The Audit and Risk Committee also monitors the execution of our combined assurance plan and reports to the Board quarterly.

Board approval

The Adcorp Board assumes responsibility for the integrity of this integrated report.

The Board has critically assessed and satisfied itself as to the assurance obtained from Adcorp's assurance model, which enables an effective internal control environment that supports the integrity of information used for internal decision-making by management, the Board and its committees, and supports the integrity of the integrated report.

The Board also considered materiality for the purposes of the integrated report and the effect that the presence or absence of an item of information might have on the accuracy or validity of a statement in the integrated report, or a decision by stakeholders (see our approach to materiality on page 2).

Our overall objective with this integrated report is to provide information that could materially impact Adcorp's ability to create value in the short, medium and long term. The Board is of the view that, to the best of its knowledge and belief, our integrated reporting addresses matters material to our

stakeholders' decision-making and provides a balanced view by explaining how Adcorp expects to create value over time, taking into consideration the Group's impact on its stakeholders and the environment in which it operates. ¹⁶

The Board, as constituted as at 28 February 2019, unanimously approved our integrated reporting for FY2019 on 28 June 2019.

Gloria Serobe (Chairman)

Innocent Dutiro (Chief Executive Officer)

Cheryl-Jane Kujenga (Chief Financial Officer)

Gugu Dingaan

Mncane Mthunzi*

Sindi Mabaso-Koyana

Dr Sydney Mufamadi

Cecil Maswanganyi

Herman Singh

Dr Phumla Mnganga

Samuel Sithole

Paul Moeketsi*

Michael Spicer

** Post year-end Mr Mncane Mthunzi and Mr Paul Moeketsi resigned as non-executive directors with effect from 6 June 2019.*

Forward-looking statements

Certain statements in this report may constitute forward-looking statements relating to the Group that are based on the beliefs of the Group's management, as well as assumptions made by and information currently available to the Group's management.

These forward-looking statements are by their nature subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to the Group's business prospects, future developments, trends and conditions in the industry and geographical markets in which the Group operates, the strategies, plans, objectives and goals, its ability to control costs, statements relating to operations, margins, overall market trends, risk management and exchange rates.

Any forward-looking statements have not been reviewed or reported on by the Group's external auditors.



Our business



Connecting potential

Who we are and what we do

Our strategy is underpinned by our aspiration to build workplaces
and careers of the future

WHO (we are)

A partner for now and the future

Founded in 1975 and listed on the JSE Limited in 1987, Adcorp is a leading workplace solutions provider operating in South Africa and Australia, with a certified overall black ownership of 33,33%.

WHY (we exist)

Our vision

Become a leading workplace solutions company and market leader in human capital and talent management.

Our purpose

To grow people, society and the economy by transforming the places we work in.

WHAT (we do)

Connecting job seekers and employers through our various workplace solutions.

We search, place, develop, train and manage people for temporary and permanent job opportunities. We also supply people resources on an outsourced basis and manage people-intensive processes on behalf of our clients, enabling them to focus on their core businesses.

WHERE (we operate)

South Africa and Australia.



Services and solutions

RESOURCING



This is the largest part of our business through which we **place people in organisations** as permanent recruits, independent contractors or temporary employees (assignees).

OUTSOURCING



We provide our clients with output-based solutions for **people intensive processes** including recruitment managed services, human resource outsourcing and functional outsourcing.

TRAINING



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

CONSULTING



Our subject matter experts assist our clients with **professional workforce advice** on talent management, labour relations and project management.

Connecting potential continued

Operating segments

	Industrial Services	Professional Services
South Africa	- Traditional temporary employment services largely in the industrial space - Functional outsourcing business	Independent contract and permanent resourcing solutions largely in the technology sector complemented by a SAP specialisation, project management, RPO, MSP, IT training
Australia	- Semi-skilled workers in primarily agriculture, food processing and logistics - Skilled professionals within oil and gas industry focusing on technical disciplines	Independent contract and permanent resourcing solutions largely in the technology sector, project management, RPO, MSP and IT training

South Africa

 allaboutXpert

FMS

MONDIAL
IT SOLUTIONS 

talentCRU

BLU.

funxion 

 PARACON

 TIGERTAIL
DIGITAL

CHARISMA!
care2share

 I Can!

PMI

TORQUE IT



KELLY

Quest

zest
HOSPITALITY

Australia

 allaboutXpert

 Labour Solutions
Australia

razzbri



paxus

talentCRU

Support Services

- Traditional temporary employment services in the office space and nursing
- Permanent placements
- Outsourcing of front office support and contact centres

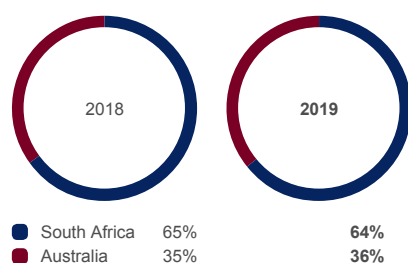
Training Services

- Higher education
- IT training
- Disability learnerships and artisan training

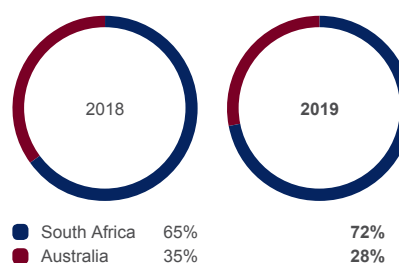
Financial Services

- Affordable, pay-as-you-go lifestyle benefit solutions customised for the Group's temporary assignee base
- Fulfilment services for the insurance sector

Revenue



EBITDA



Key features of our performance



Achievements

Underlying* earnings before interest, tax, depreciation and amortisation (EBITDA) for the year increased by **34% to R518 million**

Reported EBITDA for the year increased by **242% to R467 million**

Net profit after tax increased by **147%** to **R262 million**

Earnings per share (EPS) increased by **757 cents** to **240 cents** from a loss per share of 517 cents in the prior year

Headline earnings per share (HEPS) from continuing operations increased by **331 cents** to **245 cents** compared to a loss of 86 cents in the prior year

Cash generated by operations is up **28%** to **R500 million** (FY2018: R390 million)

The **cost savings target** of **R200 million** that was set 18 months ago has been exceeded resulting in an improvement in the underlying EBITDA margin to **3,4%** from 2,5%



Challenges

Revenue for the year decreased by **2%** to **R15 billion**

Gross margin declined to **13,5%** from 14,5%

Slight reduction in **cash conversion** to **98%** from 101%



Improvements

Days Sales Outstanding (DSO) improved to **50 days** from 53 days in FY2018

The **gearing ratio** improved to **27%** from 55% in FY2018

Return on Invested Capital (ROIC) improved to **10,8%** from a negative 22,7% in the prior year



Trade-offs for growth

Dividend declared of **96,10 cents** per share (FY2018: Nil)

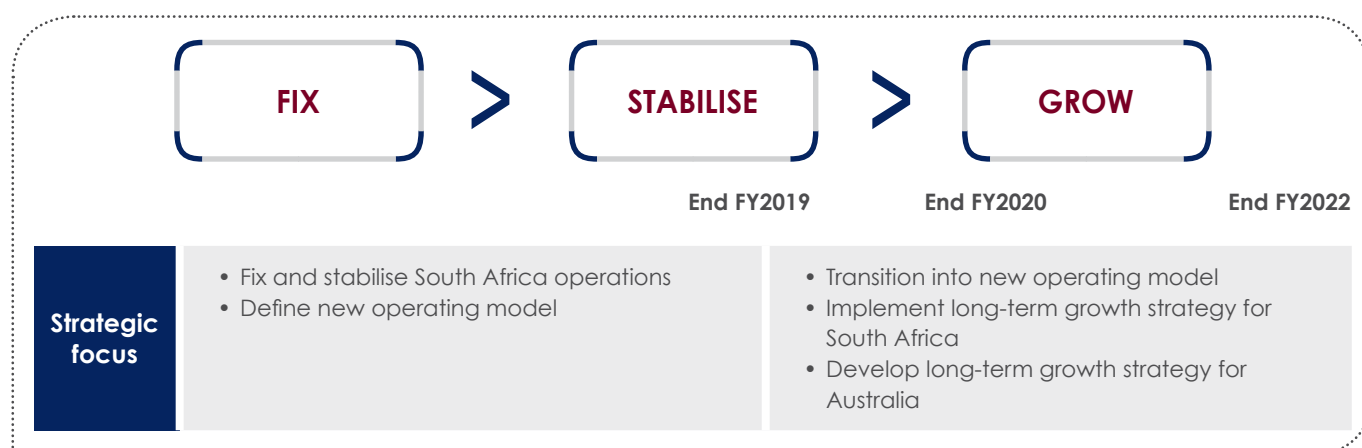
R50 million spent on **strategic transformation initiatives**

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

Performance against strategy

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

 **R1 billion**
EBITDA by FY2022



PRIORITY	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
	Defined core business areas, growth strategy and operating model to support delivery - Resourcing - Outsourcing - Training - Consulting Continue to provide Financial Service solutions that enhance the experience of our employees and assignees Australia business strategy in development	Various projects in flight/ completed that will result in structural change: - Group simplification - Structural review, process standardisation and re-engineering - Back-office integration and central shared service model - Technology enablement project	- Development of a client centric, One Adcorp solutions-based go-to-market approach Brand architecture evaluation process is under way - Development of robust stakeholder engagement strategy - Alignment of our corporate social investment programmes with our organisational purpose to build workplaces and careers for the future	Create a culture that is empowering, innovative and diverse, driven by the Adcorp People Philosophy: - Attract, reward and retain exceptional people - Drive a high-performance culture - Align financial well-being of employees with the economic interest of shareholders
PROGRESS				

Progress:  Not started  Complete

Chairman's review

**"The future well-being
of South Africa is heavily
dependent on how we
develop and retain skills."**

Gloria Serobe
Chairman



Diversity and inclusion at all levels of the business are essential for sustainable value creation and transformation across the organisation has been established as a priority for Adcorp and a key focus area in the coming year.

The performance of the Adcorp Group in the past year is one that we can truly be proud of. Despite continuing macroeconomic challenges in our core market South Africa, and a fiercely competitive trading environment in our primary international geography Australia, the Group has delivered on its promise to stabilise operations and return to profitability.

Corporate transformations are often fraught with challenges at the best of times, and our transformation story is unfolding against a background of high unemployment and a simultaneous rise in talent scarcity as technology advancement widens the gap between the skills that workers have and those that the economy needs. There is no shortage of reminders that we have set ourselves very ambitious targets over the next three years. However, our ability to generate visible returns early on in our transformation journey affirms my faith that Adcorp holds immense potential that can be realised through strong and ethical leadership and a drive to create sustainable shared value.

Establishing good governance

The transformation of the Board that has taken place over the past eighteen months has capacitated it with the diverse skills, experience and relevant counsel to support delivery of the Group's turnaround strategy. At year-end 2019, the Adcorp Board comprised 79% black representation and 36% women representation, all of whom are black.

During the past year we welcomed two new independent non-executive directors to the Board, Phumla Mnganga and Herman Singh, who bring into the Group a valuable set of skills and experience notably in the areas of human resources and workforce transition, and technology respectively. We also bade farewell to two Board members during the year; Jesmane Boggenpoel who served as an independent non-executive director and Mark Jurgens who served as an executive director. On behalf of the Board I would like to thank them both for their contribution over the years and wish them well for the future.

The Group has delivered on its promise to stabilise operations and return to profitability.

Adcorp acknowledges its accountability to all its stakeholders under the legal and regulatory requirements applicable to its business in both South Africa and Australia, and is committed to maintaining high standards of integrity, fair dealings and transparency throughout its business. Addressing the threat to the integrity of our business from the ethics, fraud and corruption challenges facing South Africa remains an imperative for Adcorp. Through the Group's governance structures, the Board and the Executive drive policies that mitigate our legal and operational risk and ensure we have the necessary policies and programmes in place to address corruption, establish an ethical culture and achieve genuine transformation.

K_Q¹ K_Q² K_Q¹³

Diversity in all its forms and inclusion at all levels of the business are essential for sustainable value creation. Transformation across the organisation has been established as a priority for Adcorp and a key focus area in the coming year.

I am proud of the commitment and determination of our Board and Executive team members, supported by our governance structures, to lead ethically and effectively, act in good faith and in the best interests of our business.

Creating stakeholder value

As South Africa's largest workplace solutions provider, the impact of the work that we do inherently goes beyond the creation of financial value. Adcorp makes a positive contribution to society by facilitating interactions between job seekers and employers, as well as playing a role in addressing the skills gap through our Training Services. The future well-being of South Africa is heavily dependent on how we develop and retain skills, which will take government and business working together to reduce the existing gaps in the employability of a significant part of our population. A key focus of Adcorp's strategic transformation is the realignment of our training business so that we can effectively leverage our assets, which include numerous accreditations and campuses across the country, to deliver value in reskilling and upskilling of South Africa's workforce.

I remain enthusiastic about the Group's value proposition and its ability to create a meaningful impact in society.

As the market leader in the South African staffing industry we will continue to lead efforts to improve the perceptions of the temporary employment services industry by ensuring fair labour practice and greater collaboration with all our stakeholders. To this end, Adcorp has taken a bold stand to not process any client payrolls that are non-compliant with the National Minimum Wage (NMW). We have increased our engagements with clients on issues of regulatory compliance and employee relations and have, in the past year, terminated contracts with clients not complying with the NMW.

K_Q¹³

Conclusion and outlook

On behalf of the Board, I would like to congratulate the management team for delivering on their promise to effect a financial turnaround in their first full year at the helm of the Adcorp Group. I am confident in the robustness of the strategic blueprint that we have developed to guide our journey to full potential, and we look forward to greater progress in the year ahead. I remain enthusiastic about the Group's value proposition and its ability to create a meaningful impact in society.

I would like to thank my fellow Board members for their commitment and wise counsel over the past year and to express my appreciation to the management team for driving greater transparency and accountability through regular engagements with the Board, investors and our societal stakeholders.

Gloria Serobe
Chairman

28 June 2019

Chief Executive Officer's review

“Our ability to provide flexibility and enhance labour productivity means that we continue to be a key contributor to our clients’ efforts to weather South Africa’s current economic challenges.”

Innocent Dutirol
Chief Executive Officer



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

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

Despite continuing challenges at a macroeconomic level including rising unemployment in a highly regulated environment in South Africa, and persistently low GDP growth rates in Australia, Adcorp has delivered a financial performance that reflects the early successes of our transformation journey.

The impact of the cost reduction activities and the disciplined approach to collections has paid off in the past year, with the Group posting a net profit of R262 million (FY2018: R(561) million). The Group achieved a reported EBITDA of R467 million, 242% up from FY2018: R137 million, which translates into a sustainable EBITDA of R518 million (FY2018: R387 million) if we exclude costs specifically relating to the strategic transformation. Profits are up in the past year notwithstanding a 2% decline in revenue resulting primarily from a headcount volume reduction in our Temporary Employment Services (TES) businesses, as well as the sale of the paycard solution business in our Financial Services segment.

As South Africa's largest provider of TES, a significant event for that part of our business during 2018, was the long-awaited Constitutional Court ruling on the matter of the 'deeming' provision contained in section 198 of the Labour Relations Act (LRA). Our engagement with clients on the potential implications of the ruling has been an ongoing process, which we started before the final judgment was handed down. TES remains relevant in the South African labour market and will continue to provide opportunities for first-time job seekers, skills development, training and career growth. We remain fully committed to fair labour practices and will continue to provide our clients with innovative workplace solutions; TES being one of the many workplace solutions provided by Adcorp. As an example of our commitment to fair labour practices, we provide core retirement and funeral benefits to our temporary assignees, through Adcorp Financial Services.

Stabilising the business



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

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

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

The drive to right-size the business and ensure an efficient operating structure and processes is yielding positive outcomes evidenced in a reduction in our operating expenses and EBITDA growth. Our Training business has benefitted the most from these initial interventions, resulting in this segment turning the previous losses into profit.

The clean-up of the operations in FY2018 enabled a better understanding of the true financial position of the Group and provided us with the necessary visibility on what organisational changes we had to make in order to deliver efficiencies and unlock value. We have made significant headway towards achieving a sustainably lean and agile business by:

- restoring discipline relating to cost and working capital;
- successfully migrating off-shored processes into an appropriate cost-effective structure in South Africa;

- completing the first phase of the restructure of the finance, marketing and human resources functional areas into a Central Shared Services model; and
- fully realising the balance of the promised R200 million Phase One cost savings.

After reviewing the effectiveness of our leadership structure and to gain the best out of our executive team, several changes were made in our organisational structure in the past year. The transformation in all its facets is an important element of our success going forward and the Group executive team is now complete with the appointment of two key new roles; the Chief Commercial Officer and Chief People Officer who have started implementing our go-to-market strategy and driving a 'One Adcorp' culture respectively.



See page 54 of the *Creating value for our employees* section of this report

Implementing our transformation strategy

In the new financial year, we will turn our attention to implementation of our growth strategy including a greater focus on the prospects for our Australia business. This is an exciting phase of our transformation journey and its success will depend on a well-orchestrated execution and on collaboration within and across our teams.

We have put together a detailed execution roadmap to guide our strategic activities over the next year and a comprehensive change management plan to ensure we take all our employees with us along this transformation journey. Our bold ambition is to effect a complete and sustainable turnaround of the business which will require that we pull many crucial business elements into alignment. To achieve this alignment, we have already commenced initiatives to deliver operational efficiencies, drive growth and improve our employee, candidate and client experience.



See section on *Performance* on pages 10 and 11 for more detail on initiatives planned/under way

Chief Executive Officer's review continued

Shifting market demands, evolving regulatory complexities and rapid digital advancements are transforming the way we work. As an industry leader, with decades of experience in recruiting people into jobs and helping businesses to access the skills they need to grow their companies, we are well placed to drive the evolutionary process to ensure that we position ourselves, our clients and our candidates for the future of work. To this end, we will be launching a series of initiatives, with the appropriate partners, designed to build our capabilities in providing skills and services in support of our clients' digital programmes.

We are committed to building an Adcorp that is synonymous with integrity, transparency and accountability and to this end, we will continue regular engagements with all our stakeholders to ensure a clear understanding of our strategy and roadmap as we create shared value for our capital providers and social partners.

Outlook

Looking ahead to 2020, our focus will continue to primarily be on organic growth which will require investment in people, processes and technology. Merger and acquisition activity will be considered for the purpose of extending our capabilities in the newer areas of our business.



We take to heart the key role we are able to play in enhancing employment creation in South Africa and will continue to seek ways to create greater value for society at large.

Appreciation

I wish to thank all our stakeholders for their continued confidence in the potential that the Adcorp Group holds. Our employees remain at the heart of our business and I thank the people of Adcorp at every level of our organisation for their commitment to delivering our services to our clients, assignees and candidates while at the same time building the future Adcorp. To the Board and our shareholders, thank

you for trusting the leadership team's vision and supporting us in delivering on our goals.

Innocent Dutirol
Chief Executive Officer

28 June 2019

Our bold ambition is to effect a complete and sustainable turnaround of the business.



Chief Financial Officer's review

"We have produced a strong set of results for the year under review with our performance improving across all our key metrics."

Cheryl-Jane Kujenga
Chief Financial Officer



When I reported to you in FY2018 we had identified our immediate priorities that would accelerate achievement of the financial turnaround and what was required to achieve them. This led to our focus during the year under review being on five key focus areas:

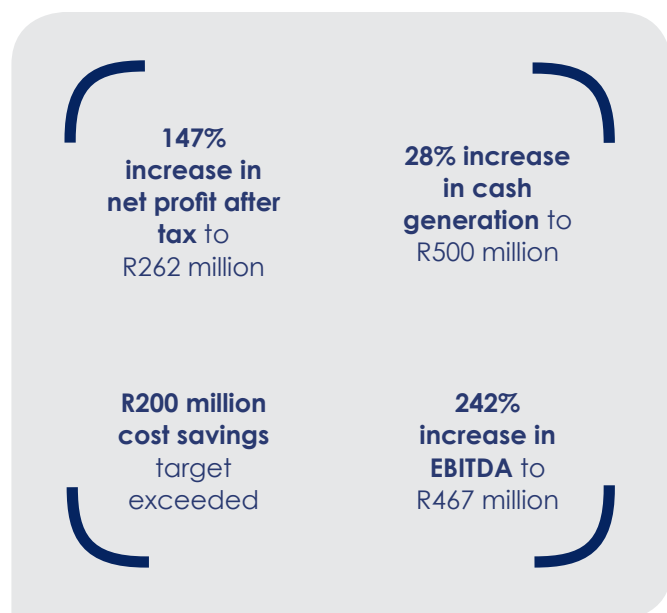
FOCUS AREA					
	Simplify Group structure in line with the strategic direction	Finalise development of the capital allocation framework*	Progress implementation of cost reduction and efficiency improvements	Migrate offshored processes into an appropriate cost effective structure in South Africa	Maintain focus on working capital and liquidity management*
PROGRESS	Blueprint finalised and implementation is commencing in line with the revised operating model	We have strengthened our capital allocation policies and defined the capital allocation priorities We have set our target capital structure at 1,5x Debt:EBITDA We have aligned performance metrics	Sustainable cost reduction of R446 million since 2017 Phase Two optimisation has commenced	Migration of processes completed. Work has progressed to set up a shared service structure for finance	Positive results evident in cash, net cost of funding and closing net debt position
					

Progress: ○ Not started ● Complete

* This will remain a continual focus area

The result of this focus has been a strong set of results for the year under review with our performance improving across all our key metrics.

The reduction in our operating expenses and the EBITDA growth we achieved are evidence of the success we have had with our drive to right-size our business and ensure we have an efficient operating structure and processes in place.



EBITDA and operating profit analysis

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

* Deloitte & Touche has issued an unmodified independent reporting accountant's report on 18 May 2019 on underlying EBITDA, which is deemed to be pro-forma financial information as set out in the results announcement dated 17 May 2019.

Revenue and GP margin

The period under review represented a challenging trading environment for the Group, with stifled economic growth in both our key markets of South Africa and Australia, and rising

unemployment in South Africa. The amendments to the Labour Relations Act (LRA), together with changes in the National Minimum Wage (NMW) put pressure on our Industrial and Support Services TES businesses in South Africa. This was exacerbated in our Support Services business as a number of our clients leveraged technology advances to change their service delivery models, reducing the need for temporary assignees.

Revenue by segment	2019 R'000	2018 R'000
South Africa		
Industrial Services	5 980 971	6 278 103
Professional Services	1 935 706	1 802 508
Support Services	1 371 072	1 471 207
Training Services	166 005	178 454
Financial Services	149 336	192 281
Central	315	16 034
Total South Africa revenue	9 603 405	9 938 587
Australia		
Industrial Services	1 622 869	1 696 419
Professional Services	3 839 095	3 690 385
Total Australia revenue	5 461 964	5 386 804
Total	15 065 369	15 325 391

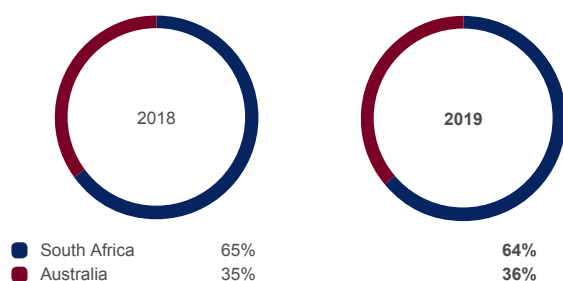
Adcorp Professional Services continued its strong trajectory in both South Africa and Australia, with 7% revenue growth in South Africa and 4% in Australia. Adcorp Support Services revenue declined by 7% on the back of another challenging year for the business regarding top-line growth. The Training segment revenue also declined by 7% as a result of a decision to cancel non-performing contracts. The Financial Services revenue declined by 22% due to the sale of the pay-card subsidiary, FNDS 3000. Revenue for the Adcorp Industrial Services business decreased by 5% and 4% for South Africa and Australia operations respectively. The net impact was a decrease of 2% to overall Group revenues.

Gross Profit margin dropped due to a combination of pricing pressure, difficult economic conditions experienced by clients as well as changes in accounting for a significant contract in Outsourcing from revenue recognised as an agent i.e. net basis, to recognition as a principal i.e. gross basis.

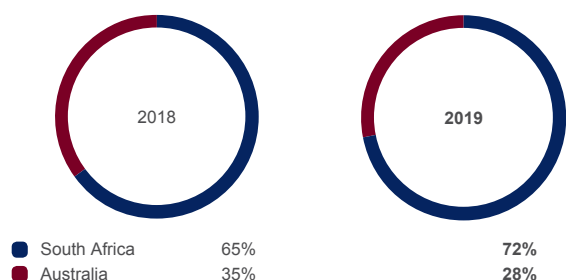
In the new financial year, we will turn our attention to the implementation of our new operating model and growth strategy in South Africa and provide greater focus on the prospects for our Australia business. This is expected to result in an improvement to the gross profit percentage to 14,5% by FY2021.

Chief Financial Officer's review continued

Revenue by geography



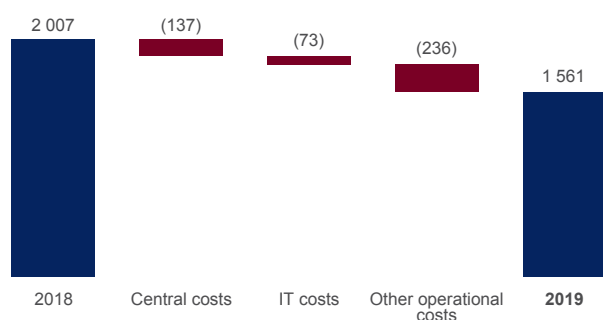
Underlying EBITDA by geography



Australia's contribution to Group revenue remained stable at 36% versus 35% in the prior year. However, the concerted focus on making the South Africa operations lean resulted in increased profitability from this region, with a 72% contribution compared to 65% in the prior year.

Operating expenses

Operating cost analysis (Rm)



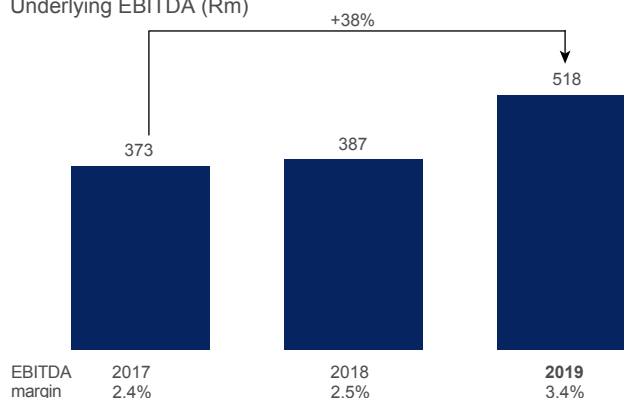
Operating costs have decreased by 22% as part of the Phase One cost reduction initiative and early work on the Phase Two programme. The reduction was driven by strides made in right-sizing central costs and IT costs, as well as other operational costs such as travel, leasing and employment costs.

The focus of Phase Two is on the optimisation of the Group structure, in line with the new operating model, process re-engineering and introduction of appropriate technology enablement in the Group to increase operational efficiency and productivity.

This programme is expected to produce a further R100 million reduction in operating expenses by FY2021.

EBITDA

Underlying EBITDA (Rm)



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

At a segment level, this improvement was largely driven by:

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

EBITDA by segment	EBITDA	
	2019 R'000	2018 R'000
South Africa		
Industrial Services	359 634	338 347
Professional Services	174 228	160 860
Support Services	53 749	49 012
Training Services	7 148	(32 501)
Financial Services	65 196	58 218
Operations results before central costs/transformation costs	659 955	573 936
Central costs	(286 281)	(323 634)
Total – SA underlying	373 674	250 302
Transformation costs/once-off costs	(50 498)	(250 842)
Total – SA reported	323 176	(540)
Australia		
Industrial Services	51 123	58 096
Professional Services	116 142	104 059
Operations results before central costs	167 265	162 155
Central costs	(23 284)	(24 996)
Total Australia – underlying and reported	143 981	137 159
Total Group – underlying	517 655	387 461
Total Group – reported	467 157	136 619

The segment results are presented on an underlying basis, taking out the impact of strategic transformation costs in FY2019 and adjusted for once-off cost such as bad debts written off, retrenchment cost, restructure cost and certain accounting adjustments in FY2018. Costs related to the strategic transformation are expected to be incurred up to FY2020, following which the distinction will fall away.

Further, the segment results do not include their portion of central costs. Central costs are currently tracked on a gross basis to ensure visibility over the right-sizing of this amount. Central costs comprise head office costs and certain shared functions. This will remain the case in FY2020 as Phase Two progresses. From FY2021 the central costs will be reported on a net basis, with allocations made to the relevant segments.

Net profit analysis

	2019 R'000	2018 R'000
Operating profit	387 741	8 030
Net cost of funding	(83 593)	(124 029)
Impairment of intangible assets, goodwill and bonds	(6 821)	(477 797)
Profit on disposal of associate (pre-tax)	574	184 960
Share of profits from associates	–	16 476
Profit/(loss) before taxation	297 901	(392 360)
Taxation	(35 578)	(28 350)
Profit/(loss) for the year from continuing operations	262 323	(420 710)
Loss for the year from discontinued operations	(178)	(140 322)
Net profit/(loss) for the year	262 145	(561 032)
Effective tax rate from continuing operations	12,0%	(7,0%)
Earnings per share (cents)	240,0	(517,0)
Headline earnings per share (cents)	245,0	(146,1)

Chief Financial Officer's review continued

Net financing costs have dropped by 33% because of improved working capital management that has in turn enabled us to reduce the reliance on the revolving facility in South Africa.

The impairment expense relates to a small start-up business, Razzbri, that was purchased in New Zealand and that has taken longer than expected to get to profitability.

The effective tax rate of 12% is largely driven by the ETI, learnership allowances and the recognition of certain assessed losses as deferred tax assets in line with growth expectations from the strategic transformation.

No trading took place in the rest of Africa operations, but costs were incurred as part of closure of the dormant operations.

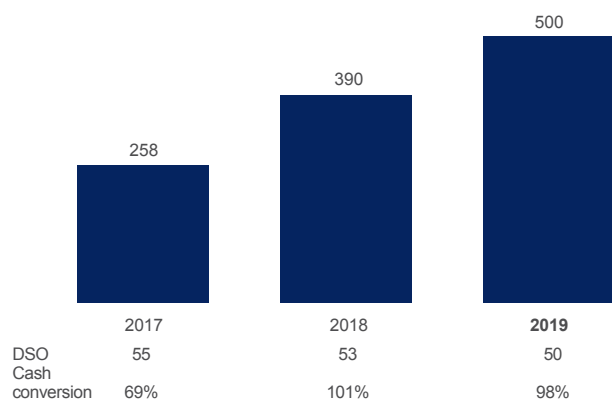
Summarised statement of financial position

	2019 R'000	2018 R'000	Variance
ASSETS			
Property and equipment	57 647	65 756	(12%)
Intangible assets and goodwill	1 420 412	1 437 796	(1%)
Investments and other financial assets	18 239	35 796	(49%)
Tax and deferred tax asset	305 792	270 931	13%
Trade receivables	2 086 490	2 272 550	(8%)
Other receivables	103 712	77 208	34%
Cash at bank	366 857	360 328	8%
Total assets from continuing operations	4 359 149	4 520 364	(3%)
Assets classified as held for sale	–	10 434	(100%)
Total assets	4 359 149	4 530 798	(4%)
EQUITY AND LIABILITIES			
Capital and reserves	1 905 474	1 602 589	19%
Interest-bearing borrowings	892 189	1 218 560	(27%)
Share-based payment liability	–	8 133	(100%)
Tax and deferred tax liability	163 590	160 040	2%
Provisions, trade and other payables	1 397 896	1 512 232	(8%)
Total liabilities from continuing operations	4 359 149	4 501 553	(3%)
Liabilities classified as held for sale	–	29 245	(100%)
Total equity and liabilities	4 359 149	4 530 798	(4%)

Additional assessed losses of R98 million were recognised which resulted in the recognition of an additional deferred tax asset of R27 million in the current year. The unrecognised portion of the assessed loss is R313 million (FY2018: R428 million).

Cash

Cash from operations (Rm)

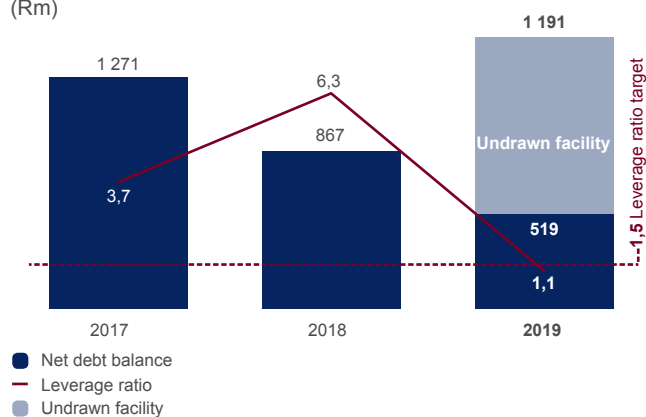


The reduction in trade receivables was driven largely by better credit vetting and collections practices which can be seen in the reduction in our DSO to 50 days.

By improving our working capital management, which in turn has unlocked the Group's ability to generate cash, we have been able to reduce our net debt to R519 million and strengthen our balance sheet.

Net debt

(Rm)



The Group's capital allocation strategy is designed to support sustainable value creation by facilitating the improvement of the Group's underlying operational performance while business transformation takes place and driving the implementation of a disciplined approach to capital allocation throughout the Group. It is discussed in more detail under the section *Creating value for our shareholders* (pages 60 to 63).

Payment of dividend

As a result of the strengthening of our balance sheet the Board of Adcorp took the decision to resume the payment of dividends and declared a full and final dividend for the year ended 28 February 2019 of 96,10 cents per share. Going forward the Board will be targeting a dividend cover ratio of 1,5x. However, this will be confirmed at the time of our interim results for the 2020 financial year and is dependent on capital allocation priorities.

Looking ahead

FY2020 will be a pivotal year in our trajectory to FY2022 and as we implement our growth strategy. The operational structure of the Group will be realigned and our segment reporting will change to reflect the four operational pillars of Resourcing, Outsourcing, Training and Consulting. This restructure and the related process re-engineering will be underpinned by the implementation of a simplified Group structure and the relevant technology enablement.

Over the next three years to FY2022, capital allocation decisions will be underpinned by the need to balance growth and return the value generated by this growth to our shareholders through distributions.

Our financial priorities are guided by this and include:

- implementation of effective portfolio management metrics in line with the segment restructure;
- continued focus on effective management of our debtors' book and further reduction of the DSO;
- execution of the Phase Two programme and tracking of key milestones that will ensure our EBITDA margin improves to 5% by FY2021;
- alignment of our funding structures across the Group to take into consideration the growth imperatives in both South Africa and Australia; and
- ensuring appropriate allocation of capital.

The targets that we have set are aggressive but achievable through disciplined execution and collaboration amongst all key stakeholders.

I would like to thank our teams for their continued commitment to the transformation journey.

CJ Kujenga
Chief Financial Officer

28 June 2019

Our leadership and governance

As at 28 February 2019

NON-EXECUTIVE DIRECTORS

	Age	Qualifications	Date of appointment	Significant directorships	Skills and expertise
Gloria Serobe 	59	BCom, MBA	11 July 2017	– Denel – Hans Merensky – Sasfin Holdings	The founder and executive director of WIPHOLD, Gloria is an honorary member of the Actuarial Society of South Africa and serves on the South African Institute of Chartered Accountants (SAICA) Advisory Council.
Michael Spicer 	66	BA, MA (History)	21 August 2013	– Accelerate	Michael is the Chairman of the Board of Governors of Rhodes University. He spent 20 years at Anglo American plc ending his career as a non-executive director and Chairman of Anglo-American South Africa.
Gugulethu Dingaan 	43	CA(SA), EDP	18 August 2010	– Distell Group – Landis and Gyr – SA Corporate Real Estate Fund Managers – Sasfin Holdings	Gugu is currently the Investment Executive of WIPHOLD, which she joined in 2001. She has extensive experience in mergers and acquisitions, transaction structuring and valuations. Before joining WIPHOLD she completed her articles with PricewaterhouseCoopers.
Sindisiwe Mabaso-Koyana 	49	CA(SA)	14 September 2012	– Eskom – MTN Zakhele	Sindi is a founding member of African Women Chartered Accountants (AWCA) Investment Holdings and currently serves as the organisation's Executive Chair. She previously served as Group Chief Financial Officer of Transnet and the Passenger Rail Agency of South Africa and was a Senior Partner at EY.
Cecil Maswanganyi 	53	BCompt, MBL (UNISA) Postgraduate Diploma in Taxation, ACMA, CGMA	1 March 2017 (previously an alternate director from 11 July 2012)	– Simeka Group (executive director) – Simeka Capital Holdings – Verge Management Services – Wescoal	Cecil is Group Chief Executive Officer of the Simeka Group, a private equity investment firm. His experience encompasses deal structuring, strategy and public sector. His previous roles were Group General Manager: Strategy at Transnet, and Public Sector Consulting at Accenture.
Dr Phumla Mnganga 	51	BA, BEd, MBL, PhD	6 September 2018	– The SPAR Group Limited – Crooks Brothers Limited – Gold Circle (Pty) Ltd – Altron Limited	Founder and Managing Director of Lehumo Women's Investment Holdings, Phumla was previously the HRD/Transformation Executive at Tongaat Hulett Group. Her considerable and varied experience includes human resource consulting, change management and B-BBEE investing.

