ADCORP

Audited summarised consolidated and separate provisional results

For the year ended 28 February 2017

SALIENT FEATURES

Revenue for the year increased by **3%** to **R16,1 billion**

Cash generated by operations increased by **25%** to **R439,9 million**

Normalised earnings per share decreased by **76%** to **88,6 cents per share***

Cash conversion ratio improved to **178%**

Headline loss per share of **27,9 cents per share**

Debtors days at **45 days** (2016: 47 days)

Normalised **EBITDA** for the year decreased by **51%** to **R303,8 million**

Gearing ratio at **48%** (2016: 43%)

Statement of consolidated normalised earnings*

for the year ended 28 February 2017

	Pro forma year to 28 February 2017 R'000	Pro forma year to 29 February 2016 R'000	% change
Revenue	**16 072 951**	15 585 751	3
Cost of sales	**(13 665 757)**	(13 069 007)	(5)
Gross profit	**2 407 194**	2 516 744	(4)
Other income	**74 514**	128 325	(42)
Administrative, marketing, selling and operating expenses	**(2 351 398)**	(2 180 302)	(8)
Operating profit	**130 310**	464 767	(72)
Adjusted for:			
Depreciation	**37 311**	35 962	(4)
Amortisation of intangible assets	**107 183**	105 831	(1)
Lease smoothing	**2 314**	1 781	(30)
Transaction costs	**26 668**	13 438	(98)
EBITDA (excluding lease smoothing and transaction cost)	**303 786**	621 779	(51)
Adjusted for:			
Depreciation	**(37 311)**	(35 962)	(4)
Amortisation of intangibles other than those acquired in a business combination	**(19 789)**	(28 345)	(30)
Normalised operating profit	**246 686**	557 472	(56)
Net interest paid	**(139 565)**	(110 053)	(27)
Normalised profit before taxation	**107 121**	447 419	(76)
Taxation	**(32 814)**	(76 125)	(57)
Normalised profit for the year	**74 307**	371 294	(80)
Share of profits from associates	**23 396**	23 078	1
Non-controlling interest	**(1 682)**	862	–
Total normalised profit for the year	**96 021**	395 234	76
Normalised effective tax rate	**30,63%**	17,01%	
Normalised earnings per share – cents	**88,6**	365,3	(76)
Diluted normalised earnings per share – cents	**86,1**	352,9	(76)

* *Normalised earnings is defined as operating profit adjusted for depreciation, amortisation of intangibles, lease smoothing and one-off transaction costs relating to acquisitions.*

* *The pro-forma financial information, as shown in the statement of normalised earnings, should be read in conjunction with the unmodified Deloitte & Touche independent reporting accountant's report thereon, issued on 23 May 2017, which is available for inspection at Adcorp's registered office.*

Comments

Overview

The year ended 28 February 2017 proved to be the most difficult in the Group's 41-year long history.

Group revenues of R16,1 billion (2016: R15,6 billion) increased by a modest 3% compared to the prior year.

Trading profits were significantly impacted as a result of volumes lost as a consequence of recent changes to South African labour laws as well as by a material trading loss incurred in the Group's African operations as a result of the cut back in oil and gas related projects on which the Group was heavily reliant due to the sustained, depressed global oil price. The depressed global oil price also impacted on one of the Group's Australian subsidiaries, Dare, which at the EBITDA level incurred a small loss.

On the back of these trading pressures, presenting a major drag on earnings was a material year-on-year swing from a R59,0 million foreign exchange profit recorded in the prior year to a R30,2 million loss recorded in the current financial year. These foreign exchange accounting translation gains and losses emanate primarily from the Group's African operations whereby the South African Rand reporting currency has strengthened in the current financial year against many of the underlying currencies of those African countries where the Group has operations.

Year-on-year comparative earnings were also negatively impacted by a net share based payment credit of R31,2 million recorded in the prior year compared to a R7,6 million net charge to loss in the current financial year.

Normalised EBITDA of R304 million was 51% lower than reported in the previous year.

The impact of these "one-off" adjustments and the effect they have had on the quality of sustainable Normalised EBITDA of the business can be summarised as follows:

Comparison of sustainable year-on-year profitability

(Figures in R millions)	**FY2017**	FY2016	% change
Reported Normalised EBITDA	**304**	622	(51)
– Africa/Dare trading loss/(profit) – (Oil and Gas)	**74**	(8)	–
– Foreign exchange translation loss/(profit)	**30**	(59)	–
Operations excluding Africa and Dare	**408**	555	(26)
– Share based payment charge/(credit)	**8**	(31)	–
– Restructuring costs	**33**	–	–
Sustainable Normalised EBITDA	**449**	524	(14)

In addition, the Group's effective tax rate has been adversely impacted by the non-recognition of tax losses in Africa as well as by a deferred tax liability raised on the rest of Africa inter-company loan accounts, the recovery of which are doubtful. The combined tax effect of these items which also negatively affected earnings is R47,3 million.

