ADCORP

Financial results presentation 2018

Salient features

Revenue for the year decreased by **3%** to **R15,3 billion**

Cash generated by operations up **51%** to **R390 million** (2017: R258 million)

Underlying EBITDA* for the year increased by **4%** to **R387 million**

Underlying EBITDA* for Professional Services increased by **15%** to **R265 million**

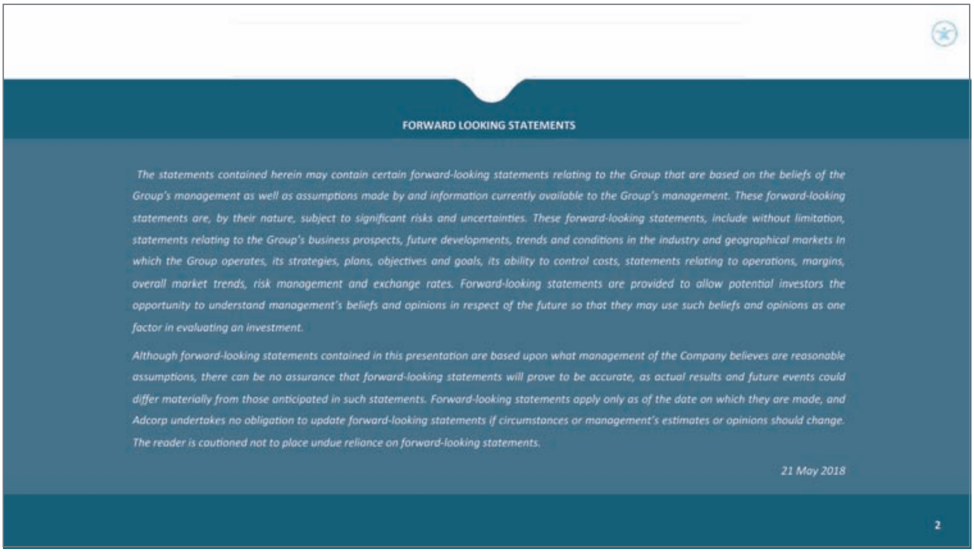
Underlying EBITDA* for Industrial Services Australia increased by **67%** to **R58 million**

Underlying EBITDA* for Financial Services increased by **11%** to **R58 million**

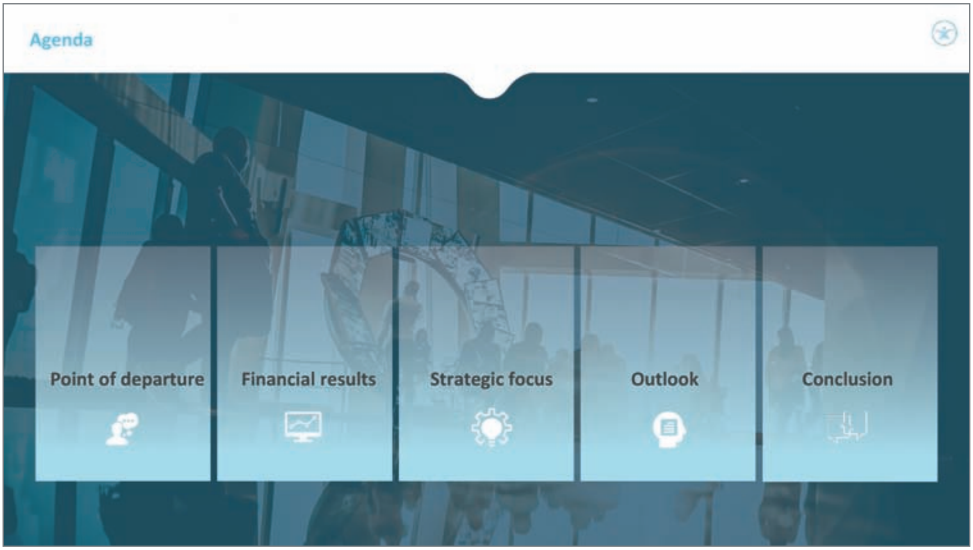
Central costs reduced by **R101 million** from prior year excluding once off costs

R1 billion refinance and disposal of Nihilent


EXPLORE OUR WORLD
Established 1975
ADCORP HOLDINGS LIMITED
Presented by
Innocent Dutiro – Chief Executive Officer
Cheryl-Jane "CJ" Kujenga – Chief Financial Officer
FY2018
Financial results


FORWARD LOOKING STATEMENTS
The statements contained herein may contain certain forward-looking statements relating to the Group that are based on the beliefs of the Group's management as well as assumptions made by and information currently available to the Group's management. These forward-looking statements are, by their nature, subject to significant risks and uncertainties. These forward-looking statements, include without limitation, statements relating to the Group's business prospects, future developments, trends and conditions in the industry and geographical markets in which the Group operates, its strategies, plans, objectives and goals, its ability to control costs, statements relating to operations, margins, overall market trends, risk management and exchange rates. Forward-looking statements are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment.
Although forward-looking statements contained in this presentation are based upon what management of the Company believes are reasonable assumptions, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements apply only as of the date on which they are made, and Adcorp undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.
21 May 2018
2

Notes


Agenda
Point of departure
Financial results
Strategic focus
Outlook
Conclusion


Point of departure

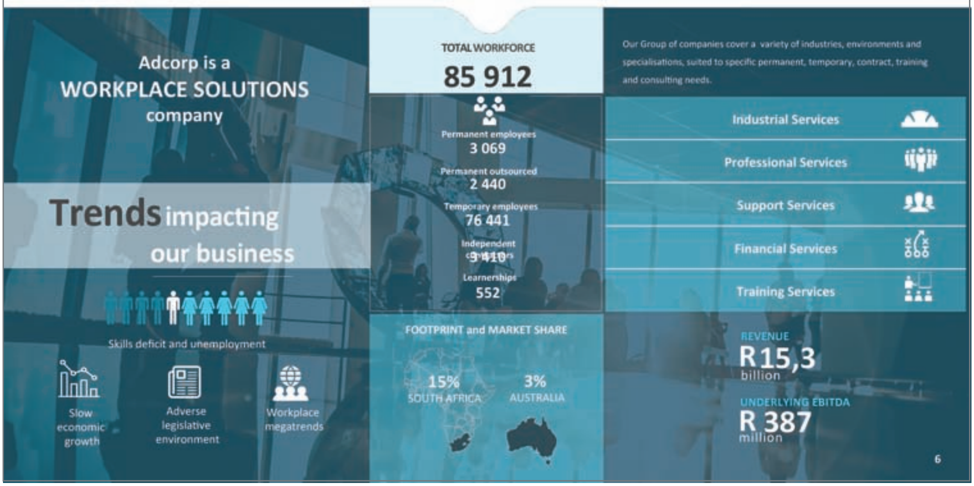
Notes

Introduction

- Adcorp, has **since June 2017 experienced a major change in leadership** set in motion by the acquisition of a 14.55% stake by activist shareholder Value Capital Partners (VCP) and a **reconstitution of the Board.**
- The focus of the new leadership team has been initiating a **performance reset** and establishing a solid platform for growth going forward.
- **What you will hear today:**
  - Causes of the business' **decline in recent years;**
  - Report on the immediate interventions implemented by the new leadership to **address challenges found in the business;**
  - Detail on the **business performance** for the year ended February 2018; and
  - How we **plan to turn the business around** in FY2019 and beyond.

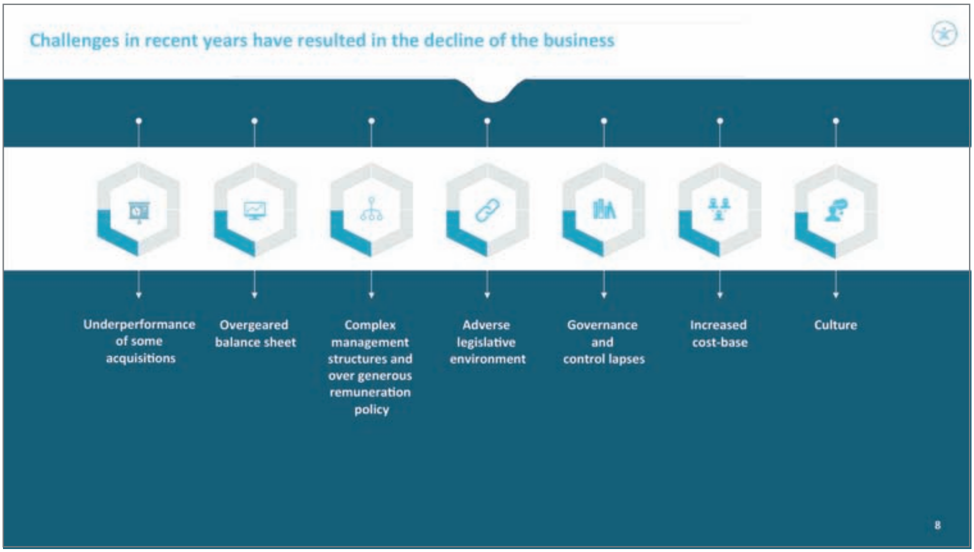
5

Let's explore the world of Adcorp

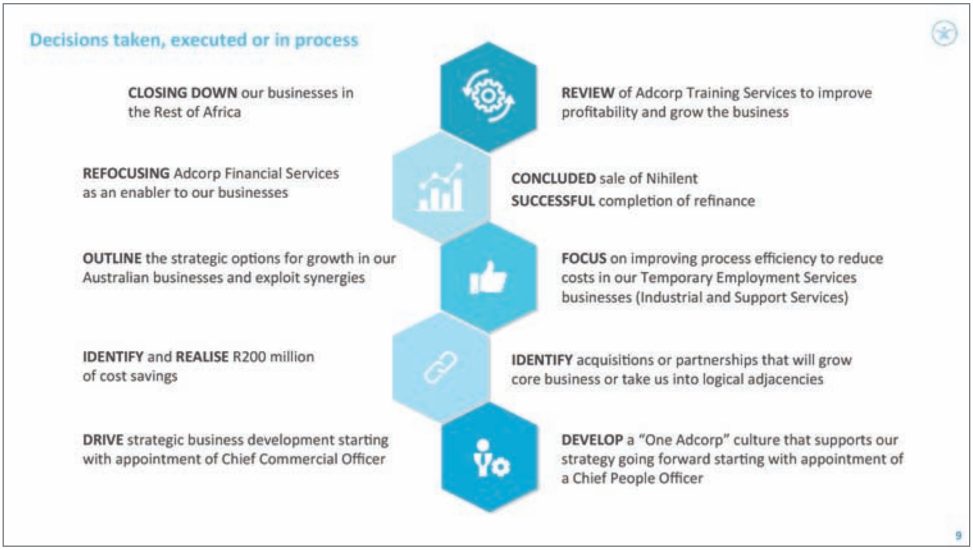


Notes


Salient features
Revenue for the year decreased by **3%** to **R15,3 billion**
Cash generated by operations up 51% to R390 million (2017: R258 million)
Underlying EBITDA for the year increased by **4%** to **R387,5 million**
Underlying EBITDA for Professional Services for the year increased by **15%** to **R265 million**
Underlying EBITDA for Industrial Services Australia for the year increased by **67%** to **R58 million**
Underlying EBITDA for Financial Services for the year increased by **11%** to **R58 million**
R1 billion refinance and **disposal** of Nihilent
Central costs reduced by **R101 million** from prior year excluding once off costs
7