- Audit and Risk (ARC)
- Remuneration (Remco)
- Nominations (Nomco)
- Transformation, Social and Ethics (TSEC)
- Investment (Investco)

Committee attendance								
Independence ¹	Committee membership	Board attendance	Audit and Risk	Remuneration	Nominations	Transformation, Social and Ethics	Investment	Directors to be elected or re-elected
Independent	Chair of Nominations Committee ■	4/4			2/2			
Lead Independent	■ ■ ■	4/4	4/4	2/2	2/2			
Independent	■ ■	4/4				3/3	1/1	
Independent	Chair of Audit and Risk Committee ■ ■	4/4	4/4	2/2				X
Independent	■ ■ ■ ■	3/4		1/2	2/2	3/3	1/1	
Independent	■ ■	2/2				1/1	0/1	X

¹ See page 34 of this report for a note on the process followed to arrive at the independence of directors

+ Invitee

² Monde Nkosi is an alternate director to Samuel Sithole

++ Executive directors attend the Audit and Risk, Remuneration, Nominations and Transformation, Social and Ethics Committees as invitees

Our leadership and governance continued

As at 28 February 2019

NON-EXECUTIVE DIRECTORS

	Age	Qualifications	Date of appointment	Significant directorships	Skills and expertise
Paul Moeketsi 	35	CA(SA)	5 February 2018	– Metair Investments	Paul is an Investment Director at Value Capital Partners. He was previously a Principal at Medu Capital for eight years where he was responsible for deal sourcing, deal execution and portfolio management.
Mncane Mthunzi 	47	BCom, PMD, EDP, AMP (Harvard)	28 February 2010	– Edcon	Mncane recently joined Edcon as its Chief Operating Officer and as an Executive Director. He was previously part of the executive management team of Massmart and served as a director at Massbuild.
Dr Sydney Mufamadi 	60	MSc (State, Society and Development), PhD (Political Studies)	11 July 2017	– Impala Platinum (Pty) Ltd – Zimbabwe Platinum (Pty) Ltd – Transnet	Currently Director of the School of Leadership at the University of Johannesburg, Sydney has held various leadership positions including ministerial roles in government.
Monde Nkosi² 	28	BBusSc (Hons) MA(Stanford) MBA (Stanford)	19 October 2018		Monde is an investment professional at Value Capital Partners. He was previously a senior associate on the investment team of FFL Partners, a San Francisco-based private equity firm managing over US\$2 billion.
Herman Singh 	58	BSc (Mech Eng.), GDE (Industrial Engineering), MBA	6 September 2018	– Ice Cube Consulting cc	Herman's focus on the convergence of technology and business has resulted in him taking on a number of key technology-focused roles at MTN, Vodacom and Standard Bank.
Samuel Sithole 	46	CA(SA), CA(Z)	4 July 2017	– Altron Limited – Metair Investments – Sun International	Sam is one of the founding partners and Chief Executive Officer of Value Capital Partners. He was previously a Partner at Deloitte before joining Brait as the Group Financial Director.

- Audit and Risk (ARC)
- Remuneration (Remco)
- Nominations (Nomco)
- Transformation, Social and Ethics (TSEC)
- Investment (Investco)

Committee attendance								
Independence ¹	Committee membership	Board attendance	Audit and Risk	Remuneration	Nominations	Transformation, Social and Ethics	Investment	Directors to be elected or re-elected
Independent	Chair of Investment Committee ■	3/4	2/4+				0/0	
Independent	Chair of Transformation, Social and Ethics Committee ■	3/4				3/3		
Independent	■ ■	3/4	2/4			0/3		
Independent	Alternate	1/1 +		1/1+	2/2+			X
Independent	■ ■	1/2	2/2				0/1	X
Independent	Chair of the Remuneration Committee ■ ■	4/4		2/2	2/2		0/0	

¹ See page 34 of this report for a note on the process followed to arrive at the independence of directors
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Our leadership and governance continued

As at 28 February 2019

EXECUTIVE DIRECTORS

	Age	Title	Qualifications	Date of appointment	Skills and expertise
 Innocent Dutiuro	55	Chief Executive Officer	BSc (Hons), Mech Eng, MSc Mech Eng, MBA	1 October 2017	Before joining Adcorp Innocent was CEO for Africa and Asia at MMI Holdings Limited. He has held senior leadership positions at Bain & Company, Deloitte Consulting, Gemini Consulting, Nedbank Retail and South African Breweries (SAB).
 Cheryl-Jane Kujenga	40	Chief Financial Officer	CA(SA), CA(Z), Executive MBA (UCT)	1 July 2017	CJ was a partner at EY for nine years before joining Adcorp. She had a dual role at EY as an assurance partner and the strategic growth markets leader for Africa. CJ served on the Accounting Standards Board (South Africa) for six years.



- Audit and Risk (ARC)
- Remuneration (Remco)
- Nominations (Nomco)
- Transformation, Social and Ethics (TSEC)
- Investment (Investco)

Committee attendance							
Independence ¹	Committee membership	Board attendance	Audit and Risk	Remuneration	Nominations	Transformation, Social and Ethics	Investment
Executive	■	4/4	4/4++	2/2++	2/2++	3/3++	1/1
Executive	■	4/4	4/4++	2/2++		3/3++	1/1

¹ See page 34 of this report for a note on the process followed to arrive at the independence of directors

+ Invitee

² Monde Nkosi is an alternate director to Samuel Sithole

++ Executive directors attend the Audit and Risk, Remuneration, Nominations and Transformation, Social and Ethics Committees as invitees



Our leadership and governance continued

As at 28 February 2019

GROUP EXECUTIVE COMMITTEE

	Age	Title	Qualifications	Date of appointment	Skills and expertise
Vinolia Singh 	43	Chief People Officer	Executive MBA (Cum Laude GIBS), BSc, MEd, (ICT)	1 September 2018	Vinolia is an experienced human capital executive who, having acquired strong generalist, strategic and innovative skills with a particular focus on digitisation and technology, is focused on transforming the approach to human capital through innovation.
Vikela Rankin 	51	Chief Commercial Officer	Psychology and Contemporary Studies (Hons), Master of Arts	1 June 2018	Vikela has extensive corporate experience spanning 20 years within the financial services (insurance) FMCG, telecommunications and airline industries. He has held senior executive level positions in local and global blue chip organisations and was a Partner of Stanton Chase South Africa.
Nomonde Xulu 	32	Executive: Strategy and Investor Relations	BBusSci Finance (Hons), CA(SA)	1 April 2018	Prior to joining Adcorp Nomonde was a strategy consultant at global managing consulting firm, Bain & Company, where she worked on performance improvement across various industries. She also has financial services experience with a focus on structured finance.
Rob de Grooth 	49	Managing Director: Resourcing	B.Tech (Management), EDP, N Dip HRM	1 December 2002	Since joining the Adcorp Group in 2003, Rob has held several management positions including that of General Manager for Capacity and most recently Managing Executive for Adcorp BLU.

	Age	Title	Qualifications	Date of appointment	Skills and expertise
Kay Vittee 	52	Managing Director: Outsourcing	BCom (Banking), MBA, ICMI	2 July 2007	Kay's experience and skills in recruitment, together with her focus on workplace equality, led to her being awarded the DTI's CEOs Leading the Way Award and a number of empowerment awards. Her experience in business process outsourcing includes board membership for the Business Process Enabling South Africa (BPESA) Gauteng.
Ursula Fear 	47	Managing Director: Training	Masterclass in Learning and Leadership Development from Nyenrode Business University	1 February 2019	Ursula has focused on talent and skills development in South Africa for more than 17 years and has played a significant role in spearheading the design of qualifications and building award winning development interventions.
Trevor Fowler 	62	Managing Director: Financial Services	Fellow of the Chartered Insurance Institute (FCII) SA and UK, Chartered Insurer UK, Certified Financial Planner (CFP)	1 January 2007	Trevor spent 29 years at Old Mutual in various divisions as well as Business and Product Development, leaving as Senior Executive in 2003 to start a marketing company within FMS and become a shareholder of FMS Marketing Solutions. Adcorp acquired FMS in 2007.
Dennis Grant 	44	Managing Director: Australia	BCom, HDip Proj, OPM3 Certified Professional	1 January 2007	Before taking on his current position Dennis was the founder and CEO of allaboutXpert (aaX), a full service project management company operating out of South Africa since inception in 2006, and more recently Australia and New Zealand.

Our leadership and governance continued

Effective leadership through good governance

Adcorp is committed to achieving high standards of governance, ethics and integrity. Our approach to corporate governance is integrated into our standards, policies, practices and procedures and it supports our efforts to apply the King IV principles 1 to 16. We are in the process of reviewing our corporate governance practices and the application of the King IV principles to ensure we act in the best interests of our stakeholders, comply with applicable laws and regulations and are able to adapt quickly to changes in our regulatory environment.

The King IV principles have been adopted by the JSE. In this section of our integrated report, in line with the JSE Listings Requirements, we assess whether our application of the King IV principles to corporate governance in Adcorp has allowed us to realise or at least make good progress towards achieving effective leadership through effective control and legitimacy. A table detailing our application of the King IV™ principles can be found on our website <https://www.adcorpgroup.com/about/corporate-governance/>.

Our Chairman has reported on the quality and effectiveness of our Board's leadership during the year under review and the oversight measures in place.  ¹  ¹³



See page 12 of the Chairman's review in our integrated report for 2019)

Establishing an ethical culture

Addressing the threat to the integrity of our business that operating in an environment where ethics, fraud and corruption are a constant challenge remains a key focus for Adcorp. We have a Code of Ethics and Business Conduct in place that is regularly reviewed, and employees and other stakeholders have access to an ethics tip-off line through which behaviour that is thought to be unethical or fraudulent can be reported in confidence to an independent external service provider. The Audit and Risk Committee receives quarterly reports on any fraud prevention in Adcorp, which includes a report on activity on the ethics tip-off line. The responsibility for the oversight of ethics is managed by the Transformation, Social and Ethics Committee.  ²

The Board governs compliance with applicable law, adopted non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

Ethics training

Adcorp ensures that the Board, senior management and senior members of the finance team are made aware of closed periods during which they may not trade in Adcorp shares. All directors' dealings in Adcorp shares require the prior approval of the Chairman or a designated director. The Company Secretary maintains a record of all share dealings.

The Board governs compliance with applicable law, adopted non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.



Our Board's commitment to full compliance with all applicable laws and regulations, and its support and application of certain non-binding codes, standards and plans; all 10 principles of the United Nations Global Compact (UNGC); the South African National Development Plan (NDP); and the Confederation of Associations in the Private Employment Sector (CAPES).

Labour legislation, and South African labour law in particular, is of material significance to the Group, which is represented at international and national forums addressing labour market policies addressing matters such as migration, decent work, artisan training, future skills requirements, employment services, etc.

As in previous years, the Board complied with the JSE Listings Requirements during FY2019.

Adcorp's board-approved compliance risk management framework aims to ensure:

- alignment with Adcorp's business strategy, its ERM framework and leading practice;
- it serves as a reference for those responsible for managing compliance;
- a consistent approach to the management of compliance across Adcorp.



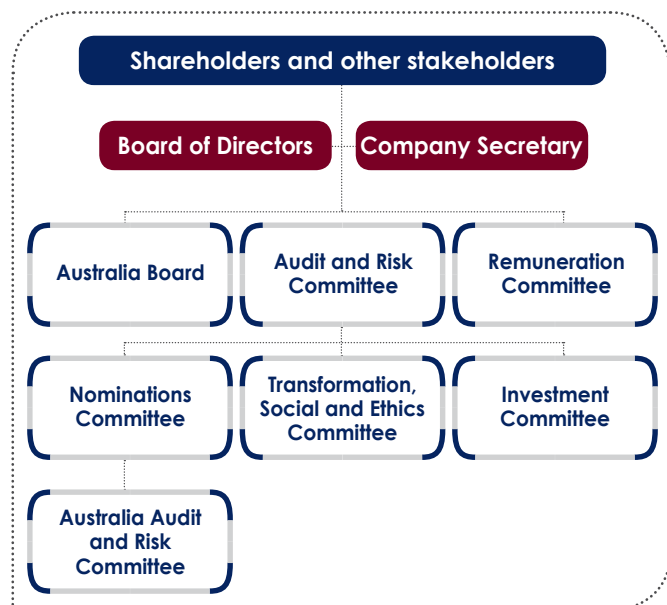
Compliance with the Department of Trade and Industry (dti) Codes

Adcorp has a board-approved centrally driven B-BBEE strategy delivered by means of detailed plans across all five elements and their respective sub-elements. Our approach to transformation is not driven by compliance, rather we are committed to creating equal opportunities internally for our own employees and externally for our assignees and candidates.

Our governance framework

Our governance framework positions our Board as the custodian of corporate governance in Adcorp and provides it with effective control of the business. The Board delegates day-to-day operational management to the CEO and his Group Executive Committee. By effectively governing Adcorp and taking into consideration our stakeholders' interests our Board and management contribute value to both the business and its stakeholders. The Board is in the process of strengthening governance and oversight of the Australia Board. Robert Radley has recently been appointed as an Independent Director. He joins Sindi Mabaso-Koyana who is an Independent Director and Chair of the Australia Audit and Risk Committee. The diagram below sets out our board governance structures.

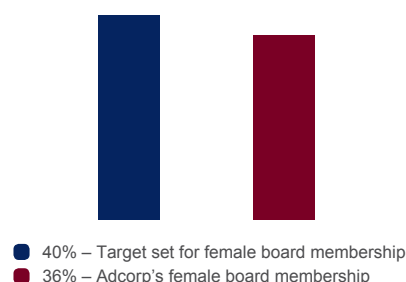
Board governance structure:



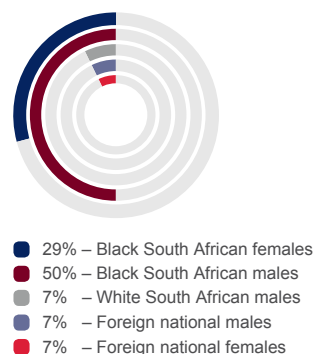
Performance against our Board gender and diversity targets

We have exceeded our Board diversity target of 50% by 29%: 79% of our Board members are black South Africans and 36% of these Board members are female.

Board gender composition



Board diversity



Our leadership and governance continued

Achieving effective control and legitimacy

Adcorp's governance framework and culture provides a solid foundation for our application of King IV with a focus on achieving the four corporate governance outcomes of an ethical culture, good performance, effective control and legitimacy. Applying King IV is a commitment on the part of Adcorp to stakeholder inclusivity, corporate citizenship and protecting the value we create.

Directors are required to declare their interests and to disclose any conflicts of interest when and if they arise. If a conflict is disclosed, it is managed appropriately by the Board as required by the Companies Act. A declaration of interests register is maintained and updated by the Company Secretary.

Adcorp's Internal Audit team provides the Audit and Risk Committee with a written assessment of the effectiveness of the organisation's governance, risk management and control processes annually. In order to provide a fair assessment of the effectiveness Internal Audit considers the reports issued by all assurance providers and external compliance consultants that have performed assurance and compliance procedures Group-wide.



The Audit and Risk Committee obtained assurance on the financial statements, internal controls and sustainability information included in Adcorp's integrated report and carried out its statutory duties set out in section 90 of the Companies Act 71 of 2008. It satisfied itself as to the expertise and experience of the Finance Director and the financial function and assessed the independence and performance of the internal and external audit functions.



See the Audit and Risk Committee report on pages 105 to 107 of the annual financial statements

The Transformation, Social and Ethics Committee advises and provides guidance to the Board on the effectiveness of management's efforts in respect of transformation, social and sustainable development-related matters. It also carries out its duties as prescribed in the Companies Act 71 of 2008 and reports on its discharge of its duties in this regard to the Board and stakeholders.



See its report on pages 82 and 83 of this report

Board independence

Through the appointment of strong independent directors and the separation and clear definition of the roles and responsibilities of the Chairman and Chief Executive Officer (CEO), Adcorp has established a clear balance of power and authority at board level. This is further supported by the Lead Independent Director, whose role is to address any conflicts that may arise, provide guidance on and monitoring of the application of appropriate standards of corporate governance.



We have ensured that the interests of our minority shareholders are protected by the majority of our board members being independent non-executive directors.

In order to assess the independence of directors who are also shareholders, the Board has reviewed the relevant sections of the JSE Listings Requirements, the Companies Act, the Institute of Directors' practice note dealing with the independence of directors and is satisfied that the directors in question apply their minds independently, in the best interests of Adcorp and are not tainted by their shareholding. The independence of directors is reassessed annually by the Nominations Committee and this process is overseen by the Lead Independent Director.

Our Board performs its duties within a framework of policies and controls that provide for effective risk assessment and management of our economic, environmental and social performance. The Adcorp Board Charter details the responsibilities of the Board, while our memorandum of incorporation (MOI) also addresses certain of the directors' responsibilities and power.

Board committees

Adcorp's committees report quarterly to the Board on their statutory duties and board-assigned responsibilities. Their responsibilities are set out in their terms of reference, which are regularly reviewed and are available from the Company Secretary.

Audit and Risk Committee	Remuneration Committee	Nominations Committee
Members are all independent non-executive directors elected by the shareholders at the annual general meeting – see pages 24 to 27. The Committee's report is available on pages 105 to 107 of the annual financial statements. Key accountability, monitoring and oversight responsibilities delegated to the Committee by the Board include the: • Accuracy and transparency of our financial reporting • Ensuring the appropriateness of financial reporting procedures and their application • Risk governance ^(K)7 • Technology and information governance ^(K)12 • Internal and external audit oversight • Internal control environment ^(K)15 • Forensic audits • Regulatory compliance • Expense and budget variance control • The preparation of an integrated report that provides stakeholders with the information they need to make informed assessments of Adcorp's performance and recommending it to the Board for its approval ^(K)5	Members are all independent non-executive directors – see pages 24 to 27. The remuneration and implementation review are available on pages 70 to 81 of this report. The Committee: • Ensures transparent, accurate and complete remuneration disclosure • Ensures the principles, design and implementation of remuneration for senior leadership within the Adcorp Group is aligned with fair, responsible remuneration and best practice remuneration governance • Annually reviews the Group remuneration policy for senior leadership within Adcorp together with the related implementation report, tables them for a non-binding vote at the annual general meeting and takes feedback from shareholders in this regard • Approves and has oversight of all short-term and long-term incentive schemes including performance metrics, their weighting and a description of the target values ^(K)14	Members are all independent non-executive directors – see pages 24 to 27. The Committee: • Monitors executive talent management and succession planning • Identifies suitable board members and monitors the composition of the Board and its committees ^(K)7 • Oversees a formal induction programme for new directors and a programme of appropriate development for all directors and monitors their performance • Ensures directors are regularly briefed on the risks, laws, compliance requirements and overall environment in which the Group operates • Before a director is nominated for re-appointment the Committee evaluates the director's performance • Oversees the evaluation programme for the Board and its committees • Assesses the competence and experience of the Company Secretary. In FY2019 it reported to the Board that it was satisfied with his competence, qualifications and experience



Our leadership and governance continued

Transformation, Social and Ethics Committee	Investment Committee
Members are all independent non-executive directors – see pages 24 to 27. The Committee's report is available on pages 82 and 83 of this integrated report. The Committee is responsible for meeting its statutory duties in terms of Regulation 43 of the Companies Act, and monitoring and reviewing Adcorp's performance as a responsible corporate citizen, which includes oversight and review of the Group's standing with regard to: • Ethical matters in Adcorp and its standing regarding the Organisation for Economic Cooperation and Development (OECD) recommendations regarding corruption (K²) • The United Nations Global Compact (UNGC) • The Employment Equity Act • The Broad-Based Black Economic Empowerment (B-BBEE) Act • Its transformation strategies, objectives and targets including procurement spend, enterprise development and socio-economic development • Its human resource policies, practice and procedures • Adcorp's approach to the safety and health of its people, the environment and the communities in which it operates (K³) • The sustainable development of the business	Members of the Committee include independent non-executive directors, the Chief Executive Officer and the Chief Financial Officer. The Committee is responsible for: • Considering and evaluating investment and capital allocation decisions • Applying the approvals framework to all investment decisions and advising the Board accordingly (K⁸) • Ensuring appropriate due diligence procedures are followed when Adcorp invests, acquires or disposes of assets (K⁸) • Satisfying itself that the Group's project and investment valuation guidelines and other procedures for the allocation of capital are consistently and properly applied and are in line with the Company's overall strategy • Funding related matters • Periodically reviewing all investment-related activities



The roles and responsibilities of the Chairman and the CEO are separate and clearly defined. The CEO is accountable to the Board for leading the implementation and execution of our board-approved strategy, policies and business plans. As an Executive Director of the Adcorp Board and Chair of the Group Executive Committee, the CEO plays a key role in providing a link between management and the board and ensuring Board decisions are communicated to management.



Details on the structure of the Group Executive Committee are included in this report on pages 28 to 31.

The Board's MOI sets out the shareholders' delegation of authority to the Board, which has a formal schedule of matters reserved for its consideration and decision. Its delegation of certain matters to its committees and subsidiary companies is described in the terms of reference of these committees, which are available from the Company Secretary. In addition, the Board delegates authority to the Group Executive Committee through a board-approved delegation of authority document.



The MOI also requires one-third of our directors to retire from office at every annual general meeting based on their tenure since they were previously elected or re-elected to the Board (see pages 24 to 27).



Assessing the Board's performance

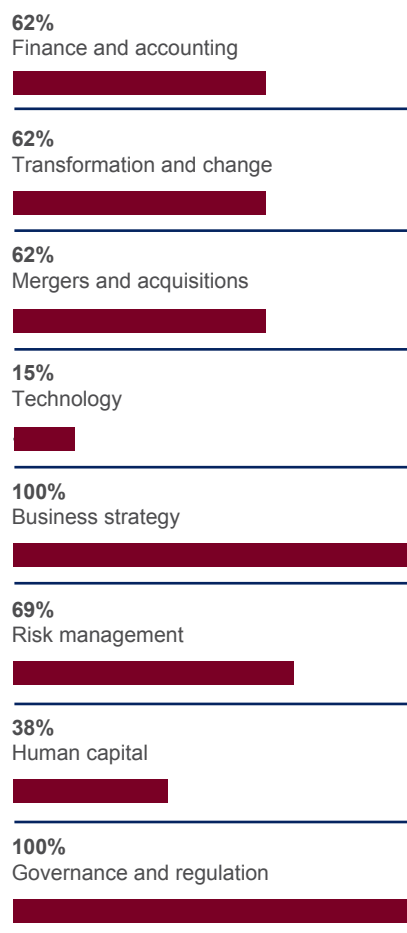
Adcorp has applied the King IV recommendation that the performance of the Board, its committees and its members be evaluated every two years. A performance evaluation was due in FY2019, which was conducted internally by means of questionnaires that were used to evaluate the Board, its committees, a peer evaluation of the non-executive and executive directors, an evaluation of the chair, the lead independent non-executive director, the Company secretary, and the interactions of the Board with the CEO and the Chief Financial Officer (CFO). Whilst the evaluation provided areas for improvement, the overall conclusion was that the areas detailed above are operating satisfactorily.



A comprehensive external evaluation will be conducted in FY2021.

Diversity of experience and skills

Our Nominations Committee is responsible for creating an experienced Board with the range of expertise relevant to leading Adcorp and providing the business with ethical and effective leadership.



All our board members are experienced company directors.



Our leadership and governance continued

Board and committee activities in FY2019 and their focus areas for FY2020

What kept the Board busy this year	What will keep the Board busy in FY2020
Positioning the Group with its key stakeholders and driving the philosophy of shared value creation.	Restructuring of the Group into the new operating model to achieve the Group's strategic priorities.
Implementing the fix and stabilise elements of the turnaround strategy for the Group.	The transformation of the Group's culture into one that is collaborative, transparent, empowering and innovative.
Determination of the growth strategy for the Group.	Enhancing governance through ensuring the right mix and skills are represented in each Board Committee and at the senior management levels in the organisation. This will include succession planning considerations.
What kept our Audit and Risk Committee busy this year	What will keep the Audit and Risk Committee busy in FY2020
Overseeing further improvements in the finance function, the return of offshored processes from India and the transition of finance into a shared service model.	Monitor progress on the Group's short, medium and long-term financial roadmap.
Improvement in IT governance by sourcing a committee member with relevant skills and experience.	Ensuring appropriate governance and oversight of the Group's IT transformation process.
Concluding the appointment of the co-sourced Internal Audit function.	Implementing a co-sourced model for the Internal Audit function and embedding effective combined assurance.
What kept our Remuneration Committee busy this year	What will keep the Remuneration Committee busy in FY2020
Ensuring the pay for performance philosophy was embedded in the organisation and that appropriate performance metrics were set across senior management levels.	Talent management and retention strategies.
Further reviewing the executive remuneration policy to ensure that it is relevant, appropriate and market-related.	Ongoing engagement with shareholders on implementation of remuneration policy.
What kept our Nominations Committee busy this year	What will keep the Nominations Committee busy in FY2020
Board evaluation of individual directors as well as the performance of the committees.	Induction of new directors and any development requirements for directors.
Strengthening the composition of the Board.	Monitoring the composition of the Board and its committees.
	Monitoring performance against Board gender and diversity targets.
	Succession planning for senior roles in the organisation.
What kept our Investment Committee busy this year	What will keep the Investment Committee busy in 2019
Finalisation of the Capital Allocation Framework.	Evaluating any potential investment opportunities that would add to the value of the Adcorp brand and the long-term sustainability of the Group.
Determination of an appropriate weighted average cost of capital against which effective returns would be determined.	Ensuring that the required regulatory and commercial procedures are followed for any investments the Group makes.
Determination of an appropriate capital structure for the Group.	
Vetting the business case per the Technology Refresh Programme.	



Managing risks and opportunities for sustainable value creation

Our Enterprise Risk Management (ERM) Framework, which is aligned with our business strategy, is intended to provide a proactive uniform approach to risk management in Adcorp. The aim of this approach is to provide the business with the information and direction it needs to effectively

manage its risks and opportunities and continually take corrective action that will allow it to deliver on its strategy.

Conscious corporate governance

To enable an effective control environment and support the integrity of information used for decision-making in Adcorp we apply four lines of defence:



The Board is responsible for the governance and mitigation of risk in Adcorp and holds the Chief Executive Officer and the members of our Executive accountable for risk management. ^(K) It sets the direction for how we approach and address risk and mandates the Audit and Risk Committee to exercise ongoing oversight of risk management. This section sets out the outcome of this oversight. ^(K)¹¹

The Audit and Risk Committee has taken a decision to co-source Adcorp's Internal Audit function with Ernst & Young with effect from 1 March 2019. This will enhance the capability and capacity of this critical line of defence.

Our approach to risk appetite and risk tolerance

Our risk appetite is the maximum risk that Adcorp is willing to take in pursuit of its strategic objectives. When any major strategic or tactical decision is made by Adcorp our risk appetite statements ensure that the compatibility of a course of action with our risk appetite is always considered. As part of our new strategy Adcorp's risk appetite and risk tolerances were reviewed and refined.

^(K)¹¹

Material issues

Adcorp did not conduct a separate materiality determination process during FY2019. Instead, our material issues were identified through the rigorous process we have followed as our new leadership team mapped out the new strategy that is guiding our focus as we fix, stabilise and prepare to grow the business.

Our strategic risks and material issues

Risk	Material issues	Response to risks and opportunities presented by the risk
Implementation of an effective strategic turnaround of the Adcorp Group	- Enhancing delivery in key areas of capability - Group simplification - People and culture transformation	A robust strategy development process has been followed to date. The effectiveness of the strategy is enabled by transforming our culture and ways of work as well as simplification of the Group's structures to ensure alignment, efficiency and transparency. Effective implementation of the strategy is governed through: - Regular strategic reviews by the Board; and - Alignment of senior management's short and long-term performance metrics with key strategic outcomes. We ensure that there is appropriate governance over all investment required for the turnaround, and that there is alignment to return on investment.
Compliance with regulatory framework, legal requirements and codes of conduct	Compliance with labour legislation and regulations is a core part of our business South Africa - The list of relevant laws includes: LRA, B-BBEE, NMW, workplace health and safety, data protection laws and bargaining councils - Compliance with the Prevention and Combating of Corrupt Activities Act (PRECCA); Australia - The list of relevant Federal and State laws includes: Queensland Labour Hire Licencing Act, Victorian Labour Hire Licencing Act, Privacy Protection, Work Health and Safety, Occupational Health and Safety, Workplace Injury Rehabilitation and Compensation Act, Equal Opportunity Act, Anti-Discrimination Act, Fair Work, Migration Act, Superannuation Act	- Adcorp Group recognises its accountability to all its stakeholders under the legal and regulatory requirements applicable to its business and is committed to high standards of integrity, ethics, fair dealing and transparency in the conduct of its business; - Through the Group's governance structures, we consciously drive policies of legal and operational risk mitigation, anti-corruption practices, sound ethics and true transformation; - Our commitment to legally defensible business practices ensures alignment to all labour legislation, which includes: - NMW across all sectors and industries within our service offerings; - Transformation through our regular B-BBEE assessments and policies both internally and externally within our client base, ensuring sustainable workplaces of the future; - Data protection, information management and cyber security through compliance to both Protection of Personal Information Act (POPIA) and the General Data Protection Regulations (GDPR – European Union specific), as we evolve and transform through our technology and digital platforms; - Through the Group's TSEC, as well as the ARC, the Group ensures that its governance and compliance structures function effectively, independently and objectively, with a level of zero tolerance to non-compliance with our regulatory and legal obligations.
Macroeconomic pressure and slow pace of economic growth	- High unemployment rate and uncertain political climate in South Africa - Low GDP growth in South Africa and Australia	Our core market, South Africa continues to be a difficult trading environment characterised by a transition in the South African political landscape and challenges at a macroeconomic level. The depressed economic environment has resulted in rising unemployment numbers and consequent stifled demand. To mitigate against the client risks presented by these issues, we have appointed a Chief Commercial Officer who has begun the implementation of a go-to-market strategy which will diversify our business operations and promote greater visibility of key accounts.

Managing risks and opportunities for sustainable value creation

continued

Risk	Material issues	Response to risks and opportunities presented by the risk
Technology enablement, information management and cyber security	• Data protection and cyber security • Technology enablement	The transition of the Group into the four new pillars of Resourcing, Training, Outsourcing and Consulting, enables us to respond more effectively in addressing the impact that changing technology has on our business model and delivery. Our goal is to enable the workplace solutions pillars through the selection and deployment of relevant technology that supports core business processes, improves client and candidate experience and delivers robust and actionable data. The new technology systems will replace the current disparate application stack and ensure effective information technology integration. Standardised technology solutions within the pillars will support the organisational restructure and margin improvement initiatives and enable significant reduction in manual processing, improvements in commercial and sales efficiency, client delivery and candidate/assignee sourcing. The nature of our business results in access to the data of clients, candidates, assignees and employees. Security and privacy of data is a top priority for us and technology enablement will support data management and privacy standards within a robust cyber security framework to mitigate the risk of business disruption, reputational damage, and cyber crime. Oversight of this transformation journey lies with the Audit and Risk Committee.
Effective stakeholder engagement	• Reputational transformation • Corporate citizenship	With Adcorp's new strategic intent to position itself as a leading workplace solutions provider it becomes essential for us to transform our reputation in the industry. As such it is imperative to actively manage relationships with our various stakeholders. We have appointed a head of stakeholder management to define and drive a stakeholder engagement policy which supports the overall business strategic objectives, keeping the primary and secondary stakeholders at the core. Further it is essential to ensure that the associations Adcorp belongs to are relevant. We have identified such associations allowing us to use our core competencies to influence decisions and strategies at a macro level allowing us to play a role in improving our economy landscape.

Our changing business context

In this section of our report we:

- Review our global and local internal and external environments
- Identify issues that have implications for our business model, their impact or possible impact on value
- Provide a brief summary of our strategic response to these issues and guidance as to where you can read more about our response



Our business model and how we create value

Our aspiration is to build careers and workplaces of the future.

We create value for all our stakeholders by:

Resourcing



The recruitment and placement of permanent and temporary staff in primarily IT, administrative and industrial categories

Increase employability and connect people with opportunities

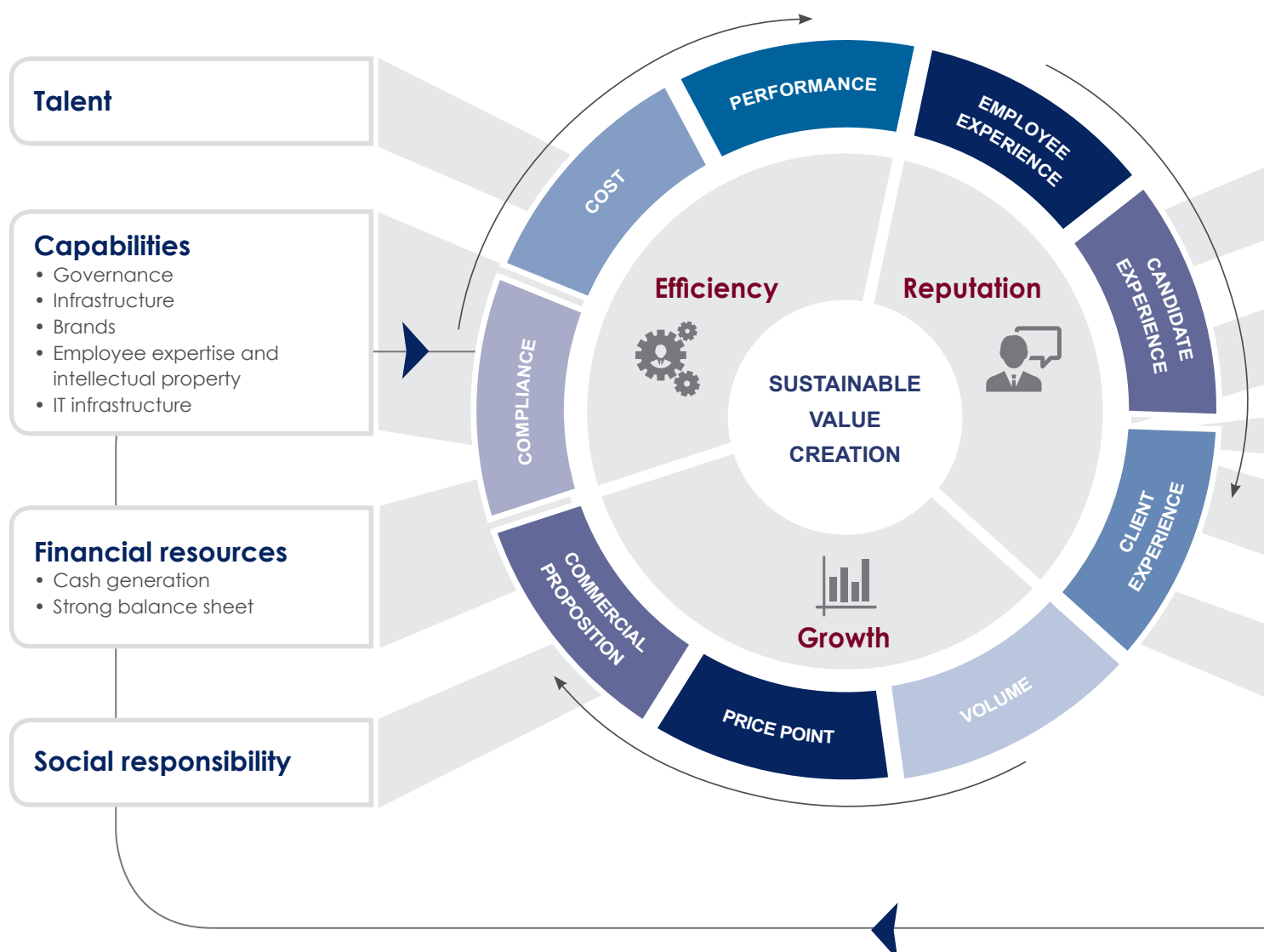
Outsourcing



Providing clients with outsourced services for people-intensive processes

Enhance productivity and improve labour law compliance

OUR KEY INPUTS



Training



Facilitating training and provide learning and development solutions in the form of learnerships, corporate short courses and employment readiness programmes

Support skilling and reskilling of South Africa's workforce

Consulting



Leveraging our knowledge in HR process and people management to provide thought leadership in the labour market

Support our clients as they prepare for the future of work

AREAS OF IMPACT

Clients

Assignees and candidates

Employees

Shareholders

Society and environment

OUTCOMES

The value we create for our **clients, assignees and candidates**

(See pages 48 to 52 )

The value we create for **employees**

(See pages 54 to 59 )

The value we create for our **shareholders**

(See pages 60 to 63 )

The value we create for the **communities** in which we operate and the result of our commitment to reducing our impact on the **environment**

(See pages 64 to 67 )



Value creation performance



Creating value for our clients, assignees and candidates

Creating value for our clients

Adcorp's Resourcing and Outsourcing segments provide our clients in both South Africa and Australia with Temporary Employment Services (TES), independent contractors, permanent placements and outsourcing solutions for non-core people-intensive business processes. The reorganisation of our business into a four-pillar operating model focusing on Resourcing, Outsourcing, Training and Consulting is designed to provide our clients with integrated workplace solutions for their human capital and talent management needs.

We work with our clients on strategies to attract, retain and motivate the talent they need to build workplaces of the future. Our ability to provide flexibility and enhance labour productivity makes us a key contributor to our clients' efforts to weather economic challenges and mobilise large workforces to meet project and cyclical demand in a cost-effective manner. Adcorp is also the largest supplier of IT and digital professionals operating as independent contractors in South Africa and Australia and is also a leading provider of technology and digital talent for permanent positions.

During the past year, a significant event for both Adcorp, as the largest provider of TES in South Africa, and our South African clients whose businesses depend on TES, was the Constitutional Court's ruling on section 198 of the Labour Relations Act (LRA). As part of our commitment to ensuring fair labour practices and providing our clients with an advisory service, we engaged with our clients prior to and following the Constitutional Court ruling to ensure they were kept informed on the potential implications of the ruling on their businesses.