As a consequence of these factors, normalised earnings per share of 88,6 cents decreased by 76% compared to the comparative figure of 365,3 cents in the prior year.

Given the significant retreat in earnings, the Group has embarked on a number of initiatives to ensure a return to sustainable earnings growth in order to retrace the earnings path of the past.

In this regard, the Group has restructured its operations resulting in a large number of job cuts which also negatively impacted the year's earnings by R32,6 million in respect of severance packages paid to those affected, the benefits of which will only be realised in the new financial year. The majority of these expenses were incurred towards the end of the financial year.

Also, the Group has embarked on a new and exciting strategic path known as "Adcorp 2.0". The main aims of this strategy are to move closer to our key clients centred on a collaborative approach, using technology where appropriate to better and more effectively service clients with a view to growing revenues, de-risking earnings and improving margins.

Central to this approach is to co-design effective labour solutions with clients in a fast evolving environment where, in future, people are likely to work alongside robotic machines using new technologies.

So far, this new strategic initiative has been well received within the Group as well as by a number of key clients and is starting to deliver positive results.

Following the turbulent year, the Group is far better positioned from a trading perspective and of the sizeable one-off charges mentioned above are unlikely to be repeated.

Cash generation remains a key management focus and, in this regard, the Group's cash performance has once again been extremely positive. The Group's cash conversion ratio was a creditable 178% compared to the Group's target conversion ratio of 80%.

Despite this, given the current uncertain economic environment, the Group has recognised the need to reduce debt levels and de-gear the balance sheet. Accordingly, the Group is exploring the possibility of disposing of certain non-core assets in order to free up cash resources.

South Africa

As previously reported, the passing of the new Labour Relations Act (LRA) in 2015 initially led to a high degree of uncertainty in the South African market resulting in volumes being negatively impacted. Hardest hit was the support services or white collar segment of the business.

The ambiguity in the new labour laws was clarified in a milestone Labour Court ruling in September 2015 subsequent to which, stability has largely returned to the Temporary Employment Services (TES) market resulting in a recovery in volumes, albeit not yet to the levels achieved prior to the new legislation. This ruling is the subject of an appeal process.

A further positive development in this regard is a recent favourable ruling in the court providing legal legitimacy for one of the Group's important delivery models.

The lower levels of business activity have affected margins negatively whereby the normalised EBITDA margin achieved in the South African business was 3,2% compared to the 4,8% margin achieved in the prior year.

Margins should continue to improve and retrace previous levels as volumes continue to recover.

Given the reduction in earnings, the South African operations have been the subject of restructure and rationalisation which will reap cost benefits in the new financial year.

Rest of Africa, Asia and Australia

Australian IT specialist, Paxus, performed particularly well showing strong earnings growth.

Australian blue collar business, Labour Solutions Australia (LSA), continues to gain new volumes and would have recorded solid year-on-year earnings growth save for a sizeable bad debt incurred. The business is well positioned in its market, should perform well in the ensuing year and is also exploring broader market opportunities beyond it's traditional agriculture base.

Australian oil and gas business, Dare, which was acquired by the Group in May 2015 lost volumes due to the sustained, low oil price. Consequently, earnings from this business have declined substantially whereby the business broke even for the year.

As a result of the lower levels of profitability in this business the goodwill associated with Dare has been impaired by an amount of R86,1 million.

Similarly impacted by a decline in global oil prices has been the Group's African business beyond South Africa's borders which has a high dependency on the oil and gas industry.

As mentioned above, this business was also negatively impacted by foreign exchange translation losses compared to a foreign exchange translation profit in the prior year which pushed this operation into a sizeable loss for the year under review.

The global oil and gas industry remains an important industry sector of focus for the Group and still offers up potential, even at the current lower energy prices. Accordingly, the Group has adopted a global

Comments continued

approach to acquiring business in this industry sector but will scale back its African operations until such time as prospects improve in the markets.

Indian associate IT solutions business, Nihilent, in which the Group owns a 34,6% stake, also experienced a difficult trading period, being negatively impacted by a reduction in business emanating from South Africa and has also been negatively impacted by currency fluctuations in Africa. Associate earnings from the business were flat year-on-year.

Other strategic initiatives

Over the recent years, the global workforce management and staffing industry has seen the rapid adoption of innovative, new delivery models, the adoption of potentially disruptive technologies, as well as a number of innovative approaches to the client interface. Coupled with this, is the imperative to remain operationally excellent and cost competitive.

Over the past years, Adcorp has invested in new technologies and methodologies in expanding its global footprint and in streamlining its operating model.

This foresight has now been rewarded in the current, relatively tough trading environment.