Challenges in recent years have resulted in the decline of the business
Underperformance of some acquisitions
Overgeared balance sheet
Complex management structures and over generous remuneration policy
Adverse legislative environment
Governance and control lapses
Increased cost-base
Culture
8

Notes


Decisions taken, executed or in process
CLOSING DOWN our businesses in the Rest of Africa
REVIEW of Adcorp Training Services to improve profitability and grow the business
REFOCUSING Adcorp Financial Services as an enabler to our businesses
CONCLUDED sale of Nihilent
SUCCESSFUL completion of refinance
OUTLINE the strategic options for growth in our Australian businesses and exploit synergies
FOCUS on improving process efficiency to reduce costs in our Temporary Employment Services businesses (Industrial and Support Services)
IDENTIFY and REALISE R200 million of cost savings
IDENTIFY acquisitions or partnerships that will grow core business or take us into logical adjacencies
DRIVE strategic business development starting with appointment of Chief Commercial Officer
DEVELOP a "One Adcorp" culture that supports our strategy going forward starting with appointment of a Chief People Officer
9


FY2018 Financial results
Cheryl-Jane "CJ" Kujenga
Chief Financial Officer

Notes

Significant amount of focused clean-up work in the current year

Analyse financial position of the Group and **identify** the performance levers	**Improve** working capital management	**Conclude the refinance** and exit the DMTN programme	**Identify** and **implement R200 million** of cost savings

11

What we have done to date

- Impairment of all underperforming assets
- Clean up of debtors book
- Robust working capital management practices implemented
- Order-to-cash process brought back from offshored service provider and accountability restored to operations
- Served notice on offshored provider for remainder of processes
- Refinance successfully completed – R1 billion + R150 million seasonal facility
- Gross savings of R157 million unlocked in FY2018, and Group on course to fully realise the balance of the R200 million in FY2019
- Appropriate financial metrics incorporated into FY2019 KPI's

The focused clean-up resulted in:

R478 million impairments	**R251 million** once-off costs	**R32 million** prior-year adjustments

12

Notes

Restatement of FY2017 amounts

Reconciliation:	EBITDA (R'000)	Loss After Tax (R'000)	(Loss) Earnings Per Share cents	Headline (Loss) Earnings Per Share cents
As reported in FY2017	**303 786**	**(160 326)**	**(149,5c)**	**(28,0c)**
Transfer of the Rest of Africa losses to discontinuing operations	94 462	148 758	137,3c	137,3c
FY2017 continuing operations before prior year adjustments	**398 248**	**(11 568)**	**(12,2c)**	**109,3c**
Impact of prior year adjustments	(25 209)	(32 086)	(29,6c)	(29,5c)
FY2017 continuing operations restated for impact of prior year adjustments	**373 039**	**(43 654)**	**(41,8c)**	**79,8c**
Total restated FY2017 continuing and discontinuing operations	**278 577**	**(192 412)**	**(179,1c)**	**(57,5c)**

- The Rest of Africa segment has been reclassified to discontinuing operations
- The prior year adjustments arise from a combination of the following:
  - ✓ **Training segment** – FY2017 impact: R22 million. Historical changes to regulations affecting the divisions in the Training segment required adjustments to the accounting treatment of the cost of delivery of training services. This was identified in the current year and adjusted
  - ✓ **Industrial segment** – FY2017 impact: R10 million. Relating to additional provisioning against a debtor that had been identified in FY2017

13

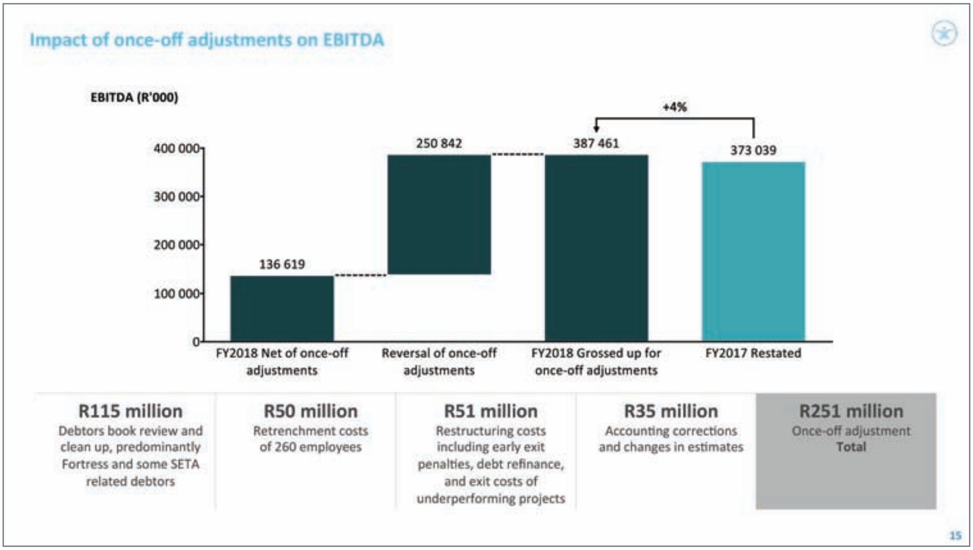
Statement of comprehensive income

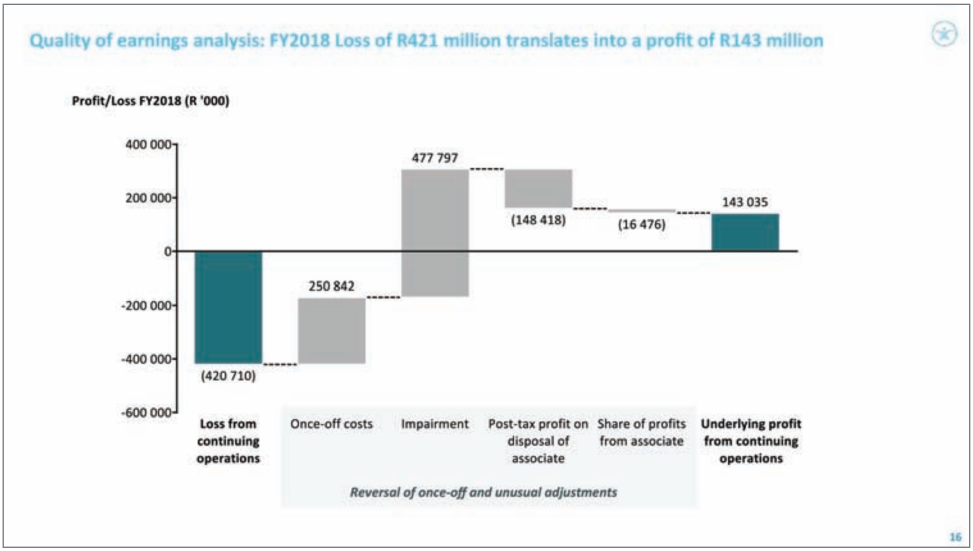
R'000	FY2018	Restated FY2017
Revenue	**15 325 391**	15 804 081
Cost of Sales	**(13 097 630)**	(13 470 873)
Gross Profit	**2 227 761**	2 333 208
Other income	**58 067**	46 436
Operating expenses	**(1 898 367)**	(2 006 605)
Underlying EBITDA	**387 461**	373 039
Once-off costs	**(250 842)**	(26 668)
Reported EBITDA	**136 619**	346 371
Depreciation and amortisation	**(128 589)**	(144 494)
Impairment of intangible assets, goodwill and bonds	**(477 797)**	(132 519)
Profit on disposal of associate	**184 960**	-
Net cost of funding	**(124 029)**	(141 870)
Share of profits from associates	**16 476**	23 396
Loss before taxation	**(392 360)**	(49 116)
Taxation	**(28 350)**	5 462
Loss - continuing operations	**(420 710)**	(43 654)
Loss - discontinuing operations	**(140 322)**	(148 758)
Net loss for the year	**(561 032)**	(192 412)

- Revenue 3% decline – 1% if constant currency is used for Australia operations
- Gross margin has remained stable at 14,5% | FY2017: 14,8%
- Strict approach to expenses had a positive impact with a 5% reduction in operating expenses
- Underling EBITDA is up by 4%
- R478 million in impairments from intangibles, goodwill and Angola bonds
- Changes to the group's long term funding arrangements coupled with improvements in working capital management have reduced the net funding costs by 14%
- Contribution from associate:
  - ✓ Pre-tax profit on Nihilent of R186 million, plus
  - ✓ R16 million share of profits up to date of disposal
- Loss from the Rest of Africa comprises impairments of R75 million plus operating losses

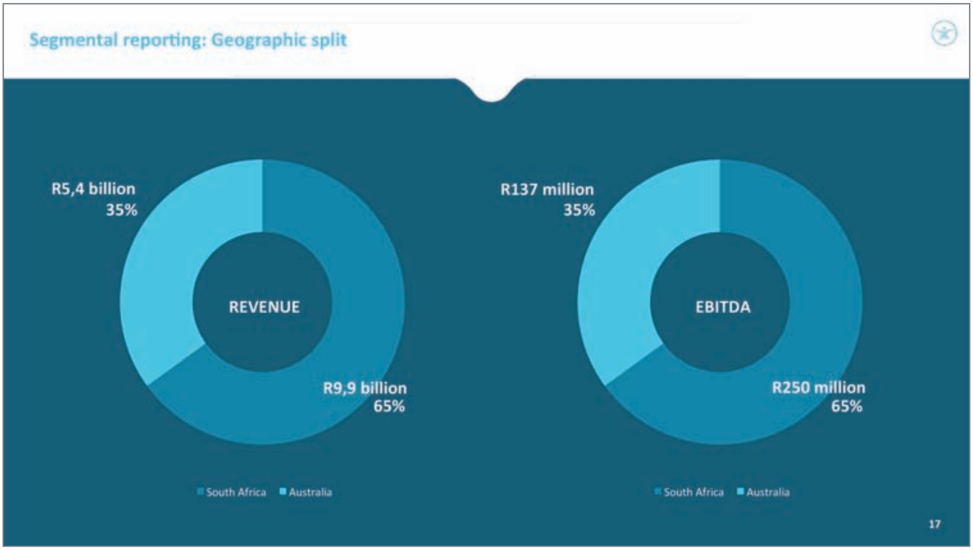
14

Notes


Impact of once-off adjustments on EBITDA
EBITDA (R'000)
+4%
400 000
300 000
200 000
100 000
0
136 619
250 842
387 461
373 039
FY2018 Net of once-off adjustments
Reversal of once-off adjustments
FY2018 Grossed up for once-off adjustments
FY2017 Restated
R115 million
Debtors book review and clean up, predominantly Fortress and some SETA related debtors
R50 million
Retrenchment costs of 260 employees
R51 million
Restructuring costs including early exit penalties, debt refinance, and exit costs of underperforming projects
R35 million
Accounting corrections and changes in estimates
R251 million
Once-off adjustment Total
15