South Africa's unemployment rate is driven in large part by the lack of an appropriately skilled workforce, against a limiting policy background. The changing structure of the South African economy has seen a move towards tertiary and service-based industries whilst the population comprises a predominantly low and semi-skilled workforce. The Adcorp training business has the potential to be a key partner in addressing the country's skills shortage through our technical training services, a broad selection of SETA accredited learnerships, employment readiness programmes as well as specialised training solutions for people living with disabilities.

In the coming year, we will be growing and strengthening our training pillar and through the development of our consulting pillar will be increasing our ability to provide our clients with thought leadership on how to prepare for workplaces of the future, HR digitisation and how best to manage and optimise their training budgets.

Creating value for our assignees

Our business purpose is expressed through the United Nations Sustainable Development Goal (SDG) 8.5 ⁸ which aims to:

By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities and equal pay for work of equal value

Our commitment to our assignee workforce is to ensure they receive equitable and fair pay when placed at clients' sites and that clients comply with the National Minimum Wage Act 9 of 2018 (NMW) as well as the Labour Relations Act. Adcorp has adopted a zero tolerance approach to non-adherence to the prescribed wage rates and has, during the year under review, terminated its relationship with clients not complying with the NMW. In addition, we provide core retirement and funeral benefits to our assignees, through Adcorp Financial Services.

At a time when South Africa is struggling to find solutions to its high unemployment rate TES provides job opportunities for assignees with temporary employment opportunities that can lead to full-time employment. During FY2019, 402 of our assignees found permanent positions with our clients. For many unemployed South Africans TES has and will continue to provide opportunities for first-time job seekers, skills development, training and career growth.

Creating opportunities for social and economic growth

Allan Mambane, a shift manager on a client site through Adcorp BLU is one of the many employees to benefit from the Adcorp Leadership Academy initiative.

"When I undertook the Generic Management learnership through Adcorp's Management Development programme in 2017, I learnt how to manage people and study people behaviour in my workplace and personal life.

The learnership played a fundamental role in enhancing my leadership skills in operations management and changing the lives of my colleagues and subordinates. I took all the knowledge I acquired and implemented it in my workplace and the shift that I currently manage is now the most productive team.

In 2018, I was given the opportunity to enrol on the Advanced Certificate in Management Practice through Henley Business School as part of Adcorp's Leadership Academy initiative. It came at a time when there were extreme changes at work and I had to manage a very challenging area for our client.

The programme enabled me to embrace the change and, after implementing the learning models and new skills, I have been able to top the charts and become the leader of the best-performing shift, taking them from the bottom to number one.

Adcorp has helped me realise my dream to be an educated, well-prepared and efficient manager. Adcorp promotes personal growth, enabling its managers to become the best in the business."

"Adcorp has helped me realise my dream to be an educated, well-prepared and efficient manager."

Our managed workforce

The managed workforce in South Africa comprises temporary employees (two categories – assignees and insourced employees), independent contractors and employees placed at clients on learnerships. In Australia the managed workforce comprises temporary employees and independent contractors.

	change year on year	2019	2018
☑ Temporary employees – South Africa	(16,6)	*61 761	74 070
Temporary employees – Australia	(49,3)	1 203	2 371
Independent contractors – South Africa	2,9	1 323	1 285
Independent contractors – Australia	(13,7)	1 833	2 125
Learnerships – South Africa	(62,5)	207	552
Our total managed contract/temporary workforce	(17,5)	66 327	80 403

* 61 761 temporary employees in South Africa is made up of 50 146 assignees (temporary employees employed by Adcorp as a TES provider and placed at client sites for short-term or project-based work across industries) and 11 615 insourced employees (temporary employees that are hired from outside agencies and managed through the MSP model to render services to client companies).

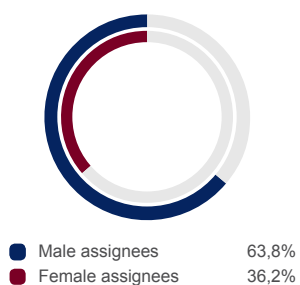
The year-on-year decline in the number of temporary employees we placed, is attributed to;

- Clients taking on assignees in permanent roles as a result of the legislative changes in South Africa; and
- Reduction in temporary employee requirements from clients as a result of depressed economic conditions.

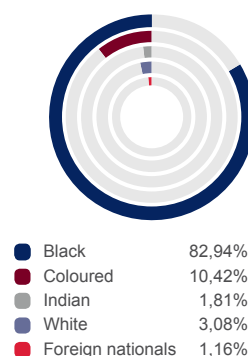
Creating value for our clients, assignees and candidates

continued

Gender breakdown of temporary employees in South Africa in 2019



Racial breakdown of temporary employees in South Africa in 2019



Racial and gender breakdown of our assignee workforce in South Africa

The data below covers the Group's temporary workers making up our assignee workforce for the period 1 April 2018 to 31 March 2019.

Occupational levels	Male				Female				Foreign nationals		Total
	Black	Coloured	Indian	White	Black	Coloured	Indian	White	Male	Female	
Temporary employees employed for less than three months	16 747	1 796	352	415	9 708	1 603	198	579	411	132	31 941
Temporary employees employed for more than three months	10 407	1 073	214	335	4 732	754	142	219	252	77	18 205
Total number of temporary employees as at 31 March 2019	27 154	2 869	566	750	14 440	2 357	340	798	663	209	50 146



Freedom of association and collective bargaining

We uphold the rights of our employees to freedom of association and collective bargaining. The table that follows includes details of the bargaining councils our temporary and outsourced employees belong to.

Bargaining council

Bargaining council	Temporary staff	
	Number	Percentage of total
Cleaning	113	<1%
MEIBC	3 282	7%
MIBCO	2 896	6%
NBCRFI	—	—
Furniture	4 799	10%
MEIBC	—	—
NBCRFI	—	—
LBCTFCC	615	<1%
No bargaining council	38 441	77%
Grand total	50 146	

Building a talent pipeline and preparing South Africans for the future world of work

To facilitate our assignees' entry into the workplace we provide learning materials that give guidance on the behaviour that will be expected of them in the workplace as well as information on how they will be paid and how to read their payslip.

The access we facilitate to learnerships, apprenticeships and internships not only helps young South Africans develop the skills they need for entry-level employment, it also allows us to establish a talent pipeline for entry-level positions.

In FY2019:

- 1 032 employed and unemployed young South Africans were placed on NQF 1 to NQF 5 learnerships with our clients.
- Adcorp arranged learnerships for 775 people living with disabilities who following the completion of their learnership were provided with employment.



See page 64 of the section on Creating value for society for information on Adcorp's investment in people living with disabilities

- 419 artisan apprentices were enrolled on our training programmes in FY2019 (FY2018: 818). Our Training Services contribute to the development of artisans in response to the shortage of technical skills in South Africa. We work with five sector training authorities: The Mining Qualifications Authority (MQA), the Transport Education and Training Authority (TETA), the Chemical Industries Education and Training Authority (CHIETA), the Agriculture Sector Education and Training Authority (AgriSeta) and the Local Government Sector Education and Training Authority (LGSeta) and non-profit organisations including the Nkungumathe Youth Development Forum.

Training and development provided for our assignees by the Group

During FY2019, 2 645 people were enrolled in training and development initiatives (FY2018: 3 723).

	2019	2018
Employed and unemployed people participating in NQF 1 to NQF 5 learnerships	1 032	468
Internships and apprenticeships in progress	419	754
People with disabilities enrolled in our academies	775	696
Enrolled artisan apprentices	419	818
	2 645	3 723

Health and safety

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

Adcorp continuously encourages a safety-conscious workforce that adheres to rigorous safety standards. The Group's operations are committed to:

- occupational safety, health and environmental (OSHE, WHS and OH&S) issues;
- a safe and healthy working environment;
- supporting safety, health and environmental programmes of our clients;
- awareness of health, safety and environmental issues;
- training and developing an understanding of safety, health and environmental obligations;
- continuous development of OSHE management systems;
- integrating safety, health and environmental issues in all our business aspects;
- conforming to clients' occupational health and safety standards;
- regularly evaluating OSHE performance through audits to enhance improvement; and
- reviewing OSHE policy on an ongoing basis to ensure continuous alignment with the business ethics.

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

Creating value for our clients, assignees and candidates

continued

Period under review

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

Creating value for our candidates

In our South Africa permanent placement businesses, we continue to see 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.
- There is an ongoing trend of retrenchments given slow economic growth, increased cost pressures and increasing competition.

These trends imply that in order to capacitate with the right capabilities, organisations not only need to prioritise attracting and retaining talent, but also need to prioritise the upskilling and/or reskilling of the existing workforce. To this end, we create value for our candidates through the well-established Adcorp Leadership Academy which partners with academic institutions to deliver qualifications from NQF 5 to NQF 8. We also have integrated learning and workplace application programmes to continuously prepare employees for diverse eventualities and future opportunities.

In Australia, demand for skills in both private and public sectors remains high and in many cases it is sourcing the supply of skilled talent that proves to be the challenge.

Using future-proof technology solutions to support the delivery of world-class resourcing

Following the change in Adcorp's leadership in September 2017 a detailed investigation of the Group's technology was undertaken to gain an understanding of the existing information technology (IT) environment and to establish what was required to achieve an IT environment that will enable the achievement of our strategic objectives.

The result was the development of an IT strategy designed to facilitate the delivery of a market leading experience for our clients, assignees and candidates. It will do so by streamlining processes and providing end-to-end solutions that enable Adcorp to deliver world class:

- recruitment and selection services
- workforce scheduling
- time and attendance management
- HR management
- payroll processing
- productivity management
- digital learning

and support the growth of our clients' businesses.

Following the stabilisation of our IT infrastructure in FY2019 we will be rolling out a number of these solutions during FY2020.

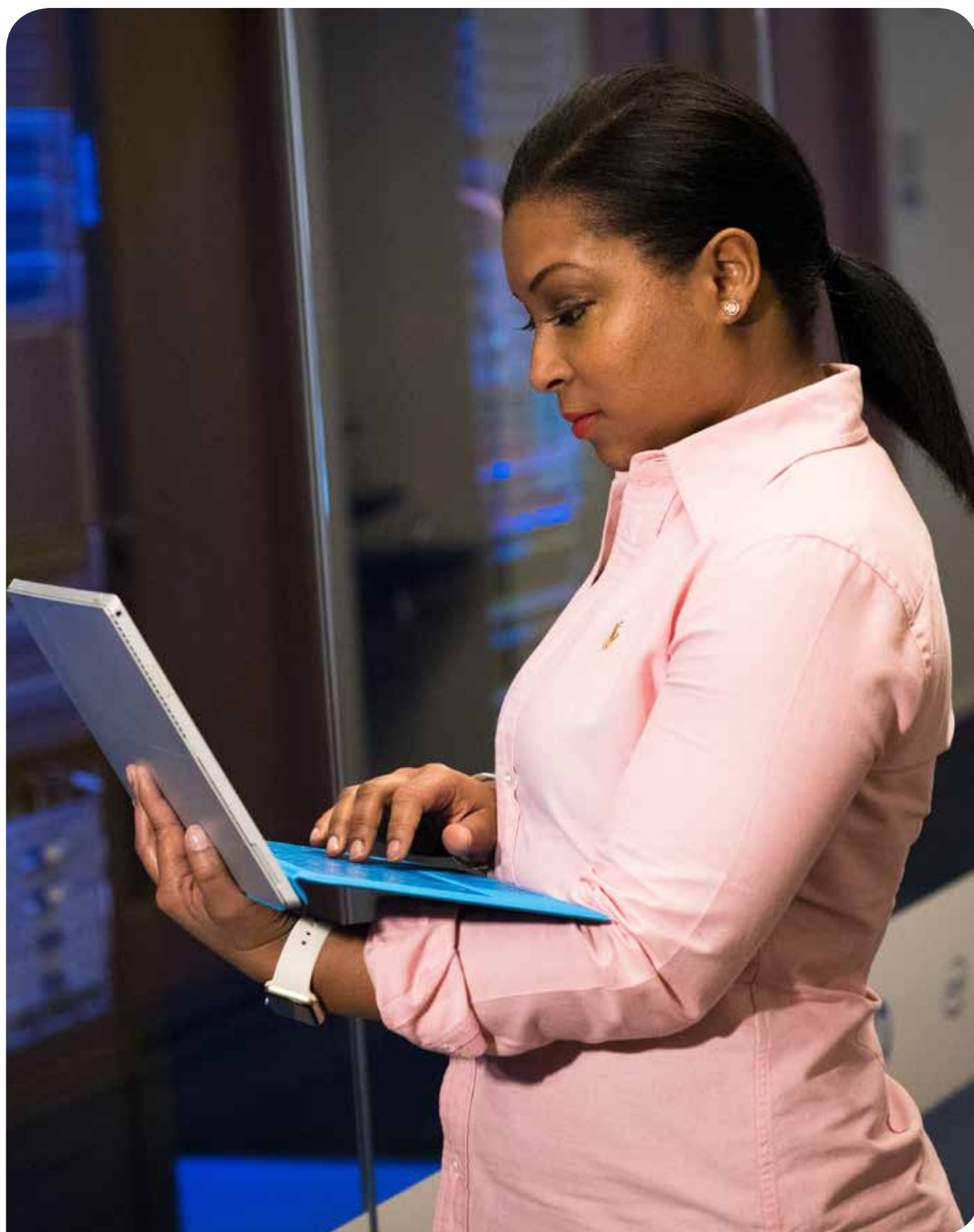
Outlook

In recent years, workplace management and the global staffing industry has experienced rapid adoption of innovative and disruptive technologies, new delivery models, as well as a number of non-traditional approaches to client interactions. Growing trends in talent management include hiring for and developing agility, using big data/talent analytics to drive results, a move from traditional learning to micro-learning and finding the balance between humans and robotics in the workplace. As South Africa's largest workplace solutions provider, our reach and decades of experience in the human capital space means that we are well positioned to support our clients as they navigate the changing world of work.

Adcorp helped over 73 215 South Africans achieve employment during FY2019



50 146	Adcorp TES assignees placed at clients
11 615	Temporary employees hired from outside agencies and managed through the MSP model
1 323	Independent contractors
3 204	Adcorp permanent employees outsourced to clients
6 927	Candidates placed in permanent positions



Creating value for our employees

Adcorp's value proposition to society is facilitating the interactions between employees and employers and our own employees are the heart of our business. Consequently, the well-being and development of our people and the creation of a culture that enables excellence are key imperatives in our business. We are committed to creating an environment that:

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

Our ambition is to build careers and workplaces for the future and this starts within our own business. In order to create a work environment that is aligned to the future world of work, a number of strategic interventions have commenced. With the appointment of our Chief People Officer (CPO) in 2018, we have started to gain traction in the transformation of the Adcorp culture into a vibrant work environment underpinned by our values and a high-performance ethos.

Our new culture defined

Central to this transformation, and one of our key strategic priorities for FY2019, was to redefine our culture. A history of acquisitive growth resulted in Adcorp owning 32 different operating brands, each with its own culture. In order to drive the collaboration and teamwork that are critical enablers to embedding a sustainable change in the organisation, we established the need to create an overarching culture that

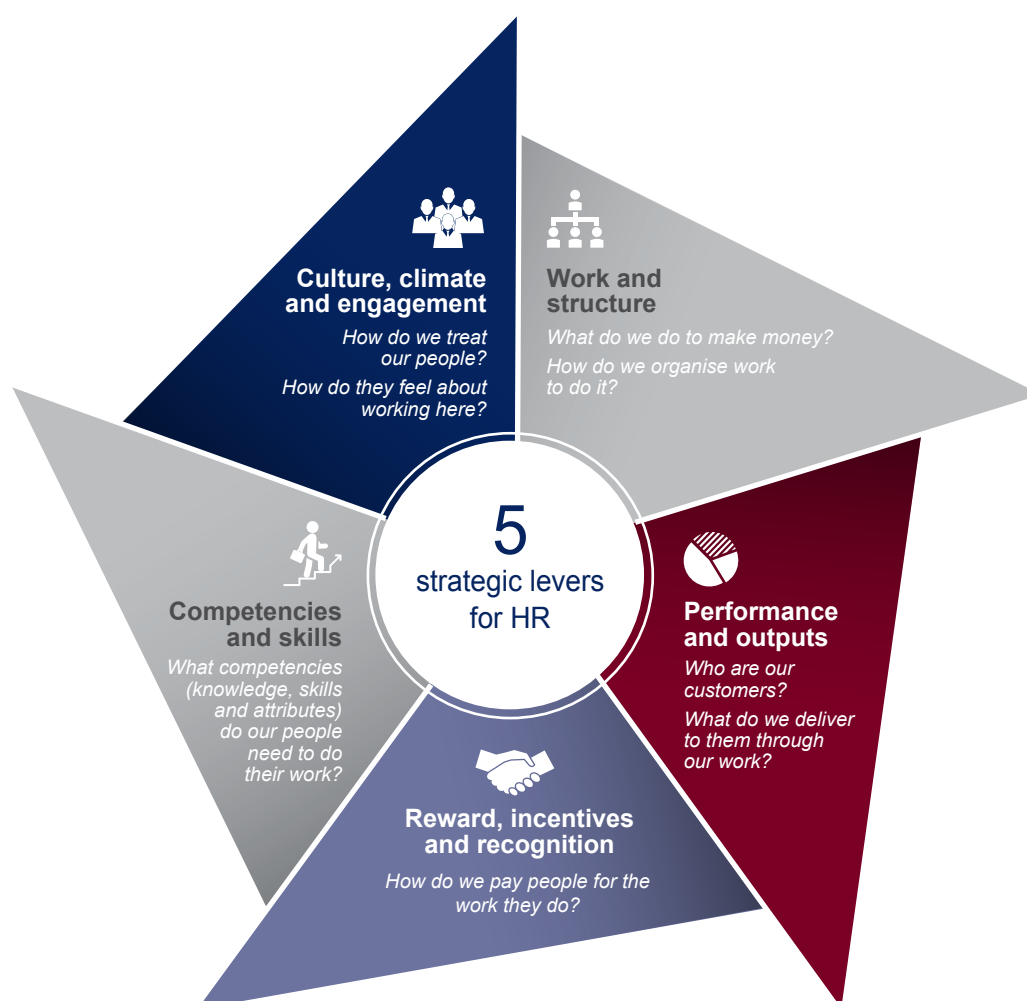
supports and aligns with the various subcultures that exist across the Group. It was important to us to ensure that all employees across the Group had a role to play in defining our new culture. The process to redefine our culture spanned geographies and included business entities from both South Africa and Australia. The outcome is an Adcorp culture formula comprising 10 enabling factors that will empower us to achieve our aspiration to *build careers and workplaces for the future* and disabling factors which will hinder us from achieving this aspiration.

To further promote open communication and inclusivity at all levels of the organisation, various platforms for engagement between employees, management and executives have been created with the main event being employee roadshows which occur twice a year, where the CEO and CPO engage our employees across the country on relevant business and people-related updates.

Adcorp people philosophy

Creating value for our employees is of paramount importance to us and hence it was essential to define the Adcorp People Philosophy. This sets out how we endeavour to create an employee value proposition that will attract, develop, retain and reward the talent we need to make Adcorp successful. Core to the philosophy is an empowered work environment that will ensure employees have thriving fulfilled careers, driven by a high-performance culture. The people philosophy is guided by five strategic levers, as depicted in the graphic that follows, that will ensure equal fair treatment and opportunities for all employees across the various business segments and operations.





An internal audit of all human capital processes and policies was conducted using relevant diagnostic tools. The output was a strategy that will address areas that need to be fixed and stabilised in the short term and that will provide growth opportunities in the medium to long term.

Our focus areas for FY2020

Culture	We will continue to embed the culture across the Group and measure the success every six months to determine improvement areas. This will ensure we keep the culture alive and relevant.
Transformation	We are committed to building a diverse workforce at all levels of the organisation. We will share the plan and hold leaders accountable to achieving the desired outcomes of this plan.
Employees wellness	We will facilitate and drive wellness initiatives that will address employee needs across their physical, mental and financial well-being.
Employees benefits	We will seek opportunities that will maximise benefits for employees' gain and well-being.
Learning and leadership development	We will focus on investing in our people and building the right capabilities to position Adcorp for success and growth into the future.
High-performance culture	We are entrenching a high-performance culture where employees are recognised and rewarded for their efforts and contribution.
Industrial relations	We will ensure that all our assignees and employees are treated fairly and we will only associate with clients and other stakeholders who abide by the labour regulations set out in our operating geographies.
HR system	We aim to automate our HR practice so employees have easier and improved access to HR services.
Policies	We aim to standardise our policies and make them easily available so that we can drive consistency across the Group.

Creating value for our employees continued

Skills development

Building the right capabilities to position Adcorp for success and growth is a strategic imperative and a key focus area. As a Company which also provides training solutions, we understand the benefits that come from instilling a culture of continuous learning within an organisation. To capacitate our organisation with the right capabilities, we are not only prioritising attracting and retaining exceptional people, but also the upskilling and/or reskilling of our existing employees.

Training programmes are implemented across all areas of our operating businesses, aligning our talent pools with the skills required for the future world of work and further enabling

succession planning at certain levels. Post-training learner support initiatives have been introduced to assist with continued well-being and productivity. Interventions such as learnerships, skills programmes, short courses, bursary programmes, structured internships and apprenticeships are ongoing throughout the year.

We have a well-established Adcorp Leadership Academy which partners with prestigious academic institutions to deliver qualifications from NQF 5 to NQF 8. Integrated learning and workplace application continue to be tools we use to prepare our employees for diverse eventualities and future opportunities.



36	Employees graduated from business schools
222	Employed and unemployed participated in NQF 3 to NQF 5 learnerships
29	Graduates were placed on an Internship Graduate Programme
1 116	Employees engaged in short learning programmes and bursary opportunities
87	Employees with disabilities participated in NQF 1 to NQF 2 learnerships
188	Bursaries sponsored

Employee relations

Adcorp supports internationally proclaimed human rights and applies the United Nations Global Compact (UNGC) principles in relation to its employees by:

- ensuring we are not complicit in human rights abuses (UNGC principles 1 and 2);
- eliminating all forms of forced and compulsory labour and the abolition of child labour (UNGC principles 4 and 5); and
- eliminating discrimination in respect of employment and occupation (UNGC principle 6)

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

Our workforce in numbers**Adcorp permanent employees (South Africa) – Employment equity**

for the 12 months ended 31 March 2019*

	2019	2018	2017	2016	2015
Total workforce	2 543	2 850	3 466	4 357	3 957
 Total employees with disabilities	103	158	144	145	170
Workforce profile					
Race and gender profile					
Non-designated group (includes foreign nationals)	271	324	417	508	579
White females	385	474	587	667	836
Black males	864	846	1 017	1 433	1 093
Black females	1 023	1 206	1 445	1 749	1 449
Occupational level profile					
Management (top, senior, middle and junior)	1 183	1 401	1 678	1 747	2 147
Non-management	1 360	1 449	1 788	2 610	1 810
Management profile by gender (top management, senior management, middle management, junior management)					
Females	637	779	911	962	1 260
Males	520	622	767	785	887
Management profile by race					
Black	641	748	856	823	997
White (includes foreign nationals)	542	653	822	924	1 150
Non-management profile by gender					
Females	780	924	1 153	1 485	1 061
Males	580	525	635	1 125	749
Non-management profile by race					
Black	1 246	1 304	1 606	2 359	1 545
White (includes foreign nationals)	114	145	182	251	265
Disability profile					
Management	7	19	15	17	20
Non-management	96	139	129	128	150
People with disabilities by gender					
Females	54	77	77	76	97
Males	49	81	67	69	73
Total employees at 1 April 2018	2 850	3 466	3 958	3 957	2 936
Add: Recruits	925	1 202	2 115	3 399	2 318
Less: Resignations	665	807	1 883	1 995	679
Non-renewal of contracts (contract employees)	303	545	530	672	471
Dismissals (misconduct and incapacity)	41	64	61	78	69
Retirements	9	44	2	10	9
Deaths	8	12	6	10	12
Retrenchments	206	386	125	234	57
Total employees at 31 March 2019	2 543	2 850	3 466	4 357	3 957

* The skills development reporting period runs from 1 April 2018 to 31 March 2019 and the equity reporting has been aligned with this. The presentation of this table is consistent with the prior year.

Creating value for our employees continued

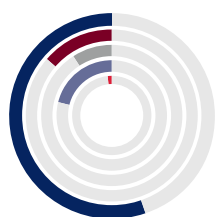
Summary of employment equity report for Adcorp permanent employees

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

Occupational levels	Male				Female				Foreign nationals		Total
	Black	Coloured	Indian	White	Black	Coloured	Indian	White	Male	Female	
Top management	1	1	0	7	0	1	2	1	1	1	15
Senior management	3	1	0	11	5	0	1	12	1	3	37
Professionally qualified and experienced specialists and mid-management	16	8	18	55	25	10	9	66	2	2	211
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	133	64	59	143	111	105	68	221	10	6	920
Semi-skilled and discretionary decision-making	416	71	20	15	383	137	50	84	3	9	1 188
Unskilled and defined decision-making	44	6	3	2	98	16	2	1	0	0	172
Total permanent	613	151	100	233	622	269	132	385	17	21	2 543

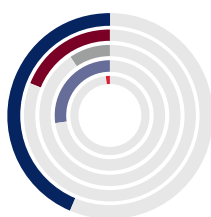
Total permanent employees (South Africa) Employee composition by gender and race

☑ Total permanent employees by gender and race
Male



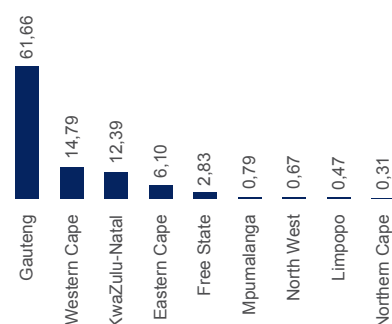
Black	55,03%
Coloured	13,55%
Indian	8,98%
White	20,92%
Foreign nationals	1,53%

☑ Total permanent employees by gender and race
Female



Black	43,53%
Coloured	18,82%
Indian	9,24%
White	27,01%
Foreign nationals	1,40%

Total permanent employees by region (%)



Employee turnover by gender and age for the period 1 April 2018 to 31 March 2019

Turnover by gender and age
Male



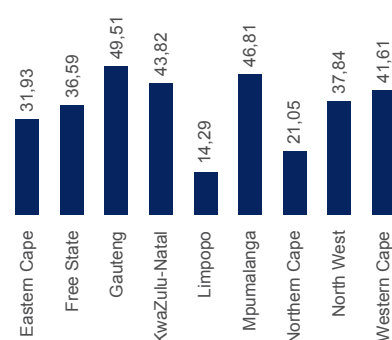
<35 50%
35 to 55 29%
>55 21%

Turnover by gender and age
Female



<35 50%
35 to 55 28%
>55 22%

Turnover by region
(%)



During the year under review we had an overall staff turnover of 45,69% which relates largely to staff in our permanent placement businesses. High staff turnover is an industry norm in this market, however it has been exacerbated in our business in recent years by an unattractive and outdated commission structure. We have revised this commission structure to make it more competitive with the objective to retain our young and key talent. Further, our efforts to continue rightsizing the business from a headcount perspective have also contributed to the high staff turnover. However, although still high, the turnover has declined year-on-year from an all time high in 2016 of 75,78%, to 59,28% in 2017, 57,57% in 2018 and now 45,69% in 2019.

Bargaining council

We uphold the rights of our employees to freedom of association and collective bargaining, however, none of our permanent employees are members of a bargaining council.



Creating value for our shareholders

Sustainable value creation is driven by strong operational performance that unlocks cash and disciplined capital allocation.

The Group's financial strategy supports sustainable value creation by:

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

The first eighteen months of our turnaround strategy were focused on fixing and stabilising the business, in order to pave the way for the strategic priorities of:

- Building a strong business focused on leveraging the core;
- Ensuring that the business is lean and agile;
- Strengthening the brand; and
- Transforming the culture.

The current year results bear testimony to the disciplined execution capability of the Group management team.

We are now focusing our efforts on the next stage of our transformation journey, geared towards unlocking the growth potential of the business and achieving an EBITDA of R1 billion by FY2022.

Our investment case

Our investment case is built on the following key themes that ultimately drive shareholder value:

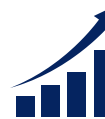
1. Clear portfolio alignment to enable each aspect of the business to be optimised: the segment restructure into Resourcing, Training, Outsourcing and Consulting aligns value drivers, ensuring appropriate focus and optimisation of portfolio returns
2. Focused strategic choices related to value accretive acquisitions
3. A commitment to continual efficiency improvements
4. A highly cash generative business with the ability to provide sustainable distributions to shareholders
5. An organisation that is committed to using its capabilities and market position to improve socio-economic matters in our communities by increasing employability and connecting people with opportunities.



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



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



Focused strategic choices related to value accretive acquisitions and growth initiatives



A **commitment** to continual efficiency gains



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

Adcorp is the largest workplace solutions provider in our core market, South Africa. Our ability to manage large temporary workforces on behalf of our clients, strong balance sheet and knowledge of the complex labour regulatory landscape provides us with strong competitive differentiation.

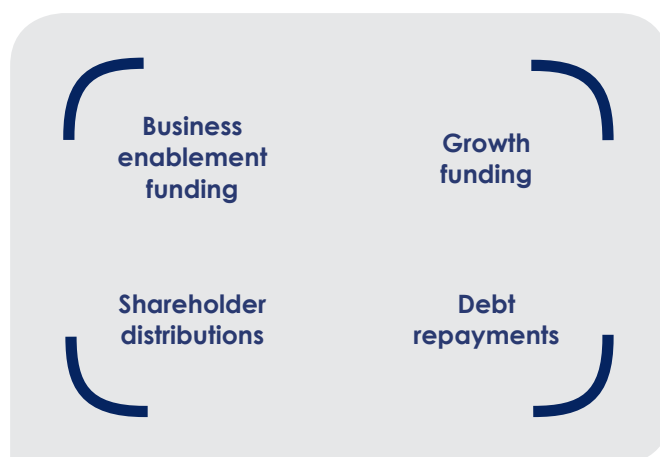
Capital allocation strategy

The Group's capital allocation strategy is designed to support sustainable value creation by facilitating the improvement of the Group's underlying operational performance while business transformation takes place and driving the implementation of a disciplined approach to capital allocation throughout the Group.

Our capital allocation policies have been strengthened to ensure our teams focus on high quality growth yielding returns in excess of the cost of capital. We are also driving a focus on the writing of quality business that results in profitable growth, and the reduction of our DSO ensures optimal conversion of our EBITDA into free cash flow. To support this focus our approach to remuneration, especially at senior management level, strongly aligns reward and remuneration with financial performance.

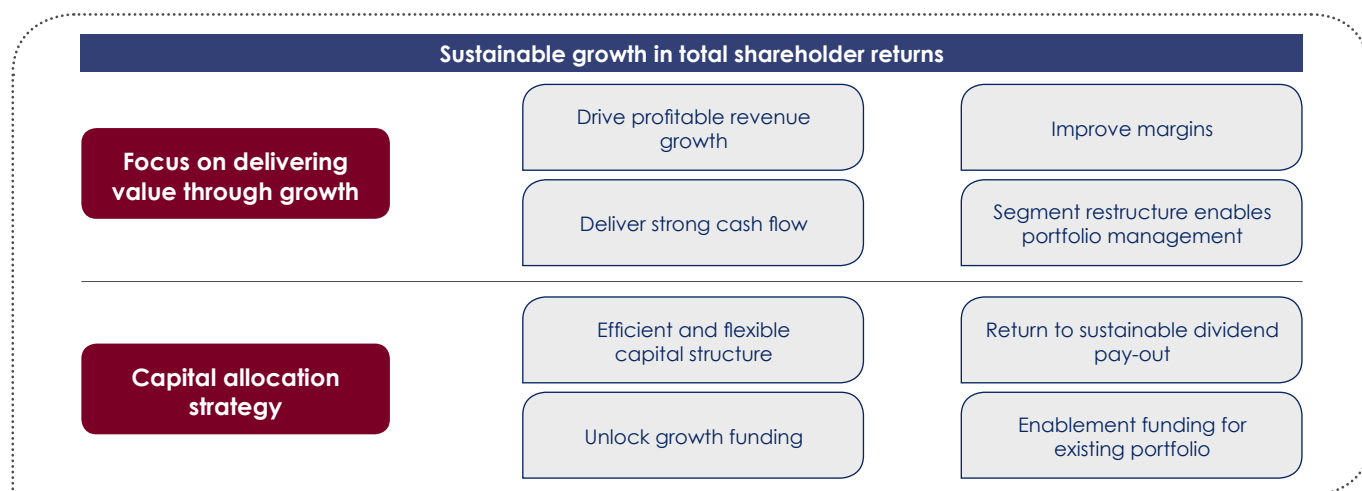
We have changed our leverage measure from debt:Equity to debt:EBITDA, in line with how we manage the business. We have set our target capital structure at 1,5x debt:EBITDA and we closed the financial year on 1,1x debt:EBITDA. The headroom created by the reduced gearing has strengthened the balance sheet, enabling Adcorp to pursue attractive growth opportunities and review our ability to provide sustainable shareholder distributions.

Over the next three years to FY2022, capital allocation decisions will be underpinned by the need to balance growth and return the value generated by this growth to our shareholders through distributions. Going forward, the Board will be targeting a 1,5x dividend cover ratio. However, this will be assessed against competing priorities related to business enablement and growth, and moderated in line with the principle of responsible and sustainable increasing shareholder value creation. This will be guided by a combination of the gearing target, liquidity metrics and growth in ROIC and HEPS.



Share repurchases are undertaken at times when management believes that the shares of the Group are trading at a discount and there is excess cash available. During the year management purchased R15 million worth of treasury shares. Opportunistic purchases will continue in FY2020 in line with share price and available alternative uses of capital.

Creating value for our shareholders continued



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

Shareholder information

Capital structure

Invested capital amounted to R2,4 billion and we achieved a positive return of 10,8% in the current year, the first positive return since 2016. Our target is to ensure that return on invested capital exceeds the Group's weighted average cost of capital. This aligns with the metrics set for the vesting of senior management share awards. The Investment Committee set the weighted average cost of capital of the Group at 14%.

	2019 Actual R'000	2018 Actual R'000
Net debt	518 445	846 555
Total equity	1 905 474	1 602 589
Invested capital	2 433 164	2 469 737
Net profit	262 145	(561 032)
Return on invested capital	10,8%	(22,7%)

Debt

Our strategy is to use revolving debt funding to enable us to have flexibility to manage our balance sheet exposure and cost of funding in line with the working capital requirements of the business, taking into account the cash generated from operations.

	2019 R'000	2018 R'000
Total facility	885 302	1 206 883
Net debt	518 445	846 555
Gearing	46%	75%
Leverage	1,9x	8,8x
Interest cover	3,6x	(1,9x)

Total equity

The number of issued and outstanding shares remained stable compared to FY2018.

	2019	2018
Ordinary shares	109 955	109 955
Treasury shares	(1 318)	(557)
B shares	–	–

Major shareholders and share liquidity

Top 5 shareholders	68,95%
Rest of top 10 shareholders	17,16%
Rest of top 20 shareholders	8,81%
Others	5,08%
Total	100,00%

Market capitalisation at 28 February 2019	R2 199 093 500
Volumes traded during period	32 834 894

The Group has a concentrated shareholder base, with the top five shareholders holding approximately 69% of the issued share capital. The treasury shares held by Adcorp at 1 318 161 comprise 0,04% of total shareholding.

The number of shares traded has reduced over the years. Our long-term strategy is to broaden our shareholder base and increase liquidity of our shares over time.

More information on our shareholders and the Adcorp share performance is available under *Accountability and shareholder information* section on pages 86 and 87 of this report.

Creating value for society

We aim to play a leadership role and positively impact society by:

- improving the employability of our youth
- addressing social inequality
- behaving responsibly with regard to our impact on climate change and scarce resources

The value we create for society through our business operations by:

- facilitating young South Africans' access to learnerships, apprenticeships and internships that help them develop the skills they need for entry-level employment
- connecting job seekers and employers
- providing our temporary assignees with access to employee benefits which is explained in the *Creating value for our clients, assignees and candidates* on page 48 of this report.

Creating value through social upliftment

Our Corporate Social Investment programme focuses on providing young people with high school and tertiary education opportunities that will increase their ability to secure full and productive employment. We also use the specialised capabilities of our Group companies *I Can!* and *Charisma* to provide learnership opportunities for people living with disabilities, as well as wellness assessments for our assignees and job seekers in the communities in which we operate.

Improving the employability of South African youth

During FY2019, Adcorp entered into an ongoing partnership with CIDA Empowerment Trust to sponsor nineteen female students from disadvantaged backgrounds who are currently studying Education degrees through distance learning. The students study part-time and work full-time through a learnership programme at St Peter's College, which provides

them with opportunities to shadow experienced teachers. At the end of their studies they are well positioned to find employment as they have both a bachelor's degree and four years of work experience. Adcorp provides financial support for the students' tuition fees and study materials.

Over the past three years 652 high school learners have benefited from our bursary programme.

Providing opportunities for learners with disabilities

Through our partnership with the Khulisani Learn to Earn programme, 17 learners with disabilities completed learnerships and were provided with work-readiness support and work opportunities in non-profit organisations, a guesthouse, a clinic, the SPCA and a conference centre.



Nomxoliso Xaba, Learn to Earn beneficiary, administrator at Hola Charity Shop and Hola Baby Home



"I was doing a learnership at I Can! when I got a call from the Khulisani Foundation offering me the position of administrator at Hola Charity Shop and Hola Baby Home. I accepted immediately because I knew this was an opportunity not to be missed. I started at Hola in February 2019.