Much progress has been achieved in developing a cost-effective and efficient shared service capability with the ability to service the Group's operations on the same back office platform.

In addition, the Group has adopted a far more client-centric approach to selling and is particularly well positioned in the industry in its markets of choice.

This is evidenced by some important and sizeable client wins achieved over the past year, in multiple jurisdictions, across various industry sectors and against respected global competition.

Financial overview

Headline earnings per share decreased from 299,6 cents to a loss of 27,9 cents per share. Earnings per share of 192,0 cents decreased to a loss of 149,5 cents in the current year.

Gross profit margin levels declined by 1% to 15% due largely to a change in business mix. The overall expense ratio increased from 14,0% to 14,6% against the backdrop of an extensive group-wide restructuring program of integration and rightsizing. The Group's normalised EBITDA margin declined to 1,9% (2016: 4,0%).

The Group's overall normalised effective tax rate increased to 30,6% (2016: 17,0%) mainly as a result of the losses incurred in Africa which are unlikely to provide future tax relief and the raising of a deferred tax liability related to the Africa inter-company loans as mentioned. The Group Tax rate is likely to revert to a lower effective rate in future.

Given the working capital intensive nature of the business requires strict cash management and, to this extent, the cash conversion ratio was 178%. Days settlement outstanding (DSO) were 45 days (2016: 47 days).

The Group has been active over the past year in trying to raise capital in order to fund the Group's international growth strategy focused on emerging markets and the Southern Hemisphere and, in particular, Africa, Asia, Australia and the Middle East.

Negotiations regarding a possible funding deal were recently halted given that the proposed funding terms were not considered optimal.

Further consideration will be given to funding the Group's international expansion plans when market conditions are considered more conducive to achieving this objective.

Acquisition of business

During the current financial year, Adcorp Holdings Australia Proprietary Limited acquired WHR Solutions Proprietary Limited (WHR) with effect 1 July 2016. As such, it has been included in Group profits for eight months of this financial year. The profit after tax from WHR included in Group net profit after tax for the year ended February 2017 is R3,1 million after taking account of non-cash flow IFRS charges and acquisition-related transaction costs. Had the business combination been effective from 1 March 2016, the revenue of the Group would not have been materially impacted while the net loss after tax would have totalled R159,0 million. The directors of the Group consider these numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

	CONSOLIDATED	
	2017	2016
	R'000	R'000
Total purchase consideration for all business combinations	**15 792**	284 146
Less: investment converted into subsidiary	**–**	(7 800)
Less: liabilities assumed	**(482)**	–
Less: contingent liability	**(3 158)**	–
Less: cash and cash equivalents acquired	**–**	(9 132)
Net purchase consideration for all business combinations	**12 152**	267 214
Cash outflow on acquisition of businesses	**–**	267 214
Cash outflow on acquisition of businesses	**12 152**	267 214

In complying with the IFRS 3, Business Combinations, the Group determined the fair value of the assets and liabilities acquired on the acquisition of the business as follows:

R'000	**2017 WHR**	2016 Total
Property and equipment	**–**	400
Intangible assets	**6 535**	160 392
Deferred tax asset	**–**	8 809
Trade and other receivables	**–**	137 546
Cash and cash equivalents	**–**	9 132
Trade and other payables	**–**	(133 854)
Provisions	**–**	(1 275)
Taxation owing	**–**	(562)
Deferred taxation	**–**	(28 635)
	6 535	151 953
Gain on bargain purchase	**–**	(3 999)
Resulting goodwill on acquisition	**9 257**	136 192
Total consideration	**15 792**	284 146

Basis of preparation

The Group's summarised consolidated and separate financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, and the requirements of the Companies Act of South Africa applicable to summarised 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 applied in the preparation of the consolidated and separate financial statements, from which the summarised 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 and separate financial statements.

The financial results have been prepared by the Group Financial Manager, Ms A Viljoen (BCom Honours) and supervised by the acting Group Chief Financial Officer, Mr L Wilson (CA(SA)).

Comments continued

Contingent liabilities and commitments

The bank has guaranteed R7,0 million (2016: R7,5 million) on behalf of the Group to creditors. As at the balance sheet date, the Group has outstanding operating lease commitments totalling R164,8 million (2016: R315,6 million) in non-cancellable property leases.

As reported previously, a client of the South African industrial services segment indicated that they believe that they may not have been billed in accordance with the original client service level agreement over the past years and the client has subsequently issued a summons in this regard. The matter is being defended by the Group. In this regard, using the information at its disposal, the Board has made a provision it believes adequate to cover any financial loss which may result from this claim.