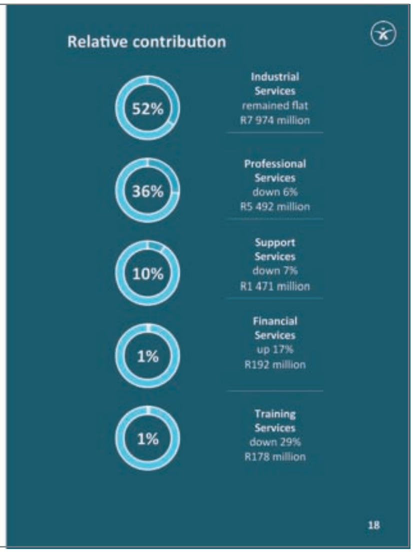

Quality of earnings analysis: FY2018 Loss of R421 million translates into a profit of R143 million
Profit/Loss FY2018 (R '000)
400 000
200 000
0
-200 000
-400 000
-600 000
(420 710)
250 842
477 797
(148 418)
(16 476)
143 035
Loss from continuing operations
Once-off costs
Impairment
Post-tax profit on disposal of associate
Share of profits from associate
Underlying profit from continuing operations
Reversal of once-off and unusual adjustments
16

Notes



Segmental performance – Revenue: Continuing operations

REVENUE R'000	FY2018	Restated FY2017
Industrial Services	**7 974 522**	7 985 842
- South Africa	6 278 103	6 296 393
- Australia	1 696 419	1 689 449
Professional Services	**5 492 894**	5 818 527
- South Africa	1 802 508	1 622 620
- Australia	3 690 385	4 195 907
Support Services	**1 471 207**	1 582 604
Financial Services	**192 281**	163 670
Training	**178 454**	251 323
Central – South Africa	**16 034**	2 115
Total revenue	**15 325 391**	**15 804 081**



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Segmental performance – EBITDA: Continuing operations

EBITDA R'000	Net of once off adjustments FY2018	Once off adjustments	Grossed up for once off adjustments FY2018	Restated FY2017
Industrial Services	**247 328**	**149 115**	**396 444**	434 494
- South Africa	189 232	149 115	338 347	399 749
- Australia	58 096	-	58 097	34 745
Professional Services	**264 683**	**236**	**264 919**	230 973
- South Africa	160 624	236	160 860	133 108
- Australia	104 059		104 059	97 865
Support Services	**46 474**	**2 538**	**49 012**	70 369
Financial Services	**58 218**	-	**58 218**	52 523
Training	**-51 824**	**19 323**	**-32 501**	12 106
EBITDA from operations	**564 879**	**171 212**	**736 092**	**800 465**
Central costs	(428 260)	79 630	(348 631)	(427 426)
- South Africa	(403 264)	79 630	(323 634)	(425 161)
- Australia	(24 996)		(24 997)	(2 265)
Net EBITDA	**136 619**	**250 842**	**387 461**	**373 039**

Relative contribution

54% — **Industrial Services** down 9% R396 million

36% — **Professional Services** up 15% R265 million

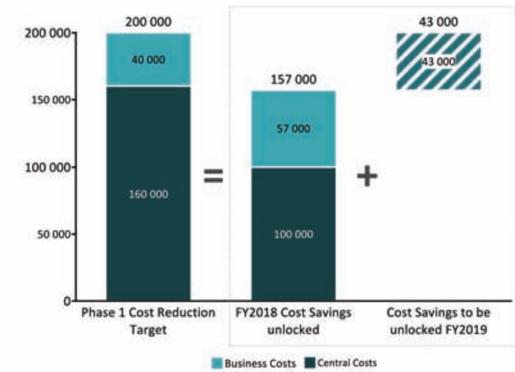
7% — **Support Services** down 30% R49 million

8% — **Financial Services** up 11% R58 million

(5%) — **Training Services** down >100% (R33 million)

Phase 1 cost reduction:
We are on track to meet the R200 million target

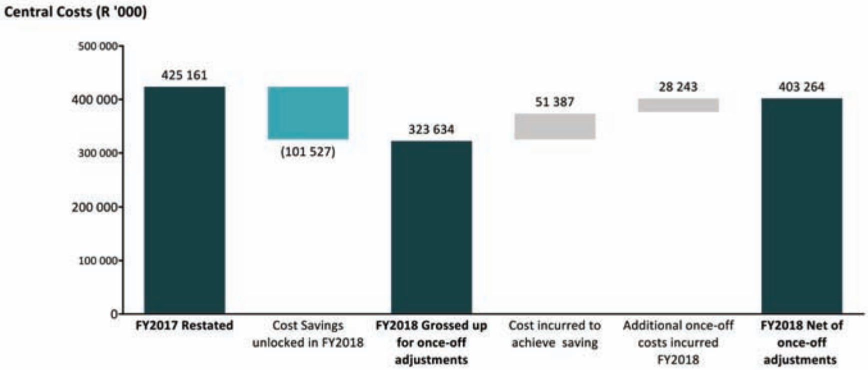
Gross Cost Savings (R '000)



- Rationalised headcount across the Group
- Stopped all IT spend that is not supported by a firm business case and aligned to the new strategy
- Tightened procurement practices across the Group
- Changed the spend-culture in the Group
- Rationalised real estate costs across the Group
- Returned the order-to-cash component of the offshored finance processes
- Served notice on our offshored service provider to return the balance of processes internally

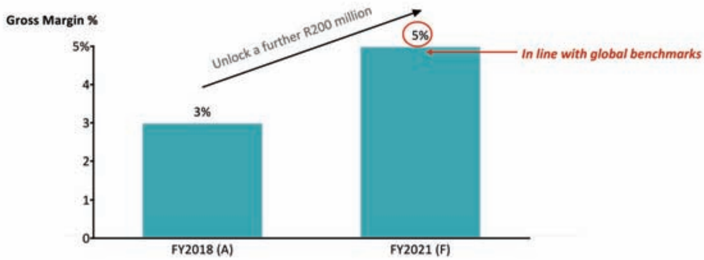
Notes

Phase 1 cost reduction: Significant progress made in central costs reduction



21

Phase 2 claw back project:
Over and above the R200 million reduction, improve Group EBITDA margin to 5% by 2021



- Aligning the role of the centre to a lean, value-adding head office
- Structural redesign and process optimisation of operations
- Align contract profitability with actual cost to serve to ensure profitable contribution from all our clients
- Profitable growth

22

Notes

Summarised statement of financial position

R'000	FY2018	Restated FY2017
ASSETS		
Property and equipment	65 756	80 458
Intangible assets and goodwill	1 437 795	1 984 531
Investments and other financial assets	23 605	181 738
Tax and deferred tax asset	270 931	191 516
Trade receivables	2 272 550	2 359 246
Other receivables	77 208	103 377
Other financial assets	**12 191**	**931**
Cash at bank	360 328	538 749
Total assets from continuing operations	**4 520 364**	5 440 546
Assets classified as held for sale	10 434	288 993
Total assets	**4 530 798**	5 729 539
EQUITY AND LIABILITIES		
Capital and reserves	1 602 589	2 215 403
Interest bearing borrowings	1 218 559	1 809 879
Share-based payment liability	8 133	39 067
Tax and deferred tax liability	160 040	143 167
Provisions, trade and other payables	1 512 232	1 417 920
Total liabilities from continuing operations	**4 501 553**	5 625 436
Liabilities classified as held for sale	29 245	104 103
Total equity and liabilities	**4 530 798**	5 729 539

- Overall 21% reduction due to impairments, Rest of Africa and disposal of Nihilent - proceeds from which were applied to reduce debt
- Increase in deferred tax asset in recognition of the FY2019 project to simplify the group structure and optimise the utilisation of the assessed loss:
  - ✓ 28% increase in deferred tax assets reflecting the increase in recognised assessed loss – R 348 million | FY2017: R296 million
  - ✓ Latent value still remains in the assessed losses not recognised – R428 million | FY2017: R305 million
- Debtors clean up exercise resulted in a 4% decrease
- Change to DSO calculation in the current year. DSO is 53 days | FY2017: 55 days (as reported: 45 days). FY2019 focus is on improving DSO and related cash generation
- Significant progress made on Rest of Africa disposals. Residual costs expected to be funded out of the remaining cash of R20 million (included in cash at bank)
- New share issues will be accounted for as equity settled, reflecting the redemption mechanism. This reduces the income statement volatility

23

Strategic focus

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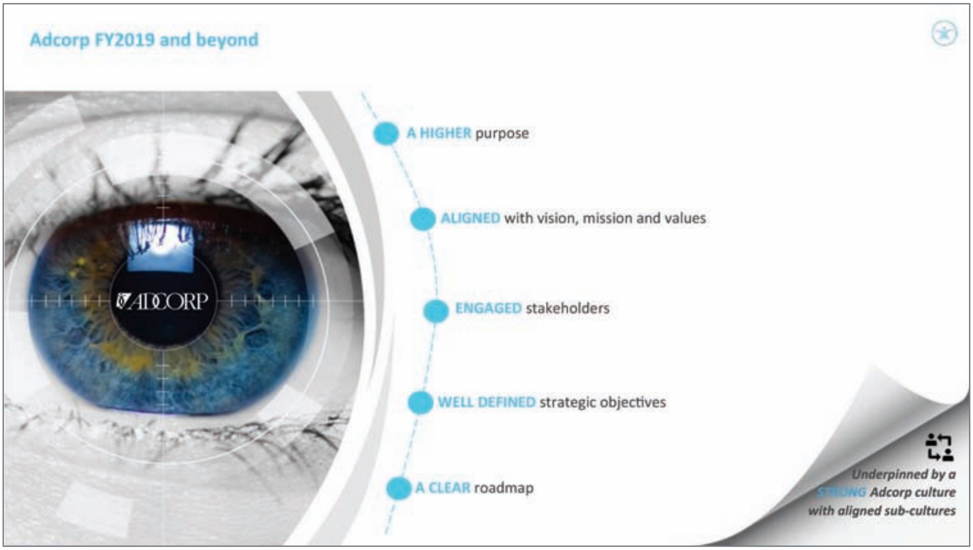