I am very happy with the programme as it is helping me understand how business works, how people work and how to work with other people. Even though there is a lot of administrative work to get in order, I am really enjoying the challenge.

I am also gaining experience in working in finance and marketing, and I am really enjoying it.

I want to thank Adcorp for providing me with the opportunity to participate in this programme because I am learning while earning which really helps a lot in improving my life."

"I want to thank Adcorp for providing me with the opportunity to participate in this programme because I am learning while earning which really helps a lot in improving my life."

Improve the well being and employability of our assignees and job seekers

Through our Group Company, *Charisma Healthcare Solutions*, we offer wellness assessments to our temporary assignees and those seeking employment, thereby contributing to their ongoing employability by supporting their well-being.

The wellness services offered by Charisma started two-and-a-half years ago, as medical fitness assessments for our temporary assignees on client sites. Wellness days for assignees include vital signs assessments, consisting of blood pressure, pulse, BMI, cholesterol, glucose and vision screening tests. Once the assessments are complete, confidential reports are sent to the assignees, along with referral letters they can take to their doctors or the clinic. This initiative aims to educate and empower Adcorp's temporary assignees, allowing them to take charge of their health and, in turn, helping them to stay employable for longer.

Adcorp is also passionate about socio-economic development and making a positive impact in the communities in which we are active. To this end, Charisma also provides vital signs assessments for unemployed individuals looking for work who visit Adcorp's Resource Centre. This initiative serves to uplift the communities around Adcorp.

Last year, we provided wellness assessments for more than 6 500 unemployed people, with many made aware of health issues they didn't know existed, thus helping them take responsibility for their well-being and becoming more employable.

Adcorp's wellness clinics and medical fitness screenings allow Adcorp's temporary employees as well as people seeking work who come to our Resource Centres to take responsibility for their well-being and become more employable.

Creating value for society continued

Creating value through the efficient and responsible use of resources

The efficient and responsible use of resources will not only allow us to achieve our key strategic priority of ensuring our business is lean and agile, it will also ensure we meet our responsibility to current and future generations by:

- reducing consumption across our organisation; and
- minimising our carbon footprint.

Area	Inclusions	Exclusions
Electricity – kilowatt	Estimated electricity consumption associated with buildings rented by Adcorp. The Group's electricity costs are factored into our building rental rate with some buildings (including common facilities) shared with other tenants. Due to the fact that there is often insufficient data to accurately capture the exact electricity consumption per site, only data from Adcorp's head office was used to establish a baseline of kWh usage for FY2018 per employee. Given that all the Group's offices are very similar in activities, equipment and office layout/configuration, the electricity usage figure per employee for head office was used to calculate estimated consumption for the remainder of the Group's operations in South Africa.	N/A
Paper – copies printed	Actual number of printed copies as reported by third-party suppliers.	Preprinted stationery, envelopes and paper bought not used in printers monitored by third-party suppliers.
Fuel – petrol/diesel	Actual consumption of all vehicles owned by Adcorp.	Actual consumption for vehicles used for business purposes, owned by employees.
Water	Estimated water consumption associated with buildings rented by Adcorp.	N/A



Reducing consumption

Our business unit managers are expected to encourage the efficient and responsible use of resources in their areas of responsibility.

Reducing our reliance on municipal water supplies

We operate in some of the most water scarce regions in South Africa. Wherever possible, we have installed water storage tanks at our premises in which we collect rainwater. By using this rainwater to water our gardens we are able not only to reduce our dependence on municipal water supplies, but also the cost of watering our gardens.

Energy

The measures we have in place to reduce our consumption of electricity include the installation of LED technology lights, which consume less electricity than conventional lighting and the use of motion-sensors which ensure that when an office is not in use the lights are automatically switched off. We also close down the air conditioning units in our offices at night to reduce electricity consumption.

Paper

We have centralised our printing facilities with the aim of achieving efficiencies and reducing the number of pages we print across all our offices. In FY2019 we reduced our paper printing by 13% to 15 296 885  from 17 629 177 in FY2018. By reducing the number of pages printed we also reduce the energy we use to print.

Minimising our carbon footprint

The steps we take to reduce our electricity consumption, which were described under *reducing consumption* also reduce our carbon emissions. In addition, we have installed solar panels on some of our premises that reduce to some extent our dependence on electricity generated by the burning of fossil fuels.

Adcorp's Scope 1 greenhouse gas (GHG) emissions (direct GHG emissions from sources that are owned or controlled by Adcorp) from the consumption of diesel and petrol by vehicles owned by Adcorp and used for business purposes, increased by 6% year-on-year in FY2019 (FY2018: 17% reduction year on year).

Every year Adcorp offsets the Scope 2 GHG emissions (indirect greenhouse emissions produced during the production of electricity using fossil fuels) used to run our printers, and Scope 3 GHG emissions (indirect emissions from sources not owned or controlled by Adcorp) generated by our paper consumption, by purchasing carbon credits in a carbon offset project, which is reducing deforestation and degradation (see <http://www.carbongreenafrica.net> for more information).

Fuel consumption

	Change year on year	2019	2018
Petrol (litres)	(16%)	 182 682	217 849
Diesel (litres)	7%	 333 332	311 209

Waste management

We provide recycling bins in all our offices for paper, plastic, glass and wet waste. Our landlords are responsible for ensuring the waste is disposed of correctly.

Adcorp uses an accredited e-waste recycler to dispose of our scrapped computer equipment. The recycling service provider issues us a certificate of destruction and a breakdown of the specific waste types generated during the destruction of the equipment in accordance with the relevant environmental standards.





Accountability and shareholder information



Remuneration review

“The past two years have seen significant positive change in the philosophy of the Group with a strong emphasis on pay for performance and alignment with sustainable value creation.”

Sam Sithole

*Chairperson of the
Remuneration Committee*



I am pleased to present the Committee's report on directors and prescribed officer remuneration. The past two years have seen significant positive change in the philosophy of the Group with a strong emphasis on pay for performance and alignment with sustainable value creation.

FY2019 was the first full year where this approach was taken, and it was positively received both by the shareholders and the management team of Adcorp. Annual bonuses are dependent on the outcomes of a scorecard of financial, strategic and individual targets. These are set annually, factoring the long-term aspirations of the Group. As discussed in the CEO and CFO reports, the Group's performance was strong and reflected the strategic outcomes necessary for its long-term growth prospects. These performance outcomes are reflected in the remuneration received by the executive leadership team and the growth to shareholder value.

The Committee's expectations of the team remain high, and the FY2020 metrics have been set bearing in mind the activity that needs to be completed in the current year related to the strategy. The team will be expected to continue the performance demonstrated to date, and balance this with appropriate growth and investment decisions that have demonstrable return on investment.

The Remuneration Committee has monitored the implementation of our remuneration policy and framework and is of the view that there were no deviations from the policy in the year under review.

The Remuneration Report is structured in line with King IV principles and includes:

- a background statement;
- the remuneration philosophy and policy;
- an implementation report; and
- a separate section dealing with non-executive director remuneration.

We trust that the Remuneration Report provides clarity on the remuneration philosophy and how it enables the Group's strategic outcomes.

Sam Sithole

Chairperson of the Remuneration Committee

28 June 2019

Background statement

The Remuneration Committee provides oversight on matters relating to the remuneration of the Board, Executive management and senior leadership in the business, in line with Adcorp's remuneration philosophy, values and policies. The Committee ensures that:

- there is a capable, experienced and motivated leadership team
- succession plans are in place to cover the risk of losing key staff
- the remuneration philosophy supports the execution of the Group strategy and that there is an appropriate balance of short-term and long-term objectives
- executive remuneration practices are fair and responsible

Adcorp's approach to remuneration is intended to promote the achievement of our strategic priorities to:

- build a strong business that is focused on leveraging our core business;
- ensure that the business is lean and agile;
- strengthen the brand; and
- embed a high-performance culture built on sound governance principles.

We are committed to ensuring that our pay levels remain competitive while managing our employment costs, which in the year under review represented 63% (FY2018: 49%) of our operating costs.

Shareholder engagement and voting

The non-binding advisory vote by shareholders on our remuneration policy and implementation report at our annual general meeting held on Monday, 30 July 2018 resulted in a vote in favour of 94.4% and 92.4% respectively.

The Committee values the feedback that it receives from shareholders. In this report we have included a separate implementation report to enable the shareholders to clearly understand our remuneration policy and how it has been applied to the Executive team in FY2019. The remuneration policy also clarifies the metrics used for both short and long-term performance measures.

Changes to the Executive team

Development of the Adcorp Strategy resulted in a revised operating model underpinned by changes in the leadership structure of the Group. The COO role was removed from the structure, and Mark Jurgens, who was the incumbent at the time, was tasked with leading the Australia operations.

Three new members joined our executive team in FY2019. Vikela Rankin joined as Chief Commercial Officer in July 2018; Vinolia Singh, our Chief People Officer joined the Group in September 2018; and Ursula Fear joined us as the Managing Executive for our Training pillar in February 2019.

Mark Jurgens stepped down from his role as Managing Executive: Australia in January 2019. Mark's termination

payments excluded any unvested shares but included payments for annual and long service leave entitlement as well as contractual restraint of trade, equivalent to his annual CTC payable monthly for 12 months from date of exit.

Dennis Grant has been appointed as acting Managing Executive: Australia. Each of our Australia operations has a strong leadership team that has been in place since the acquisition of those businesses by Adcorp and have always had accountability for their day-to-day operations. Dennis is one of the operational executives for allaboutXpert Australia and is well placed to oversee the Australia operations whilst a formal recruitment process is under way for Mark's successor. The key focus for his successor will be to consolidate our position in that market and grow the Australian business.

Our remuneration philosophy and policy

Our remuneration policy, framework and principles are linked to sustainable value creation. This means that remuneration must be fair and responsible, bearing the long-term interests of the Group in mind. This Remuneration Report provides an outline of the application of those policies to the Group Executive management team.

Remuneration philosophy

Our remuneration philosophy is an integral part of our employment value proposition (EVP) and enables the achievement of Adcorp's strategic objectives. It ensures the fair, equitable and consistent application of our remuneration policies and practices, guided by King IV Principle 14.



Our aim is to:

- set remuneration frameworks that are competitive thus enabling the attraction and retention of talented high performing employees;
- align Executive management remuneration with the achievement of short and long-term strategic and financial performance targets;
- enhance consistency and fairness; and
- provide continuous development opportunities and wellness.

Remuneration structure and design

Total guaranteed package (TGP) is computed using a total cost to company methodology.

All permanent employees participate in the Short-term incentive (STI) scheme appropriate to their level and role in the Group. If specified minimum thresholds are not achieved STI payments are not awarded. Business unit leaders participate in the long-term incentives at a lower proportional weighting than that of the Group Executive leadership.

Remuneration review continued

Long-term incentives (LTIs) are awarded as performance shares with the aim of retaining and rewarding Executives and senior managers that are key to the delivery of the Group's long-term strategy. Performance shares vest, subject to the achievement of performance conditions, over a three-year performance period and are settled in equity.

The key elements of the remuneration structure for the Group Executive team are shown below.

Talent management and succession planning

A focus area for the Committee in FY2020 will be the talent management process for Adcorp's top management that is

currently being reviewed. It will be aligned with the Group's strategic imperatives and incorporated into a revised remuneration policy.

Our Nomination Committee addresses our board succession plans at its meetings. Board succession remains a key focus area for Adcorp and we will continue to review the plans, applying best practice in line with King IV guidelines. This focus will ensure that our succession plans remain relevant and can easily be implemented without any significant delay.

	Sign on awards	Total guaranteed package (TGP)	Short-term incentives	Long-term incentives	Share ownership
CEO	A combination of 930 533 shares and 1 500 000 share appreciation rights	Market-based in line with remuneration policy	100% of TGP	100% of TGP	100% of TGP
CFO	241 000 shares	Market-based in line with remuneration policy	60% of TGP	60% of TGP	60% of TGP
Group Executives	Discretionary	Market-based in line with remuneration policy	50 – 60% of TGP	50 – 60% of TGP	50 – 60% of TGP
Description	Adcorp may occasionally make ad hoc sign on awards to new executives and key employees for various reasons such as forfeiture of awards at a previous employer and for retention reasons. These awards are made subject to a three-year vesting period and are not linked to performance.	Core component of remuneration. It is set to reflect the market value of the role within a 50th – 75th percentile. Benchmarking of TGP for Executive management takes place every three years. The TGP also includes benefits such as retirement/provident fund, death and disability cover, medical aid, Group personal accident cover and where applicable, car allowance.	Encourage achievement of agreed set and stretch targets at a Group, segment and business unit level. Targets are based on a 12-month view taken in the context of the longer-term goals of the Group. Targets are both financial and non-financial.	Encourage sustainable decision making that drives long-term returns for shareholders and other key stakeholders. Targets are based on a three-year view of the Group.	The Executive management team are required to hold fully vested and unencumbered shares. This policy came into effect in FY2018. Members of the executive management team will have five years from date of appointment into the role, or five years from implementation of the policy, to build up to the required level of holdings. The Committee is assessing whether this policy provides market competitive remuneration and therefore retains discretion on how to operate this policy and may make exceptions and allowances as it sees fit.

	Sign on awards	Total guaranteed package (TGP)	Short-term incentives	Long-term incentives	Share ownership
Purpose and link to strategy	Attraction of people with competencies identified as value adding to the business	Attraction and retention of key staff	Creating a high performing culture	Alignment of key employee interests with those of shareholders and retention	Alignment of key employee interests with those of shareholders and retention
Delivery mechanism	Unvested shares	Monthly cash payments	Annual cash payment	Unvested shares	N/A
Performance period	Three-year vesting period from date of award	Reviewed annually every March and adjusted in line with inflation, affordability, market surveys together with Company and individual performance. Average increases of 5.5% have been awarded effective 1 March 2019	Annual aligned with the financial year i.e. 1 March to 28/29 February.	Three-year performance based vesting period from date of award	Five years from date of appointment or implementation of policy

Short-term incentive performance metrics

The table below shows the performance measures and approach to target setting for FY2019:

Metric – FY2019	Why chosen?	How targets are set
EBITDA	Key indicator of the underlying performance of the Group.	Set annually for a 12-month period aligned to the financial period. These annual targets are considered in the context of the required three to five-year strategic goals.
EBITDA margin	Reflects the impact of cost savings, business optimisation and key account management initiatives.	Set annually for a 12-month period aligned to the financial period. These annual targets are considered in the context of the required three to five-year strategic goals.
Gearing	Provides an indication of the appropriateness of the capital structure of the Group.	Set annually based on the funding requirements of the Group.
DSO and cash conversion	Drives cash availability and efficiency in the operating cycle.	Set annually based on anticipated growth in revenue and cash requirements of the Group.
Strategic focus areas	These are qualitative performance areas that are required in order to meet the strategic goals of the Group.	Targets are tailored at an individual level. In the current year the focus was on elements required to complete the stabilisation phase of the strategic turnaround. These are discussed in more detail in the implementation section of the report on page 76.

Remuneration review continued

These measures have been updated for FY2020 as follows:

Metric – FY2020	Why chosen?	How targets are set
EBITDA	Key indicator of the underlying performance of the Group.	Set annually for a 12-month period aligned to the financial period. These annual targets are considered in the context of the required three to five-year strategic goals.
EBITDA margin	Reflects the impact of cost savings, business optimisation and key account management initiatives.	Set annually for a 12-month period aligned to the financial period. These annual targets are considered in the context of the required three to five-year strategic goals.
DSO and cash conversion	Drives cash availability and efficiency in the operating cycle.	Set annually based on anticipated growth in revenue and cash requirements of the Group.
NPAT	Drives growth in EPS and HEPS.	Set annually for a 12-month period aligned to the financial period. These annual targets are considered in the context of the required three to five-year strategic goals.
Strategic focus areas	These are quantitative and qualitative performance areas that are required to be executed in FY2020 in order to meet the strategic goals of the Group.	Targets are tailored at an individual level. In FY2020 these will be focused on delivering on the effective transition into the new business model. This will require delivery of a significant portion of the business optimisation initiatives and acceleration of the growth strategy. The Committee acknowledges the investment required to achieve this in FY2020 and sees this as a key enabler for achievement of the FY2021 and FY2022 targets.

Long-term incentive performance metrics

The table below shows the metrics for the share awards for FY2019:

LTI metric	Why chosen?	Performance requirements for vesting	How targets are calculated
ROIC	Key indicator of the effective use of capital.	No award for ROIC below or equal to WACC. 50% awarded where ROIC exceeds WACC by 2%. 100% awarded where ROIC exceeds WACC by 4%.	Calculated on a linear scale, as the three-year average of the excess of the actual annual ROIC achieved each year, compared to the WACC of each year as determined by the Investment Committee in February of each year. The ROIC is based on profit before tax.
HEPS	Measures the growth in the Group's core profitability.	No award where HEPS growth is zero or below. 50% awarded where HEPS growth is 10%. 100% awarded where HEPS growth is 20%.	Calculated on a linear scale as the three-year average HEPS growth.

LTI in the form of share-based awards granted under the Group's share plan will be determined based on the relevant plan rules. The default treatment is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, disability, retirement or other circumstances at the discretion of the Committee "good leaver" (as defined in the share policy) status can be applied.

For good leavers, the awards are reduced pro-rata to reflect the proportion of the performance period actually served. The Committee has the discretion to disapply the application of performance conditions and/or time pro-rating if it

considers it appropriate to do so. However, it is envisaged that this would only be applied in exceptional circumstances.

In determining whether an Executive should be treated as a good leaver or not, the Committee will take into account the performance of the individual and the reasons for their departure.

Executive directors' employment contracts

The employment contracts for the CEO, CFO and Group Executives provide for a three-month notice period by either party.

Fair and responsible remuneration

The table below outlines Adcorp's approach to fair and responsible remuneration:

K ¹⁴ Fair remuneration (ethical leadership)	Responsible remuneration (responsible corporate citizenship/ effective leadership)
Fair and responsible pay, free from discrimination, self-interest, prejudice or favouritism. Addresses inequality and ensures equal pay for equal work. Achievement of employment equity targets. Reward performance and incentivise future sustainability and value creation.	Independent oversight from Remuneration Committee. Appropriate approval process. Sustainable contribution to value creation and positive outcomes. We do not: • pay for non-performance • reprice share options • guarantee bonuses

The Remuneration Committee works together with the Transformation, Social and Ethics Committee to embed principles that govern the Group's approvals to fair pay across all levels of employees as well as our assignee and contingent workforce as discussed below.

Fair and responsible remuneration of permanent employees

At Adcorp we believe that fair and responsible remuneration ensures that our remuneration is both externally competitive and internally equitable. The Remuneration Committee monitors internal pay gaps across Adcorp to ensure remuneration is fair and responsible in the context of overall employee remuneration.

The Group, which employs job grading and pay bands for different jobs, generally pays TGP in the middle to upper quartile of the market in order to remain competitive with the TGP for comparable roles in companies of a similar complexity and size. This enables the Group to attract and retain top talent, especially in critical or strategic areas.

The Group uses external parity and benchmarking with the likes of 21st Century and the PwC annual remuneration reports to guide what annual percentage increases should be awarded.

We conduct regular salary reviews, which take into consideration changes in the scope and roles performed by individuals, changes required to meet the requirement of the remuneration policy and the market competitiveness of the salaries and benefits provided by Adcorp. Salaries are also adjusted to account for the results of benchmarking and individual performance and experience.

Consistent job evaluation and grading of roles ensures equity of reward and facilitates both our transformation objectives and mobility within the Group.

Fair and responsible remuneration for assignees and contractors

Adcorp's commitment to our assignee workforce is to ensure equitable and fair pay when placed at clients' sites.

The finalisation of and clarity gleaned from the Constitutional Court case that determined who the employer of vulnerable Temporary Employment Services staff is, settled the debate on "permanency". Consequently, the market has seen a shift from a labour perspective, from a desire for permanent employment, to that of seeking "equal treatment for work of equal value".

Adcorp advocates equal treatment policies for all its assignees and has reinforced this through products available within its Financial Services business that deal responsibly with

Remuneration review continued

death, wellness and long-term savings. Currently, within the temporary staff base and outside of those staff already provided for by industry specific bargaining councils, several assignees benefit from additional employee benefits such as death benefits, medical aid, income protector and provident fund benefits. Our responsibility is to continue to educate assignees on the benefits of these services whilst maintaining their costs as low as possible. A beneficial response to this cost for clients is that lowered attrition rates, as an outcome of equalisation, are leading to greater levels of productivity.

FY2019 also witnessed the promulgation of the NMW Act. Although in excess of 80% of Adcorp's deemed vulnerable Temporary Employment Services staff earned more than the subsequently prescribed minimum wage, there were industry sectors that historically had a lower base rate wage. The Group adopted a zero tolerance approach to non-adherence to the prescribed wage rates and is very pleased to note that as at the date of promulgation, no staff were paid or will subsequently be paid, beneath the prescribed legislative values.

It is pleasing to note that most of Adcorp's clients share a great sense of social responsibility and we will continue to engage with our clients and relevant stakeholders on the ongoing discourse related to minimum wage versus living wage.

Implementation report

Remuneration scenarios for Executive leadership

King IV requires disclosure of the potential consequences on the forward-looking total remuneration for Executive directors and prescribed officers on a total, single figure basis based on achievement of minimum, on-target and stretch performance outcomes.

The tables that follow outline the on-target versus stretch weightings of the Group Executive and then provide the proportions of the pay mix based on minimum, on-target and stretch targets. The pay mix is designed to reward the achievement of short-term strategic financial and non-financial objectives through STIs and to reward Executives and senior managers for their performance with regard to the delivery of the Group's long-term strategy.

The Adcorp Remuneration Committee has designed the remuneration mix for Executives in a way that avoids over-dependence on variable stretch and variable long-term components. This results in a high requirement for on-target performance and discourages any excessive risk-taking behaviours.

The table below illustrates the total potential remuneration based on the minimum, on-target and stretch performance levels. The table also provides the actual remuneration achieved and the related actual and expected cash outflow.

		Guaranteed pay		Short-term incentive	Long-term incentive		Total payments		
		Annual CTC R'000	Sign on awards R'000	STI – 2019 R'000	LTI R'000	Total R'000	Paid in 2019 R'000	Payable in next 12 months R'000	Payable beyond 12 months R'000
I Dutiro	Minimum	5 803	28 845	–	–	34 648			
	On-target	5 803	28 845	5 802	5 435	45 885			
	Stretch	5 803	28 845	7 311	5 435	47 393			
	Actual	5 803	28 845	5 543		40 191	5 803	5 575	28 845
C Kujenga	Minimum	3 560	4 336	–	–	7 895			
	On-target	3 560	4 336	2 136	2 000	12 031			
	Stretch	3 560	4 336	2 705	2 000	12 601			
	Actual	3 560	4 336	2 080		9 975	3 560	2 101	4 336
R de Grooth	Minimum	2 504	–	–	–	2 504			
	On-target	2 504	–	1 252	2 850	6 607			
	Stretch	2 504	–	1 578	2 850	6 933			
	Actual	2 504	–	1 216		3 721	2 504	1 233	–
K Vittee	Minimum	2 691	–	–	–	2 691			
	On-target	2 691	–	1 345	3 785	7 821			
	Stretch	2 691	–	1 695	3 785	8 171			
	Actual	2 691	–	998		3 689	2 691	998	–

		Guaranteed pay		Short-term incentive	Long-term incentive		Total payments		
		Annual CTC R'000	Sign on awards R'000	STI – 2019 R'000	LTI R'000	Total R'000	Paid in 2019 R'000	Payable in next 12 months R'000	Payable beyond 12 months R'000
U Fear	Minimum	183	–	–	–	183			
	On-target	183	–	–	–	183			
	Stretch	183	–	–	–	183			
	Actual	183	500	–		683	183	–	–
H Weyers	Minimum	1 324	–	–	–	1 324			
	On-target	1 324	–	662	626	2 612			
	Stretch	1 324	–	861	626	2 811			
	Actual	1 324	–	427		1 751	1 324	210	–

Performance outcomes

The Group posted strong financial results for the year with full achievement against the predefined financial targets.

The table below provides detail on the performance outcomes for the CEO and CFO:

STI outcomes			
I Dufiro			
	On-target	Achieved	
Group wide financial performance	63%	63%	Innocent's scorecard for his individual incentive included the following focus areas: • Developing the Group's growth strategy • Strengthening the Executive bench • Implementation of culture initiatives to underpin strategy • Remediation of Training and Support Services businesses • Labour regulation mitigation plan
Individual strategic	38%	33%	
Total	100%	96%	The Group delivered a strong financial performance, despite the economic challenges facing Adcorp's core market, South Africa. A proactive approach to engaging with clients and stakeholders minimised the impact of the LRA in the current year.

The set strategic direction provides the repositioning required to enable sustainable growth for the business. Clarity on the core capabilities within the Group, and the work that is in progress to restructure along the pillars of Resourcing, Training, Outsourcing and Consulting, will enable the appropriate focus that is required to optimise growth drivers in each area.

The appointment of a Chief Commercial Officer has enabled an appropriate focus on the Group's go-to-market ability and its brand positioning. Culture change and a focus on people is important and a Chief People Officer joined the Executive team in October 2019.

The Training business returned to profitability this year, and a new Managing Executive was appointed in February 2019. This will bring stability to that business and will enable the turnaround activity to commence in earnest. The Support Services business was stabilised in FY2019 and its transformation forms part of the Group strategic repositioning.

FY2020 focus areas

The performance metrics for FY2020 are aligned to the effective transition by the Group in to the new operating model and a focus on the Australia growth strategy.

Remuneration review continued

STI outcomes			
CJ Kujenga			
	On-target	Achieved	
Group-wide financial performance	70%	70%	CJ's scorecard for her individual incentive included the following focus areas: - Align the Group's legal structure to enable the Group strategy taking in to account the principles of transparency of reporting, simplification, tax efficiency and BEE requirements - Strengthening the finance function, policies and governance frameworks - Implementation of margin improvement initiatives - Focus on working capital management - Developing the capital allocation model
Individual strategic	30%	27%	
Total	100%	97%	
The Group delivered a strong financial performance, in spite of the economic challenges facing Adcorp's core market, South Africa. Focus on the key value drivers across the Group's operations ensured delivery on the target requirements and realisation of the remainder of the Phase one cost savings. The unrelenting focus on collections has enabled the Group to maintain healthy cash balances and reduce the dependence on the funding facilities. A blueprint has been developed for the Group structure that underpins the strategy with implementation taking place over eighteen months commencing in March 2019. Significant work has been performed in the current year to identify business optimisation requirements. This has culminated in the set up of a Group Business Services (GBS) function that will house various shared service functions and support the operational back office optimisation requirements. Finance is the first function to transition in to GBS thus enabling standardisation of processes and effective optimisation of economies of scale. In addition, the operational process reviews have identified a number of areas of efficiencies, and a pilot is currently in progress to refine this understanding and enable implementation in FY2020.			
FY2020 focus areas The performance metrics for FY2020 include activity that enables realisation of the business optimisation bearing in mind the FY2021 target of a 5% EBITDA margin and supports execution and funding requirements for the strategic transformation programme.			



STI Outcomes for FY2019

				Achieved	
	On-target	Rob de Grooth	Kay Vittee	Hein Weyers	
Group-wide financial performance	20%	20%	20%	20%	The scorecards for the Managing Directors' individual incentives included the following focus areas: • Delivery of set profit targets • Retention of key clients • LRA mitigation (where applicable) • Margin improvement • Collaboration on development of long-term strategy
Segment financial performance	55%	56%	44%	45%	
Individual strategic	25%	21%	10%	20%	The Group delivered a strong financial performance, in spite of the economic challenges facing Adcorp's core market, South Africa.
Total	100%	97%	74%	85%	The Industrial Services segment had the most exposure to any potential implications of the LRA. Rob de Grooth and his team followed a proactive approach with current and potential targets, as well as in ensuring alignment of the cost base of that business. This served to protect the profitability in that segment. The performance scoring in Support Services and Kay Vittee is reflective of delays experienced in transitioning the business model of that business. Hein Weyers continued in an acting role as the Managing Executive responsible for Training. The business transitioned to profitability during the current year. His performance rating takes into consideration the impact on the segment's financial performance, posed by delays in exiting certain SETA-related business. Ursula Fear joined the Group in February 2019 as the Managing Director: Training and relieves Hein Weyers who has been in an acting capacity for the past year. It is too soon to rate achievement of targets and therefore no rating is available for the current year. FY2020 focus areas The performance metrics for FY2020 are aligned to the effective transition by the Group in to the new operating model.

The new leadership structure will result in the following segment Managing Director roles that will be included as prescribed officers in FY2020

- Managing Director: Australia
- Managing Director: Resourcing
- Managing Director: Training
- Managing Director: Outsourcing

The FY2020 focus areas for these segment Managing Directors will be aligned to the effective transition into the various pillars whilst delivering on agreed FY2020 financial targets.

Vikela Rankin joined the Group in July 2018. The role of the Chief Commercial Officer is to drive the Group's go-to-market activities with a view to ensuring profitable growth.

The scorecard for his individual incentives included the following focus areas:

- Brand architecture review
- Key account management strategy
- Sales and marketing team alignment

The performance metrics for FY2020 will ensure expansion of our solutions in to current and new clients.

Vinolia Singh joined the Group in September 2018 as Chief People Officer with a mandate to drive culture change across the Group and enhance employee value proposition. The scorecard for her individual incentives included the following focus areas:

- Organisational review
- Policy alignment
- Launch of culture change initiatives
- New improved HR value chain strategy
- Talent management strategy

Remuneration review continued

Her performance metrics for FY2020 are aligned to the effective transition by the Group in to the new operating model with a focus on people, culture alignment as well as change management and automation of HR practices.

Remuneration outcomes

The table below provides the details on the remuneration outcomes for FY2019:

	2019 actual R'000			2018 actual R'000			Long-term incentives							
							Number of shares					Fair value at year-end		
	TGP	Bonus	Total	TGP	Bonus	Total	Nature	Opening balance	Granted during 2019	Forfeited/Lapsed during 2019	Exercised/Settled during 2019			Closing balance
I Dutiro ¹	5 803	5 575	11 378	2 291	1 833	4 124	Sign on award Sign on SARS LTI	930 533 1 500 000				930 533 1 500 000 316 698	5 500	16 740 11 952 5 436
CJ Kujenga ²	3 560	2 101	5 661	2 249	891	3 140	Sign on award LTI	241 000 –				241 000 116 568	2 024	4 336 2 001
MA Jurgens ³	5 806		5 806	5 789	2 713	8 502	Sign on award LTI	391 466 244 650	(391 466) (328 996)	(105 000)		–		
R de Grooth	2 504	1 233	3 737	1 914	1 000	2 914	LTI	70 000	68 671			138 671	1 193	1 808
K Vittee	2 691	998	3 689	2 574	950	3 524	LTI	244 650	74 132	(105 000)		213 782	1 287	3 785
H Weyers	1 324	210	1 534	1 267	400	1 667	LTI		36 478			36 478	634	626
U Fear ⁴	183	500	683				LTI	–	–			–		–

¹ I Dutiro joined the Group in October 2017.

² CJ Kujenga joined the Group in July 2017.

³ MA Jurgens stepped down in January 2019.

⁴ U Fear joined the Group in February 2019. She received a sign on bonus of R500 000.

Future measurement of Executive and senior management performance

As outlined in the table on page 74, the FY2020 performance metrics have been based on a three-tier approach:

- Financial targets related to achieving FY2020 budgets and will include Group segment financial metrics

- Quantitative strategic focus areas of measurable activity that is required to be undertaken in FY2020 and that will have a positive impact in ensuring achievement of medium to long-term strategic goals
- Qualitative individual strategic

FINANCIAL AND STRATEGIC DRIVERS

Based on strategy direction and prioritisation

LINKED TO SHORT TERM

Realisation of FY2020 financial targets

LINKED TO DIFFERENTIAL INVESTMENT AND GROWTH

Realisation of FY2020 strategic targets

REQUIRED IN FY2020 BUT LINKED TO FY2022 TARGETS

Set the foundation for realisation of FY2021 and FY2022 targets

Non-executive directors

Appointment of executive and non-executive directors

Both executive and non-executive directors are subject to ratification by shareholders at the first annual general meeting following their appointment and are then required to submit their resignation by rotation in accordance with the Company's MOI.

The appointment of a non-executive director may be terminated without compensation if that director is not re-elected by shareholders, or otherwise in accordance with the Company's MOI.

Non-executive director fees

Non-executive directors are appointed to the Board based on their ability to contribute competence, insight and experience appropriate to assisting the Group to set and achieve its objectives. Consequently, fees are set at levels to attract and retain the calibre of director necessary to contribute to a highly effective board. Non-executive directors receive fees for their services as directors and for services provided as members of board committees. They do not receive short-term incentives, nor do they participate in long-term incentive schemes.

Board fees comprise both a retainer fee and an attendance fee. The level of fees paid to non-executive directors is based on current market practice and similar comparators. The total remuneration payable to non-executive directors requires approval of shareholders at the annual general

meeting. The last approval by shareholders was obtained at the annual general meeting of shareholders on 30 July 2018.

During the current financial year, a report was requested from an independent service provider to compare Adcorp's non-executive directors' fees for board and committee members to the fees disclosed by the listed comparator group in the public domain. The comparator group comprised eight companies with a similar profile to that of Adcorp from an investor perspective. The basis for determining the comparator group was on the following elements:

- Total assets
- Market capitalisation
- Turnover
- Profits before tax
- Number of employees.

This analysis resulted in changes to directors' fees for FY2020, which are set out Special Resolution 8 in the Notice to the annual general meeting on page 90. This will be tabled at the AGM scheduled for 30 July 2019.

Total emoluments to non-executive directors are tabled on page 90.

Directors' loans

Directors have no loans with the Group companies.

Interest of directors in contracts

A register detailing directors' and officers' personal financial interest is available for inspection at the Group's registered address.

Report of the Transformation, Social and Ethics Committee

“Our Committee not only met its responsibilities but at the same time, by providing effective and ethical leadership, it made an important contribution to Adcorp’s sustainable value creation and its performance as a responsible corporate citizen.”

Mncane Mthunzi

*Chairman of the Transformation,
Social and Ethics Committee*



The Transformation, Social and Ethics Committee's (TSEC) responsibilities are set out in section 72(4) of the Companies Act 71 of 2008 (as amended). TSEC assists the Board in fulfilling its obligations with regard to the application of King IV, the Broad-Based Black Economic Empowerment (B-BBEE) Act (as amended) and the Employment and Equity Act.

- monitoring and oversight of ethics
- reviewing and monitoring compliance with and application of legislation and practices with regard to the environment, health, public safety and well-being of Adcorp's employees, assignees and candidates
- ensuring the policies and practices relevant to its areas of responsibility are adequately and appropriately formulated
- monitoring the Group's performance as a good corporate citizen, which includes its stakeholder relations and, where possible, exceeding its social commitments
- monitoring Adcorp's engagement with its clients
- reporting to stakeholders annually on matters relevant to the TSEC



For details of attendance at the Committee's meetings during the 2019 financial year see pages 24 to 29 of this integrated report

The Committee focused on the following areas during FY2019:

Ethics

During the year under review, the Committee reviewed the quarterly report on any unethical behaviour, evaluated the structures and policies and procedures Adcorp has in place in terms of addressing fraud and corruption and ensuring compliance and noted that Adcorp's top management, who are committed to implementing the Company and Intellectual Property Commission's (CIPC) guidelines, do not tolerate corruption in any form.

The Committee's mandate is set out in its board-approved term of reference (TOR), which are aligned to the Group's statutory and other responsibilities, as assigned by the Board. The TOR is reviewed annually to ensure its appropriateness.

I was honoured to ensure that our Committee not only met its responsibilities but that at the same time, by providing effective and ethical leadership, it made an important contribution to Adcorp's sustainable value creation and its performance as a responsible corporate citizen.

The Committee reviews quarterly reporting on its responsibilities, which include:

- monitoring and oversight of Adcorp's transformation and employment equity performance against plans

An independent Internal Audit, Compliance and Risk function is in place at Adcorp. The policies the Group has in place govern gifts; charitable donations and sponsorship; hospitality, entertainment and expenses; and sponsorships. The Group's proposed new code of ethics and business conduct, which includes Adcorp's position on facilitation payments, solicitation and extortion and political contributions, was presented to the Committee for consideration and approval.

Transformation

The Committee spent a substantial amount of time on addressing transformation, both in terms of compliance with the South African regulatory landscape and also in terms of ensuring a mindful approach to true broad-based empowerment. Adcorp made progress with regard to employment equity during FY2019. A three-year plan to increase the percentage of black employees has been developed and will be implemented in FY2020. Employment equity targets will also be part of the key performance measures for leaders across the Group.

The Committee also monitored the introduction of the National Minimum Wage and its impact on Adcorp's clients as well as Adcorp's engagement with clients in this regard. The Committee is satisfied that the Group and its clients are compliant with this legislation.

Engagement with our employees

The Chief People Officer kept the Committee up to date with the redesign of the Group's human resource development and capacity-building strategies and its ability to effectively support the strategic transformation of the business. The transformation is resulting in the need to introduce new capabilities into certain portions of the Group, whilst simultaneously resulting in redundancies in other parts of the Group. The Committee worked closely with the management team to ensure that these processes were fair and

transparent, and that the Group worked closely to reskill and position staff for opportunities both within the Group and externally.

Stakeholder engagement

The Group has put a stakeholder engagement strategy and framework in place designed to reposition Adcorp in the industry. This will be a focus area of the Committee for FY2020.

Corporate social investment

Our corporate social investment programme continued to maintain its focus on areas that support the development and education of young people that should equip them for full and productive employment.