Changes to the board of Adcorp

The following changes transpired:

- resignation of Mr A Guharoy with effect from 1 October 2016.
- appointment of Ms JA Boggenpoel with effect from 1 January 2017. Ms Boggenpoel is also a member of the Group Audit and Risk Committee.
- resignation of Mr AM Sher with effect from 31 January 2017.
- appointment of Mr C Maswanganyi (with Mr MR Ramaite being his alternate) both with effect from 1 March 2017. Mr Maswanganyi is also a member of the Group Remuneration and Nominations Committee.
- at the Board meeting held on 23 May 2017, it was decided to appoint Mr MW Spicer as the lead independent director as required by King IV.

Final dividend

No final dividend declared.

Events after the reporting date

Ms Cheryl-Jane Kujenga was appointed as the Group Chief Financial Officer, with effect 1 July 2017.

Subsequent to the end of the financial year ended 28 February 2017 and prior to the approval of this report, no material transactions or events took place.

Auditor's report

These summarised consolidated and separate financial statements for the year ended 28 February 2017 have been audited by Deloitte & Touche, who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated and separate financial statements from which these summarised consolidated and separate financial statements were derived.

A copy of the auditor's report on the summarised consolidated and separate financial statements and of the auditor's report on the consolidated and separate financial statements are available for inspection 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.

Outlook and prospects

On the back of a tough year, the economic environment remains challenging particularly in the core South African market. The recent credit downgrade of South Africa's sovereign debt will further hamper economic growth and job creation in the Group's core market.

Despite this, stability has crept back into the South African TES market following the initial uncertainty created by the new South African labour laws that also contributed a decline in earnings.

In addition, the Group is in the process of scaling back its African operations to stem losses in that part of the business and has seen an improvement in the fortunes of Australian business, Dare, which has seen a pick-up in volumes and is exploring other industrial sectors such as renewable energy.

FY 2017's financial results have also been distorted by a number of one-off costs such as foreign exchange losses, losses in the Group's Africa operations and retrenchment costs that have adversely affected earnings and are unlikely to repeat in FY2018 which should provide a major boost to earnings.

These can be summarised as follows:

Impacting Normalised and Headline EPS	
Operational challenges	**Accounting issues**
• Sizeable loss in rest of Africa due to decline in global oil price – R71 million year-on-year swing.	• Foreign exchange translations – year-on-year swing from a sizeable profit to a loss on currency translations – R89 million. • No tax relief taken on Africa losses plus deferred tax liability raised on Africa loan accounts – R47 million.
• Restructuring costs – R33 million.	• Share based payments – year on year swing from a sizeable gain to cost – R39 million.
Further impacting EPS	
	Accounting issues
	• Dare impairment – R86 million. • Impairment of obsolete software – R46 million.

Adcorp 2.0 is starting to deliver which has manifested itself in increased volumes and margins whilst there is still scope to reduce the Group's cost base even further which management is committed to achieving.

The need to reduce debt and to de-gear the balance sheet is seen as an imperative. In this regard, the Group is looking to shed non-core assets in order to free up cash resources as described above.

Accordingly, the Group's prospects are looking more positive due to the following factors:

- The non-repeat of one-off costs and charges;
- The non-repeat of the rest of Africa losses;
- A more stable South African TES market;
- Paxus and LSA are both performing well;
- Dare is recovering;
- Lower gearing levels will strengthen the balance sheet; and
- The Group has achieved and is working towards a lower overhead cost base.