Adcorp FY2019 and beyond
ADCORP
A HIGHER purpose
ALIGNED with vision, mission and values
ENGAGED stakeholders
WELL DEFINED strategic objectives
A CLEAR roadmap
Underpinned by a STRONG Adcorp culture with aligned sub-cultures

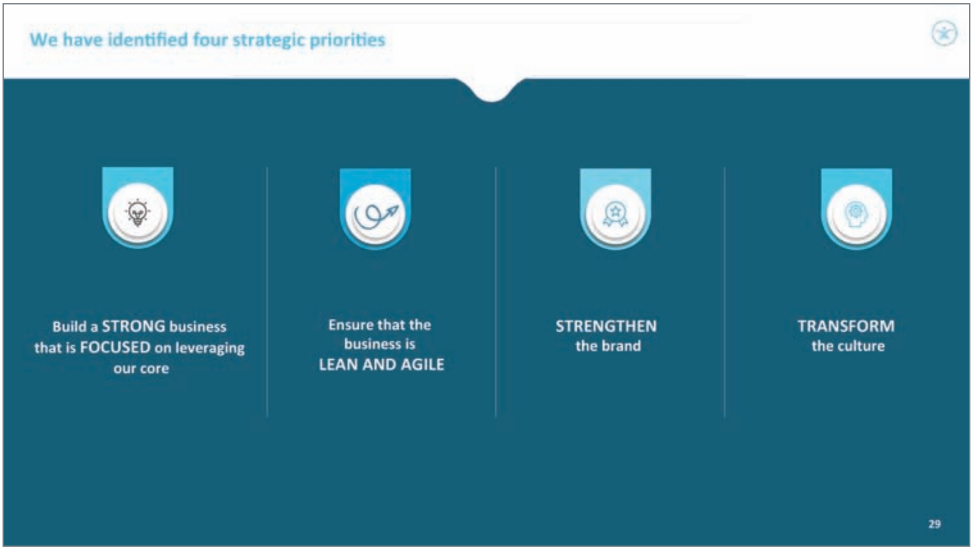

Defining our corporate strategy
We believe our purpose is to...
enrich encounters between candidates and employers within the workplace to deliver value for society at large!
VISION
To be the leading workplace solutions provider in South Africa and select international markets
MISSION
• We put our clients at the centre of everything we do
• We are leaders in addressing the workplace of the future
• We see ourselves as key in tackling South Africa's employment and skills challenges
VALUES
Passion
We have a passion for results and what we do, taking full accountability for our roles, outcomes and outputs
Diversity
Our business is made up of people and talents from diverse backgrounds. We promote and embrace diversity and the richness it brings to our interactions
Excellence and Innovation
We thrive for excellence in everything we do and use innovation to deliver higher standards of performance and value for our stakeholders
Integrity
Our choices and decisions in dealing with our colleagues and stakeholders are informed by the highest levels of integrity
Collaboration
As a team we are enabled to deliver more. It creates a mutually rewarding environment as we support each other by listening, encouraging and respecting each other
26

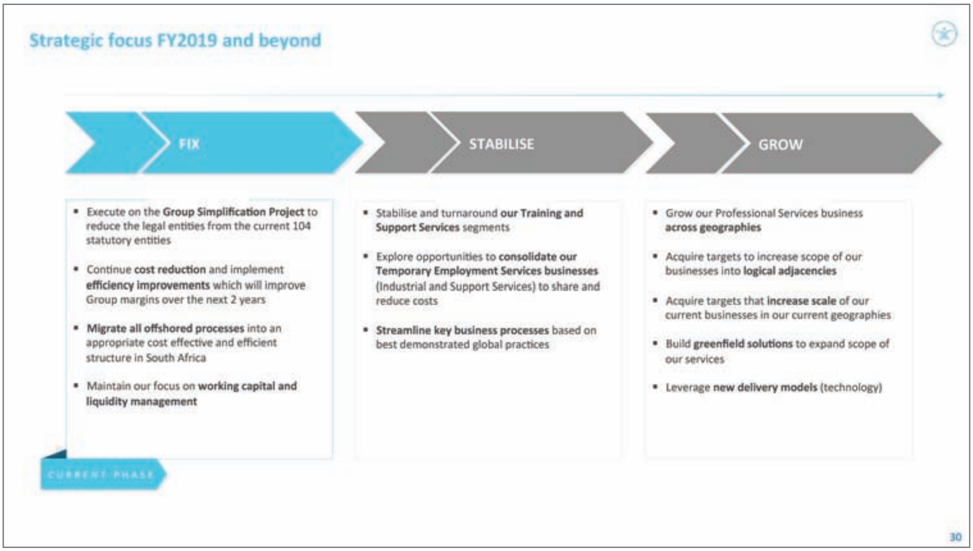
Notes

Who we are and what we do
Why
Enrich encounters between candidates and employers within the workplace to deliver value for society at large
How
PROCESS OUTSOURCING
Human Resource
Managed Service
Business Process
Recruitment Process
PAYROLLING AND COMPLIANCE
Independent Contractor Compliance
Payrolling
STAFFING
Search, place, develop, train, manage talent and people processes
CONTRACTING/CONSULTING
Direct sourcing
Temps/ Independent Contractors/ Freelancers / Perms
Statement of Work consulting
TALENT ACQUISITION TECHNOLOGY
Vendor Management
Applicant Tracking System
Job Boards
OTHER WORKFORCE SOLUTIONS
Ancillary HR Services
HR Consulting
Testing
Training and accreditation
What
• We enable talent
• Train, develop and care for talent that enhances performance and increases productivity
• We supply people resources
• We manage people-intensive processes on behalf of our clients to deliver efficiencies and free our clients to focus on their core businesses
27

Defining our strategic objectives
Strategic objectives
R1 BILLION EBITDA by 2022
Adcorp brand synonymous with TALENT and EMPLOYABILITY
STRATEGIC merger and acquisition activity
NEW CLIENT OFFERING to address the workplace of the future
Use of technology to ENABLE EFFICIENCY and CLIENT CENTRICITY
28

Notes


We have identified four strategic priorities
Build a STRONG business that is FOCUSED on leveraging our core
Ensure that the business is LEAN AND AGILE
STRENGTHEN the brand
TRANSFORM the culture
29


Strategic focus FY2019 and beyond
FIX
STABILISE
GROW
• Execute on the Group Simplification Project to reduce the legal entities from the current 104 statutory entities
• Continue cost reduction and implement efficiency improvements which will improve Group margins over the next 2 years
• Migrate all offshored processes into an appropriate cost effective and efficient structure in South Africa
• Maintain our focus on working capital and liquidity management
• Stabilise and turnaround our Training and Support Services segments
• Explore opportunities to consolidate our Temporary Employment Services businesses (Industrial and Support Services) to share and reduce costs
• Streamline key business processes based on best demonstrated global practices
• Grow our Professional Services business across geographies
• Acquire targets to increase scope of our businesses into logical adjacencies
• Acquire targets that increase scale of our current businesses in our current geographies
• Build greenfield solutions to expand scope of our services
• Leverage new delivery models (technology)
CURRENT PHASE
30

Notes

We will pursue a number of options to achieve R1 billion EBITDA by 2022

New delivery models
Leveraging new delivery models (technology) to increase scale of our current businesses

Building solutions
Building greenfield solutions to expand scope of our services

Increase scale
Acquisitions of targets that increase scale of our current businesses in our current geographies

Increase scope
Acquisitions of targets to increase scope of our businesses into logical adjacencies e.g. BPO, consulting.

Expansion
Expansion into new geographies

Lean processes
Further adoption of lean processes to reduce cost to serve

31

Remuneration policy redefined with clear, tiered targets

Overarching objective: Deliver total shareholder return			
Metric	Drive profitable growth	Strengthen margin	Deliver strong cash flow
Our commitments	Accelerate organic growth Inorganic expansion in a manner that leverages the strength of our core business	Continued focus on cost reduction, structural and process efficiency Lean, value adding head office	Focus on working capital management Develop a sustainable capital allocation framework
By 2022	Increase EBITDA to R1 billion	Group EBITDA margin at 5%	Achieve strong free cash flows
Short term metrics	75% of each executive's STI comprises of financial metrics, set on an annual basis and aligned to the Group's growth objectives		

Long term metrics

3 year performance requirement to vest

Return on invested capital (ROIC)
- 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%

HEPS growth
- No award where HEPS growth is zero or below
- 50% awarded where HEPS growth is 10%
- 100% awarded where HEPS growth is 20%

32

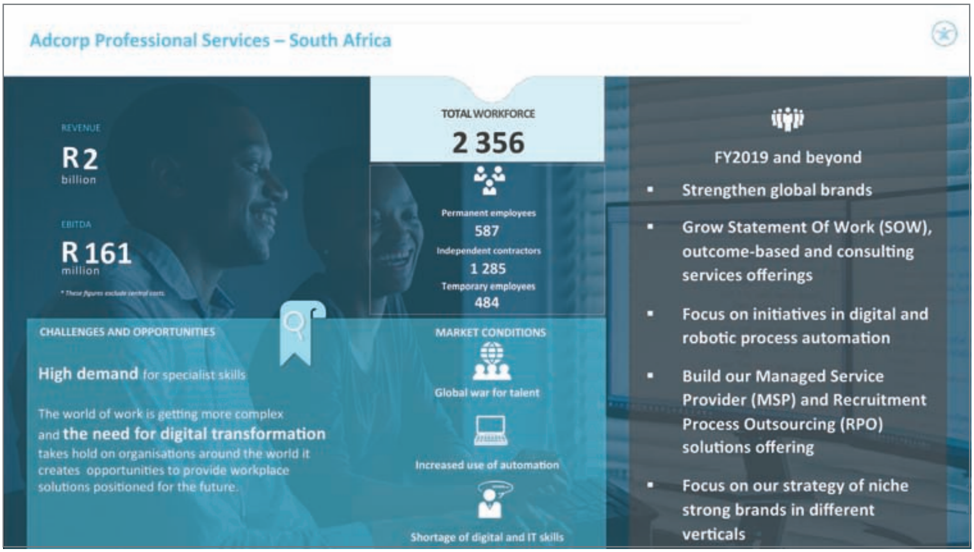
Notes


FY2019 Outlook by segment


Adcorp Industrial Services – South Africa
REVENUE
R 6
billion
EBITDA
R 338
million
* These figures exclude central costs.
TOTAL WORKFORCE
66 227
Permanent employees
1 292
Permanent outsourced
2 212
Temporary employees
62 773
CHALLENGES AND OPPORTUNITIES
Uncertainty regarding amendments to the Labour Relations Act and delayed promulgation of the National Minimum Wage.
Increased positive engagement with our clients as we focus on holistic workplace solutions
MARKET CONDITIONS
High unemployment
Slow economic growth
Highly regulated and unionised environment
FY2019 and beyond
Focus on holistic workplace solutions vs a traditional labour supply value proposition
Review process efficiency and optimisation through automation
Enhance client and candidate experience