Sustainability

The TSEC addressed Adcorp's performance in key sustainability areas including human rights, labour law compliance, key stakeholder relations, good corporate citizenship, maintaining our social licence to operate, as well as issues key to the Group's ability to continue operating successfully, which includes its B-BBEE status and Protection of Personal Information Act (POPIA).

Conclusion

Going forward, as its ethos of ethics, transformation and sustainability becomes embedded throughout the business the Committee will have the opportunity to expand its activities in a meaningful way to support the Group's aspiration to become a leading workplace solutions company and market leader in human capital and talent management.

Mncane Mthunzi

Chairman of the Transformation, Social and Ethics Committee

28 June 2019



Independent assurance report

Introduction

IBIS ESG Assurance Proprietary Limited (IBIS) was appointed by Adcorp Holdings Limited (Adcorp) to conduct an independent third-party assurance engagement in relation to selected sustainability information in Adcorp's Integrated Report (the report) for the financial year that ended 28 February 2019.

IBIS is an independent and licensed provider of sustainability assurance services. The assurance engagement was led by Director Petrus Gildenhuys with support from sustainability assurance practitioners Adam Sutton-Pryce, Jason Naidoo and technical specialist, Paul Ben-Israel from IBIS. Petrus is a Lead Certified Sustainability Assurance Practitioner (LCSAP) with 20 years' experience in sustainability performance measurement involving both advisory and assurance work.

Assurance standard applied

This assurance engagement was performed in accordance with AccountAbility's AA1000AS (2008) standard and was conducted to meet the AA1000AS Type II moderate level requirements.

Respective responsibilities and IBIS' independence

Adcorp is responsible for preparing the report and for the collection and presentation of sustainability information within the report, notwithstanding any third-party support in compiling the report. IBIS' responsibility is to Adcorp and in accordance with the terms of reference agreed with Adcorp.

IBIS applies a strict independence policy and confirms its impartiality to Adcorp in delivering the assurance engagement. This assurance engagement is the third consecutive Integrated Report assurance engagement conducted for Adcorp by IBIS.

Assurance objectives

The purpose of the assurance engagement was to provide the management of Adcorp and its stakeholders with an independent moderate level assurance opinion on whether the report meets the following objectives:

- Adherence to the AA1000APS (2008) AccountAbility principles of inclusivity, materiality and responsiveness.
- Fair reporting on a selection of Key Performance Indicators (KPIs) as related to the identified material issues listed alongside.

For both permanent and temporary workforce:

- South African workforce composition by race, gender, citizenship and disability (pages 49 and 50 and 57 and 58)
- South African labour turnover rate by province, gender and age group (page 59)
- Incidents of child labour statement (page 56)
- Incidents of forced labour statement (page 56)
- Incidents of discrimination statement (page 56)

For temporary workforce only:

- Number of employees covered by collective bargaining agreements (page 57)

Environmental:

- Amount of fuel (diesel and petrol) used within the Scope 1 reporting boundary (page 67)
- Amount of printing paper used (page 67)

Work performed by IBIS

IBIS performed the assurance engagement in accordance with the AccountAbility AA1000AS (2008) Type II requirements. The following suitable assessment criteria was used in undertaking the work:

- AA1000APS (2008) (AccountAbility Principles Standard) published criteria for inclusivity, materiality and responsiveness respectively; and
- For the workforce, economic and environmental disclosures: the validity, accuracy and completeness of data as per Adcorp's reporting procedure.

Our assurance methodology included:

- Interviews with relevant functional managers at Adcorp to understand and evaluate the processes in place for adherence to the AA1000APS principles and the underlying data management systems for the disclosures;
- Data interrogation was performed at a high level for the entire population for Adcorp South Africa;
- Testing, on a sample basis, the measurement, collection, aggregation and reporting of selected sustainability information for the most material operations including Adcorp Blu, Charisma, Paracon, Quest Staffing and Quest Support;

- Inspection and corroboration of supporting evidence to evaluate the data generation and reporting processes against the assurance criteria;
- Reporting the assurance observations to management as they arose to provide an opportunity for corrective action prior to completion of the assurance process; and
- Assessing the presentation of information relevant to the scope of work in the report to ensure consistency with the assurance observations.

Engagement limitations

IBIS planned and performed the work to obtain all the information and explanations believed necessary to provide a basis for the assurance conclusions for a moderate assurance level in accordance with AA1000AS (2008).

The procedures performed in a moderate assurance engagement vary in nature from, and are less in extent than for, a high assurance engagement. As a result, the level of assurance obtained for a moderate assurance engagement is lower than for high assurance as per AA1000AS (2008).

It is noted that workforce detail at the scale of Adcorp is continually changing due to staff movement. The data reported and tested was as at the last day of the financial year unless otherwise specified. It is important to understand the moderate assurance conclusion in this context.

Assurance conclusion

In our opinion, based on the work undertaken for moderate assurance as described, we conclude that the subject matter in the scope of this assurance engagement have been prepared in accordance with the defined boundaries and reporting criteria, and are free from material misstatement in respect of:

- Adcorp's adherence to the AA1000APS principles of inclusivity, materiality and responsiveness; and
- The selected disclosures identified under assurance objectives above and as presented in the published report.

Key observations and recommendations

Based on the work set out above, and without affecting the assurance conclusions, the key observations and recommendations for improvement are as follows:

In relation to the inclusivity principle

Adcorp's leadership recognised its accountability and has expressed its commitment to create shared value for all its stakeholders in alignment with its corporate strategy. Evidence observed points to stakeholder engagement involving a wide range of external stakeholders.

In relation to the materiality principle

Adcorp's material issues were identified by its leadership team during a process of mapping out the Group's strategy. Going forward, it is recommended that Adcorp also embark on an annual materiality determination process that includes a range of key external stakeholders to enhance inclusive decision making.

In relation to the responsiveness principle

Adcorp has demonstrated understanding and responsiveness to stakeholder matters arising during the reporting period. Stakeholder engagement activities were tracked during the year through a stakeholder engagement action plan that relates to the Group's strategic imperatives. It is recommended that Adcorp continue with the implementation of its stakeholder engagement action plan.

In relation to the selected disclosures

IBIS found that adequate processes and systems are in place to capture source-data for the disclosures assessed in the assurance scope. This was supported by the slight decrease in the error rates noted during the sampling process compared to the previous reporting period. However, a number of data inconsistencies were noted by the assurance team during the assessment of the overall database. It is recommended that the Internal Audit function continues with its scope of work and focuses on data input quality controls at operational level.

A comprehensive management report detailing specific findings and recommendations for continued sustainability reporting improvement has been submitted to Adcorp management for consideration.



Petrus Gildenhuys
Director

IBIS ESG Assurance (Pty) Ltd
Johannesburg

26 June 2019



The assurance statement provides no assurance on the maintenance and integrity of sustainability information on the website, including controls used to maintain this. These matters are the responsibility of Adcorp.

Shareholders' information

Analysis of ordinary shareholders as at 28 February 2019*

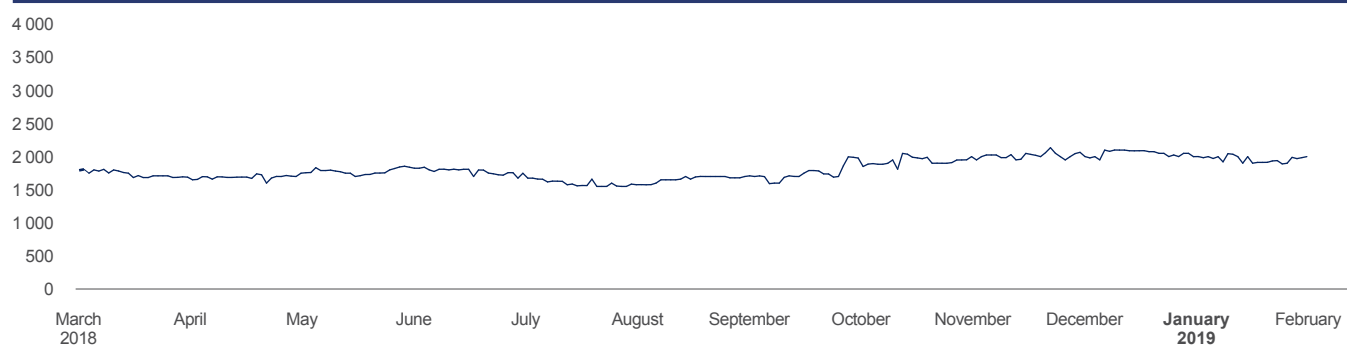
	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Shareholder spread				
1 – 1 000 shares	1 808	72,55%	420 608	0,38%
1 001 – 10 000 shares	340	13,64%	1 182 441	1,08%
10 001 – 100 000 shares	217	8,71%	7 888 385	7,17%
100 001 – 1 000 000 shares	101	4,05%	31 656 604	28,79%
1 000 001 shares and over	26	1,04%	68 806 637	62,58%
Total	2 492	100,00%	109 954 675	100,00%
Distribution of shareholders				
Assurance companies	21	0,84%	2 156 498	1,96%
Close corporations	19	0,76%	160 219	0,15%
Collective investment schemes	95	3,81%	41 194 454	37,46%
Control accounts	1	0,04%	—	0,00%
Custodians	11	0,44%	40 661	0,04%
Foundations and charitable funds	27	1,08%	741 108	0,67%
Hedge funds	1	0,04%	44 079	0,04%
Insurance companies	5	0,20%	410 745	0,37%
Investment partnerships	11	0,44%	393 377	0,36%
Managed funds	17	0,68%	1 704 372	1,55%
Medical aid funds	8	0,32%	412 729	0,38%
Organs of state	4	0,16%	3 930 223	3,57%
Private companies	33	1,32%	636 730	0,58%
Public companies	2	0,08%	49 423	0,04%
Public entities	1	0,04%	—	0,00%
Retail shareholders	1 938	77,77%	1 405 792	1,28%
Retirement benefit funds	158	6,34%	33 130 212	30,13%
Scrip lending	5	0,20%	18 982 548	17,26%
Sovereign funds	2	0,08%	52 041	0,05%
Stockbrokers and nominees	17	0,68%	1 954 285	1,78%
Treasury	1	0,04%	1 318 161	1,20%
Trusts	104	4,17%	1 236 465	1,12%
Unclaimed scrip	11	0,44%	—	0,00%
Total	2 492	100,00%	109 954 675	100,00%
Shareholder type				
Non-public shareholders	9	0,36%	43 844 634	39,88%
Directors and associates (direct holding)	2	0,08%	48 000	0,04%
Directors and associates (indirect holding)	5	0,20%	25 403 569	23,10%
Treasury	1	0,04%	1 318 161	1,20%
Beneficial holders >10%	1	0,04%	17 074 904	15,53%
Public shareholders	2 483	99,64%	66 110 041	60,12%
Total	2 492	100,00%	109 954 675	100,00%
Fund managers with a holding greater than 5% of the issued shares				
Value Capital Partners			25 355 569	23,06%
Allan Gray			20 307 578	18,47%
Kagiso Asset Management			14 774 722	13,44%
PSG Asset Management			10 729 943	9,76%
Total			71 167 812	64,72%
Beneficial shareholders with a holding greater than 5% of the issued shares				
Legae Perese Equity			17 608 499	16,01%
Allan Gray			10 245 566	9,32%
PSG			10 228 648	9,30%
Sentinel Mining Industry Retirement Funds			6 240 059	5,68%
Total			44 322 772	40,31%
Total number of shareholders	2 492			
Total number of shares in issue		109 954 675		

* This is as at 22 February being the last Friday of the month when STRATE runs the monthly register.

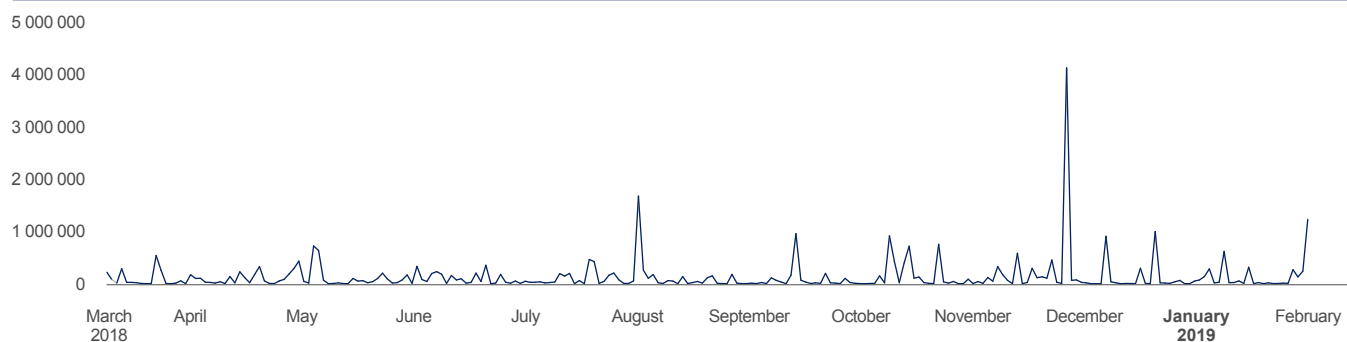
Five-year share price performance (cents)



Adcorp price chart – daily closing price (cents)



Adcorp price chart - 1 March 2018 to 28 February 2019 (volume)



JSE share price performance

Opening price 1 March 2018	R17,31
Closing price 28 February 2019	R20,00
Closing high for period	R21,35
Closing low for period	R15,50
Number of shares in issue	109 954 675
Volume traded during period	32 834 894
Ratio of volume traded to shares issued	29,86%
Rand value traded during the period	R601 388 255
Price/earnings ratio as at 28 February 2019	(141,84%)
Earnings yield as at 28 February 2019	(0,71%)
Dividend yield as at 28 February 2019	0,00
Market capitalisation at 28 February 2019	R2 199 093 500

Notice of annual general meeting

Adcorp Holdings Limited

Incorporated in the Republic of South Africa

Registration number: 1974/001804/06

Share code: ADR ISIN: ZAE000000139

(Adcorp or the Company or the Group)

If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant (CSDP), broker, banker, attorney, accountant or other professional adviser immediately.

Notice is hereby given to shareholders recorded in the Company's share register on Friday, 24 May 2019, that the annual general meeting (AGM) of shareholders of Adcorp Holdings Limited will be held at 08:30 on Tuesday, 30 July 2019, at the office of the Company, Adcorp Office Park, Nicolway East, Bryanston, Cnr William Nicol Drive and Wedgewood Link, Bryanston, Johannesburg, South Africa, for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions set out hereunder.

The Board of Directors of the Company has determined, in terms of section 62(3)(a), as read with section 59 of the Companies Act, No 71 of 2008 (the "Companies Act"), the record date for the purposes of determining which shareholders of the Company are entitled to participate in and vote at the AGM is Friday, 19 July 2019. Accordingly, the last day to trade Adcorp shares in order to be recorded in the register to be entitled to vote will be Tuesday, 16 July 2019.

Kindly note that meeting participants (including shareholders and proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, driver's licences and passports.

Electronic participation in the AGM

Shareholders or their proxies may participate in the AGM by way of a teleconference call and, if they wish to do so:

- are requested to contact the Company Secretary (by email at the address sihle.ncube@adcorpgroup.com) by no later than 08:30 on Thursday, 25 July 2019, in order to obtain a pin number and dial-in details for that conference call;
- will be required to provide reasonably satisfactory identification;
- will be billed separately by their own telephone service providers for their telephone call to participate in the AGM; and
- participation in the AGM by way of electronic participation will not entitle a shareholder to vote. Should a shareholder wish to vote at the AGM, he/she may do so by attending and voting at the AGM either in person or by proxy.

The purpose of the AGM is to present the annual financial statements for the year ended 28 February 2019 and to consider and, if deemed fit, to pass, with or without modification, the ordinary and special resolutions set out in this notice. The annual financial statements are presented at the AGM in accordance with section 30(3)(d) and section 60(3)(d) of the Companies Act. The complete set of annual financial statements are also available at www.adcorpgroup.com

Ordinary resolutions

The minimum percentage of voting rights required for each of the resolutions set out in items 1 to 7 below to be adopted, is more than 50% of the voting rights exercised on each of the resolutions by shareholders present or represented by proxy at the AGM.

1. Ordinary resolutions number 1.1 to 1.4: Election and re-election of directors

To elect, by separate resolutions, P Mnganga, MM Nkosi and H Singh who were appointed as directors post the previous AGM held on 30 July 2018, in accordance with the Company's Memorandum of Incorporation (MOI).

To re-elect, by way of separate resolution, SN Mabaso-Koyana who retires by rotation in accordance with the provisions of the Company's MOI and offers herself for re-election.

Details of the directors offering themselves for election and re-election are as follows:

- 1.1 SN Mabaso-Koyana – Date of appointment 14 September 2012
- 1.2 P Mnganga – Date of appointment 6 September 2018
- 1.3 MM Nkosi – Date of appointment 19 October 2018 (alternate director to S Sithole)
- 1.4 H Singh – Date of appointment 6 September 2018

Refer to pages 24 to 26 of this integrated annual report of which this notice forms part for a brief description and curriculum vitae of each director.

2. Ordinary resolutions number 2.1 to 2.4: Election of Audit and Risk Committee members

To elect, each by way of a separate resolution, the following independent non-executive directors, as members of the Company's Audit and Risk Committee:

2.1 SN Mabaso-Koyana: Chairperson

2.2 FS Mufamadi: Member

2.3 H Singh: Member

2.4 MW Spicer: Member

Refer to pages 24 to 27 of this integrated annual report of which this notice forms part for a brief description and curriculum vitae for each Audit and Risk Committee member.

3. Ordinary resolution number 3: Reappointment of independent external auditor

To reappoint Deloitte & Touche as the independent registered auditor of the Company for the ensuing financial year, and to note that the individual registered auditor who will undertake the audit during the financial year ending 29 February 2020 is MLE Tshabalala.

The Audit and Risk Committee and the Board have evaluated the performance and independence of Deloitte & Touche and recommend their reappointment as the external auditors of the Company.

4. Ordinary resolution number 4: Place 2 000 000 of the authorised but unissued ordinary shares under the control of the directors

To place 2 000 000 of the unissued ordinary shares in the authorised share capital of the Company under the control of the directors as a specific authority in terms of the Companies Act, from time to time, subject to the provisions of the Companies Act and the JSE Listings Requirements. These shares are specifically for the issue of shares to employees in order to meet the Company's commitment in terms of the Adcorp Holdings 2006 Share Trust.

5. Ordinary resolution number 5: Non-binding advisory vote on the remuneration policy

To endorse, by way of a non-binding advisory vote, the Company's remuneration policy, as set out in the integrated annual report on pages 71 to 76.

Shareholders are reminded that in terms of King IV, the passing of this ordinary resolution is by way of a non-binding vote. Should 25% or more of the votes cast vote against this ordinary resolution, Adcorp undertakes to engage with shareholders as to the reasons therefor.

6. Ordinary resolution number 6: Non-binding advisory vote on the remuneration implementation report

To endorse, by way of a non-binding advisory vote, the Company's remuneration implementation report, as set out in the integrated annual report on pages 76 to 81.

Shareholders are reminded that in terms of King IV, the passing of this ordinary resolution is by way of a non-binding vote. Should 25% or more of the votes cast vote against this ordinary resolution, Adcorp undertakes to engage with shareholders as to the reasons therefore.

7. Ordinary resolution number 7: Authority to implement resolutions passed at the AGM

To resolve that any director or the Company Secretary of the Company be authorised to do all such things, perform all acts and sign all such documentation as may be required to give effect to the ordinary and special resolutions passed at this AGM or any adjustment thereof.

Notice of annual general meeting continued

Special resolutions

For special resolutions to be adopted, a majority of 75% (seventy-five percent) of the voting rights exercised on each special resolution must be exercised in favour of such resolution by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution concerned.

8. Special resolution number 1: Remuneration payable to non-executive directors

The remuneration structure, excluding value added tax, of the non-executive directors are proposed as follows:

	Retainer fee per meeting		Attendance fee per meeting	
	Current for 2018/2019	Proposed for 2019/2020	Current for 2018/2019	Proposed for 2019/2020
Board				
Chairperson	95 191	95 191	142 787	142 787
Lead independent non-executive	31 810	37 047	47 716	52 953
Non-executive	26 508	26 508	39 763	39 763
Ad hoc work performed by non-executive directors in their role as directors (hourly rate)	–	–	2 650	2 650
Audit and Risk Committee				
Chairperson	31 516	31 516	47 275	47 275
Non-executive	15 759	15 759	23 637	23 637
Remuneration Committee				
Chairperson	13 741	24 064	20 613	30 936
Non-executive	8 217	10 446	12 326	14 555
Nominations Committee				
Chairperson	13 741	13 741	20 613	20 613
Non-executive	8 217	8 217	12 326	12 326
Transformation, Social and Ethics Committee				
Chairperson	12 959	12 959	19 438	19 438
Non-executive	8 217	8 217	12 326	12 326
Investment Committee				
Chairperson	31 516	31 516	47 275	47 275
Non-executive	15 759	15 759	23 637	23 637

9. Special resolution number 2: Repurchase of the Company's shares

To resolve that the Company, and/or a subsidiary of the Company, is authorised to repurchase or purchase, as the case may be, shares issued by the Company, from any person, upon such terms and conditions and in such number as the directors of the Company or the subsidiary may from time to time determine, including that such shares be repurchased or purchased subject to the applicable requirements of the Company's MOI, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time; and subject further to the restriction that the repurchase or purchase, as the case may be, by the Company and/or any of its subsidiaries, of shares in the Company of any class under this authority shall not, in aggregate in any one financial year, exceed 10% of the shares in issue in such class as at the commencement of such financial year. The repurchase of shares would be utilised to settle future vesting of shares for the employee share scheme.

It is recorded that, as at 17 May 2019, being the last practicable date before finalisation of this notice, the JSE Listings Requirements provide, inter alia, that the Company, or any subsidiary of the Company, may only make a general repurchase of the shares in the Company subject to the following:

- Any such repurchase of shares is effected through the order book operated by the trading system of the JSE Limited (JSE) and done without any prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited).
- Authorisation thereto is given by the Company's MOI.
- At any point in time, the Company may appoint only one agent to effect any repurchase(s) on its behalf.
- The general authority shall be valid only until the Company's next AGM or 15 months from the date of passing of this special resolution, whichever is earlier.

- A resolution by the Board that it authorises the repurchase, that the Company and its subsidiaries have passed the solvency and liquidity test, and that from the time that the test was performed there have been no material changes to the financial position of the Group.
- When the Company or a subsidiary of the Company has cumulatively repurchased 3% of any class of the Company's shares in issue on the date of passing of this special resolution (the initial number), and for each 3% in aggregate of that class of shares acquired thereafter, in each case in terms of this resolution, an announcement shall be published on the Securities Exchange News Service (SENS) of the JSE and in the press, giving such details as may be required in terms of the JSE Listings Requirements.
- The Company or its subsidiaries may not repurchase any of the Company's shares during a prohibited period as defined in the JSE Listings Requirements, unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and the Company has submitted the repurchase programme to the JSE in writing. The Company will instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently of, and uninfluenced by, the Company, prior to commencement of the prohibited period to execute the repurchase programme submitted to the JSE.
- No repurchases may be made at a price which is greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction is effected (the maximum price). The JSE will be consulted for a ruling if the Company's securities have not traded in such a five-day period.

After considering the effects of such maximum repurchase, the directors will, in accordance with sections 44(3)(b) and 45(3)(b) of the Companies Act, ensure that the financial assistance is only provided if the requirements of those sections are satisfied, inter alia, that immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test set out in section 4 of the Companies Act.

Adequacy of working capital in terms of section 11.26 of the JSE Listings Requirements

The directors of the Company will ensure that, after considering the effect of the maximum repurchase and for a period of 12 months thereafter:

- the Company and the Group will be able, in the ordinary course of business, to pay its debts for a period of 12 months after the date the Board approves the repurchase of its shares;
- assets of the Company and the Group will be in excess of the liabilities of the Company and the Group for a period of 12 months after the date the Board approves the repurchase of its shares. For this purpose, the assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited Group annual financial statements;
- share capital and reserves of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date the Board approves the repurchase of its shares; and
- working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date the Board approves the repurchase of its shares.

10. Special resolution number 3: Financial assistance for the provision of loans or other financial assistance to present or future related and inter-related companies

To authorise the directors, in terms of and subject to the provisions of section 44 of the Companies Act, to cause the Company to provide financial assistance by way of a loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any debt securities, issued or to be issued by the Company or a present or future related or inter-related company or for the purchase of any debt securities of the Company or a present or future related or inter-related company in terms of section 44 of the Companies Act.

To authorise the directors, in terms of and subject to the provisions of section 45 of the Companies Act, to cause the Company to provide direct or indirect financial assistance to any company or corporation or future company or corporation which is related or inter-related to the Company, for such amounts and on such terms and conditions as the Board of the Company may determine.

Notice of annual general meeting continued

Other disclosure in terms of section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosure, which is contained in the annual report of which this notice forms part:

- Directors and management (pages 24 to 31)
- Major shareholders of the Company (page 86)
- Directors' interest in securities (page 161)
- Stated capital of the Company (page 147)

Material change

There have been no material changes in the affairs or financial position of the Company and its subsidiaries since the Company's financial year-end and the date of this notice.

Directors' responsibility statement

The directors, whose names are given on pages 24 to 29 of this integrated annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the special resolutions and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolutions contain all such information as required by law and the JSE Listings Requirements.

Voting and proxies

1. An ordinary and/or 'B' ordinary shareholder entitled to attend and vote at the AGM may appoint any individual (or two or more individuals) as a proxy or as proxies to attend, participate in and vote at the AGM in the place of the shareholder. A proxy need not be a shareholder of the Company.
2. A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment, remains valid only until the end of the AGM.
3. A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.
4. The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.
5. The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the Company as required in the first sentence of this paragraph.
6. If the instrument appointing the proxy or proxies has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Act or the Company's MOI to be delivered by the Company to the shareholder, must be delivered by the Company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the Company to do so in writing; and (ii) paid any reasonable fee charged by the Company for doing so. Attention is also drawn to the "Explanatory notes regarding proxy".

It is recommended that proxy forms should be delivered to the transfer secretaries, 4 Africa Exchange Registry (Pty) Ltd, Cedar Woods House, Ballywoods Office Park, 33 Ballyclare Drive, Bryanston, 2191, so as to reach this address by no later than 08:30 on Friday, 26 July 2019. A proxy form not lodged by this time may be handed to the Chairman before the due commencement of the meeting.

Shareholders who have dematerialised their shares, other than with "own name" registration, should contact their Central Securities Depository Participant (CSDP) or stockbroker:

- to furnish their CSDP or stockbroker with their voting instructions; or
- in the event that they wish to attend the meeting, to obtain the necessary letter of representation to do so.

This must be done in terms of the agreement entered into between the shareholder and the CSDP or stockbroker concerned.

Any shareholder having difficulties or queries with regard to the above may contact the Company Secretary on:

Telephone: 011 244 5313

Email: sihle.ncube@adcorpgroup.com

By order of the Board



Kevin Fihrer
Company Secretary

17 May 2019

Form of proxy



Adcorp Holdings Limited

Incorporated in the Republic of South Africa Registration number: 1974/001804/06 Share code: ADR ISIN: ZAE000000139

(Adcorp or the Company)

This proxy form relates to the annual general meeting (AGM) to be held on Tuesday, 30 July 2019, at 08:30 at Adcorp, Nicolway East, Bryanston, Cnr William Nicol Drive and Wedgewood Link, Bryanston, Johannesburg, and is for use by certificated ordinary shareholders and dematerialised shareholders with "own name" registrations on the date of the meeting.

Please print clearly when completing this form and see the instructions and notes at the end of this form for an explanation of the use of this proxy form and the rights of the shareholder and the proxy.

I/We (full name in block letters)

of (address)

being a shareholder of the Company and the registered holder(s) of ordinary shares in the Company

do hereby appoint or failing him/her

the chairman of the AGM, to attend and participate in the meeting and to speak and vote or abstain from voting for me/us and on my/our behalf in respect of all matters arising (including any poll and all resolutions put to the meeting) at the meeting, even if the meeting is postponed, and at any resumption thereof after any adjournment.

Please indicate with an "X" in the appropriate spaces below how you wish your votes to be cast. Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

		In favour of	Against	Abstain
1.	Ordinary resolutions number 1.1 to 1.4: Election and re-election of directors			
	1.1 SN Mabaso-Koyana			
	1.2 P Mnganga			
	1.3 MM Nkosi			
	1.4 H Singh			
2.	Ordinary resolutions number 2.1 to 2.4: Election of Audit and Risk Committee members			
	2.1 SN Mabaso-Koyana			
	2.2 FS Mufamadi			
	2.3 H Singh			
	2.4 MW Spicer			
3.	Ordinary resolution number 3: Reappointment of independent external auditor			
4.	Ordinary resolution number 4: Place 2 000 000 of the authorised but unissued ordinary shares under the control of the directors			
5.	Ordinary resolution number 5: Non-binding advisory vote on the remuneration policy			
6.	Ordinary resolution number 6: Non-binding advisory vote on the remuneration implementation report			
7.	Ordinary resolution number 7: Authority to implement resolutions passed at the AGM			
8.	Special resolution number 1: Remuneration payable to non-executive directors			
9.	Special resolution number 2: Repurchase of the Company's shares			
10.	Special resolution number 3: Financial assistance for the provision of loans or other financial assistance to present or future related and inter-related companies			

Signed this day of 2019

Signature

Please provide contact details Tel: () Fax: ()

Mobile number: Email:

Each member is entitled to appoint a proxy (who need not be a member of the Company) to attend, speak and vote in place of that member at the AGM.

Please read the notes to the form of proxy on the reverse side.

Explanatory notes regarding proxy

1. The form of proxy must only be used by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
2. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the AGM must provide the CSDP or broker with their voting instructions in terms of the relevant agreement entered into between them and the CSDP or broker.
3. An ordinary and/or 'B' ordinary shareholder entitled to attend and vote at the AGM may insert the name of a proxy or the names of two or more alternate proxies of the shareholder's choice in the space provided, with or without deleting "the chairperson of the AGM". The person whose name stands first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of such proxy(ies) whose names follow.
4. An ordinary and/or 'B' ordinary shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary and/or 'B' ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the AGM as he/she deems fit in respect of all the shareholder's exercisable votes. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
5. A vote given in terms of an instrument of proxy will be valid in relation to the AGM despite the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the proxy is given, unless notice on any of the noted matters has been received by the transfer secretaries not less than 48 hours before the start of the AGM.
6. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the AGM be proposed, such proxy shall be entitled to vote as he/she thinks fit.
7. The chairperson of the AGM may reject or accept any form of proxy which is completed and/or received other than in compliance with the Act, the MOI and these notes.
8. A shareholder's authorisation to the proxy, including the chairperson of the AGM, to vote on such shareholder's behalf, will be deemed to include the authority to vote on procedural matters at the AGM.
9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person to the exclusion of any proxy appointed in terms hereof.
10. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's transfer secretaries or it is waived by the chairperson of the AGM.

11. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the Company.
12. Where there are joint holders of shares:
 - any one holder may sign the form of proxy; and
 - the vote(s) of the senior shareholder(s) (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Company's register of shareholders) who tender(s) a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
13. It is recommended that forms of proxy be lodged with or mailed to the transfer secretaries, 4 Africa Exchange Registry (Pty) Ltd, Cedar Woods House, Ballywoods Office Park, 33 Ballyclare Drive, Bryanston, 2191, so as to reach this address by no later than 08:30 on Friday, 26 July 2019. A proxy form not lodged by this time may be handed to the chairman before the due commencement of the meeting.
14. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.

The image shows a cover for 'Annual financial statements'. It features a dark grey background with a large, rounded rectangular frame in a dark blue color. The top-left corner of this frame is accented with a red curved line. The title 'Annual financial statements' is written in a bold, white, sans-serif font, centered within the frame. The bottom-right portion of the image is a diagonal cutout revealing a textured, teal-colored surface, and the bottom edge shows a close-up of a brown, textured fabric, possibly a jacket or sweater.

Annual financial statements



Approval of the consolidated annual financial statements

To the shareholders of Adcorp Holdings Limited

The Board of Directors is responsible for the preparation of the consolidated annual financial statements of Adcorp Holdings Limited.

The Board acknowledges its duty to ensure balanced content and fair presentation in the consolidated annual financial statements so that it provides a comprehensive assessment of the performance of the Group for the financial year ended 28 February 2019.

The consolidated annual financial statements are prepared in accordance with the provisions of the Companies Act of South Africa, and comply with International Financial Reporting Standards (IFRS) and incorporate full and reasonable disclosure in line with the accounting policies of the Group. They fairly present the state of affairs of the Group as at the end of the financial year, and the net profit and cash flows for the year. It is the responsibility of the independent auditor to report on the fair presentation of the consolidated financial statements, and their report is contained on pages 100 to 104.

The directors are ultimately responsible for the internal controls of the Group. Management enables the directors to meet these responsibilities. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity, objectivity and fair presentation of the consolidated annual financial statements and related financial information presented, and to adequately safeguard, verify and maintain accountability for shareholder investments and Group assets. Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties. Systems and controls are monitored throughout the Group. Further details of such, including the operation of the Internal Audit function, are provided in the corporate governance section of the integrated annual report.

Based on the information and explanations provided by management and the internal auditors, the directors are of the opinion that the accounting and internal controls are adequate and that the financial records may be relied upon for preparing the consolidated annual financial statements in accordance with IFRS and maintaining accountability for the Group's equity, assets and liabilities. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review and up to the date of the consolidated annual financial statements.

The directors have a reasonable expectation 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.

These consolidated annual financial statements were prepared by DL Storom, CA(SA), and supervised by the Group Chief Financial Officer, CJ Kujenga, CA(SA).

The consolidated annual financial statements set out on pages 110 to 171, for the year ended 28 February 2019, were approved by the Board on 17 May 2019 and signed on its behalf by:



Innocent Dutiro
Chief Executive Officer

Johannesburg

17 May 2019



Cheryl-Jane Kujenga
Chief Financial Officer

Company Secretary compliance statement

I certify that, to the best of my knowledge and belief, the Company has lodged with the Companies and Intellectual Property Commission (CIPC) all such returns as are required of a public company in terms of the Companies Act, No 71 of 2008, as amended, in respect of the year ended 28 February 2019 and that all such returns appear to be true, correct and up to date.



Kevin Fihrer
Company Secretary

Johannesburg

17 May 2019

Independent auditor's report

To the shareholders of Adcorp Holdings Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Adcorp Holdings Limited (the Group) set out on pages 110 to 171, which comprise the statement of financial position as at 28 February 2019, and the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 28 February 2019, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
Impairment assessments of the valuation of goodwill and intangible assets	
Goodwill and intangible assets comprise 33% of the total assets of the Group. The Group has recognised these assets in the consolidated statement of financial position as a consequence of business acquisitions. As required by IAS 36: <i>Impairment of Assets</i> (IAS 36), the directors conduct annual impairment tests to assess the recoverability of the carrying value of goodwill and intangible assets. This is performed using the discounted cash flow (DCF) models. As disclosed in notes 5 and 6 of the consolidated financial statements, there are a number of key sensitive judgements made in determining the inputs into these models. The carrying amount of the goodwill and intangibles as at 28 February 2019 is R1,4 billion, after taking into account an impairment charge of R6,9 million which has been recognised in the current year as disclosed in note 6 of the consolidated financial statements. The key assumptions with the most significant impact on the valuation models include: • Growth rates applied to revenue, operating profits and EBITDA. The growth rates are highly subjective since they are based on the directors' experience and expectations rather than observable market data. • Terminal growth rates applied to the valuation models. • The discount rates applied to the projected future cash flows. The discount rate is subjective and the calculation is complex. The impairment assessment of goodwill and intangible assets is considered to be a key audit matter as a result of judgement required to be applied by the directors.	We focused our testing of the impairment of goodwill and intangible assets on the key assumptions made by the directors. Our audit procedures included: • Testing the design and implementation of relevant controls over the goodwill and intangible assets impairment assessment. • Engaging our internal experts to assist with: – Critically evaluating whether the models used by the directors to calculate the value in use of the individual cash-generating units are aligned with IAS 36. – Evaluating the assumptions used to calculate the discount rates and independently recalculate the discount and growth rates. • Analysing the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current economic climate and expected future performance of the cash generating units. • Comparing the projected cash flows, including the assumptions relating to revenue, operating profit, EBITDA and terminal growth rates, and EBITDA margins, against historical performance to test the accuracy of the directors' projections. • Recomputation of the value in use of each of the cash generating units. We found that the assumptions used by the directors were comparable with historical performance and the expected outlook and the discount and growth rates used were appropriate in the circumstances. The disclosures of the goodwill and intangible assets are consistent with the requirements of IFRS 3: <i>Business Combinations</i> (IFRS 3), IAS 38: <i>Intangible assets</i> (IAS 38) and IAS 36.