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

By order of the board

MJN Njeke
Chairman

RL Pike
Chief Executive Officer

23 May 2017

Audited summarised consolidated and separate statement of comprehensive income

for the year ended 28 February 2017

	CONSOLIDATED AUDITED		SEPARATE AUDITED	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
Revenue	**16 072 951**	15 585 751	**–**	–
Cost of sales	**(13 665 757)**	(13 069 007)	**–**	–
Gross profit	**2 407 194**	2 516 744	**–**	–
Other income	**74 514**	128 325	**536**	644
Administration expenses	**(1 388 777)**	(1 233 713)	**(23 967)**	(15 834)
Marketing and selling expenses	**(692 003)**	(685 545)	**–**	(2 303)
Other operating expenses	**(270 618)**	(261 044)	**–**	–
Operating profit/(loss)	**130 310**	464 767	**(23 431)**	(17 493)
Interest received	**12 300**	23 669	**137 622**	100 783
Interest paid	**(151 865)**	(133 722)	**(118 602)**	(98 653)
Dividend received	**–**	–	**232 946**	510 000
Gain on bargain purchase	**–**	3 999	**–**	–
Impairment of intangible assets, goodwill and loans	**(132 519)**	(34 721)	**–**	–
Impairment of investment – available-for-sale	**–**	(54 922)	**–**	–
Share of profits from associates	**23 396**	23 078	**–**	–
Loss on sale of business	**–**	(30 056)	**–**	–
Loss on the sale of shares	**–**	(361)	**–**	–
Profit/(loss) on sale of property and equipment	**1 014**	(991)	**–**	–
(Loss)/profit before taxation	**(117 364)**	260 740	**228 535**	494 637
Taxation	**(42 962)**	(53 930)	**(5 175)**	(4 099)
(Loss)/profit for the year	**(160 326)**	206 810	**223 360**	490 538
Other comprehensive (loss)/income*				
Exchange differences on translating foreign operations	**(86 448)**	106 445	**–**	–
Realised foreign exchange gains through profit and loss on disposal of business	**–**	7 734	**–**	–
Exchange differences arising on the net investment of a foreign operation	**(41 905)**	63 456	**(41 905)**	63 456
Fair value adjustment of derivative financial instrument	**1 869**	(580)	**–**	–
Non-controlling interest	**(1 682)**	862	**–**	–
Other comprehensive (loss)/income for the year, net of tax	**(128 166)**	177 917	**(41 905)**	63 456
Total comprehensive (loss)/income for the year	**(288 492)**	384 727	**181 455**	553 994
(Loss)/profit attributable to:				
Owners of the parent	**(162 008)**	207 672	**223 360**	490 538
Non-controlling interest	**1 682**	(862)	**–**	–
Total comprehensive (loss)/income attributable to:				
Owners of the parent	**(288 492)**	384 727	**181 455**	553 994
Non-controlling interest	**1 682**	(862)	**–**	–
(Loss)/earnings per share				
Basic (cents)	**(149,5)**	192,0	**–**	–
Diluted (cents)	**(145,3)**	185,4	**–**	–
Approved dividends to shareholders	**95**	148	**–**	–
Interim dividend (cents)	**20**	60	**–**	–
Final dividend (cents) in respect of prior year	**75**	88	**–**	–

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

Audited summarised consolidated and separate statement of financial position

as at 28 February 2017

	CONSOLIDATED AUDITED 2017 R'000	CONSOLIDATED AUDITED 2016 R'000	SEPARATE AUDITED 2017 R'000	SEPARATE AUDITED 2016 R'000
Assets				
Non-current assets	**2 439 079**	2 636 416	**1 213 838**	1 213 838
Property and equipment	**111 950**	137 796	**–**	–
Intangible assets	**615 962**	753 170	**–**	–
Goodwill	**1 373 162**	1 513 633	**–**	–
Investments	**10 000**	10 000	**10 000**	10 000
Investment in subsidiaries	**–**	–	**1 203 838**	1 203 838
Investment in associates	**140 808**	125 249	**–**	–
Other financial assets	**37 485**	–	**–**	–
Deferred taxation	**149 712**	96 568	**–**	–
Current assets	**3 304 993**	3 741 744	**2 897 795**	2 875 075
Trade, other receivables and prepayments	**2 538 182**	2 795 262	**450**	1 591
Other financial assets	**931**	29 728	**–**	–
Amounts due by subsidiary companies	**–**	–	**2 896 923**	2 868 245
Taxation prepaid	**42 709**	70 690	**–**	4 745
Cash resources	**723 171**	846 064	**422**	494
Total assets	**5 744 072**	6 378 160	**4 111 633**	4 088 913
Equity and liabilities				
Capital and reserves	**2 301 987**	2 685 301	**2 534 492**	2 450 289
Share capital	**2 749**	2 749	**3 170**	3 170
Share premium	**1 738 109**	1 738 109	**1 738 109**	1 738 109
Treasury shares	**(36 963)**	(36 963)	**–**	–
Non-distributable reserve	**–**	–	**119 918**	119 918
Share-based payment reserve	**128 993**	121 787	**128 993**	121 787
Foreign currency translation reserve	**24 289**	110 737	**–**	–
Cash flow hedging reserve	**(1 102)**	(2 971)	**–**	–
Accumulated profit	**450 485**	757 363	**544 302**	467 305
Equity attributable to equity holders of the parent	**2 306 560**	2 690 811	**2 534 492**	2 450 289
Non-controlling interest	**(5 249)**	(6 186)	**–**	–
B-BBEE shareholders' interest	**676**	676	**–**	–
Non-current liabilities	**758 250**	1 507 324	**655 017**	879 407
Other non-current liabilities – interest-bearing	**1 991**	650	**–**	–
Long-term loan – interest-bearing	**649 229**	1 349 502	**649 229**	857 322
Derivative financial instrument	**–**	4 245	**–**	–
Share-based payment liability	**–**	38 625	**–**	–
Obligation under finance lease	**–**	668	**–**	–
Deferred taxation	**107 030**	113 634	**5 788**	22 085
Current liabilities	**2 683 835**	2 185 535	**922 124**	759 217
Non-interest-bearing current liabilities	**1 505 929**	1 527 822	**389 707**	255 856
Trade and other payables	**1 147 265**	1 188 716	**2 669**	3 111
Share-based payment liability	**39 067**	–	**–**	–
Amounts due to subsidiary companies	**–**	–	**384 249**	252 745
Provisions	**263 585**	281 186	**–**	–
Other vendor payables	**–**	26 078	**–**	–
Derivative financial instrument	**1 574**	–	**–**	–
Taxation	**54 438**	31 842	**2 789**	–
Interest-bearing current liabilities	**1 177 906**	657 713	**532 417**	503 361
Current portion of other non-current liabilities	**17 256**	15 170	**–**	–
Short-term loans	**720 603**	274 382	**272 387**	223 361
Bank overdraft	**440 047**	368 161	**260 030**	280 000
Total equity and liabilities	**5 744 072**	6 378 160	**4 111 633**	4 088 913