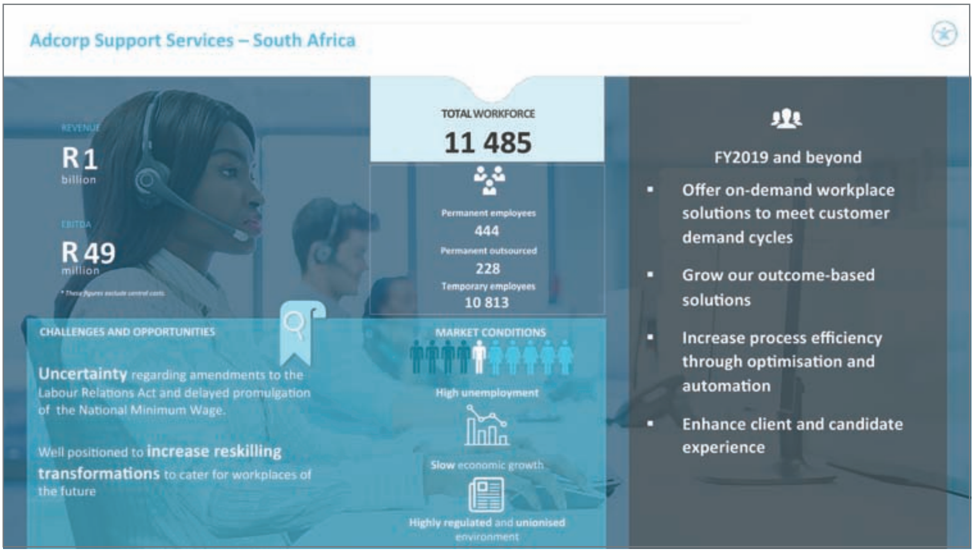
Notes


Adcorp Industrial Services – Australia
REVENUE
R 2
billion
EBITDA
R 58
million
* These figures exclude central costs.
TOTAL WORKFORCE
2 656
Permanent employees
66
Permanent outsourced
234
Temporary employees
2 356
CHALLENGES AND OPPORTUNITIES
Low-cost competitors seeking a share of the industry resulting in continued margin pressure.
There is also an inherent high-risk environment for workplace health and safety.
Strength of our brand and ISO ratings, sound track record and longstanding client relationships.
MARKET CONDITIONS
Time –zones and economic diversity
Slow economic growth
Exposure to oil and gas industry
FY2019 and beyond
Focus on stability and organic growth in current markets and industries
Invest in growth and diversification strategies
Build new verticals within existing businesses

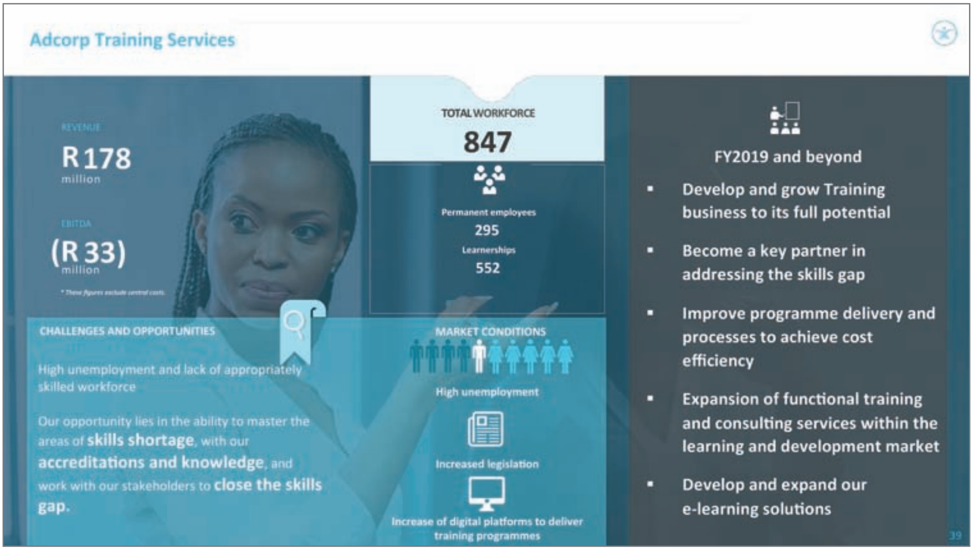

Adcorp Professional Services – South Africa
REVENUE
R 2
billion
EBITDA
R 161
million
* These figures exclude central costs.
TOTAL WORKFORCE
2 356
Permanent employees
587
Independent contractors
1 285
Temporary employees
484
CHALLENGES AND OPPORTUNITIES
High demand for specialist skills
The world of work is getting more complex and the need for digital transformation takes hold on organisations around the world it creates opportunities to provide workplace solutions positioned for the future.
MARKET CONDITIONS
Global war for talent
Increased use of automation
Shortage of digital and IT skills
FY2019 and beyond
Strengthen global brands
Grow Statement Of Work (SOW), outcome-based and consulting services offerings
Focus on initiatives in digital and robotic process automation
Build our Managed Service Provider (MSP) and Recruitment Process Outsourcing (RPO) solutions offering
Focus on our strategy of niche strong brands in different verticals

Notes

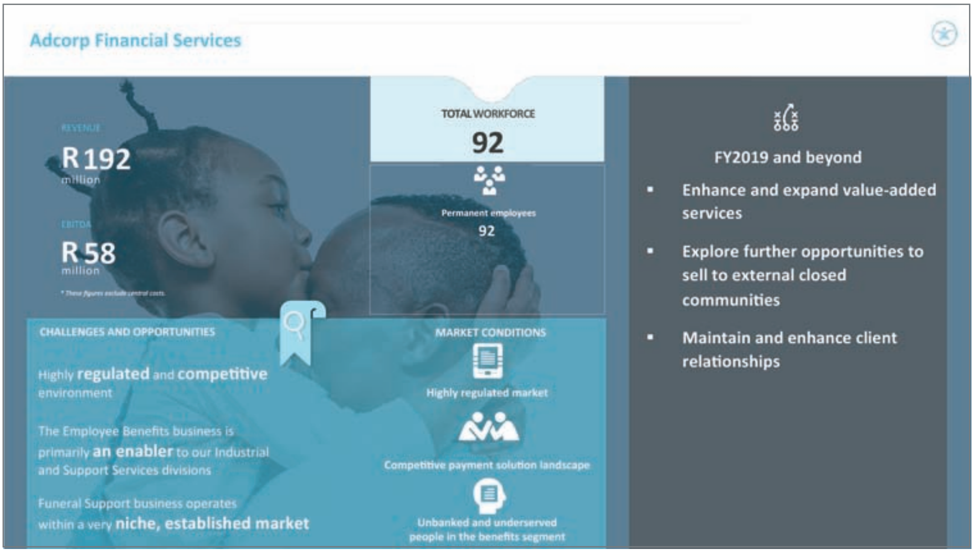

Adcorp Professional Services – Australia
REVENUE
R 4
billion
EBITDA
R 104
million
* These figures exclude central costs.
TOTAL WORKFORCE
2 055
Permanent employees
149
Independent contractors
1 891
Temporary employees
15
CHALLENGES AND OPPORTUNITIES
High demand for specialist skills
The world of work is getting more complex and the need for digital transformation takes hold on organisations around the world it creates opportunities to provide workplace solutions positioned for the future.
MARKET CONDITIONS
Time-zones and economic diversity
Growth of digital economy
Shortage of digital and IT skills
FY2019 and beyond
Strengthen global brands
Grow Statement Of Work (SOW), outcome-based and consulting services offerings
Focus on initiatives in digital and robotic process automation
Build our Managed Service Provider (MSP) and Recruitment Process Outsourcing (RPO) solutions offering
Focus on our strategy of niche strong brands in different verticals


Adcorp Support Services – South Africa
REVENUE
R 1
billion
EBITDA
R 49
million
* These figures exclude central costs.
TOTAL WORKFORCE
11 485
Permanent employees
444
Permanent outsourced
228
Temporary employees
10 813
CHALLENGES AND OPPORTUNITIES
Uncertainty regarding amendments to the Labour Relations Act and delayed promulgation of the National Minimum Wage.
Well positioned to increase reskilling transformations to cater for workplaces of the future
MARKET CONDITIONS
High unemployment
Slow economic growth
Highly regulated and unionised environment
FY2019 and beyond
Offer on-demand workplace solutions to meet customer demand cycles
Grow our outcome-based solutions
Increase process efficiency through optimisation and automation
Enhance client and candidate experience

Notes



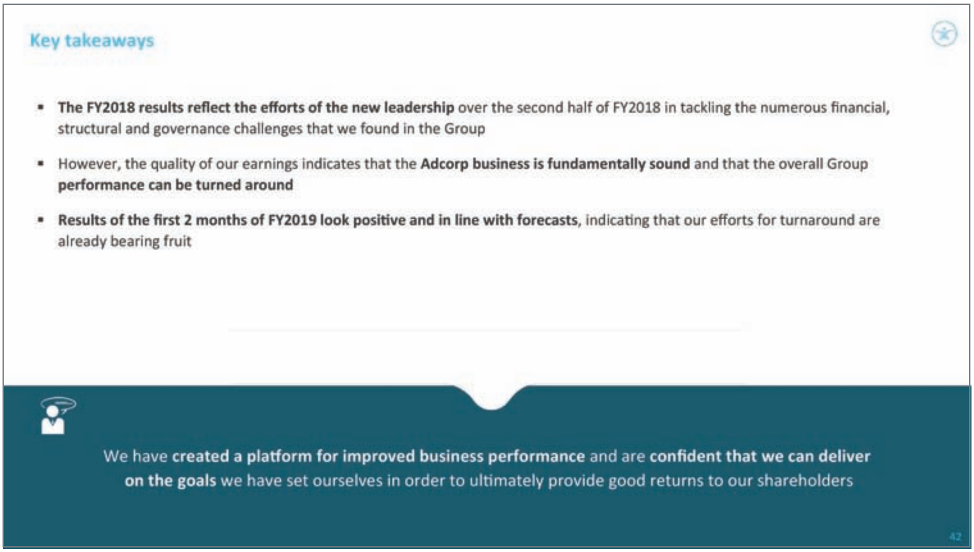
Adcorp Training Services
REVENUE
R 178
million
EBITDA
(R 33)
million
TOTAL WORKFORCE
847
Permanent employees
295
Learnerships
552
CHALLENGES AND OPPORTUNITIES
High unemployment and lack of appropriately skilled workforce
Our opportunity lies in the ability to master the areas of skills shortage, with our accreditations and knowledge, and work with our stakeholders to close the skills gap.
MARKET CONDITIONS
High unemployment
Increased legislation
Increase of digital platforms to deliver training programmes
FY2019 and beyond
Develop and grow Training business to its full potential
Become a key partner in addressing the skills gap
Improve programme delivery and processes to achieve cost efficiency
Expansion of functional training and consulting services within the learning and development market
Develop and expand our e-learning solutions