Independent auditor's report continued

Key audit matter	How the matter was addressed in the audit
Recoverability of trade accounts receivable balance	
Gross trade accounts receivable comprises 50% of the total assets of the Group and have been recognised in the consolidated statement of financial position and disclosed in note 12 of the consolidated financial statements. As disclosed in note 12 of the consolidated financial statements, the gross trade receivables balance for the Group as at 28 February 2019 is R2,1 billion, the aged gross outstanding debtors (past due 91+ days) for the Group was R83 million, and the provision for doubtful debts raised is R95 million for the Group. The key assumptions with the most significant impact on the assessment of the impairment allowance on the trade accounts receivables include: • Credit terms • Expected credit loss ratios • Forward-looking adjustments • Provisions raised on specific outstanding debtors • Insured debt collateral We identified the impairment allowance for trade accounts receivable as a key audit matter as a result of the judgement required to be applied by the directors.	We performed the following audit procedures: • We understood the process followed by management to determine the classification of its financial instruments and assess as to whether this is consistent with the requirements of IFRS 9. • Obtained management's calculations in determining the provision for doubtful debts policy based on the expected credit loss model. • Assessed the assumptions used in the expected credit loss valuation model for reasonableness. • Tested the inputs underpinning the credit loss valuation model to supporting evidence, and • Assessed whether the presentation and disclosures of the trade receivables balance is in accordance with the disclosure requirements of IFRS 9. We found the determined impairment allowance for trade accounts receivables to be appropriate. Based on the procedures performed, the presentation and disclosures in respect of the trade receivables balance are consistent with the requirements of IFRS 9: <i>Financial Instruments Classification</i> and measurement of financial assets.
Tax matters	
Deferred tax Deferred tax assets raised on tax losses for the Group amounted to R125 million. This has been recognised in the consolidated statement of financial position. As disclosed in note 9 and note 10 of the consolidated financial statements, the Group has recognised deferred tax assets on tax losses in respect of the entities where it is probable that future taxable income will be generated to realise these recognised tax assets. This requires the directors' judgement in estimating future taxable income. The key assumption with the most significant impact on the determination of the deferred tax asset raised include: • Growth rates applied to revenue, operating profits and EBITDA. The growth rates are highly subjective since they are based on the directors' experience and expectations rather than observable market data. We identified the estimation and valuation of the deferred tax assets raised on tax losses as a key audit matter as a result of the judgements required to be applied by the directors.	We involved our tax specialists to evaluate the recognition and measurement of the current and deferred tax assets and liabilities. This included: • Testing the design and implementation of relevant controls over specific tax matters. • Analysing the current and deferred tax calculations for compliance with the relevant tax legislation. • Evaluating the directors' assessment supporting the future cash flows, and analysing these future projected cash flows to determine whether they are reasonable and supportable given the current economic climate and expected future performance of the entities. • Comparing the projected cash flows, including the assumptions relating to revenue, operating profit, EBITDA, and EBITDA margins, against historical performance to test the accuracy of the directors' projections. • Challenging the assumptions made around the future plans for the entities that have been applied/used to justify the deferred tax assets raised. Based on the procedures performed and information available, we found the tax balances recorded and the disclosures thereof to be appropriate. We found the presentation and disclosures in respect of the tax balances to be consistent with the requirements of IAS 12: <i>Income Taxes</i>.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent auditor's report continued

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

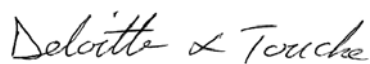
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Adcorp Holdings Limited for 18 years.



Deloitte & Touche
Registered auditor

Per: MLE Tshabalala
Partner

18 May 2019

Deloitte & Touche
The Woodlands
20 Woodlands Drive
Woodmead, Sandton
2146

Report of the Audit and Risk Committee

for the year ended 28 February 2019

The Group's independent Audit and Risk Committee (the Committee or ARC) presents its report for the financial year ended 28 February 2019. The Committee's duties and objectives, as mandated by the Board, allow it to discharge its statutory and other board-delegated duties in keeping with its terms of reference. These duties are briefly set out in this report. Further information can be found in the transparency and accountability section.

Composition, meetings and assessment

The four members of the ARC were recommended by the Board to the shareholders and were formally appointed at the previous annual general meeting held on 30 July 2018.

Closed sessions are arranged with key relevant parties and private sessions of members are held from time to time to ensure confidential assessments and discussions can occur. Four Committee meetings are held during the year.

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

Roles and responsibilities

The Committee is satisfied that it has executed its responsibilities in keeping with the requirements of the Companies Act of South Africa, the JSE Listings Requirements and the recommendations of King IV, as well as additional requirements prescribed by its terms of reference, which have been endorsed by the Board of Directors. Its key areas of responsibilities are to:

- perform its statutory duties as prescribed by the Companies Act of South Africa, including the appointment and the assessment of the independence of the external auditors;
- oversee the integrated reporting process and assess disclosures made to all stakeholders, which included the consolidated financial statements for the year under review;
- oversee and evaluate the governance of risk and the related internal control environment, and consider the recommendation of the Chief Audit Executive in respect of the effectiveness of the system of internal controls;
- monitor and assess all internal and external assurance providers;
- assess key audit matters;
- assess the expertise and experience of the Chief Financial Officer (CFO) and the resources within the financial function; and
- recommend the consolidated financial statements for report for approval by the Board.

In order to execute her responsibilities, the Chairperson of the Committee met separately during the course of the year with the Chief Financial Officer, Chief Audit Executive, the Company Secretary, the Chief Risk Officer, management and the external auditors.

External auditor appointment and independence

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

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

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

The Committee has nominated, for election at the annual general meeting, Deloitte & Touche as the external audit firm for the 2020 financial year with Mr MLE Tshabalala as the designated partner. The Committee has satisfied itself that the audit firm and designated auditor are accredited as such on the JSE Limited list of auditors and advisers. In addition, the Committee received the required letters from IRBA as to the satisfactory standing of the audit firm and the designated partner.

Financial statements and accounting policies

The Committee has assessed the Group's accounting policies and the consolidated financial statements for the year ended 28 February 2019 and is satisfied that they are appropriate and comply in all respects with International Financial Reporting Standards (IFRS). The Committee supports the opinion of the Board and the external auditor with regard to the consolidated financial statements which have been approved by the Board and will be presented to shareholders at the annual general meeting to be held on 30 July 2019.

Report of the Audit and Risk Committee continued

Based on the information and explanations given by directors and the internal and external auditors, the Committee is of the opinion that the accounting and internal controls, including the internal financial controls, are adequate and that the financial records may be relied upon for preparing the consolidated financial statements in accordance with IFRS and maintaining accountability for the Group's assets and liabilities.

Integrated annual report

The Committee fulfils an oversight role regarding the integrated reporting process.

Accordingly, the Committee:

- has considered the 2018 integrated annual report and has assessed the consistency with operational, financial and other information known to the Committee members, and for consistency with the consolidated financial statements;
- is satisfied that the 2018 integrated annual report is materially accurate, complete and reliable and consistent with the consolidated financial statements; and
- recommended on 9 May 2019, the consolidated financial statements for the year ended 28 February 2019 for approval by the Board.

Governance of risk

The Committee is responsible for overseeing the governance of risk across the Group. During the year the Committee revisited the risk management framework and determined how to ensure effective cascading of integrated assurance across the various board committees. The Committee also provided oversight on the working group set up by management to review combined assurance for Adcorp. Designing and implementing robust risk management structures in the Group will remain a key focus area for the Committee in FY2020.

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

Internal Audit

The Committee is mandated to ensure that the Internal Audit function is independent, properly resourced and effective within the Group. Effective 1 April 2019, EY was appointed as the lead firm in a co-sourcing arrangement for our Internal Audit led by Mrs H Lamprecht, the internal Chief Audit Executive (CAE). To maintain independence, the CAE along with EY our Internal Audit function reports functionally to the Committee and from an administrative perspective they report to the CFO.

Significant areas of judgement

In arriving at the figures disclosed in the consolidated financial statements, there are certain areas where judgement is needed. The ARC has considered the quantum of the assets and liabilities on the statement of financial position and other items that require significant judgement and decided to expand on the following:

- Property and equipment
- Goodwill and intangible assets
- Trade receivables
- Tax
- Impairments
- Revenue
- Other financial assets (Angola bond)
- Reserves (equity-settled share-based payment)

Goodwill and intangible assets

Management performed the annual assessment for impairment on Goodwill. The methodology, inputs, assumptions made and results of the assessment performed can be summarised as follows:

	CGU	Valuation model	Post-tax discount rate	Terminal growth rate applied	Headroom calculated (R)	Impairment recognised (R)
South Africa	Industrial Services	Discounted cash flow model	16,97%	3%	+ 300m	0
	Financial Services	Discounted cash flow model	16,56%	3%	+ 80m	0
	Professional					
	Services	Discounted cash flow model	16,56%	6%	+10 – 50m	0

Goodwill allocated to businesses in South Africa has not been impaired.

	CGU	Valuation model	Post-tax discount rate	Terminal growth rate applied	Headroom calculated (R)	Impairment recognised (R)
Australia	Industrial Services	Discounted cash flow model	12%	2,5%	+ 150m	0
	Professional Services	Discounted cash flow model	12%	2,5%	+ 150m	6m*

* The impairment of Goodwill allocated to the purchase of Australian start-up Razzbri, was recognised in FY2019. The impairment follows performance below management's expectation. Goodwill acquired on acquisition of this subsidiary was fully impaired. Refer to note 6 in the annual financial statements.

Trade receivables

IFRS 9 was adopted for the first time in the financial year beginning 1 March 2018. Management has elected to apply the simplified approach to impairment of trade receivables where a specific identification and provision matrix process is used to identify and measure the expected credit losses on the trade receivables. Following the stratification of accounts receivable balances within the defined provision matrix (industry, average collection days, account balance) a provision for the doubtful recovery of trade receivables was provided at R95 million. Refer to note 12 of the consolidated financial statements.

Tax

The Group operates in different jurisdictions with complex tax legislation requiring judgements in recognising tax liabilities. There are also judgements needed in recognising deferred tax assets. The effective tax rate of 12% (FY2018: 7%) is mainly due to tax losses that arose in prior financial years and are now being utilised as the Group consolidates on its return to profitability. The Committee has applied its mind to the assumptions made in determining the recognition of the deferred tax assets and is satisfied as to the recoverability. A detailed view of the tax position of the Group is provided in note 9 and note 10 in the consolidated financial statements.

Impairments

The Group has discontinued its commercial activities and sold assets formerly owned in its "Rest of Africa" operations. An impairment was recognised on cash and government bond financial assets remaining in Angola. Management has considered the difficulty in remitting cash resources out of the country. This has had an impact on the Group's ability to control its resources. As a result, the resources were again classified as "restricted". Owing to the exchange controls and the devaluation of the currency, management has provided for an impairment of the resources. Refer to note 3 and note 7 in the consolidated financial statements.

Revenue

As of 1 March 2018, the Group adopted the requirements of IFRS 15: Revenue from Contracts with Customers. The new standard requires that revenues from the provision of services recognition can only take place once "performance obligations" are satisfied. The adoption of the standard did not have an impact on revenue recognition in the Group. Revenue has been recognised and presented in line with the requirements of IFRS 15. Refer to note 20 in the consolidated financial statements.

Evaluation of the expertise and experience of the Chief Financial Officer and the finance function

The Committee has considered and is satisfied with the appropriateness of the expertise and experience of the Chief Financial Officer, Ms CJ Kujenga. The Committee is supportive of the process under way to continue to strengthen the finance function.

Going concern

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

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



SN Mabaso-Koyana

Chairperson of the Audit and Risk Committee

17 May 2019

Directors' report

for the year ended 28 February 2019

“The directors have pleasure in submitting their report and consolidated financial statements for the year ended 28 February 2019.”

Innocent Dutirol
Chief Executive Officer



Nature of business

The Group has subsidiaries that carry on business in South Africa and Australia. Areas of activities include the permanent recruitment and flexible staffing sectors, professional IT services, as well as the provision of business process outsourcing, training and financial services.

Share capital

The authorised share capital is 183 177 151 ordinary shares of 2,5 cents per share. The issued share capital of the Group at 28 February 2019 was 109 954 675 shares of 2,5 cents per share.

Movements in share capital and share premium during the year are shown in note 15.

Dividend

During the year one of the Group's subsidiaries in Australia paid dividends to its minority shareholders.

The Group declared a final dividend of R106 million (FY2018: Nil) for the financial year ended 28 February 2019. The dividend amounts to 96,10 cents per ordinary share (FY2018: Nil). The dividend will be paid to shareholders on 19 August 2019.

Special resolutions

At the annual general meeting (AGM) held on 30 July 2018, Adcorp's shareholders passed the following special resolutions for the purposes indicated:

- Special resolution 1: To approve the remuneration payable to non-executive directors for their services as directors.
- Special resolution 2: To approve that the Company and/or any subsidiary of the Company be authorised to repurchase shares issued by the Company, capped at 10% of issued share capital.
- Special resolution 3: To approve, in terms of section 44 read with section 45 of the Companies Act of South Africa, that the Company provide financial assistance for the provision of any loans or other financial assistance to present or future related and inter-related companies.

Statutory information

The Company was incorporated in the Republic of South Africa on 16 July 1974. The registration number is 1974/001804/06.

Directorate and secretary

The directors during the year are as follows:

Name	Current year appointments and resignations
Directors during the year	
GT Serobe	
P Mnganga	Appointed 6 September 2018
GP Dingaan	
I Dutiro	
H Singh	Appointed 6 September 2018
CJ Kujenga	
SN Mabaso-Koyana	
C Maswanganyi	
TP Moeketsi	
ME Mthunzi	
FS Mufamadi	
S Sithole	
MW Spicer	
Alternate director	
MM Nkosi	Appointed 19 October 2018
Resigned	
JA Boggenpoel	Resigned 20 July 2018
MA Jurgens	Resigned 6 September 2018
RM Ramaite	Resigned 2 January 2019
Company secretary	
Kevin Fihrer	Resigned effective 31 May 2019

Directors' remuneration and interests held

Details of directors' remuneration and interests held in shares appear on pages 158 to 161 of the consolidated financial statements.

Directors' interest in contracts

No material contracts involving directors' interests were entered into in the current year. The directors had no interest in any third party or company responsible for managing any of the business activities of Adcorp.

Events after reporting date

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

Going concern

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accounting policies supported by judgements, estimates and assumptions in compliance with International Financial Reporting Standards are therefore applied on this basis.

Auditors

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

Consolidated statement of financial position

as at 28 February 2019

	Notes	2019 R'000	2018 R'000
Assets			
Non-current assets		1 711 896	1 719 016
Property and equipment	4	57 647	65 756
Intangible assets	5	231 601	275 785
Goodwill	6	1 188 811	1 162 010
Investment	7.1	15 247	13 244
Investment – Amortised cost	7.2	–	10 361
Deferred taxation	9	218 590	191 860
Current assets		2 647 253	2 801 348
Trade receivables	12	2 086 490	2 272 550
Other receivables	13	103 712	77 208
Investment – Amortised cost	7.2	2 992	12 191
Taxation prepaid		87 202	79 071
Cash and cash equivalents	14	366 857	360 328
Assets from continuing operations		4 359 149	4 520 364
Assets held for sale	3	–	10 434
Total assets		4 359 149	4 530 798
Equity and liabilities			
Capital and reserves		1 905 474	1 602 589
Share capital and share premium	15.1	1 740 858	1 740 858
Treasury shares	15.2	(38 233)	(23 002)
Reserves	16	202 849	(115 267)
Interest-bearing liabilities		892 189	1 218 559
Non-current liabilities		697 126	978 196
Long-term loans	17.1	690 466	978 196
Provisions		6 660	–
Current liabilities		195 063	240 363
Short-term portion of long-term loans	17.2	194 836	228 687
Bank overdraft	14	227	11 676
Non-interest-bearing liabilities		1 561 486	1 680 405
Non-current liabilities		104 077	100 074
Deferred taxation	9	104 077	100 074
Current liabilities		1 457 409	1 580 331
Trade and other payables	18	1 111 233	1 225 030
Share-based payment liability		–	8 133
Provisions	19	286 663	287 202
Taxation		59 513	59 966
Equity and liabilities from continuing operations		4 359 149	4 501 553
Liabilities directly associated with assets classified as held for sale	3	–	29 245
Total equity and liabilities		4 359 149	4 530 798

Consolidated statement of profit or loss

for the year ended 28 February 2019

	Notes	2019 R'000	2018 R'000
Continuing operations			
Revenue	20	15 065 369	15 325 391
Cost of sales		(13 032 499)	(13 097 630)
Gross profit		2 032 870	2 227 761
Other income	21	45 461	58 067
Operating expenses (excluding depreciation and amortisation)		(1 611 174)	(2 149 209)
Earnings before depreciation and amortisation		467 157	136 619
Depreciation and amortisation		(79 416)	(128 589)
Operating profit	22	387 741	8 030
Interest income	23	21 031	16 614
Interest expense	24	(104 624)	(140 643)
Impairment of intangible assets, goodwill and bonds		(6 821)	(477 797)
Net profits from the sale of entities and associate	8	574	184 960
Share of profits from associates	8	–	16 476
Profit/(loss) before taxation		297 901	(392 360)
Taxation	10	(35 578)	(28 350)
Profit/(loss) for the year from continuing operations		262 323	(420 710)
Discontinued operations			
Loss for the year from discontinued operations	3	(178)	(140 322)
Profit/(loss) for the year		262 145	(561 032)
Profit/(loss) attributable to:			
Owners of the parent from continuing operations		261 850	(422 956)
Owners of the parent from discontinued operations		(178)	(140 322)
Non-controlling interest		473	2 246
Continuing operations	25		
Basic earnings/(loss) per share – cents		240,1	(388,2)
Diluted earnings/(loss) per share – cents*		234,3	(388,2)
Discontinued operations	25		
Basic loss per share – cents		(0,16)	(128,8)
Diluted loss per share – cents*		(0,16)	(128,8)
Total basic earnings/(loss) per share			
Basic earnings/(loss) per share – cents	25	240,0	(517,0)
Diluted earnings/(loss) per share – cents*		234,1	(517,0)

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

– Continuing operations	(378,6)
– Discontinued operations	(125,6)
– Total diluted loss per share	(504,2)

Consolidated statement of other comprehensive income

for the year ended 28 February 2019

	2019 R'000	2018 R'000
Continuing operations		
Profit/(loss) for the year	262 145	(561 032)
Other comprehensive income/(loss)*		
Exchange differences on translating foreign operations	9 734	(19 814)
Exchange differences arising on the net investment of a foreign operation	23 527	(30 964)
Fair value adjustment of derivative financial instrument	–	1 102
Discontinued operations		
Exchange differences on translating foreign operations	1 040	(30 863)
Other comprehensive income/(loss) for the year, net of tax	34 301	(80 539)
Non-controlling interest	(473)	(2 246)
Total comprehensive income/(loss) for the year	295 973	(643 817)
Total comprehensive income/(loss) attributable to:		
Owners of the parent from continuing operations	295 678	(501 249)
Owners of the parent from discontinued operations	(178)	(140 322)
Non-controlling interest	473	2 246

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



Consolidated statement of changes in equity

for the year ended 28 February 2019

		Share capital R'000	Share premium R'000	Treasury shares R'000	Share-based payment reserve R'000
	Notes	15.1	15.1	15.2	16.2
Balance as at 28 February 2017		2 749	1 738 109	(36 963)	128 993
Issue of treasury shares under employee share option scheme		–	–	13 961	–
Dividend distributions		–	–	–	–
Recognition of B-BBEE and staff share-based payments		–	–	–	8 317
Loss for the year		–	–	–	–
Non-controlling interest		–	–	–	–
Equity due to change in control		–	–	–	–
Other comprehensive (loss) income for the year		–	–	–	–
Balance as at 28 February 2018		2 749	1 738 109	(23 002)	137 310
Recognition of B-BBEE and staff share-based payments		–	–	–	24 464
Treasury shares acquired		–	–	(15 231)	–
Dividend distributions		–	–	–	–
Profit for the year		–	–	–	–
Other comprehensive income		–	–	–	–
Equity due to change in control		–	–	–	–
Balance as at 28 February 2019		2 749	1 738 109	(38 233)	161 774

	Foreign currency translation reserve R'000	Cash flow hedging reserve R'000	Retained earnings R'000	Attributable to equity holders of the parent R'000	Non- controlling interest R'000	Employee's share option scheme reserve R'000	Total R'000
16.1	24 289	(1 102)	363 904	2 219 979	(5 249)	16.2 676	2 215 406
–	–	–	–	13 961	–	–	13 961
–	–	–	(1 293)	(1 293)	–	–	(1 293)
–	–	–	–	8 317	–	–	8 317
–	–	–	(563 278)	(563 278)	2 246	–	(561 032)
–	–	–	–	–	6 911	–	6 911
–	–	–	858	858	–	–	858
(50 677)	1 102	(30 964)	(80 539)	–	–	–	(80 539)
(26 388)	–	(230 773)	1 598 005	3 908	676	1 602 589	
–	–	–	24 464	–	–	24 464	
–	–	–	(15 231)	–	–	(15 231)	
–	–	(2 234)	(2 234)	–	–	(2 234)	
–	–	261 672	261 672	473	–	262 145	
10 774	–	23 527	34 301	–	–	34 301	
–	–	–	–	(560)	–	(560)	
(15 614)	–	52 192	1 900 977	3 821	676	1 905 474	

Consolidated statement of cash flows

for the year ended 28 February 2019

	Notes	2019 R'000	2018 R'000
Operating activities			
Profit/(loss) before taxation		297 723	(473 044)
From continuing operations		297 901	(392 360)
From discontinued operations	3	(178)	(80 684)
Adjusted for:			
Foreign currency exchange gains – discontinued operations	3	(25 236)	–
Fair value adjustments – discontinued operations	3	25 407	–
Interest income – discontinued operations	3	(3 752)	–
Depreciation	4	25 845	31 696
Amortisation of intangibles	5	53 571	96 893
Impairment of intangible assets, goodwill and bonds	6	6 821	477 797
Share of profits from associates		–	(16 476)
(Profit)/loss on the sale of property and equipment		(803)	839
Share-based payments		24 464	8 767
Share-based payment expense	16.2	24 464	12 822
Revaluation of share-based payment liability		–	(4 055)
Unrealised foreign exchange (gain)/loss		(1 514)	451
Non-cash portion of operating lease rentals		(3 417)	(1 361)
Profit on the sale of associate	8	(574)	(184 960)
Net movement on assets held for sale		(18 811)	203 701
Fair value adjustment		(2 003)	(3 298)
Non-cash adjustments		(4 639)	–
Decrease in bad debt provision	12	(14 127)	(21 274)
Interest income	23	(21 031)	(16 614)
Interest expense	24	104 624	140 643
Cash generated from operations before working capital changes		442 548	243 760
Decrease in trade and other receivables	12 and 13	173 683	45 930
(Decrease)/increase in trade and other payables	18	(113 797)	56 091
Increase in provisions		6 121	44 674
Other non-cash items		(8 541)	–
Cash generated by operations		500 014	390 455
Interest income	3 and 23	24 783	16 614
Interest expense	24	(104 624)	(140 643)
Cash settlement of share options exercised	16	(8 133)	(31 384)
Taxation paid	11	(59 550)	(100 692)
Dividend paid	30	(2 234)	(1 293)
Net cash generated by operating activities		350 256	133 057
Investing activities			
Additions to property, equipment and intangible assets	4 and 5	(32 138)	(27 234)
Proceeds from sale of property and equipment		5 083	2 133
Proceeds from other financial assets	7.2	32 508	–
Net cash outflow on acquisition of subsidiaries	32	–	(12 060)
Net cash inflow on disposal of associate	8	1 000	305 702
Net cash inflow from disposal of subsidiary	8	10 250	858
Net cash generated from investing activities		16 703	269 399
Financing activities			
Payment from the issue of treasury shares		(15 231)	13 961
Repayment of borrowings	17	(1 366 966)	(1 790 664)
Proceeds from borrowings	17	1 033 216	1 626 468
Other non-current liabilities – interest-bearing		–	(2 271)
Net cash utilised by financing activities		(348 981)	(152 506)
Net increase in cash and cash equivalents		17 978	249 950
Cash and cash equivalents at the beginning of the year*		348 652	98 702
Cash and cash equivalents at the end of the year		366 630	348 652

* Immaterial impact of change of foreign exchange rates.

Segment report

for the year ended 28 February 2019

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

Industrial Services

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

Support Services

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

Professional Services

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

Training

This operating segment facilitates training and provides solutions to external clients and support to other Adcorp service lines. The geographic segment report is disclosed as (a) International (being operations in Australia) and (b) South Africa.

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.

Central

A Central Segment plays a pivotal support role in the execution and the handling of specialised operational services such as finance, human resources, payroll, IT, legal, risk, compliance and marketing. This segment acts as a service centre for all other operating segments in the Group in order to identify efficiencies that will reduce costs and create a higher degree of strategic flexibility and support.

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

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

Segment report

for the year ended 28 February 2019

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

The table opposite is provided as a reconciliation between total assets and liabilities (at carrying value) to those that were classified as "Held-for-sale" in the 2018 financial year.

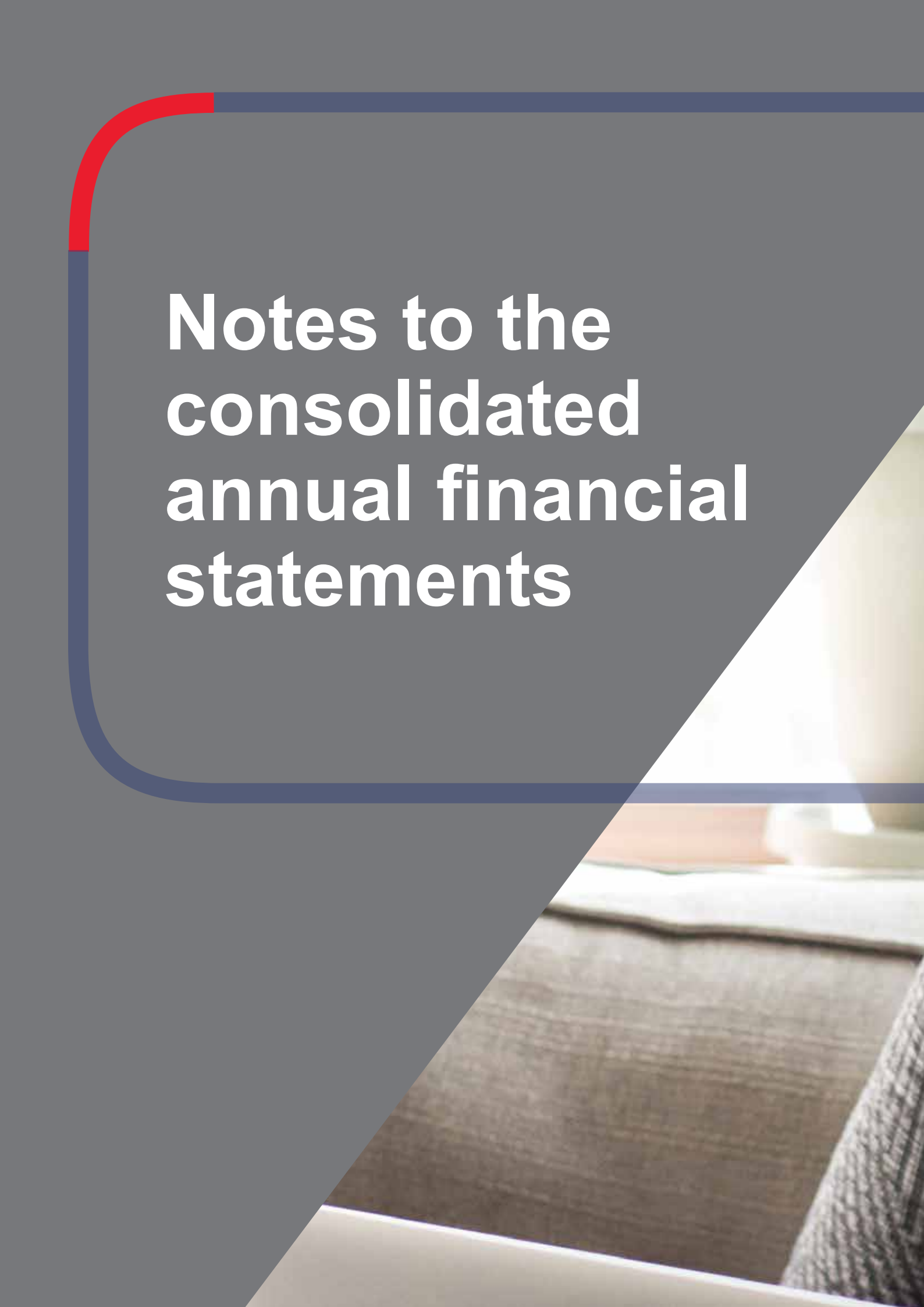
Financial Services	Subtotal	Central		Total	South Africa	International	Total
		South Africa	Australia				
149 336	15 065 054	315	–	15 065 369	9 603 405	5 461 964	15 065 369
192 281	15 309 357	16 034	–	15 325 391	9 938 587	5 386 804	15 325 391
–	643 363	13 609	–	656 972	656 972	–	656 972
–	58 897	20 155	–	79 052	79 052	–	79 052
63 389	794 221	(360 117)	(46 363)	387 741	274 021	113 720	387 741
55 041	502 048	(446 475)	(47 543)	8 030	(70 078)	78 108	8 030
65 189	820 204	(329 762)	(23 284)	467 158	323 176	143 981	467 157
58 218	564 879	(403 264)	(24 996)	136 619	(540)	137 159	136 619
1 518	41 497	14 738	23 181	79 416	49 053	30 363	79 416
5 687	80 253	24 854	23 482	128 589	69 540	59 049	128 589
10 245	127 241	(107 553)	1 343	21 031	19 571	1 460	21 031
8 066	115 812	(100 410)	1 212	16 614	15 080	1 534	16 614
(4 578)	(72 128)	(16 676)	(15 820)	(104 624)	(88 804)	(15 820)	(104 624)
(4 132)	(91 154)	(32 458)	(17 031)	(140 643)	(120 565)	(20 078)	(140 643)
16 459	(16 729)	63 727	(11 420)	35 578	5 036	30 542	35 578
4 758	53 371	10 074	(35 095)	28 350	39 893	(11 543)	28 350
184 585	3 282 260	558 052	518 837	4 359 149	3 056 971	1 302 178	4 359 149
202 951	3 084 067	517 608	875 544	4 477 219	3 229 455	1 247 764	4 477 219
17 470	1 460 424	789 835	203 416	2 453 675	1 862 066	591 609	2 453 675
24 650	1 484 555	1 065 596	301 382	2 851 533	2 199 565	651 968	2 851 533

* Reconciliation of assets carrying value to balance sheet.

** Reconciliation of liabilities carrying value to balance sheet.

*** Determination of segments is disclosed above.

	2018 R'000
Assets carrying value per the segment report	4 477 219
Other financial asset – relating to Capital Africa	43 145
Total assets per balance sheet	4 520 364
Liabilities carrying value per the segment report	2 851 533
Deferred taxation – relating to Capital Africa	47 431
Total liabilities per balance sheet	2 898 964



Notes to the consolidated annual financial statements



Notes to the consolidated annual financial statements

for the year ended 28 February 2019

1. Accounting framework

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

Consequently, all IFRS statements that were effective at 28 February 2019 and are relevant to its operations have been applied.

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

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

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

New and amended standards and interpretations

The accounting policies applied are consistent with those adopted and disclosed in the Group financial statements for the year ended 28 February 2018. The Group has adopted the following new accounting pronouncements which became effective in the current reporting period:

- IFRS 9: *Financial Instruments*
- IFRS 15: *Revenue from Contracts with Customers*
- IFRIC 22: *Foreign Currency Transactions and Advance Consideration*
- Annual Improvements to IFRS: 2014 – 16 Cycle: IFRS 1 and IAS 28
- Clarifications to IFRS 15: *Revenue from Contracts with Customers*
- Amendments to IFRS 2: *Share-based Payment Transactions*
- Amendments to IAS 7: *Statement of Cash Flows: Disclosure Initiative*
- Amendments to IAS 12: *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*
- Amendments to IFRS 12: *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*

Standards issued but not yet effective

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

Standard	Effective date	Possible impact
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019	Not material
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1 January 2019	Not material
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	1 January 2019	Not material
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	1 January 2019	Not material
IFRS 16: Leases	1 January 2019	Possibly material

1. Accounting framework continued

IFRS 16: Leases

IFRS 16: Leases becomes effective for the Group from 1 March 2019, replacing IAS 17: Leases. The principal impact of IFRS 16 is to change the accounting treatment by lessees of qualifying leases currently classified as operating leases. Lease agreements will give rise to the recognition by the lessee of a right-of-use asset and a related liability for future lease payments. The Group's lease agreements comprise property rentals and IT equipment leases and are discussed below.

Property rentals

The Group has elected to apply the modified retrospective approach and will apply the practical expedients available on transition. The cumulative effect of the transition to IFRS 16 will be recognised in retained earnings at 1 March 2019 and the comparative period will not be restated.

The Group is still in the process of completing the necessary changes to internal systems and processes to embed the new accounting requirements. The Group's significant property leases will come to an end within a period of twelve months after 28 February 2019. The Group will be applying the modified retrospective exemptions provided in IFRS 16 which will allow the remaining period of the property leases to be treated as non-qualifying leases. We have assessed the Group's property lease rental contracts, that will continue beyond a period of twelve months after the reporting date, and the approximate impact on the adoption of the standards is as follows:

• increase in lease asset recognised	R86,1 million
• increase in liabilities recognised	R66,5 million
• net increase in equity	R19,6 million

IT equipment leases

The Group has decided to start acquiring IT equipment instead of leasing. The remaining lease term as at February 2020 is less than twelve months. The present value of IT leases at adoption of the standard is therefore estimated not to have a material impact.

The Group will not bring leases of low value assets or short leases with 12 or fewer months remaining on to the consolidated statement of financial position at 1 March 2019. In the consolidated statement of cash flows for the year ended 28 February 2020, the total amount of cash paid will be separated between repayments of principal and repayment of interest, both presented within cash flows from operating activities.

The impact of the standard on underlying earnings and profit before tax following adoption is not expected to be significant although the income statement presentation of the cost of leases is changed. Instead of a rental charge recognised within operating costs, the cost of leases will be allocated between the depreciation of right-of-use assets, and a finance charge representing the unwind of the discount on lease liabilities. The Group has elected to apply the modified retrospective approach on transition. The cumulative effect of transition to IFRS 16 will be recognised in retained earnings at 1 March 2019 and the comparative period will not be restated.

2. Significant accounting policies

Statement of compliance

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

Basis of preparation

The consolidated annual financial statements have been prepared on the historical-cost basis, except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies on the following pages. In all material respects, these policies have been followed by all companies in the Group and are consistent with the prior year.

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and Companies Act of South Africa.

The reports and statements as set out in the consolidated annual financial statements are presented to the shareholders in terms of section 61.7 of the South African Companies Act.

Notes to the consolidated annual financial statements continued

for the year ended 28 February 2019

2. Significant accounting policies continued

Level of assurance

These consolidated separate financial statements have been audited in compliance with the applicable requirements of the South African Companies Act. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

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

Level 3 inputs are unobservable inputs for the asset or liability. The principal accounting policies are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2. Significant accounting policies continued

Basis of consolidation continued

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

IAS 21: Foreign exchange transactions

In preparing the consolidated financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into currency units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income and accumulated in equity.

The applicable exchange rates during the financial year were:

	2019			2018		
	AUD	USD	AOA	AUD	USD	AOA
Exchange rate at the beginning of the year	9,17	11,80	0,0546	10,04	13,41	0,0813
Exchange rate at the end of the year	9,99	14,08	0,0458	9,17	11,80	0,0546
Average exchange rate during the year	9,94	12,96	0,0495	10,11	12,60	0,0804

IFRS 3: Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements, are recognised and measured in accordance with IAS 12: Income Taxes and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Notes to the consolidated annual financial statements continued

for the year ended 28 February 2019

2. Significant accounting policies continued

IFRS 3: Business combinations continued

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest was disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

2. Significant accounting policies continued

IFRS 9: Financial instruments

The IFRS foundation published IFRS 9: *Financial Instruments* in July 2014. IFRS 9 replaces IAS 39: *Financial Instruments: Recognition and Measurement*. IFRS 9 is mandatorily effective for financial periods commencing on or after 1 January 2018. IFRS 9 is built on a logical, single classification and measurement approach for financial instrument that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss (ECL) model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting.

At each reporting date the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. The objective of the impairment requirements is to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition – whether assessed on an individual or collective basis – considering all reasonable and supportable information, including that which is forward looking.

The impact of this transition difference is not considered material to the Group and hence comparative values and opening retained earnings at 1 March 2018 have not been restated.

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group has become party to contractual provisions of the instrument. The Group adopted IFRS 9 as at 1 March 2018.

Trade receivables

Trade receivables are classified as financial instruments held at amortised cost as the business model is to collect payment of principal and interest. Trade receivables are subsequently measured at amortised cost.

The Group is following the simplified approach for impairment as an alternative available in IFRS 9 with impairment losses measured at lifetime expected credit loss (ECL) for trade receivables as there are no significant financing component to trade receivables. The Group uses a specific identification and provision matrix when measuring ECL on the trade receivables.

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

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

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

Notes to the consolidated annual financial statements continued

for the year ended 28 February 2019

2. Significant accounting policies continued

Impairment of financial assets

Where the recoverable amount is the higher of its fair value less cost to sell and its value in use, an impairment loss is recognised in profit or loss whenever the carrying amount of the asset exceeds its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in the prior years.

A reversal of an impairment loss is recorded in profit or loss.

Financial asset or liability

Amounts accumulated in the statement of other comprehensive income (equity) are recycled to profit or loss in the period in which the hedged item will affect the profit or loss. Where the forecast transaction subsequently results in the recognition of a financial asset or liability, the gains or losses deferred in equity are transferred from the statement of other comprehensive income (equity) when the financial asset or liability is sold or impaired.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

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

Investments in securities are recognised on a trade date basis and are initially measured at fair value. Investments are classified as held at fair value through profit or loss, and are measured at subsequent reporting dates at fair value.

Liability at amortised cost

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or a shorter period, to the net carrying amount on initial recognition.

IFRS 15: Revenue from Contracts with Customers

IFRS 15: *Revenue from Contracts with Customers* was issued in May 2014 and subsequent amendments, "Clarifications to IFRS 15" were issued in April 2016. IFRS 15, as amended, is effective for accounting periods beginning on or after 1 January 2018. IFRS 15 is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of a good or service transfers to a customer.