Audited summarised consolidated and separate statement of cash flows

for the year ended 28 February 2017

	CONSOLIDATED AUDITED		SEPARATE AUDITED	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
Operating activities				
(Loss)/profit before taxation and dividends	**(117 364)**	260 740	**(4 411)**	(15 363)
Adjusted for:				
Dividend received	**–**	–	**232 946**	510 000
Depreciation	**37 311**	35 962	**–**	–
Gain on bargain purchase	**–**	(3 999)	**–**	–
Impairment of intangible assets, goodwill and loans	**132 519**	34 721	**–**	–
Impairment of investment – available-for-sale	**–**	54 922	**–**	–
Share profits from associates	**(23 396)**	(23 078)	**–**	–
Loss on sale of business	**–**	30 056	**–**	–
Loss on the sale of shares	**–**	361	**–**	–
(Profit)/loss on disposal of property and equipment	**(1 014)**	991	**–**	–
Amortisation of intangible assets	**107 183**	105 831	**–**	–
Amortisation of intangible assets – acquired in a business combination	**87 394**	77 486	**–**	–
Amortisation of intangible assets – other than those acquired in a business combination	**19 789**	28 345	**–**	–
Share-based payments	**7 647**	(31 164)	**–**	–
Share-based payment expense	**7 206**	43 514	**7 206**	–
Revaluation of share-based payment liability	**441**	(74 678)	**–**	–
Unrealised foreign exchange gains	**30 231**	(11 859)	**–**	–
Non-cash portion of operating lease rentals	**2 314**	1 781	**–**	–
Increase in bad debt provision	**(26 608)**	–	**–**	–
Interest received	**(12 300)**	(23 669)	**(137 622)**	(100 783)
Interest paid	**151 865**	133 722	**118 602**	98 653
Cash generated from operations before working capital changes	**288 388**	565 318	**216 721**	492 507
Decrease/(increase) in trade and other receivables and prepayments	**222 935**	(343 661)	**1 141**	2 255
Increase in bad debt provision	**–**	(1 861)	**–**	–
Increase in other financial assets	**(8 688)**	(29 728)	**–**	–
(Decrease)/increase in trade and other payables	**(45 088)**	126 090	**(442)**	1 438
(Decrease)/increase in provisions	**(17 601)**	37 148	**–**	–
Net movement in holding and fellow subsidiaries intercompany accounts	**–**	–	**44 624**	(709 319)
Cash generated/(utilised) by operations	**439 946**	353 306	**262 044**	(213 119)
Interest received	**12 300**	23 669	**137 622**	100 783
Interest paid	**(151 865)**	(133 722)	**(118 602)**	(98 653)
Taxation paid	**(31 632)**	(110 296)	**2 359**	(5 019)
Cash settlement of share options exercised	**–**	(74 678)	**–**	–
Dividend paid	**(102 965)**	(164 571)	**(104 458)**	(166 018)
Net cash generated/(utilised) by operating activities	**165 784**	(106 292)	**178 965**	(382 026)

	CONSOLIDATED AUDITED		SEPARATE AUDITED	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
Investing activities				
Additions to property, equipment and intangible assets	**(81 692)**	(102 331)	**–**	–
Proceeds from sale of property and equipment	**5 874**	13 821	**–**	–
Acquisition of businesses	**(12 152)**	(267 214)	**–**	–
Net proceeds on the sale of business	**–**	6 953	**–**	–
Acquisition of investment	**–**	(10 000)	**–**	(10 000)
Dividends received from associates	**7 837**	–	**–**	–
Minority interest	**(745)**	(1 282)	**–**	–
Net cash utilised from investing activities	**(80 878)**	(360 053)	**–**	(10 000)
Financing activities				
Issue of shares under employee share option scheme	**–**	19 269	**–**	19 269
Treasury shares acquired	**–**	(23 973)	**–**	–
Net processed of repurchase of "A" shares	**–**	(607)	**–**	–
Loans repaid	**(300 853)**	(124 081)	**(300 853)**	–
Loans raised	**46 801**	490 085	**141 786**	163 041
Other liabilities – interest-bearing	**445**	(1 028)	**–**	–
(Decrease)/increase in other payables	**(26 078)**	13 458	**–**	–
Net cash (utilised)/generated by financing activities	**(279 685)**	373 123	**(159 067)**	182 310
Net increase in cash and cash equivalents	**(194 779)**	(93 222)	**19 898**	(209 716)
Cash and cash equivalents at the beginning of the year	**477 903**	571 125	**(279 506)**	(69 790)
Cash and cash equivalents at the end of the year	**283 124**	477 903	**(259 608)**	(279 506)