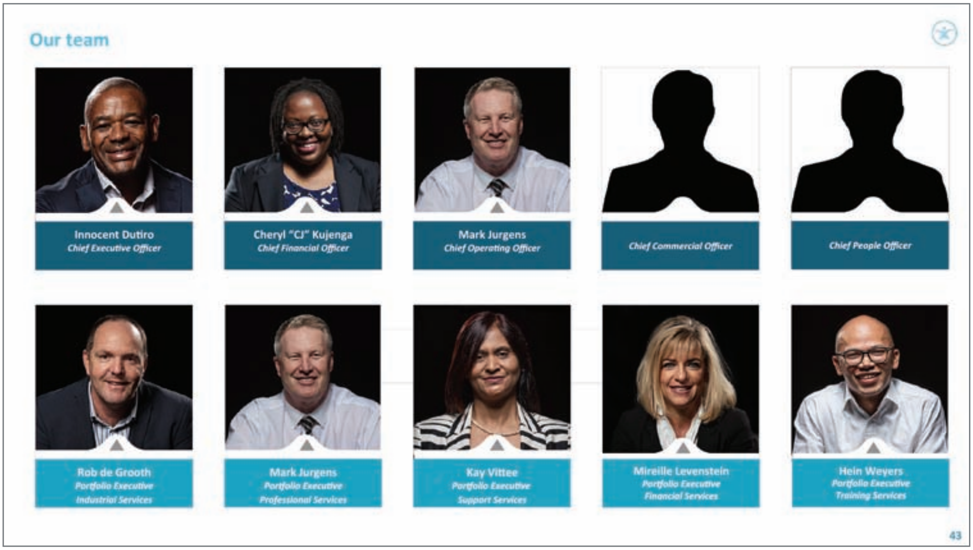
Adcorp Financial Services
REVENUE
R 192
million
EBITDA
R 58
million
TOTAL WORKFORCE
92
Permanent employees
92
CHALLENGES AND OPPORTUNITIES
Highly regulated and competitive environment
The Employee Benefits business is primarily an enabler to our Industrial and Support Services divisions
Funeral Support business operates within a very niche, established market
MARKET CONDITIONS
Highly regulated market
Competitive payment solution landscape
Unbanked and underserved people in the benefits segment
FY2019 and beyond
Enhance and expand value-added services
Explore further opportunities to sell to external closed communities
Maintain and enhance client relationships

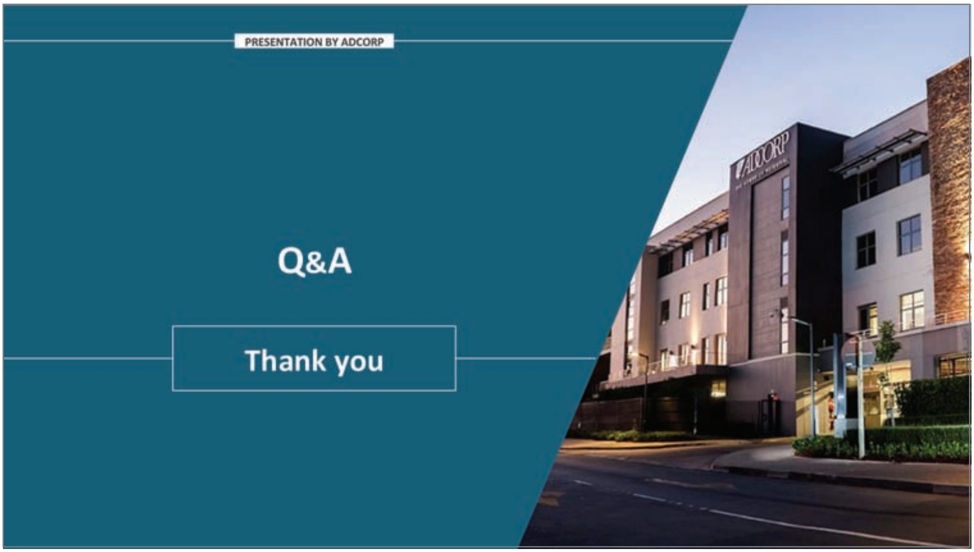
Notes


Conclusion


Key takeaways
The FY2018 results reflect the efforts of the new leadership over the second half of FY2018 in tackling the numerous financial, structural and governance challenges that we found in the Group
However, the quality of our earnings indicates that the Adcorp business is fundamentally sound and that the overall Group performance can be turned around
Results of the first 2 months of FY2019 look positive and in line with forecasts, indicating that our efforts for turnaround are already bearing fruit
We have created a platform for improved business performance and are confident that we can deliver on the goals we have set ourselves in order to ultimately provide good returns to our shareholders
42

Notes


Our team
Innocent Dutiro
Chief Executive Officer
Cheryl "CJ" Kujenga
Chief Financial Officer
Mark Jurgens
Chief Operating Officer
Chief Commercial Officer
Chief People Officer
Rob de Grooth
Portfolio Executive
Industrial Services
Mark Jurgens
Portfolio Executive
Professional Services
Kay Vittee
Portfolio Executive
Support Services
Mireille Levenstein
Portfolio Executive
Financial Services
Hein Weyers
Portfolio Executive
Training Services
43


PRESENTATION BY ADCORP
Q&A
Thank you

Notes

Notes

Audited summarised consolidated statement of financial position

as at 28 February 2018

	Notes	2018 R'000	Restated 2017 R'000	Restated 2016 R'000
Assets				
Non-current assets		**1 719 016**	2 396 439	2 569 110
Property and equipment		**65 756**	80 458	89 797
Intangible assets		**275 785**	611 369	748 474
Goodwill		**1 162 010**	1 373 162	1 513 633
Investments		**13 244**	10 000	10 000
Investment in associate		**–**	140 808	125 249
Other financial assets		**10 361**	30 930	–
Deferred taxation		**191 860**	149 712	81 957
Current assets		**2 801 348**	3 044 107	3 238 675
Trade receivables		**2 272 550**	2 359 246	2 488 095
Other receivables		**77 208**	103 377	121 378
Other financial assets		**12 191**	931	29 728
Taxation prepaid		**79 071**	41 804	55 520
Cash and cash equivalents		**360 328**	538 749	543 954
Assets from continuing operations		**4 520 364**	5 440 546	5 807 785
Assets held for sale	5	**10 434**	288 993	565 837
Total assets		**4 530 798**	5 729 539	6 373 622
Equity and liabilities				
Capital and reserves		**1 602 589**	2 215 406	2 630 806
Share capital and share premium		**1 740 858**	1 740 858	1 740 858
Reserves		**(138 269)**	474 548	889 948
Interest-bearing liabilities		**1 218 559**	1 809 879	1 991 483
Non-current liabilities	7	**978 196**	649 229	1 349 256
Long-term loans	7.1	**978 196**	649 229	1 349 256
Current liabilities		**240 363**	1 160 650	642 227
Short-term portion of long-term loans	7.2	**228 687**	720 603	274 383
Bank overdraft		**11 676**	440 047	367 844
Non-interest-bearing liabilities		**1 680 405**	1 600 151	1 587 134
Non-current liabilities		**100 074**	107 030	152 256
Share-based payment liability		**–**	–	38 623
Deferred taxation		**100 074**	107 030	113 633
Current liabilities		**1 580 331**	1 493 121	1 434 878
Trade and other payables		**1 225 030**	1 175 389	1 163 916
Share-based payment liability		**8 133**	39 067	–
Provisions		**287 202**	242 528	239 118
Taxation		**59 966**	36 137	31 844
Liabilities from continuing operations		**4 501 553**	5 625 436	6 209 423
Liabilities directly associated with assets classified as held for sale	5	**29 245**	104 103	164 199
Total equity and liabilities		**4 530 798**	5 729 539	6 373 622

Audited summarised consolidated statement of comprehensive income

for the year ended 28 February 2018

Continuing operations	Notes	2018 R'000	Restated 2017 R'000
Revenue		**15 325 391**	15 804 081
Cost of sales		**(13 097 630)**	(13 470 873)
Gross profit		**2 227 761**	2 333 208
Other income		**58 067**	46 436
Operating expenses (excluding depreciation and amortisation)		**(2 149 209)**	(2 033 273)
Earnings before depreciation and amortisation		**136 619**	346 371
Depreciation and amortisation		**(128 589)**	(144 494)
Operating profit		**8 030**	201 877
Interest income		**16 614**	9 085
Interest expense		**(140 643)**	(150 955)
Impairment of intangible assets, goodwill and bonds		**(477 797)**	(132 519)
Profits from the sale of associate		**184 960**	–
Share of profits from associates		**16 476**	23 396
Loss before taxation		**(392 360)**	(49 116)
Taxation		**(28 350)**	5 462
Loss for the year from continuing operations		**(420 710)**	(43 654)
Discontinued operations			
Loss for the year from discontinued operations		**(140 322)**	(148 758)
Net loss for the year		**(561 032)**	(192 412)
Other comprehensive (loss*)/income			
Exchange differences on translating foreign operations		**(50 677)**	(86 448)
Exchange differences arising on the net investment of a foreign operation		**(30 964)**	(41 905)
Fair value adjustment of derivative financial instrument		**1 102**	1 869
Other comprehensive loss for the year, net of tax		**(80 539)**	(126 484)
Non-controlling interest		**(2 246)**	(1 682)
Total comprehensive loss for the year		**(643 817)**	(320 578)
Loss attributable to:			
Owners of the parent from continuing operations		**(422 956)**	(45 336)
Owners of the parent discontinued operations	5	**(140 322)**	(148 758)
Non-controlling interest		**2 246**	1 682
Total comprehensive loss attributable to:			
Owners of the parent continuing operations		**(501 249)**	(170 138)
Owners of the parent discontinued operations		**(140 322)**	(148 758)
Non-controlling interest		**2 246**	1 682
Continuing operations	6		
Basic loss per share – cents		**(388,2)**	(41,8)
Diluted loss per share		**(378,6)**	(40,7)
Discontinued operations	6		
Basic loss per share – cents		**(128,8)**	(137,3)
Diluted loss per share		**(125,6)**	(133,5)
Total basic loss per share – cents	6		
Basic loss per share – cents		**(517,0)**	(179,1)
Diluted loss per share		**(504,2)**	(174,1)