The Group undertook an assessment of its significant contracts in line with IFRS 15, this assessment indicated that no material change to revenue recognition occurred. The Group adopted IFRS 15 as of 1 March 2018 and applied the modified retrospective approach which requires the Group to recognise the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity as at 1 March 2018 and no adjustment was made due to the fact that there was no impact on recognition of revenue in applying the new standard.

Therefore, the comparative information has not been restated. The Group applied IFRS 15 only to contracts that are not completed as at 1 March 2018. The Group applied the five-step revenue recognition model in determining what revenue should be recognised in the financial statements. Additional disclosure has been provided about the revenue of the Group as is required by IFRS 15 (refer note 20).

3. Discontinued operations

Accounting policy

The Group took a decision in the 2018 financial year to dispose of its Rest of Africa operations. The requirements of IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations* were applied to the assets and liabilities from that point onwards, and these were reclassified as non-current assets held for sale. Although the 2017 comparative information was incorrectly represented in the 2018 annual financial statements, no changes were made to the measurement bases of the related assets and liabilities. The disposal transaction has been completed and the costs incurred in the current year relate to costs of winding up the operations (including closure of dormant entities).

	2019 R'000	2018 R'000
Profit and loss		
Revenue	73	117 798
Cost of sales	(296)	(91 837)
Gross (loss)/profit	(223)	25 961
Other income	7 420	10 915
Foreign currency exchange gains	25 236	–
Operating expenses	(10 956)	(42 260)
Operating profit/(loss)	21 477	(5 384)
Interest income	3 752	–
Impairment of financial assets	(25 407)	(75 300)
Net loss before tax	(178)	(80 684)
Taxation	–	(59 638)
Net loss after tax	(178)	(140 322)
Other comprehensive income		
Foreign exchange gains	1 040	(30 863)
Total comprehensive income/(loss)	862	(171 185)
The impairment relates to other financial assets, cash and trade receivables in Africa		
Assets and liabilities		
Current assets held for sale		
Trade and other receivables	–	10 077
Tax prepaid	–	357
Total	–	10 434
Non-current liabilities associated with assets classified as held for sale		
Trade and other payables	–	11 306
Provisions	–	4 756
Tax payable	–	13 183
Total	–	29 245

Notes to the consolidated annual financial statements continued

for the year ended 28 February 2019

4. Property and equipment

Accounting policy

Property leasehold improvements, equipment, furniture and fittings are initially recognised at cost and thereafter stated at cost, net of accumulated depreciation and accumulated impairment losses.

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

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

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss.

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

Key estimates and judgements

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease. Useful lives, depreciation methods and residual values are reassessed on an annual basis with effect of any changes accounted for on a prospective basis.

Reconciliation of beginning and ending balances by classes of assets

	Leasehold improvements	Computer and office equipment, furniture and fittings, and work in progress	Total	Total
	2019 R'000	2019 R'000	2019 R'000	2018 R'000
Balance at the beginning of the year	29 612	36 144	65 756	80 457
Assets at cost	56 920	165 452	222 372	234 885
Accumulated depreciation	(27 308)	(129 308)	(156 616)	(154 428)
Current year movements				
Additions	9 404	15 791	25 195	20 564
Effect of foreign currency exchange differences	(1 476)	(1 703)	(3 179)	(597)
Cost	1 256	3 367	4 623	(2 425)
Accumulated depreciation	(2 732)	(5 070)	(7 802)	1 828
Disposals	(471)	(3 809)	(4 280)	(2 972)
Cost	(1 269)	(69 336)	(70 605)	(30 652)
Accumulated depreciation	798	65 527	66 325	27 680
Depreciation	(8 923)	(16 922)	(25 845)	(31 696)
Net book value at the end of the year	28 146	29 501	57 647	65 756
Represented by:				
Assets at cost	66 311	115 274	181 585	222 372
Accumulated depreciation	(38 165)	(85 773)	(123 938)	(156 616)
Net book value at the end of the year	28 146	29 501	57 647	65 756

5. Intangible assets

Accounting policy

Intangible assets acquired separately

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

Internally generated intangible assets

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

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised when all of the following can be demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The intention to complete the intangible asset and use or sell it.
- The ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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

Notes to the consolidated annual financial statements continued

for the year ended 28 February 2019

5. Intangible assets continued

Reconciliation of beginning and ending balances by classes of assets

	Capitalised develop- ment 2019 R'000	Trade- marks 2019 R'000	Customer base 2019 R'000	Other 2019 R'000	Total 2019 R'000	Total 2018 R'000
Intangible assets						
Balance at the beginning of the year	55 520	61 958	141 307	17 000	275 785	611 369
Assets at cost	317 250	219 571	770 918	80 388	1 388 127	1 381 457
Accumulated amortisation	(261 730)	(157 613)	(645 574)	(63 388)	(1 128 305)	(794 750)
Foreign exchange movements	–	–	15 963	–	15 963	24 662
Additions	6 943	–	–	–	6 943	6 670
Disposal	(1 194)	–	–	(1 415)	(2 609)	–
Amortisation expense	(12 127)	(8 413)	(29 497)	(3 534)	(53 571)	(96 893)
Impairment loss recognised in profit or loss	–	–	–	–	–	(236 662)
Foreign exchange movements	479	2 608	1 966	–	5 053	(8 699)
Net book value at the end of the year	49 621	56 153	113 776	12 051	231 601	275 785
Represented by:						
Assets at cost	317 708	219 571	770 918	77 551	1 385 748	1 388 127
Accumulated amortisation and impairments	(268 566)	(166 026)	(675 071)	(65 500)	(1 175 163)	(1 128 305)
Foreign exchange movements	479	2 608	17 929	–	21 016	15 963
Net book value at the end of the year	49 621	56 153	113 776	12 051	231 601	275 785

The capitalised development represents costs incurred to date on the development of the Microsoft Dynamics AX ERP system. Customer base represents the customer bases purchased on acquisition of businesses.

Other intangible assets relate to:

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

Key estimates and judgements

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

Useful lives	Development costs Finite (10 to 15 years)	Trademarks Finite (7 to 10 years)	Customer base Finite (13 to 15 years)	Other intangible assets Finite (4 years)
Amortisation method used	Amortised on a straight-line basis over its estimated useful life	Amortised on a straight-line basis over its estimated useful life	Amortised on a straight-line basis over its estimated useful life	Amortised on a straight-line basis over its estimated useful life
Internally generated or acquired	Internally generated	Acquired	Acquired	Acquired

5. Intangible assets continued

Key estimates and judgements continued

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

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

Based on the above calculation, the trademarks and customer base for Dare and Adcorp Workforce Solutions Proprietary Limited were fully impaired in the prior year. The method for determining the value in use of intangible assets is similar to the method disclosed in goodwill, refer to note 6 for detail on determining value in use.

In the 2018 financial year, the Group reviewed its systems and associated system enablement in relation to the operational strategy. As part of this review the directors identified that there are a number of capitalised amounts relating to components in the current implementation of Microsoft Dynamics AX that are no longer utilised or require redevelopment. The capital amounts in relation to these areas have therefore been impaired as they no longer had a retained value to the Group.

The current implementation of the enterprise resource planning (ERP) will no longer be supported by the service provider in October 2021. This means that the system will receive no further updates or security patches and to continue running the platform beyond this time frame would introduce significant security and business risk into the application environment. Management assessed the asset for impairment and noted that the asset was not impaired due to the changes which were not due to any factors that would have a significant adverse effect on the entity. The remaining useful life of the asset at the beginning of the year was reassessed from 57 months to 24 months.

6. Goodwill

Accounting policy

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

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination.

A cash-generating unit (CGU) to which goodwill has been allocated is tested for impairment annually, or more frequently, when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata, based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

The weighted average cost of capital rate is derived from taking into account market risks as well as the cost of debt. The variables used in the model are established on the basis of management judgement and current market conditions.

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

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

Notes to the consolidated annual financial statements continued

for the year ended 28 February 2019

6. **Goodwill** continued

Accounting policy continued

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

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

Key estimates and assumptions

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

The Group performed its annual impairment test in February 2019.

Sensitivity analysis

The impairment calculations are most sensitive to the following assumptions:

- Anticipated earnings growth
- Discount rates

Anticipated earnings – Directors recognise the ongoing uncertainty with regard to certain aspects of the legislative environment within which the Industrial Services segment CGUs operate. The continued positive engagement with clients provides management with confidence that the inputs to the DCF calculation are appropriate.

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

6. Goodwill continued

Reconciliation of beginning and ending balance

	2019 R'000	2018 R'000
Cost		
Opening balance	1 552 675	1 576 128
Additional amounts recognised from business combinations during the year (refer to note 32)	–	12 060
Foreign currency adjustment	33 622	(35 513)
Closing balance	1 586 297	1 552 675
Impairment		
Opening balance	(390 665)	(202 966)
Impairment of goodwill during the year	(6 821)	(187 699)
Closing balance	(397 486)	(390 665)
Carrying amount at the end of the year	1 188 811	1 162 010
After recognition of impairment losses, the carrying amount of goodwill is attributable to the following material CGUs:		
Industrial Services	478 818	463 756
South Africa	288 657	288 657
Adcorp BLU, a division of Adcorp Workforce Solutions Proprietary Limited	209 348	209 348
Staff U Need, a division of Adcorp Staffing Solutions Proprietary Limited	79 309	79 309
Australia	190 161	175 099
Labour Solutions Australia Group of Companies	190 161	175 099
Financial Services	148 656	148 656
FMS, a division of Adcorp Support Services Proprietary Limited	148 656	148 656
Professional Services	561 337	549 598
South Africa	348 331	348 331
Adcorp Workforce Management Solutions Proprietary Limited	341 061	341 061
DAV Professional Placement Group, a division of Adcorp Fulfilment Services Proprietary Limited	7 270	7 270
Australia	213 006	201 267
Paxus Holdings Pte	204 041	187 178
TalentCru Proprietary Limited	8 965	7 796
Razzbri Proprietary Limited	–	6 293
Total	1 188 811	1 162 010

Notes to the consolidated annual financial statements continued

for the year ended 28 February 2019

6. **Goodwill** continued

Industrial Services segment CGUs

South Africa

Staff U Need

The projected cash flows used in the value-in-use calculation were adjusted to reflect increased margin pressure from clients in this segment. The post-tax discount rate applied was 16,97% (FY2018: 20,3%) and cash flows beyond the five years were extrapolated using a 3% terminal growth rate. The headroom is R372 million and no impairment was recognised (FY2018: impairment loss of R72 million recognised). A decline in earnings of 10% would not result in an impairment.

BLU

The projected cash flows used in the value-in-use calculation were adjusted to reflect increased margin pressure from clients in this segment. The post-tax discount rate applied was 16,97% (FY2018: 20,3%) and a terminal growth rate of 3%. The headroom is R626 million (FY2018: R320 million) and no impairment was recognised. A decline in earnings of 10% would not result in an impairment.

Australia

Labour Solutions Australia

The projected cash flows used in the value-in-use calculation were based on the five-year financial plan. The post-tax discount rate applied was 12% (FY2018: 12%) and cash flows beyond five years were extrapolated based on a terminal growth rate of 2,5%. The movement in this Goodwill balance is due to foreign exchange differences. The headroom is R164 million (FY2018: R105 million) and no impairment was recognised. A decline in earnings of 10% will not result in an impairment.

Professional Services segment CGUs

South Africa

Adcorp Workforce Management Solutions Proprietary Limited

The projected cash flows used in the value-in-use calculation were based on the five-year financial plan. The post-tax discount rate applied was 16,56% (FY2018: 20,3%) and cash flows beyond five years were extrapolated based on a terminal growth rate of 6%. The headroom is R9,8 million (FY2018: R20 million) and no impairment was recognised. A decline in earnings of 10% would result in impairment of R47 million.

DAV

The projected cash flows used in the value-in-use calculation were based on the five-year financial plan. The post-tax discount rate applied was 16,56% (FY2018: 20,3%) and cash flows beyond five years were extrapolated based on a terminal growth rate of 3%. The headroom is R51 million (FY2018: R66 million) and no impairment was recognised. A decline in earnings of 10% would not result in an impairment.

Australia

The projected cash flows used in the value-in-use calculation were based on the five-year financial plan. The post-tax discount rate applied was 11,5% (FY2018: 11,5%) and cash flows beyond five years were extrapolated based on a terminal growth rate of 2,5%. The movement in this Goodwill balance is due to foreign exchange differences. The headroom is R178 million (FY2018: R76 million) and no impairment was recognised. A decline in earnings of 10% would not result in an impairment.

Financial Services

The projected cash flows used in the value-in-use calculation were based on the five-year financial plan. The post-tax discount rate applied was 16,56% (FY2018: 20,3%) and a terminal growth rate of 3%. The headroom is R76 million and no impairment was recognised (FY2018: impairment loss of R13,4 million recognised).

Razzbri

Goodwill was recognised on the purchase of a 100% interest in Razzbri in FY2018. Refer to note 33. The entity has been loss making since acquisition and is expected to continue realising losses through its operations beyond the period where management had anticipated the break-even point. A decision was taken to fully impair the Goodwill related to this start-up due to longer than anticipated realisation of break-even in the business.

6. Goodwill continued

Professional Services segment CGUs continued

	2019 R'000	2018 R'000
As a result of the annual impairment review, the Group impaired the goodwill in the following cash-generating units:		
Industrial Services		
South Africa		
Staff U Need, a division of Adcorp Staffing Solutions Proprietary Limited	–	(72 300)
Capital Outsourcing Group Proprietary Limited	–	(4 942)
Australia		
Dare Energy Proprietary Limited	–	(55 301)
Razzbri Proprietary Limited	(6 821)	
Support Services		
Adcorp Workforce Solutions Proprietary Limited	–	(26 924)
Quest Staffing Solutions Proprietary Limited	–	(9 876)
Training Services		
I Can! a division of Production Management Institute Proprietary Limited	–	(5 000)
Financial Services		
FMS, a division of Adcorp Support Services Proprietary Limited	–	(13 356)
Total	(6 821)	(187 699)

The directors believe that any reasonably possible change in the key assumptions on which the recoverable amounts have been based would not cause the aggregate carrying amounts to exceed the aggregate recoverable amounts of each of the underlying cash-generating units.

7. Other financial assets

7.1 Investment

Represents an investment in a cell captive whereby the Group owns a special class of shares that entitles the Group to participate in the administration, risk and economic result of the agreed insurance business introduced to the insurance company.

	2019 R'000	2018 R'000
Investment		
Opening balance	13 244	10 000
Fair value gain	2 003	3 244
Closing balance*	15 247	13 244

* Refer to note 33.5 for additional disclosure relating to the investment.

Key judgements

Investment

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

The Group has determined that it does not have control over its insurance cell captive as the assets and liabilities are controlled by the insurer. The cell captive has therefore not been consolidated and as the Group is exposed to financial risk rather than insurance risk.

7.2 Investment – Amortised cost

On 15 November 2016, the Group invested a total dollar value of \$2 399 376 in two-year term USD-linked government bonds in Angola. The coupon rate is 7% payable event assets in the current financial year. The Group received payment on the maturity of this bond in November 2018.

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7. Other financial assets continued

7.2 Investment – Amortised cost continued

On 17 October 2017, the Group invested \$2 306 145 in a three-year term USD-linked government bond in Angola. The bond (with a coupon rate of 7%, payable every six months) matures in October 2019.

Investment – Amortised cost	R'000
Balance as at 28 February 2017	31 861
Additional purchase	33 441
Impairment	(42 750)
Balance as at 28 February 2018	22 552
Non-current	10 361
Current	12 191
Interest	3 952
Foreign exchange movement	20 114
Payment received on maturity	(32 508)
Impairment	(11 118)
Balance as at 28 February 2019 (current)	2 992

The funds in Angola are restricted due to sovereign exchange controls. As a result, the Group's ability to remit money out of the country is limited. As a result, the Group has provided for possible impairment to the restricted bonds and Cash. Below is the detailed analysis of the bond cost and cash balances currently held in Angola. Further additional information relating to these financial assets is provided in note 14 for the cash resources and note 33.5 for fair value measures both the bond and cash resources currently held in Angola.

	2019 R'000	2018 R'000
Analysis of financial assets restricted in Angola		
Cash and cash equivalents – gross	53 121	13 270
Accumulated impairment provision	(42 150)	(7 962)
Net cash (refer note 14)	10 971	5 308
Investment – amortised cost	31 676	65 302
Accumulated impairment provision	(28 684)	(42 750)
Net investment – amortised cost (refer note 7.2)	2 992	22 552
Total financial assets – Angola	84 797	78 572
Total accumulated impairment provision	(70 834)	(50 712)
Net financial assets	13 963	27 860

Credit risk

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

Market risk

As a result of the government bond investments, the Group is exposed primarily to the financial risk of the value of the USD, which is not dissimilar to any other USD-denominated debtor. The carrying value of the bond approximates the fair value.

Key judgements

Investment – Amortised cost

An impairment has been recognised against both the value of the bonds and the residual cash held by the Group in Angola, as at 28 February 2019. The impairment of the bonds is owing to the Group's broader intention of exiting Angola. The risk of having to face further currency fluctuation is very real considering the current tight foreign exchange restrictions in Angola and the current economic activity. The Group continues to hold the bond and cash until such time as these can be remitted back to South Africa or utilised within Angola. An impairment of the bonds in Angola has been effected as at 28 February 2019 in order to take into account the possible eventual value of the remittance of funds back to South Africa.

8. Profit on disposal of entities and associates

Accounting policy

An associate is an entity over which the Group has significant influence. Significant influence is defined as the ability to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds its interest in the associate, the Group discontinues recognising its share of further losses. Additional losses are only recognised to the extent that the Group has a legal or constructive obligation, or has made payments on behalf of the associate.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in these consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

When the Group ceases to consolidate a business entity because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

Disposal of interest in associates

During the previous financial year, the Group disposed of its 34,6% equity stake in Nihilent Technologies. The disposal transaction was completed on 5 October 2017. The proceeds were as follows:

	2018 R'000
Investment in associate	
Carrying value at the beginning of the year	140 808
Share of current period earnings (gross of dividends received)	16 476
Disposal	(157 284)
Carrying amount	—
Gross proceeds received	342 244
Profit on the sale	184 960
Tax	(36 542)
	Feb 2018 R'000
Group's share of associates' profit for the year	16 476

During the current financial year, the Group disposed of its 30% equity stake in PRP Solutions. The disposal transaction took place on 30 April 2018. The associate was not trading in the financial year and had been previously fully impaired. The proceeds were as follows:

	2019 R'000
Investment in associate	
Carrying value at the beginning of the year	—
Share of current period earnings (gross of dividends received)	—
Disposal	—
Carrying amount	—
Gross proceeds received	1 000
Profit on the sale before tax	1 000

Notes to the consolidated annual financial statements continued

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8. Profit on disposal of entities and associates continued

	2019 R'000
Group's share of associates' profit for the year	–

Disposal of interest in entities

During the year, the Group disposed of 100% of its interest in FNDS3000. The disposal was concluded on 1 June 2018. The proceeds on disposal of R10 million were received in cash. The loss on disposal of the entity is calculated as follows:

	2019 R'000
Investment in entities	
Gross proceeds received	10 250
Carrying amount of net assets sold	(10 676)
Loss on disposal	(426)

The loss on disposal of FNDS3000 is included in profit or loss.

9. Deferred taxation

Accounting policy

Deferred tax is recognised on the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of the other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of the deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2019 R'000	2018 R'000
The aggregated deferred tax asset/(liability) position is based on a per legal entity basis within the Group.		
Consisting of:		
Aggregate net deferred tax assets	218 590	191 860
Aggregate net deferred tax liabilities	(104 077)	(100 074)
Net position	114 513	91 786

9. Deferred taxation

Accounting policy continued

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting period.

	As at 28 February 2018	Income statement movements	Other com- prehensive movements	As at 28 February 2019
Deferred tax assets				
Deferred tax raised on provisions	72 453	(8 515)		63 938
Deferred tax raised on performance shares	1 580	(1 580)		–
Operating lease timing adjustments	5 559	(750)		4 809
Computed losses	97 341	27 564		124 905
Income received in advance	–	15 653		15 653
Intangible asset – other	27 776	(27 776)		–
	204 709	4 596	–	209 305
Deferred tax liability				
Deferred tax raised on performance shares	(951)	951		–
Prepayments	(2 124)	711		(1 413)
Intangible asset – software	(54 770)	47 751		(7 019)
Section 24C future expense deduction	–	(7 839)		(7 839)
Deferred tax on fair value adjustment of foreign loan	6 498	–	(11 588)	(5 090)
Deferred tax on accrued revenue	(35 143)	(14 002)		(49 145)
Other	(2 276)	2 147		(129)
Deferred tax on interest	(24 157)	–		(24 157)
	(112 923)	29 719	(11 588)	(94 792)
Net	91 786	34 315	(11 588)	114 513

	2019 R'000	2018 R'000
Reconciliation of estimated tax losses available in the Group:		
Estimated losses at the beginning of the year	775 257	601 020
Increases in tax losses for the year	139 366	409 342
Tax losses utilised during the year	(156 015)	(235 105)
Estimated losses at the end of the year	758 608	775 257
Which consists of:		
Losses recognised	446 090	347 648
Losses not recognised	312 518	427 609
	758 608	775 257

Key estimates and judgements

In evaluating our ability to recover our deferred tax assets in the jurisdiction from which they arise, we consider all available evidence, including projected future taxable income, tax efficiencies, and results of recent operations.

In projecting future taxable income, we begin with historical results adjusted for the results of discontinued operations and incorporate assumptions about the amount of future operating income adjusted for items that do not have tax consequences. The assumptions about future taxable income require the use of significant judgement and are consistent with the plans and estimates we are using to manage the underlying businesses. The assumptions take into account historical performance of the Group as well as future expected growth.

Notes to the consolidated annual financial statements continued

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9. Deferred taxation continued

Key estimates and judgements continued

The Group is going through a strategic transformation that is aimed at:

- building a strong business that is focused on leveraging core business
- ensuring that the business is lean and agile
- strengthening the brand
- embedding a performance culture built on sound governance principles

The strategy is expected to result in consolidated earnings before interest, tax and depreciation growing to a target FY2022 balance of R1 billion which is an effective 25% compound annual growth rate. In projecting the future taxable income used for determining recognition of deferred tax assets, management considered the impact of various optimisation programmes that are under way as well as projected growth in market share and related revenues. Specifically, management assumed compound annual growth rates ranging from 11% to 29% for these operations earmarked as high growth areas for the Group, and 7% to 8% for the more mature, stable operations. Management also considered the sensitivity of these assumptions to factors such as slow macroeconomic growth and the impact of legislative changes. This resulted in a probably factor of 90% achievability being applied and R446 million (FY2018: R348 million) of assessed losses was recognised with R312 million (FY2018: R428 million) of assessed losses that have not been recognised.

10. Taxation

Accounting policy

Our income tax expense, deferred tax assets and liabilities and unrecognised tax benefits reflect management's best estimate of current and future taxes to be paid. We are subject to income taxes in South Africa and numerous foreign jurisdictions. Significant judgements and estimates are required in the determination of the consolidated income tax expense. Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in the future.

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

	2019 R'000	2018 R'000
Continued operations		
Current tax		
– Current year	69 892	95 028
– Prior year under/(over)provision		580
Deferred tax		
– Current year	(34 314)	(63 725)
– Prior year (over)/underprovision	–	(3 533)
	35 578	28 350
Income tax recognised in the other comprehensive income		
Deferred taxation		
– Exchange differences of net investment of foreign operations	11 588	12 042

10. Taxation continued

Accounting policy continued

	2019 R'000	2018 R'000
Profit/(loss) before tax	297 901	(392 360)
South African standard tax rate (%)	28	28
Normal tax at standard rate	83 412	(109 861)
Adjustment for the tax effect at the standard rate of the following items:		
Exempt income	(28 595)	(91 506)
Share of profits from associates	–	(4 612)
Profit on disposal of associates	–	(51 789)
Incentive income	(28 595)	(35 105)
Non-deductible items charged against income:		
– Non-deductible expenses	2 714	51 745
– Impairment of intangible assets, goodwill and loans	1 910	89 755
– Share-based payments – permanent	4 188	2 018
Special allowances claimed:		
– Learnerships	(14 992)	(23 780)
– Other special allowances	(1 286)	(735)
Current year tax losses not recognised	33 993	62 831
Prior year unrecognised tax losses utilised in current year	(4 728)	(12 559)
Prior year losses recognised	(47 778)	–
Prior year losses derecognised	8 423	–
Rate change adjustment	–	(231)
Foreign currency rate differential	(1 965)	2 926
Foreign taxes paid	–	36 542
Other	282	(2 952)
Deferred tax on interest	–	24 157
Actual tax charge for the year	35 578	28 350
Discontinued operations		
Current tax		
– Current year	–	31 299
Deferred tax		
– Current year	–	28 339
Foreign tax		
Foreign withholding tax	–	59 638
Total Group	35 578	87 988

11. Taxation paid

	2019 R'000	2018 R'000
Net amount prepaid at the beginning of the year	(19 105)	(11 729)
Amounts charged to statement of comprehensive income	(69 892)	(95 609)
Foreign currency	1 758	(12 459)
Net amount prepaid at the end of the year	27 689	19 105
Net cash payment	(59 550)	(100 692)

Notes to the consolidated annual financial statements continued

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12. Trade receivables

The accounting policy applicable to trade receivables is disclosed in note 2.

	2019 R'000	2018 R'000
Trade receivables	2 086 490	2 272 550
Allowance for credit losses	2 181 423	2 381 610
	(94 933)	(109 060)
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:		
South Africa	2 086 490	2 381 610
Australia	1 512 942	1 725 702
	573 548	655 908

No interest is charged on trade receivables.

Trade receivables are provided as security for all banking facilities available to the Group as disclosed in note 17.

	2019 R'000	2018 R'000
The ageing of trade receivables at the reporting date was:	2 181 423	2 381 610
Current	1 574 944	1 581 224
0 to 30 days from invoice date	380 749	429 399
31 to 60 days from invoice date	99 743	160 721
61 to 90 days from invoice date	43 081	65 792
91 to 365 days from invoice date	82 906	144 474
The Group's credit terms to clients range between 30 and 90 days, average 51 days (FY2018: 53 days). Trade receivables are non-interest-bearing.		
Movement in the allowance for credit losses during the year under review was as follows:		
Closing balance	94 933	109 060
Balance at the beginning of the year	109 060	87 786
Amounts written off	(25 822)	(143 693)
Amounts provided for during the year	11 695	164 967

Before accepting any new customer, the South African operations use an external credit bureau to assess the potential customer's credit quality and defines credit limit by customer. The carrying value approximates the fair value.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

12. Trade receivables continued

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base. The Group's expected credit loss rate is 4,35% (FY2018: 4,58%)

	2019		2018	
	R'000	ECL	R'000	ECL
The ageing of the expected credit loss at the reporting date was:				
Current	12 123	0,8%	27 141	1,72%
0 to 30 days from invoice date	6 333	1,7%	12 319	2,87%
31 to 60 days from invoice date	3 287	3,3%	10 247	6,34%
61 to 90 days from invoice date	3 352	7,8%	15 010	22,70%
91 to 365 days from invoice date	22 613	63,4%	12 925	11,43%
Specifically identified	47 225	**	31 418	**
Total provision for bad debts	94 933	4,35%	109 060	4,58%

**** Fully provided for based on specific identification criteria: customer's financial difficulty, inability to pay and when it is perceived that there is no realistic prospect of recovery.**

Key estimates and assumptions

The insured portion of the South African trade receivables are not impaired and insured at 85% (FY2018: 80%) of their value against default. The value insured is R1 028 million (FY2018: R1 163 million).

Historical estimated losses are calculated as the average losses for the last two years. The estimated loss value is adjusted to be forward-looking by taking into account the Group's improved credit control measures.

The forward adjusted loss estimate is applied to each receivables terms' bucket based on the unpaid balance by the total estimated loss rate.

The expected loss rate (allowance for credit losses) is applied to the outstanding buckets to derive at the amount provided for doubtful debt.

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13. Other receivables

	2019 R'000	2018 R'000
Other receivables	103 712	77 208
Deposits	3 935	5 560
Prepayments and sundry billings	27 714	24 026
Sundry loans	216	–
Other*	71 847	47 622

* Includes SETA government grants and other incentives.

14. Cash and cash equivalents

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

	2019 R'000	2018 R'000
Cash resources	366 857	360 328
Bank overdrafts	(227)	(11 676)
	366 630	348 652

Cash resources include restricted cash in Angola related to Capital Outsourcing Group Proprietary Limited. Refer to note 7 for disclosure.

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

	2019 R'000	2018 R'000
Group facilities		
The Group had the following intra-day facility as at 28 February 2019. The facility is non-interest-bearing.		
First National Bank	100 000	100 000
Total facilities	100 000	100 000
These facilities are repayable on demand and bear interest at rates linked to the prime overdraft rate.		
Security for these facilities are linked to the agreements concluded with the above banking institutions, as described fully in note 17.		
Total facilities available	1 557 657	1 526 339
South Africa	1 150 000	1 100 000
Australia	407 657	426 339
Total facilities utilised	885 302	1 206 883
South Africa	650 000	925 000
Australia	235 302	281 883
Available facilities	672 355	369 456
South Africa		
Revolving credit facility	350 000	75 000
Accordion facility	150 000	150 000
Australia	172 355	144 456

Disclosures on utilised cash facilities are provided for in note 17.

15. Share capital and share premium**15.1 Share capital and share premium**

	2019 R'000	2018 R'000
Share capital and share premium		
Authorised		
183 177 151 ordinary shares of 2,5 cents each (FY2018: 183 177 151)	4 579	4 579
16 822 849 'B' ordinary shares of 2,5 cents each (FY2018: 16 822 849)	421	421
	5 000	5 000
Issued		
109 954 675 ordinary shares of 2,5 cents each (FY2018: 109 954 675)	2 749	2 749
16 822 849 'B' ordinary shares of 0 cents each (FY2018: 16 822 849)	–	–
	2 749	2 749
Number of shares ('000)	108 637	109 398
Opening balance	109 955	109 955
Treasury shares	(1 318)	(557)
Share premium	1 738 109	1 738 109
Closing balance*	1 738 109	1 738 109
Total share capital and share premium	1 740 858	1 740 858

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

15.2 Treasury shares**Accounting policy**

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

	2019 R'000	2018 R'000
	(38 233)	(23 002)
Adcorp Fulfilment Services Proprietary Limited – 556 607 shares (FY2018: 556 607)	(22 834)	(22 834)
Torque IT Proprietary Limited – 761 556 shares (FY2018: 0)	(15 231)	–
Adcorp Employee Benefit Trust 2 consolidated – 6 729 140 'B' shares (FY2018: 6 729 140)	(168)	(168)

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16. Reserves

16.1 Foreign currency translation reserve

	2019 R'000	2018 R'000
Foreign currency translation reserve	(15 614)	(26 388)
Balance at 1 March	(26 388)	24 289
Arising on translation of foreign operations	10 774	(50 677)

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

16.2 Share-based schemes

Accounting policy

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

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

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

Share-based payment reserve	2019 R'000	2018 R'000
Opening balance	137 310	128 993
Senior management long-term incentive scheme	1 111	–
Adcorp employee benefit trust and B-BBEE shareholders' trust	136 199	128 993
Expense charge arising from equity-settled share-based schemes	24 464	8 317
Senior management long-term incentive scheme	17 258	1 111
Adcorp employee benefit trust and B-BBEE shareholders' trust	7 206	7 206
Closing balance	161 774	137 310
Senior management long-term incentive scheme	18 369	1 111
Adcorp employee benefit trust and B-BBEE shareholders' trust	143 405	136 199

The expense recognised for share-based payment transactions during the year is shown in the following table:

	2019 R'000	2018 R'000
Senior management long-term incentive scheme	17 258	5 616
Expense arising from cash-settled share-based payment transactions	–	4 505
Expense arising from equity-settled share-based payment transactions	17 258	1 111
Adcorp Employee Benefit Trust and B-BBEE Shareholders' interest	7 206	7 206
Expense arising from cash-settled share-based payment transactions	–	–
Expense arising from equity-settled share-based payment transactions	7 206	7 206
Total expense arising from cash-settled share-based payment transactions	–	4 505
Total expense arising from equity-settled share-based payment transactions	24 464	8 317

Key estimates and judgements

The assessed fair value at grant date of options granted during the 28 February 2019 financial year is disclosed below. The fair value of the Share Appreciation Rights at grant date are independently determined using binomial model. Retention Shares and the Performance Shares at grant date are independently determined present value of future expected dividends discounted at a risk-free rate. The valuation models take into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free interest rate for the term of the option and the correlations and volatilities of the peer group companies.

16. Reserves continued**16.2 Share-based schemes** continued**Senior management long-term incentive scheme**

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

The plan includes three types of awards:

- Performance Shares (PS): a conditional right to Adcorp shares, the vesting of which is subject to the fulfilment of service conditions as well as performance conditions. As specified in the award letter, participants will not be entitled to dividends or having any voting rights on the Performance Shares until the awards vest. Vesting periods are three years from date of award.
- Retention Shares (RS): these are similar to PS but are not conditional on performance of the Group.
- Share Appreciation Rights (SARs): a conditional right that entitles participants to such number of Adcorp shares that are equal to the growth in the Adcorp share price above the allocation price, calculated on the exercise date. Once vested, participants will be entitled to exercise SARs up to the sixth anniversary of the allocation date (the maximum period).

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

	Number of share options 2019	Weighted average exercise price 2019	Number of share options 2018	Weighted average exercise price 2018
Senior management long-term incentive scheme				
Outstanding balance at the beginning of the year	4 238 599	16,22	3 085 100	32,66
Granted during the year	1 781 136	18,1	3 698 599	13,97
Exercised during the year	(540 000)	20,0	(2 545 100)	13,65
Outstanding at the end of the year	5 479 735	16,3	4 238 599	16,22
Exercisable at the end of the year	–	–	540 000	31,64

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

	Number	Grant date	Vesting date	Expiry date	Type	Fair value at grant date R
Issued in FY2018	1 562 999	2018/02/02	2021/02/02	2024/02/02	RS	17,99
Issued in FY2018	500 000	2018/02/02	2021/02/02	2023/02/02	SAR	17,67
Issued in FY2018	500 000	2018/02/02	2022/02/02	2023/02/02	SAR	8,09
Issued in FY2018	500 000	2018/02/02	2023/02/02	2023/02/02	SAR	8,46
Issued in FY2018	635 600	2018/02/02	2021/02/02	2024/02/02	PS	17,99
Issued in FY2019	116 308	2018/05/18	2021/05/18	2024/05/18	PS	17,96
Issued in FY2019	57 581	2018/06/20	2021/06/20	2024/06/20	RS	18,1
Issued in FY2019	1 574 655	2018/06/21	2021/06/20	2024/06/20	PS	18,1
Issued in FY2019	32 592	2019/01/22	2022/06/20	2025/06/20	PS	20,25
	5 479 735					

- The fair value of the Share Appreciation Rights at grant date are independently determined using a binomial model.
- Retention Shares and the Performance Shares at grant date are independently determined based on present value of future expected dividends discounted at a risk-free rate.

Notes to the consolidated annual financial statements continued

for the year ended 28 February 2019

16. Reserves continued

16.2 Share-based schemes continued

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

	2019	2018
Weighted average share price (R)	R18,10 – R20,25	R17,99
Weighted average exercise price (R)	–	–
Expected volatility (%)	36,1 – 42,4%	33,7 – 45,7%
Expected life (years)	3 – 6 years	3 – 6 years
Risk-free rate (%)	7,76%	7,00%
Expected dividend yield (%)	1,65%	1,78%

Adcorp Employee Benefit Trust and B-BBEE shareholders' interest

In terms of the BEE transaction in FY2013 (2013 B-BBEE transaction), Adcorp has created and issued a total of 16 822 849 'B' ordinary shares (FY2015: 16 822 849) to its empowerment shareholders at a par value of 2,5 cents per share:

- 6 729 140 (FY2018: 6 729 140) are owned by a trust called the Adcorp Employee Benefit Trust 2 (AEBT2).
- 5 887 997 (FY2018: 5 887 997) participation has been allocated to women's empowerment group, WIPHOLD.
- 4 205 712 (FY2018: 4 205 712) participation has been allocated to an empowerment business, Simeka Group. At the end of ten years, the 'B' ordinary shares convert into Adcorp ordinary shares based on the value of the notional debt that is paid down at the time.