Total interest-bearing liabilities of the Group

for the year ended 28 February 2017

	CONSOLIDATED AUDITED	
	2017 R'000	2016 R'000
Net gearing	**48%**	43%
Net bank balances	**(283 124)**	(477 903)
Other long term loans	**1 991**	650
Long term loan	**649 229**	1 349 502
Obligations under finance lease	**–**	668
Current portion of other non-current liabilities	**17 256**	15 170
Short term loans	**720 603**	274 382
Total interest-bearing liabilities	**1 389 079**	1 640 372
Total net interest-bearing liabilities	**1 105 955**	1 162 469
Total long-term debt	**47%**	82%
Total short-term debt	**53%**	18%
Total	**100%**	100%

Financial instruments

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

	CONSOLIDATED		SEPARATE		
Financial assets/financial liabilities	**2017 R'000**	2016 R'000	**2017 R'000**	2016 R'000	Fair value hierarchy
Investment	**10 000**	10 000	**10 000**	10 000	Level 1
Other financial assets	**31 861**	–	**–**	–	Level 1
Other financial assets	**–**	29 728	**–**	–	Level 3
Derivative financial instrument	**1 574**	4 245	**–**	–	Level 2
Share-based payment liability	**39 066**	38 625	**–**	–	Level 1

Except as detailed in the table above, the directors consider that the carrying amounts of all other financial assets and financial liabilities recognised in the consolidated and separate financial statements approximate their fair values.

Calculation of headline (loss)/earnings per share

	CONSOLIDATED AUDITED	
	2017 R'000	2016 R'000
Headline (loss)/earnings per share*		
Headline earnings per share – cents	**(27,9)**	299,6
Diluted headline earnings per share – cents	**(27,1)**	289,3
Weighted average no of shares – 000's	**108 383**	108 189
Diluted weighted average no of shares – 000's	**111 468**	112 008
(Loss)/profit for the year	**(162 008)**	207 672
(Profit)/loss on sale of property and equipment	**(1 014)**	991
Taxation recovered/(charged) on the sale of property and equipment	**284**	(278)
Impairment of investments, goodwill and loans	**132 519**	34 721
Impairment on available-for-sale	**–**	54 922
Gain on bargain purchase	**–**	(3 999)
Loss on sale of business	**–**	30 056
Headline (loss)/earnings	**(30 219)**	324 085

** Headline (loss)/earnings is required in terms of Circular 2/2015 and not an IFRS requirement*

Valuation technique(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Fair value – Market valuation	n/a	n/a
Bond fair value – Market valuation	n/a	n/a
Fair value – Directors' valuation	n/a	n/a
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
Fair value – Standard present value model	n/a	n/a

Audited summarised consolidated and separate statement of changes in equity

for the year ended 28 February 2017

	Share capital R'000	Share premium R'000	Treasury shares R'000	Non-distributable reserve R'000
Consolidated				
Balance as at 28 February 2015	**2 733**	**1 718 856**	**(12 990)**	–
Issue of ordinary shares under employee share option plan	16	19 253	–	–
Dividend distributions	–	–	–	–
Recognition of BBBEE and staff share-based payments	–	–	–	–
Treasury shares acquired during the year	–	–	(23 973)	–
Movement in BBBEE shareholders' interest	–	–	–	–
Profit for the year	–	–	–	–
Other comprehensive income/(loss) for the year	–	–	–	–
Realised foreign exchange gains through profit and loss on disposal of business	–	–	–	–
Non-controlling interest	–	–	–	–
Balance as at 29 February 2016	**2 749**	**1 738 109**	**(36 963)**	–
Dividend distributions	–	–	–	–
Recognition of BBBEE and staff share-based payments	–	–	–	–
Loss for the year	–	–	–	–
Other comprehensive (loss)/income for the year	–	–	–	–
Non-controlling interest	–	–	–	–
Balance as at 28 February 2017	**2 749**	**1 738 109**	**(36 963)**	–
Separate				
Balance as at 28 February 2015	**3 154**	**1 718 856**	–	**119 918**
Issue of ordinary shares under employee share option plan	16	19 253	–	–
Dividend distributions	–	–	–	–
Recognition of BBBEE and staff share-based payments	–	–	–	–
Profit for the year	–	–	–	–
Other comprehensive income for the year	–	–	–	–
Balance as at 29 February 2016	**3 170**	**1 738 109**	–	**119 918**
Dividend distributions	–	–	–	–
Recognition of BBBEE and staff share-based payments	–	–	–	–
Profit for the year	–	–	–	–
Other comprehensive loss for the year	–	–	–	–
Balance as at 28 February 2017	**3 170**	**1 738 109**	–	**119 918**