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

Audited summarised consolidated statement of cash flows

for the year ended 28 February 2018

	2018 R'000	Restated 2017 R'000
Operating activities		
Loss before taxation	**(473 044)**	(149 454)
From continuing operations	**(392 360)**	(49 116)
From discontinued operations	**(80 684)**	(100 337)
Adjusted for:		
Depreciation	**31 696**	37 311
Amortisation of intangibles	**96 893**	107 183
Impairment of intangible assets, goodwill and bonds	**477 797**	132 519
Share of profits from associates	**(16 476)**	(23 396)
Loss (profit) on the sale of property and equipment	**839**	(1 014)
Share-based payments	**8 767**	7 648
Share-based payment expense	**12 822**	7 206
Revaluation of share-based payment liability	**(4 055)**	442
Unrealised foreign exchange loss	**451**	30 231
Non-cash portion of operating lease rentals	**(1 361)**	2 314
Profit on the sale of associate	**(184 960)**	–
Net movement on assets held for sale	**203 701**	(184 422)
Fair value adjustment	**(3 298)**	–
Increase in bad debt provision	**(21 274)**	(16 608)
Interest income	**(16 614)**	(9 085)
Interest expense	**140 643**	150 955
Cash generated from operations before working capital changes	**243 760**	84 181
Decrease in trade and other receivables	**45 930**	222 935
Decrease in other financials assets	**–**	(8 688)
Increase (decrease) in trade and other payables	**56 091**	(22 999)
Increase (decrease) in provisions	**44 674**	(17 601)
Cash generated by operations	**390 455**	257 828
Interest income	**16 614**	9 085
Interest expense	**(140 643)**	(150 955)
Cash settlement of share options exercised	**(31 384)**	–
Taxation paid	**(100 692)**	(31 632)
Dividend paid	**(1 293)**	(102 965)
Net cash generated (utilised) by operating activities	**133 057**	(18 639)

	2018 R'000	Restated 2017 R'000
Investing activities		
Additions to property, equipment and intangible assets	**(27 234)**	(81 692)
Proceeds from sale of property and equipment	**2 133**	5 875
Net cash outflow on acquisition of subsidiaries	**(12 060)**	(12 152)
Dividends received from associates	**–**	7 837
Net cash inflow on disposal of associate	**305 702**	–
Net cash inflow from disposal of subsidiary	**858**	–
Minority interest	**–**	(745)
Net cash utilised from investing activities	**269 399**	(80 877)
Financing activities		
Payment from the issue of treasury shares	**13 961**	–
Repayment of borrowings	**(1 790 664)**	(300 853)
Proceeds from borrowings	**1 626 468**	46 801
Other non-current liabilities – interest-bearing	**(2 271)**	445
Decrease in other payables	**–**	(26 078)
Net cash utilised by financing activities	**(152 506)**	(279 685)
Net increase (decrease) in cash and cash equivalents	**249 950**	(379 201)
Cash and cash equivalents at the beginning of period/year	**98 702**	477 903
Cash and cash equivalents at the end of the year	**348 652**	98 702

Audited summarised consolidated statement of changes in equity

for the year ended 28 February 2018

	Share capital R'000	Share premium R'000	Treasury shares R'000	Share-based payment reserve R'000
Balance as at 28 February 2015	**2 733**	**1 718 856**	**(12 990)**	**114 581**
Issue of ordinary shares under employee share option plan	16	19 253	–	–
Treasury shares acquired during the year	–	–	(23 973)	–
Dividend distributions	–	–	–	–
Recognition of BBBEE and staff share-based payments	–	–	–	7 206
Profit (loss) for the year (as previously disclosed)	–	–	–	–
Restatement	–	–	–	–
Minority interest	–	–	–	–
Realised foreign exchange gains through profit and loss on disposal of business	–	–	–	–
Other comprehensive income (loss) for the year	–	–	–	–
Balance as at 29 February 2016 (restated)	**2 749**	**1 738 109**	**(36 963)**	**121 787**
Dividend distributions	–	–	–	–
Recognition of BBBEE and staff share-based payments	–	–	–	7 206
(Loss) profit for the year	–	–	–	–
Other comprehensive (loss) income for the year	–	–	–	–
Minority interest	–	–	–	–
Balance as at 28 February 2017 (restated)	**2 749**	**1 738 109**	**(36 963)**	**128 993**
Issue of treasury shares under employee share option plan	**–**	**–**	**13 961**	**–**
Dividend distributions	**–**	**–**	**–**	**–**
Recognition of BBBEE and staff share-based payments	**–**	**–**	**–**	**8 317**
(Loss) profit for the year	**–**	**–**	**–**	**–**
Non-controlling interest	**–**	**–**	**–**	**–**
Equity due to change in control	**–**	**–**	**–**	**–**
Other comprehensive loss for the year	**–**	**–**	**–**	**–**
Balance as at 28 February 2018	**2 749**	**1 738 109**	**(23 002)**	**137 310**

Foreign currency translation reserve R'000	Cash flow hedging reserve R'000	Retained earnings R'000	Attributable to equity holders of the parent R'000	Non-controlling interest R'000	BEE share-holders' interest R'000	Total R'000
(3 442)	**(2 391)**	**650 806**	**2 468 153**	**(4 042)**	**921**	**2 465 032**
–	–	–	19 269	–	–	19 269
–	–	–	(23 973)	–	–	(23 973)
–	–	(164 571)	(164 571)	–	–	(164 571)
–	–	–	7 206	–	(245)	6 961
–	–	207 672	207 672	(862)	–	206 810
–	–	(54 495)	(54 495)	–	–	(54 495)
–	–	–	–	(1 282)	–	(1 282)
7 734	–	–	7 734	–	–	7 734
106 445	(580)	63 456	169 321	–	–	169 321
110 737	**(2 971)**	**702 868**	**2 636 316**	**(6 186)**	**676**	**2 630 806**
–	–	(102 965)	(102 965)	–	–	(102 965)
–	–	–	7 206	–	–	7 206
–	–	(194 094)	(194 094)	1 682	–	(192 412)
(86 448)	1 869	(41 905)	(126 484)	–	–	(126 484)
–	–	–	–	(745)	–	(745)
24 289	**(1 102)**	**363 904**	**2 219 979**	**(5 249)**	**676**	**2 215 406**
–	**–**	**–**	**13 961**	**–**	**–**	**13 961**
–	**–**	**(1 293)**	**(1 293)**	**–**	**–**	**(1 293)**
–	**–**	**–**	**8 317**	**–**	**–**	**8 317**
–	**–**	**(563 278)**	**(563 278)**	**2 246**	**–**	**(561 032)**
		–	**–**	**6 911**	**–**	**6 911**
–	**–**	**858**	**858**	**–**	**–**	**858**
(50 677)	**1 102**	**(30 964)**	**(80 539)**	**–**	**–**	**(80 539)**
(26 388)	**–**	**(230 773)**	**1 598 005**	**3 908**	**676**	**1 602 589**

Audited summarised consolidated segment report

for the year ended 28 February 2018

	Industrial South Africa	Industrial Australia	Support Services	Professional Services South Africa	Professional Services Australia	Training
Revenue						
– 2018 (R'000)	**6 278 103**	**1 696 419**	**1 471 207**	**1 802 508**	**3 690 385**	**178 454**
– 2017 (R'000)	6 296 393	1 689 449	1 582 604	1 622 620	4 195 907	251 323
Internal revenue						
– 2018 (R'000)	**39 450**	**–**	**6 015**	**2 240**	**–**	**11 192**
– 2017 (R'000)	117 320	–	83 302	4 343	–	40 539
Operating profit/(loss)						
– 2018 (R'000)	**180 968**	**26 551**	**43 436**	**151 663**	**99 100**	**(54 711)**
– 2017 (R'000)	345 954	(2 633)	66 396	105 902	94 514	9 093
EBITDA						
– 2018 (R'000)	**189 232**	**58 096**	**46 474**	**160 624**	**104 059**	**(51 824)**
– 2017 (R'000)	399 749	34 745	70 369	133 108	97 865	12 106
Depreciation and amortisation						
– 2018 (R'000)	**8 262**	**31 545**	**3 030**	**24 821**	**4 022**	**2 886**
– 2017 (R'000)	15 146	37 378	8 921	25 021	3 350	2 949
Interest income						
– 2018 (R'000)	**66 145**	**202**	**12 219**	**28 812**	**120**	**248**
– 2017 (R'000)	38 476	298	8 568	11 191	233	182
Interest expense						
– 2018 (R'000)	**(56 312)**	**–**	**(8 942)**	**(6 757)**	**(3 047)**	**(11 964)**
– 2017 (R'000)	(22 537)	(59)	(9 313)	(46 410)	(6 007)	(10 268)
Taxation expense/(income)						
– 2018 (R'000)	**(26 396)**	**(5 698)**	**(3 152)**	**67 431**	**29 250**	**(12 822)**
– 2017 (R'000)	(2 451)	(25 043)	1 805	8 434	622	(1 463)
Asset carrying value from continuing operations*						
– 2018 (R'000)	**1 394 421**	**(117 682)**	**271 762**	**747 752**	**499 450**	**94 961**
– 2017 (R'000)	1 445 574	411 888	354 309	1 023 507	475 695	96 860
Liabilities carrying value**						
– 2018 (R'000)	**535 976**	**42 777**	**153 232**	**271 081**	**307 809**	**149 030**
– 2017 (R'000)	305 752	257 835	176 066	245 134	256 949	97 255

* *Reconciliation of assets carrying value to balance sheet.*

Assets carrying value per the segment report	4 542 916
Other financial asset – relating to Capital Africa	22 552
Total assets per balance sheet	4 520 364

** *Reconciliation of liabilities carrying value to balance sheet.*

Liabilities carrying value per the segment report	2 851 533
Deferred taxation – relating to Capital Africa	47 431
Total liabilities per balance sheet	2 898 964