	2019 R'000	2018 R'000
Issued		
'B' class shares in Adcorp Holdings 16 822 849 'B' ordinary shares of 2,5 cents per share (FY2018: 16 822 849)	421	421
'A' class shares in subsidiaries 400 'A' ordinary shares of no par value in Quest Staffing Solutions Proprietary Limited (FY2018: 400)	25	25
450 'A' ordinary shares of no par value in Fortress Administration Proprietary Limited (FY2018: 450)	230	230
	676	676

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

	2014
Weighted average share price (R)	34,86
Weighted average exercise price (R)	42,17
Expected volatility (%)	24,47
Expected life (years)	10,00
Risk-free rate (%)	7,99
Expected dividend yield (%)	4,07

16. Reserves continued**16.2 Share-based schemes** continued

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

	2019 R'000	2018 R'000
Using the modification cost principles under IFRS 2, the total modified cost of the option is R145,6 million.		
The total value to be amortised over the 10-year period is the aggregate of (a) 40% of the modified option cost plus (b) the unamortised option value relating to the 2007 B-BBEE deal, as above.		
Details of the amounts expensed over the 10-year period are as follows:		
One year	7 206	7 206
Year two to five	28 824	28 824
More than five years	–	7 206

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

	Number of share options 2019	Weighted average exercise price R'000 2019	Number of share options 2018	Weighted average exercise price R'000 2018
Adcorp Employee Benefit Fund Trust 2				
'B' ordinary shares	6 729 140	42,17	6 729 140	42,17
Outstanding balance at the beginning of the year	6 729 140	42,17	6 729 140	42,17
Issued during the year	–	–	–	–
Outstanding at the end of the year	6 729 140	42,17	6 729 140	42,17

At the commencement of the share scheme in 2013, the following parameters were used in determining the option valuation:

	2014
Weighted average share price (R)	34,86
Weighted average exercise price (R)	42,17
Expected volatility (%)	24,47
Expected life (years)	10,00
Risk-free rate (%)	7,99
Expected dividend yield (%)	4,07

Notes to the consolidated annual financial statements continued

for the year ended 28 February 2019

17. Interest-bearing liabilities

17.1 Long-term portion

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

17.2 Short-term portion

	Interest rate	Maturity	2019 R'000	2018 R'000
Long-term loans – current portion			194 836	228 687
Amortising revolving loan	3,15% (FY2018: 3,15%)	Equal semi-annual instalments due August 2019 and February 2020	194 836	228 687

17.3 Available facilities utilisation

	2019 R'000	2018 R'000
Loans – opening balance	1 206 883	1 369 832
Repayments	(1 366 966)	(1 790 664)
Proceeds from facilities	1 033 216	1 626 468
Foreign currency difference	12 169	1 258
Closing balance	885 302	1 206 894

Trade receivables are used as security to secure funding relating to the revolving loan facilities. The unutilised portion of the interest-bearing facilities are disclosed in note 14.

17. Interest-bearing liabilities continued**17.3 Available facilities utilisation** continued

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

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

18. Trade and other payables

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

The average credit period on trade and other payables is 30 days. All amounts will be settled within 12 months and are therefore considered to be short term in nature.

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

The carrying value approximates the fair value.

	2019 R'000	2018 R'000
	1 111 233	1 225 030
Trade creditors	205 863	252 940
VAT	220 548	206 891
Operating expense accruals	213 715	250 759
Payroll accruals	338 279	399 719
Income received in advance	55 899	39 026
Other creditors	66 870	61 326
Obligation under finance leases	10 059	14 369

Notes to the consolidated annual financial statements continued

for the year ended 28 February 2019

19. Provisions

Accounting policy

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

Provision for leave pay

In making its judgement, the provision for leave pay was measured at the Group's best estimate of the expenditure required to settle the obligation at the balance sheet date in accordance with the Basic Conditions of Employment Act. The provision includes both temporary and permanent employees.

Bonuses

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

Other

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

	As at 28 February 2018 R'000	Provisions raised 2019 R'000	Provisions utilised 2019 R'000	Foreign exchange movement 2019 R'000	Transfer liabilities held-for-sale 2019 R'000	As at 28 February 2019 R'000
Leave pay	143 756	131 210	(145 554)	1 897	–	131 309
Bonuses	92 352	61 951	(75 068)	1 913	–	81 148
Other	51 094	32 357	(9 283)	38	–	74 206
Total	287 202	225 518	(229 905)	3 848	–	286 663
	2017 R'000	2018 R'000	2018 R'000	2018 R'000	2018 R'000	2018 R'000
Leave pay	134 980	181 856	(175 502)	(1 659)	4 081	143 756
Bonuses	76 428	155 831	(143 122)	(1 730)	4 945	92 352
Other	31 120	49 405	(36 732)	25	7 276	51 094
Total	242 528	387 092	(355 356)	(3 364)	16 302	287 202

20. Revenue

Accounting policy

The Group is in the business of providing services to clients. Permanent placement and outsourced-based solutions services are provided at a point in time. Temporary placement and training services are provided over a period of time. Revenue is therefore recognised at the point of delivery for permanent placement and outsourced-based solutions and over a period of time for temporary placement and training services. In certain cases the Group makes use of output-based methods to determine when the revenue for performance obligations is recognised over time.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when the performance obligations are met.

20. Revenue continued

Accounting policy continued

Performance obligation	Description	Timing	2019 R'000	2018 R'000
Permanent placement	Permanent placement involves placing candidates in full-time employment with prospective employers. Once candidates are placed, the Group has no further obligations to the customer.	Revenue is recognised when placed candidates begin employment.	176 097	207 006
Temporary placement	Adcorp provides temporary employment services to customers – the services are described as a "solution". The services contracted include procurement, screening, payroll administration, maintenance of records, management reporting, labour related matters, etc. Additional services may be required on an ad hoc basis, the terms of which are to be agreed upon between the parties.	Revenue is recognised as the services are rendered.	13 802 351	14 540 837
Training	The Group provides disability, technical, higher and technological training as well as other ancillary services. There are no contracts with variable consideration components as well as multiple performance obligations.	Revenue is recognised as the training is provided.	300 671	305 779
Outsourced-based solutions	This is focused on managing a wide range of business processes through qualified professionals who use automation and optimisation tools to help improve efficiency, reduce operational costs and increase productivity, while capitalising on process automation technologies. This could also include providing clients with contract management and vendor disbursements for client suppliers.	Revenue is recognised once the solution has been delivered to the customer.	786 250	271 769
Total			15 065 369	15 325 391

The Group does not enter into arrangements with deferred payment terms that exceed 12 months, therefore there is no significant financing component accounted for.

The Group makes use of practical expedient in paragraph 121 in IFRS 15 as the right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date. The service contracts bill a fixed amount for each hour of service provided. Further information including revenue can be obtained in the segmental reporting.

Key estimates and judgements

The Group is a principal if it controls the specified service before the service is rendered to a customer. The Group is an agent if the entity's performance obligation is to arrange for the provision of the service by another party. Changes to certain contractual terms during the current financial year have resulted in a client whose revenues were historically recognised on the agent concept transition to recognition based on principal. The following factors were considered in determining whether the Group is a principal or an agent:

- Primary responsibility for providing the services to the customer or for fulfilling the order
- Latitude in establishing prices, either directly or indirectly, for example by providing additional goods or services which they will bill for
- Who bears the customer's credit risk for the amount receivable

Notes to the consolidated annual financial statements continued

for the year ended 28 February 2019

21. Other income

	2019 R'000	2018 R'000
Other income	45 461	58 067

Other income includes training levies recovered and bureau income.

22. Operating profit

	2019 R'000	2018 R'000
Operating profit is determined after allowing for the following items:		
Auditors' remuneration	(18 260)	(19 980)
– fee for audit	(14 300)	(14 380)
– fee for audit (prior year underprovision)	(2 635)	(2 600)
– fee for other services	(1 325)	(3 000)
Retirement benefits	(67 494)	(77 024)
Leasing and rentals	(93 348)	(95 505)
– properties and premises	(77 455)	(75 711)
– IT equipment	(15 482)	(19 298)
– motor vehicles	(411)	(496)
Staff costs	(1 137 748)	(1 309 235)
Realised foreign exchange gains/(losses)	1 514	(452)

23. Interest income

	2019 R'000	2018 R'000
Interest income	21 031	16 414
Bank deposits	19 997	11 531
Interest received on other financial assets	1 034	4 871
Other	–	12

24. Interest expense

	2019 R'000	2018 R'000
Interest expenses	(104 624)	(140 643)
Bank overdrafts	(15 816)	(43 024)
Interest-bearing borrowings	(88 660)	(90 427)
Other	(148)	(7 192)

25. Earnings per share

The calculation of earnings per share on continuing operations attributable to the ordinary equity holders of the parent is based on earnings of R261 849 887 (FY2018: R422 956 341), discontinued loss of R178 826 (FY2018: R140 322 087), and ordinary shares of 109 043 442 (FY2018: 108 946 470), being the weighted average number of shares relative to the above earnings.

	2019 R'000	2018 R'000
Continuing operations		
Basic earnings/(loss) per share – cents	240,1	(388,2)
Diluted earnings/(loss) per share – cents	234,3	(388,2)
Discontinuing operations		
Basic loss per share – cents	(0,16)	(128,8)
Diluted loss per share – cents	(0,16)	(128,8)
Total basic loss per share – cents		
Basic earnings/(loss) per share – cents	240,0	(517,0)
Diluted earnings/(loss) per share – cents	234,1	(517,0)
111 754 773 (FY2018: 108 946 470) weighted diluted number of shares are determined as follows:		
Reconciliation of diluted number of shares		
Ordinary shares	109 043 442	108 946 470
Adcorp employee share schemes – dilution*	2 711 331	4 273 599
Adcorp employee share schemes – anti-dilutive shares excluded***	–	(4 273 599)
Diluted number of shares	111 754 773	108 946 470
Reconciliation of headline earnings/(loss) from continuing operations**		
Profit/(loss) for the year	261 850	(422 956)
Profit on sale of property and equipment	(803)	(839)
Taxation recovered on the sale of property and equipment	–	235
Impairment of intangible assets, goodwill and bonds	6 821	477 797
Profits from the sale of businesses	(574)	(184 960)
Taxation charged on sale of associate	–	36 452
Headline earnings/(loss)	267 294	(94 181)
Headline earnings/(loss) per share – cents	245,1	(86,4)
Diluted headline earnings/(loss) per share – cents	239,2	(86,4)
Reconciliation of headline earnings/(loss) from discontinued operations**		
Loss for the year	(178)	(140 322)
Impairment of investments, goodwill and loans	–	75 300
Headline earnings/(loss)	(178)	(65 022)
Headline loss per share – cents	–	(59,7)
Diluted headline loss per share – cents	(0,2)	(59,7)
Reconciliation of headline earnings/(loss) from total operations		
Profit/(loss) for the year	261 672	(563 278)
Impairment of investments, goodwill and loans	6 821	553 097
Profit on sale of property and equipment	(803)	(839)
Taxation recovered on the sale of property and equipment	–	235
Profits from the sale of businesses	(574)	(184 960)
Taxation charged on sale of associate	–	36 542
Headline earnings/(loss)	267 116	(159 203)
Headline earnings/(loss) per share – cents	245,0	(146,1)
Diluted headline earnings/(loss) per share – cents	239,0	(146,1)

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

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

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

Notes to the consolidated annual financial statements continued

for the year ended 28 February 2019

26. Directors' and prescribed officers' emoluments

Executive directors 2019	Salary R'000	Bonus R'000	Employee benefits R'000	Sub-total R'000	Realised gains on share options R'000	Total R'000
I Dutiro	4 846	5 575	957	11 378	–	11 378
CJ Kujenga	3 209	2 101	351	5 661	–	5 661
	8 055	7 676	1 308	17 039	–	17 039

Executive directors 2018	Salary R'000	Bonus R'000	Employee benefits R'000	Sub-total R'000	Realised gains on share options R'000	Total R'000
I Dutiro	1 914	1 833	377	4 124	–	4 124
MA Jurgens	5 500	5 430	289	11 219	1 078	12 297
CJ Kujenga	2 029	891	220	3 140	–	3 140
RL Pike	2 764	–	5 712	8 476	12 222	20 698
BE Bulunga	3 169	775	453	4 397	–	4 397
PC Swart	2 318	–	4 593	6 911	11 204	18 115
	17 694	8 929	11 644	38 267	24 504	62 771

Prescribed officers 2019	Salary R'000	Bonus R'000	Employee benefits R'000	Sub-total R'000	Realised gains on share options R'000	Total R'000
MA Jurgens*	5 604	–	202	5 806	105	5 911
R de Grooth	1 838	1 233	550	3 621	35	3 656
K Vittee	2 364	998	350	3 712	105	3 817
U Fear**	165	500	18	683	–	683
H Weyers	1 061	210	264	1 535	–	1 535
	11 032	2 941	1 384	15 357	245	15 602

* MA Jurgens resigned on 1 February 2019.

** U Fear was appointed Managing Executive: Training on 1 January 2019. She received a R500 000 sign-on bonus.

Prescribed officers 2018	Salary R'000	Bonus R'000	Employee benefits R'000	Sub-total R'000	Realised gains on share options R'000	Total R'000
J Botha	2 472	2 248	429	5 149	–	5 149
R de Grooth	1 403	2 935	511	4 849	411	5 260
K Vittee	2 133	2 737	441	5 311	1 297	6 608
M Pitman	3 208	2 920	164	6 292	–	6 292
H Weyers	1 024	948	243	2 215	–	2 215
	10 240	11 788	1 788	23 816	1 708	25 524

27. Directors' and prescribed officers' participation in long-term incentive scheme

Directors' shareholding as at 28 February 2019	Number of unexercised options as at 28 February 2018	Number of options granted	Number of options exercised	Number of options forfeited	Number of unexercised options as at 28 February 2019	Vesting date
Executive directors						
I Dutiro	–	316 698	–	–	316 698 [#]	20/06/2021
	930 533	–	–	–	930 533 [*]	02/02/2021
	500 000	–	–	–	500 000 ^{**}	02/02/2021
	500 000	–	–	–	500 000 ^{**}	02/02/2022
	500 000	–	–	–	500 000 ^{**}	02/02/2023
CJ Kujenga	–	116 568	–	–	116 568 [*]	20/06/2021
	241 000	–	–	–	241 000 [#]	02/02/2021
Prescribed officers						
MA Jurgens	105 000	–	(105 000)	–	– [#]	27/05/2018
	139 650	–	–	(139 650)	– [#]	01/03/2020
	–	189 346	–	(189 346)	– [#]	20/06/2021
	391 466	–	–	(391 466)	– [*]	02/02/2021
R de Grooth	35 000	–	(35 000)	–	– [#]	27/05/2018
	35 000	–	–	–	35 000 [#]	01/03/2020
	–	68 671	–	–	68 671 [#]	6/20/2021
K Vittee	105 000	–	(105 000)	–	– [#]	27/05/2018
	139 650	–	–	–	139 650 [#]	3/1/2020
	–	74 132	–	–	74 132 [#]	6/20/2021
H Weyers	–	36 478	–	–	36 478 [#]	20/06/2021
J Botha	53 200	–	(40 000)	(13 200)	– [#]	02/02/2020
M Pitman	35 000	–	–	(35 000)	– [#]	27/02/2017
	35 000	–	(35 000)	–	– [#]	

Performance shares (PFs).

* Sign-on shares.

** Share appreciation rights (SARs). Vesting in three equal tranches 2021; 2022; 2023. Refer to note 28 for resignations and appointments. The share appreciation rights have a strike price of R17,67.

Notes to the consolidated annual financial statements continued

for the year ended 28 February 2019

28. Directors' and prescribed officers' emoluments

2019	Directors' fees R'000
Non-executive directors	
GT Serobe	1 071
JA Boggenpoel (resigned 20 July 2018)	145
GP Dingaan	366
SN Mabaso-Koyana	640
C Maswanganyi	397
TP Moeketsi	282
ME Mthunzi	354
FS Mufumadi	400
P Mnganga	203
H Singh	250
S Sithole (appointed 4 July 2017)	425
MW Spicer	580
	5 113

Note – the fees for the February meetings are normally paid in March as part of payroll. However, for the current year as directors now submit invoices as required by SARS and these were invoiced at the end of February, these amounts have been included above. The fees are therefore effectively for five quarters as opposed to four quarters in 2017.

2018	Directors' fees R'000
Non-executive directors	
GT Serobe (appointed 11 July 2017)	669
JB Boggenpoel	557
GP Dingaan	365
SN Mabaso-Koyana	704
C Maswanganyi	579
TP Moeketsi (appointed 5 February 2018)	90
ME Mthunzi	523
FS Mufamadi (appointed 11 July 2017)	290
NS Ndhrazi (resigned 11 July 2017)	173
MJN Njeke (resigned 11 July 2017)	374
N Nogogo (appointed 4 July 2017 and resigned 13 October 2017)	72
TDA Ross (resigned 11 July 2017)	290
S Sithole (appointed 4 July 2017)	391
MW Spicer	840
	5 917

29. Schedule of directors' interests – Adcorp Holdings Limited

Year ended 28 February 2019

	Direct	2019 Indirect	Total	Direct	2018 Indirect	Total
Directors' names						
I Dutiro	18 000	–	18 000	18 000	–	18 000
TP Moeketsi*	–	25 355 569	25 355 569	–	17 899 084	17 899 084
S Sithole*	–	25 355 569	25 355 569	–	17 899 084	17 899 084
MW Spicer	–	48 000	48 000	–	48 000	48 000
Alternate directors						
MM Nkosi* (appointed 19 October 2018)	–	25 355 569	25 355 569	–	–	–
JA Boggenpoel (resigned 20 July 2018)	–	–	–	–	–	–
MA Jurgens (resigned September 2017)	54 628	–	54 628	133 471	–	133 471
RM Ramaite (resigned 2 January 2019)	15 000	–	15 000	15 000	–	15 000
RL Pike (resigned July 2017)	–	–	–	735 431	–	735 431
AM Sher (resigned January 2017)	–	–	–	–	115 000	115 000
PC Swart (resigned July 2017)	–	–	–	–	697 125	697 125
	87 628	76 114 707	76 202 335	901 902	36 658 293	37 560 195
Less double counting for Value Capital Partners (VCP)	–	(50 711 138)	(50 711 138)	–	(17 899 084)	(17 899 084)
	87 628	25 403 569	25 491 197	901 902	18 759 209	19 661 111

* Interest held through Value Capital Partners.

Note – there have been no changes in directors' interest post year-end to the date of this report.

30. Dividends

30.1 Dividend paid

	2019 R'000	2018 R'000
Amounts declared and paid	(2 234)	(1 293)

During the year one of the Group's subsidiaries in Australia paid dividends to its minority shareholders.

30.2 Dividend declared

	2019 R'000	2018 R'000
Ordinary shares		
A final dividend of 96,10 cents per share (FY2018: Nil) for the year ended 28 February 2019 was declared on 17 May 2019. The dividend payment date is set for 19 August 2019.	105 666	–

Notes to the consolidated annual financial statements continued

for the year ended 28 February 2019

31. 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 (refer to Annexure A).

31.1 Trading transactions

During the year, Group entities entered into the following transactions:

	Sale of services		Holding company management fees		Accounting and information technology fees	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Subsidiaries of Adcorp Holdings Limited	230 769	79 052	223 524	238 382	130 337	111 394

31.2. B-BBEE shareholders' interest

Certain directors of the Group are directors of the Group's B-BBEE partners (refer to note 16.2).

GP Dingaan and NS Ndhazi, who are non-executive directors, are employees of the WIPHOLD Group, being one of the Group's B-BBEE partners.

C Maswanganyi and MR Ramaite, who are a non-executive director and an alternate director respectively of Adcorp, collectively control Simeka Group, being one of the Group's B-BBEE partners.

For key management interest disclosures, please refer to notes 27, 28 and 29.

32. Acquisition and disposal of businesses

Entities sold	Segment	Principal activity	Date of disposal	Proportion of shares acquired	Proceeds on disposal R'000
2019					
FNDS3000	Financial Services	Electronic payments	1/6/2018	100%	10 250

Entities acquired	Segment	Principal activity	Date of acquisition	Proportion of shares acquired	Cost of acquisition R'000
2018					
Razzbri (Proprietary Limited)*	APs Australia	Recruitment process outsourcing	9/1/2017	100%	7 060
I Can!**	Training	Skills development of people with disabilities	3/1/2017	100%	5 000

The total amount was allocated to goodwill in the current year.

* Adcorp Holdings Australia acquired 80% of Razzbri on 1 August 2017 for AUD1 million and a deferred payment for the acquisition of the outstanding shareholding based on a 4x multiple of earnings for FY2020 and FY2021.

** The goodwill of R5 million in I Can! was impaired at acquisition.

33. Financial instruments

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 17, cash and cash equivalents disclosed in note 14, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 16 and statement of changes in equity.

An investment committee was constituted during FY2018. This Committee has considered the cost of capital and the risks associated with each class of capital. The current gearing ratio of 27% (FY2018: 55%), the Committee has worked on the determination of an appropriate capital framework and target gearing for the Group. The Group historically had a target gearing ratio of 37%. Going forward, the Committee believes that the appropriate leverage ratio for the nature of the business is the debt:EBITDA ratio and has a target of 1,5x. This will be reviewed on an ongoing basis as the strategic transformation progresses.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in the accounting policies on pages 123 to 128.

33.1 Categories for financial instruments

	2019 R'000	2018 R'000
Financial assets		
Investments – fair value through profit and loss	15 247	13 244
Receivables (excluding cash resources) – amortised cost	2 086 490	2 272 550
Cash	366 857	360 328
Investment – amortised cost	2 992	22 552
Financial liabilities		
Amortised cost (excluding bank overdraft)	1 775 987	2 431 913
Bank overdraft	227	11 676
The following details the Group's remaining contractual maturity for its financial liabilities:		
Within one year	1 085 521	1 236 553
More than one year and not later than five years	690 466	1 053 196

33.2 Financial risk management objectives

The Group's executive and head office treasury function provides services to the business, coordinates access to domestic financial markets, and monitors and manages the financial risks relating to the operations of the Group. These risks include market risk, credit risk, liquidity risk and cash flow interest rate risk. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The head office treasury function reports quarterly to the Board, which monitors risks and policies implemented to mitigate risk exposures.

33.3 Interest risk management

The Group is exposed to interest rate risk because it has borrowings that attract interest at floating rate.

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

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's loss for the year after tax would increase/decrease by R11,7 million (FY2018: decrease/increase by R14 million).

Notes to the consolidated annual financial statements continued

for the year ended 28 February 2019

33. Financial instruments continued

33.4 Financial risk management

Liquidity risk

Liquidity risk is the risk that the Group will not be able to repay its financial obligations as they fall due. The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Borrowing facilities are reflected in note 17.

Credit risk

Credit risk with respect to trade accounts receivable is limited due to the blue-chip nature of the Group's client base. Credit assessments are done and continually updated on all the Group's clients.

	On demand R'000	Less than 3 months R'000	3 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000	Total R'000
Interest-bearing loans						
– South Africa	–	–	–	650 000	–	650 000
Interest-bearing loans						
– Australia	–	–	194 836	40 466	–	235 302
Trade and other payables	–	890 685	–	–	–	890 685

Foreign currency

The Group undertakes transactions denominated in foreign currencies. Consequently, exposures to exchange rate fluctuations arise.

The sensitivity analysis below represents the extent to which the Group has monetary assets and liabilities other than the Group's functional currency. Based on the net exposure below it is estimated that a 10% change in the Australian dollar foreign exchange rate against the functional currency will impact the fair value of the net asset value as well as the Group's profit to the extent of R24 million (FY2018: R11 million).

33.5 Financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used):

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

34. Operating lease arrangements

Accounting policy

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Rentals payable/receivable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

	2019 R'000	2018 R'000
The Group as lessee		
Minimum lease payments under operating property and IT-related leases recognised as an expense in the year	104 856	76 985
At the statement of financial position date, the Group has outstanding commitments under non-cancellable operating leases which fall due as follows:	142 627	117 628
Within one year	57 792	48 314
In the second to fifth years inclusive	82 810	69 314
After five years	2 025	–
Average lease terms (months)	36	36

35. Contingent liabilities and commitments

	2019 R'000	2018 R'000
The bank has issued lease guarantees to the value of	7 250	6 000

36. Subsequent events

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

37. Going concern

Based on the assessment of the solvency and liquidity and the applicability of the going concern assertion as to the affairs of the Group, the Group is expected to be a going concern for the foreseeable future.

Annexure A: Details of subsidiaries and associates

for the year ended 28 February 2019

Name of subsidiary	Nature of business/ status	Share type	Authorised share capital of subsidiary/ associate	
			R Feb 2019	R Feb 2018
Adchip Managed Solutions Proprietary Limited	Dormant	Ordinary	1 000 000	1 000 000
Adcorp Accountability Proprietary Limited	Dormant	Ordinary	4 000 000	4 000 000
Adcorp Advantage Proprietary Limited	Financial services	Ordinary	1 200 000	1 200 000
Adcorp Africa Limited (Mauritius)	Investment holding	Ordinary	10 000 000	10 000 000
Adcorp Contracting Proprietary Limited	Dormant	Ordinary	4 000 000	4 000 000
Adcorp Flexible Staffing Solutions Proprietary Limited	Dormant	Ordinary	20 000 000	20 000 000
Adcorp Fulfilment Services Proprietary Limited	Holding company	Ordinary	20 000 000	20 000 000
Adcorp Holdings Australia	Holding company	Ordinary	30 000 100 000	30 000 100 000
Adcorp Holdings Singapore Pte Limited	Holding company	Ordinary	1 000	1 000
Adcorp Management Services Proprietary Limited	Shared services	Ordinary	4 000 000	4 000 000
Adcorp Staffing Solutions Proprietary Limited	Holding company	Ordinary	4 000 000	4 000 000
Adcorp Staffing Solutions Proprietary Limited	Holding company	Class 'A' redeemable preference	225 000 000	225 000 000
Adcorp Support Services Proprietary Limited	Financial services	Ordinary	1 000 000	1 000 000
Adcorp Technical Training Proprietary Limited	Training	Ordinary	1 000 000	1 000 000
Adcorp Workforce Management Solutions Proprietary Limited	Holding company	Ordinary	900 000 000 000	900 000 000 000
Adcorp Workforce Management Solutions Proprietary Limited	Holding company	Conv. Red. preference	100 000 000 000	100 000 000 000
Adcorp Workforce Solutions Proprietary Limited	Flexible staffing	Ordinary	1 000 000 000 000	1 000 000 000 000
ADfusion Contract Management Services Proprietary Limited	Recruitment	Ordinary	4 000 000	4 000 000
All About Project Management Proprietary Limited	Project management product and services	Ordinary	1 000 000	1 000 000
All About Xpert Australia Proprietary Limited	Project management product and services	Ordinary	100 000	100 000
All About Xpert Proprietary Limited	Project management product and services	Ordinary	100 000 000	100 000 000
All About Xpert Technologies Proprietary Limited	Project management services	Ordinary	100 000	100 000
Anglo African Outstaffing Proprietary Limited	Flexible staffing	Ordinary	1 000 000	1 000 000
Capital Outsourcing Group Limited – Uganda	Flexible staffing	Ordinary	10 000 000	10 000 000

Issued share capital of subsidiary/ associate		Number of shares held by Adcorp	
R Feb 2019	R Feb 2018	R Feb 2019	R Feb 2018
100 000	100 000	100 000	100 000
200 000	200 000	200 000	200 000
100 000	100 000	100 000	100 000
10 000 000	10 000 000	10 000 000	10 000 000
1 000	1 000	1 000	1 000
10 000 000	10 000 000	10 000 000	10 000 000
9 000 000	9 000 000	9 000 000	9 000 000
30 000 100 000	30 000 100 000	30 000 100 000	30 000 100 000
1 000	1 000	1 000	1 000
400 000	400 000	400 000	400 000
100 000	100 000	100 000	100 000
—	—	—	—
100 000	100 000	100 000	100 000
100 000	100 000	100 000	100 000
349 716 709 000	349 716 709 000	349 716 709 000	349 716 709 000
—	—	—	—
100 000 000 000	100 000 000 000	100 000 000 000	100 000 000 000
2 000 000	2 000 000	2 000 000	2 000 000
340 000	340 000	340 000	340 000
100 000	100 000	80 000	80 000
10 000 000	10 000 000	10 000 000	10 000 000
100 000	100 000	75 000	75 000
1 000 000	1 000 000	1 000 000	1 000 000
10 000 000	10 000 000	—	—

Annexure A: Details of subsidiaries and associates continued

for the year ended 28 February 2019

Name of subsidiary	Nature of business/ status	Share type	Authorised share capital of subsidiary/ associate	
			R Feb 2019	R Feb 2018
Capital Outsourcing Group Proprietary Limitada – Mozambique	Flexible staffing	Ordinary	–	–
Capital Outsourcing Group Proprietary Limited – Angola (Branch)	Flexible staffing	–	–	–
Capital Outsourcing Group Proprietary Limited – Australia (to be deregistered)	Flexible staffing	–	–	–
Capital Outsourcing Group Proprietary Limited – Malawi	Agency agreements	Ordinary	10 000 000	10 000 000
Capital Outsourcing Group Proprietary Limited – South Sudan (Branch)	Flexible staffing	–	–	–
Capital Outsourcing Group Proprietary Limited – South Africa	Flexible staffing	Ordinary	100 000 000	100 000 000
Capital Outsourced Solutions Proprietary Limited	Flexible staffing	Ordinary	1 000 000	1 000 000
Charisma Healthcare Solutions Proprietary Limited	Dormant	Ordinary	1 000 000	1 000 000
Comsel Eighteen Proprietary Limited t/a Kanimambo	Supplier of IT services	Ordinary	1 000 000	1 000 000
Dare Energy Proprietary Limited	Flexible staffing	Ordinary	1 000	1 000
Dare Holdings Proprietary Limited	Flexible staffing	Ordinary	2 000	2 000
Dare Holdings LLC (Texas, USA)	Dormant	Ordinary	100 000	100 000
DAV Professional Placement Group Proprietary Limited	Dormant	Ordinary	1 000 000	1 000 000
Envisionme Virtual Talent Management Co Proprietary Limited – 74,9%-owned	Emergent business	Ordinary	1 000 000	1 000 000
FNDS3000 Proprietary Limited	Payroll card	Ordinary	1 000 000	1 000 000
Fortress Administration Proprietary Limited	Outsourcing solutions	Ordinary	550 000	550 000
Fortress Administration Proprietary Limited	Outsourcing solutions	'A' ordinary	450 000	450 000
InfoVu Holdings Proprietary Limited	Dormant	Ordinary	1 000 000	1 000 000
InfoVu Proprietary Limited	Dormant	Ordinary	1 000 000	1 000 000
InnStaff Proprietary Limited	Flexible staffing	Ordinary	4 000 000	4 000 000
Inn-Staff Swaziland Proprietary Limited	Flexible staffing	Ordinary	100 000	100 000
Kelly Corporate Finance Proprietary Limited	Dormant	Ordinary	1 000 000	1 000 000
Kelly Group Shared Services Proprietary Limited	Dormant	Ordinary	1 000 000	1 000 000
Labour Solutions Australia (WA) Proprietary Limited	Flexible staffing	Ordinary	100 000	100 000
Labour Solutions Australia Agri Proprietary Limited	Flexible staffing	Ordinary	1 000 000	1 000 000
Labour Solutions Australia Constructions Proprietary Limited	Flexible staffing	Ordinary	100 000	100 000
Labour Solutions Australia Proprietary Limited	Flexible staffing	Ordinary	60 530 464 000	60 530 464 000
Labour Solutions Australia TSV Proprietary Limited	Flexible staffing	Ordinary	100 000	100 000
Labour Solutions Partners Proprietary Limited	Flexible staffing	Ordinary	200 000	200 000

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Annexure A: Details of subsidiaries and associates continued

for the year ended 28 February 2019

Name of subsidiary	Nature of business/ status	Share type	Authorised share capital of subsidiary/ associate	
			R Feb 2019	R Feb 2018
M Squared Consulting MSP Proprietary Limited	Managed services provider	Ordinary	1 000 000	1 000 000
Mondial IT Solutions Proprietary Limited	Consulting and the supply of skills to the IT industry	Ordinary	100 000 000	100 000 000
Moody Blue Trade & Invest 93 Proprietary Limited	Investment holding	Ordinary	1 000 000	1 000 000
Paracon Australia Proprietary Limited	Dormant	Ordinary	87 682 486 000	87 682 486 000
Paracon SA Proprietary Limited	Supplier of IT services	Ordinary	1 000 000	1 000 000
Paxus Australia Proprietary Limited	Supplier of IT services	Ordinary	152 856 000	152 856 000
Paxus New Zealand Proprietary Limited	Supplier of IT services	Ordinary	100 000	100 000
PRP Solutions Proprietary Limited (sold during the year)	Productivity tools and time tracking software	Ordinary	1 000	1 000
Production Management Institute of Southern Africa Proprietary Limited	Training	Ordinary	4 000 000	4 000 000
Prior Learning Centre Proprietary Limited	Training	Ordinary	1 000 000	1 000 000
Quest Flexible Staffing Solutions Proprietary Limited	Dormant	Ordinary	200 000	200 000
Quest Staffing Solutions Proprietary Limited	Flexible staffing	Ordinary	1 000 000	1 000 000
Quest Staffing Solutions Proprietary Limited	Flexible staffing	'A' ordinary	1 000 000	1 000 000
Reveal Group Proprietary Limited, formerly WDB Technologies Proprietary Limited	Dormant	Ordinary	4 000 000	4 000 000
Research Surveys Proprietary Limited	Dormant	Ordinary	100 000 000	100 000 000
Sishaye Contract Centre Solutions Proprietary Limited	Dormant	Ordinary	1 000 000	1 000 000
Sizano Staffing Services Proprietary Limited	Dormant	Ordinary	300 000	300 000
Talentcru Proprietary Limited	Emergent business	Ordinary	1 000 000	1 000 000
Talentcru Proprietary Limited (Australia)	Emergent business	Ordinary	100 000	100 000
The Kelly Personnel Group Proprietary Limited	Dormant	Ordinary	4 000 000	4 000 000
The Personnel Concept Proprietary Limited	Dormant	Ordinary	40 000 000	40 000 000
Thetha Call Centre Staffing Proprietary Limited	Dormant	Ordinary	4 000 000	4 000 000
Tiger Tail Digital Proprietary Limited (formerly Paracon Project Management Proprietary Limited)	Dormant	Ordinary	1 000 000	1 000 000
Torque Holdings Proprietary Limited	Holding company	Ordinary	1 000 000	1 000 000
Torque Learning Solutions Proprietary Limited	Supplier of IT services	Ordinary	1 000	1 000
Torque Technical Computer Training Proprietary Limited	Supplier of IT services	Ordinary	1 000 000	1 000 000
Zest Hospitality Proprietary Limited	Outsourcing solutions	Ordinary	4 000 000	4 000 000

Issued share capital of subsidiary/ associate		Number of shares held by Adcorp	
R Feb 2019	R Feb 2018	R Feb 2019	R Feb 2018
1 000 000	1 000 000	1 000 000	1 000 000
11 000 000	11 000 000	11 000 000	11 000 000
100 000	100 000	100 000	100 000
87 682 486 000	87 682 486 000	87 682 486 000	87 682 486 000
700 000	700 000	700 000	700 000
152 856 000	152 856 000	152 856 000	152 856 000
100 000	100 000	100 000	100 000
1 000	1 000	–	300
100 000	100 000	100 000	100 000
101 000	101 000	101 000	101 000
100 000	100 000	100 000	100 000
600 000	600 000	600 000	600 000
400 000	400 000	–	–
1 000 000	1 000 000	1 000 000	1 000 000
200 000	200 000	200 000	200 000
100 000	100 000	60 000	60 000
300 000	300 000	300 000	300 000
100 000	100 000	100 000	100 000
100 000	100 000	100 000	100 000
100 000	100 000	100 000	100 000
40 000 000	40 000 000	40 000 000	40 000 000
1 000 000	1 000 000	750 000	750 000
200 000	200 000	200 000	200 000
332 000	332 000	332 000	332 000
1 000	1 000	1 000	1 000
100 000	100 000	100 000	100 000
100 000	100 000	100 000	100 000

Glossary of terms and acronyms

ARC	Audit and Risk Committee
Assignees	Temporary employees placed at client sites for short-term or project-based work across industries. The temporary employees provided are recruited, screened, trained and employed by the TES provider, then assigned to client organisations.
B-BBEE	Broad-Based Black Economic Empowerment
Candidate	A job applicant or prospective employee
Deployed permanent employee	A permanent employee that has been deployed/outsourced to a client company.
DSO	Days sales outstanding is a measure of the average number of days that it takes a company to collect payment after a sale has been made.
EBITDA	Earnings (i.e. operating profit) before interest, tax, depreciation and amortisation
EPS	Earnings per share is the portion of the company's profit allocated to each outstanding share.
ETI	Employment Tax Incentive is a SARS tax incentive which reduces the cost of hiring young people by reducing the amount of PAYE owed by the employer to SARS without affecting the employees' wages.
HEPS	Headline earnings per share is profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year, excluding shares held by the various share incentive schemes.
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
Independent contractor	An independent contractor is a self-employed individual performing services for a company under contract rather than as an employee, either on or offsite.
Insourced temporary employees	Employees who are hired from outside agencies and managed through the MSP model to render services to client companies.
LRA	Labour Relations Act 66 of 1995 is a South African statute that regulates labour relations and collective bargaining in the workplace. The LRA contains provisions outlining the labour relations rights and responsibilities of employers, trade unions and employees.
LTI	Long-term incentive
MSP	Managed service provision is a service whereby a company takes on primary responsibility for managing an organisation's contingent workforce programme, including overall programme management, reporting and tracking, supplier selection and management, order distribution and consolidated billing.
NMW	National minimum wage
Nomco	Nominations Committee
Permanent employee	An employee who works for and is paid directly by a specific employer without a predetermined end date for the employment arrangement. Permanent employees are often eligible for employment benefits e.g. paid leave, health insurance and retirement plan access.
Remco	Remuneration Committee
ROIC	Return on invested capital is the percentage return that a company makes over its invested capital.
RPO	Recruitment process outsourcing is the partial or full outsourcing of a company's internal recruitment function to a third-party specialist provider, for all its direct hire (permanent workers) recruitment needs.
SETA	Sector Education and Training Authority in South Africa which governs skills development through learnerships, internships, unit based skills programmes, and apprenticeships.
STI	Short-term incentive
TES	Temporary employment services are, according to the LRA, employees who work for a client on a temporary basis and are paid by the temporary employment service provider.
TGP	Total guaranteed package calculated using a total cost to company methodology.
TSEC	Transformation, Social and Ethics Committee

Administration

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Listed 1987
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ISIN: ZAE000000139
Website: www.adcorpgroup.com

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