Financial Services	Subtotal	Central South Africa	Central Australia	Total	International	South Africa	Total
192 281	**15 309 357**	**16 034**	**–**	**15 325 391**	**5 386 804**	**9 938 587**	**15 325 391**
163 670	15 801 966	2 115	–	15 804 081	5 885 356	9 918 725	15 804 081
–	**58 897**	**20 155**	**–**	**79 052**	**–**	**79 052**	**79 052**
–	245 504	823	–	246 327	–	246 327	246 327
55 041	**502 048**	**(446 475)**	**(47 543)**	**8 030**	**78 108**	**(70 078)**	**8 030**
47 914	667 140	(462 997)	(2 265)	201 877	64 975	136 902	201 877
58 218	**564 879**	**(403 264)**	**(24 996)**	**136 619**	**137 159**	**(540)**	**136 619**
52 523	800 465	(451 829)	(2 265)	346 371	105 704	240 667	346 371
5 687	**80 253**	**24 854**	**23 482**	**128 589**	**59 049**	**69 540**	**128 589**
2 266	95 031	24 822	24 641	144 494	65 369	79 125	144 494
8 066	**115 812**	**(100 410)**	**1 212**	**16 614**	**1 534**	**15 080**	**16 614**
18 661	77 610	(69 616)	1 092	9 085	1 623	106 765	9 085
(4 132)	**(91 154)**	**(32 457)**	**(17 031)**	**(140 643)**	**(20 078)**	**(120 564)**	**(140 643)**
(2 312)	(96 906)	(33 169)	(20 880)	(150 955)	(26 945)	(124 010)	(150 955)
4 758	**53 371**	**10 074**	**(35 095)**	**(28 350)**	**(11 543)**	**39 893**	**(28 350)**
11 837	(6 259)	(31 011)	31 808	(5 462)	7 387	(12 849)	(5 462)
202 951	**3 093 615**	**573 757**	**875 544**	**4 542 916**	**1 247 764**	**3 295 152**	**4 542 916**
220 467	4 028 300	647 230	765 017	5 440 546	1 652 600	3 787 946	5 440 546
24 650	**1 484 555**	**1 065 596**	**301 382**	**2 851 533**	**651 968**	**2 199 565**	**2 851 533**
17 741	1 356 732	1 530 427	522 871	3 410 030	1 037 655	2 372 375	3 410 030

Notes to the audited summarised consolidated financial statements

for the year ended 28 February 2018

1. Basis of preparation and significant accounting policies

The Group's summary consolidated financial statements are prepared in accordance with the JSE Limited Listings Requirements for provisional reports, and the requirements of the Companies Act of South Africa applicable to summary financial statements. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34, Interim Financial Reporting. The accounting policies and methods of computation applied in the preparation of the consolidated financial statements, from which the summary consolidated financial statements were derived, are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the Group's previous consolidated financial statements.

These financial results and the full set of consolidated financial statements have been prepared by the Group Financial Manager, A Viljoen (BCom Honours) and supervised by the Group Chief Financial Officer, CJ Kujenga (CA(SA)).

2. Auditor's reports

These summary consolidated financial statements for the year ended 28 February 2018 have been audited by Deloitte & Touche, who expressed an unmodified opinion on the thereon. The auditor also expressed an unmodified opinion on the consolidated financial statements from which these summary consolidated financial statements were derived.

A copy of the auditor's report on the summary consolidated financial statements and of the auditor's report on the consolidated financial statements are available for inspection together with the accompanying financial statements during office hours 8:00 – 16:00, Monday – Friday at the Company's registered office, Adcorp Office Park, corner William Nicol and Wedgewood Link, Bryanston, together with the financial statements identified in the respective auditor's reports.

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

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

3. Going concern

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

4. Prior period adjustment

During the current financial year errors were identified in the accounting treatment of certain revenue and expense items in Adcorp Training services dating back a number of years. This resulted in the cost of sales and trade and other payables being understated with R72 million. The underlying systems that resulted in the error have been corrected.

In FY2017 one of the debtors in Adcorp Industrial Services entered into business rescue proceedings. At the time, a portion of the related debt was included in the doubtful debt provision but not the full amount. As a result trade receivables were overstated with R10 million.

Both errors have been corrected by restating each of the affected financial statement line items for the prior periods.

The effect of the summarised consolidated Statement of financial position, Statement of comprehensive income and summarised statement of changes in equity is set out below:

	2017 R'000	2016 R'000
Summarised consolidated statement of financial position		
Intangible assets	–	4 535
Trade receivables	10 000	–
Trade and other payables	22 086	49 960
	32 086	54 495
Summarised consolidated statement of comprehensive income		
Cost of sales	16 146	–
Provision for bad debts	10 000	–
Interest expense	5 940	–
	32 086	–
Summarised consolidated statement of changes in equity		
Opening balance	702 868	650 806
Total comprehensive income as previously reported	(306 878)	106 557
Prior period error adjustment	(32 086)	(54 495)
Closing balance	363 904	702 868

Notes to the audited summarised consolidated financial statements
continued

for the year ended 28 February 2018

5. Discontinued operations

The Group has taken the decision to dispose of its Rest of Africa operations during the current financial year, as such its operations is disclosed as discontinued, the current year comparative balance will differ in some respects to those reported in 2017.

The board considers the criteria for discontinued operations to have been met for the following reasons:

- Buyers have been identified, and sale agreements have been finalised or are at the advanced stage, for the majority of the operations.
- the remaining operations are available for immediate sale.

	2018 R'000	2017 R'000
Profit and loss		
Revenue	**117 798**	268 869
Cost of sales	**(91 837)**	(211 033)
Gross profit	**25 961**	57 836
Other income	**10 915**	28 078
Operating expenses	**(42 260)**	(179 107)
Operating loss	**(5 384)**	(93 193)
Net interest	**–**	(7 144)
Impairments	**(75 300)**	–
Net loss before tax	**(80 684)**	(100 337)
Taxation	**(59 638)**	(48 421)
Net loss after tax	**(140 322)**	(148 758)

The impairment relates to fixed assets, debtors, cash, sundry creditors and loans in Africa.

	2018 R'000	2017 R'000
5. Discontinued operation continued		
Assets and liabilities		
Non-current assets held for sale		
Property and equipment	**–**	31 492
Intangible assets	**–**	59
Other financial assets	**–**	6 555
Current assets held for sale		
Trade and other receivables	**10 077**	65 560
Cash	**–**	184 422
Tax prepaid	**357**	905
Total	**10 434**	288 993
Non-current liabilities associated with assets classified as held for sale		
Trade and other payables	**11 306**	64 745
Provisions	**4 756**	21 057
Tax payable	**13 183**	18 301
Total	**29 245**	104 103

6. Earnings per share

The calculation of earnings per share on continuing operations is based on losses of R422 956 341 (2017: R45 336 278) and a discontinued loss of R140 322 087 (2017: R148 758 230) ordinary shares of 108 946 470 (2017: 108 382 849), being the weighted average number of shares relative to the above earnings.

	2018	2017
Continuing operations		
Basic loss per share – cents	**(388,2)**	(41,8)
Diluted loss per share – cents	**(378,6)**	(40,7)
Discontinued operations		
Basic loss per share – cents	**(128,8)**	(137,3)
Diluted loss per share – cents	**(125,6)**	(133,5)
Total basic loss per share – cents		
Basic loss per share – cents	**(517,0)**	(179,1)
Diluted loss per share – cents	**(504,2)**	(174,1)

Notes to the audited summarised consolidated financial statements

continued

for the year ended 28 February 2018

		2018 R'000	2017 R'000
6.	**Earnings per share continued**		
	113 220 069 (2017: 111 467 949) weighted diluted number of shares are determinate as follows:		
	Reconciliation of diluted number of shares		
	Ordinary shares	**108 946 470**	108 382 849
	Adcorp employee share schemes – dilution*	**4 273 599**	3 085 100
	Diluted number of shares	**113 220 069**	111 467 949
	Reconciliation of headline (loss) earnings from continuing operations **		
	Loss for the year	**(422 956)**	(45 336)
	Profit on sale of property and equipment	**(839)**	(1 014)
	Taxation recovered on the sale of property and equipment	**235**	284
	Impairment of investments, goodwill and loans	**477 797**	132 519
	Profits from the sale of associate	**(184 960)**	0
	Taxation charged on sale of associate	**36 542**	0
	Headline (loss) earnings	**(94 181)**	86 453
	Headline (loss) earnings per share – cents	**(86,4)**	79,8
	Diluted headline (loss) earnings per share – cents	**(84,3)**	77,6
	Reconciliation of headline loss from discontinued operations**		
	Loss for the year	**(140 322)**	(148 758)
	Impairment of investments, goodwill and bonds	**75 300**	-
	Headline loss	**(65 022)**	(148 758)
	Headline loss per share – cents	**(59,7)**	(137,3)
	Diluted headline loss per share – cents	**(58,2)**	(133,5)
	Reconciliation of headline loss from total operations		
	Loss for the year	**(563 278)**	(194 094)
	Impairment of investments, goodwill and bonds	**553 097**	132 519
	Profit on sale of property and equipment	**(839)**	(1 014)
	Taxation recovered on the sale of property and equipment	**235**	284
	Profits from the sale of associate	**(184 960)**	–
	Taxation charged on sale of associate	**36 542**	–
	Headline loss	**(159 203)**	(62 305)
	Headline loss per share – cents	**(146,1)**	(57,5)
	Diluted headline loss per share – cents	**(142,5)**	(55,9)

* *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*

7. Interest bearing liabilities

Secured – at amortised cost less amount capitalised

		Interest rate	Maturity	2018 R'000	2017 R'000
7.1	**Long-term loans – non-current portion**		Six equal instalments on the last of each of the five months prior to 30 November 2020	**978 196**	649 229
	Amortising term loan	JIBAR +340		**200 000**	–
	Amortising revolving loan	JIBAR +340		**725 000**	–
	Corporate bond	JIBAR +249	8 March 2018	**–**	400 000
	Corporate bond	JIBAR +240	31 July 2018	**–**	150 000
	Corporate bond	JIBAR +250	4 December 2018	**–**	100 000
	Transaction costs capitalised			**–**	(771)
	Amortising revolving loan – Australia	2,9% – 3,15%	Equal semi-annual instalments	**53 196**	–
7.2	**Short-term loans**			**228 687**	720 603
	Commercial paper			**–**	50 000
	Corporate bond	JIBAR +260	27 November 2017	**–**	209 000
	Amortising revolving loan – Australia	3,15% (FY17: 3,85%)		**228 687**	447 944
	Accrued interest			**–**	13 659

On 8 December 2017 the Group successfully redeemed all corporate bonds under its South African-based domestic medium term note (DMTN) programme and replaced it with a syndicated loan facility.

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 by certain operating subsidiaries:

The list of guarantors under current facility is different to those that formed part of the DMTN programme. A full list of the DMTN guarantors was provided in the 2017 financial statements.

8. Subsequent events

No material transactions or events subsequent to the end of the financial year ended 28 February 2018 and prior to the approval of these consolidated summarised financial statements.

9. Financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting year. The following table gives information about how the fair values of these financials assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used.)

Financial assets/financial liabilities	**2018 R'000**	2017 R'000	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Investment	**13 243**	10 000	Level 1	Fair value – Market valuation	n/a	n/a
Other financial assets	**10 361**	31 861	Level 1	Bond – Fair value – Market valuation	n/a	n/a
Derivative financial instrument	**–**	1 574	Level 2	Fair value – Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of the counterparty	n/a	n/a

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Notes

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