Share-based payment reserve R'000	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	B-BBEE shareholders' interest R'000	Total R'000
114 581	**(3 442)**	**(2 391)**	**650 806**	**2 468 153**	**(4 042)**	**921**	**2 465 032**
–	–	–	–	19 269	–	–	19 269
–	–	–	(164 571)	(164 571)	–	–	(164 571)
7 206	–	–	–	7 206	–	–	7 206
–	–	–	–	(23 973)	–	–	(23 973)
–	–	–	–	–	–	(245)	(245)
–	–	–	207 672	207 672	(862)	–	206 810
–	106 445	(580)	63 456	169 321	–	–	169 321
–	7 734	–	–	7 734	–	–	7 734
–	–	–	–	–	(1 282)	–	(1 282)
121 787	**110 737**	**(2 971)**	**757 363**	**2 690 811**	**(6 186)**	**676**	**2 685 301**
–	**–**	**–**	**(102 965)**	**(102 965)**	**–**	**–**	**(102 965)**
7 206	**–**	**–**	**–**	**7 206**	**–**	**–**	**7 206**
–	**–**	**–**	**(162 008)**	**(162 008)**	**1 682**	**–**	**(160 326)**
–	**(86 448)**	**1 869**	**(41 905)**	**(126 484)**	**–**	**–**	**(126 484)**
–	**–**	**–**	**–**	**–**	**(745)**	**–**	**(745)**
128 993	**24 289**	**(1 102)**	**450 485**	**2 306 560**	**(5 249)**	**676**	**2 301 987**

114 581	**–**	**–**	**79 329**	**2 035 838**	**–**	**–**	**2 035 838**
–	–	–	–	19 269	–	–	19 269
–	–	–	(166 018)	(166 018)	–	–	(166 018)
7 206	–	–	–	7 206	–	–	7 206
–	–	–	490 538	490 538	–	–	490 538
–	–	–	63 456	63 456	–	–	63 456
121 787	**–**	**–**	**467 305**	**2 450 289**	**–**	**–**	**2 450 289**
–	**–**	**–**	**(104 458)**	**(104 458)**	**–**	**–**	**(104 458)**
7 206	**–**	**–**	**–**	**7 206**	**–**	**–**	**7 206**
–	**–**	**–**	**223 360**	**223 360**	**–**	**–**	**223 360**
–	**–**	**–**	**(41 905)**	**(41 905)**	**–**	**–**	**(41 905)**
128 993	**–**	**–**	**544 302**	**2 534 492**	**–**	**–**	**2 534 492**

Audited summarised consolidated segment report

for the year ended 28 February 2017

	Industrial	Support Services	Professional services	Training
Revenue				
– 2017 (R'000)	**8 254 712**	**1 582 604**	**5 818 527**	**251 323**
– 2016 (R'000)	9 021 122	1 438 836	4 785 485	176 298
Internal revenue				
– 2017 (R'000)	**117 320**	**83 302**	**4 343**	**40 539**
– 2016 (R'000)	71 354	90 038	–	68 459
Operating profit/(loss)				
– 2017 (R'000)	**116 296**	**8 838**	**153 625**	**11 972**
– 2016 (R'000)	400 128	65 228	113 453	12 234
Normalised* EBITDA excluding lease-smoothing and transaction costs				
– 2017 (R'000)	**169 780**	**11 904**	**182 016**	**14 766**
– 2016 (R'000)	446 007	68 991	160 834	16 091
Normalised* EBITDA margin excluding lease-smoothing and transaction costs				
– 2017 (%)	**2,1**	**0,8**	**3,1**	**5,9**
– 2016 (%)	4,9	4,8	3,4	9,1
Normalised* EBITDA excluding lease-smoothing, transaction costs as a contribution % to Group normalised* EBITDA				
– 2017 (%)	**55,9**	**3,9**	**59,9**	**4,9**
– 2016 (%)	71,7	11,1	25,9	2,6
Depreciation and amortisation				
– 2017 (R'000)	**63 131**	**13 629**	**28 816**	**4 255**
– 2016 (R'000)	57 980	12 175	47 805	5 641
Interest income				
– 2017 (R'000)	**41 989**	**8 567**	**11 424**	**186**
– 2016 (R'000)	41 816	8 015	2 486	102
Interest expense				
– 2017 (R'000)	**(49 109)**	**(9 313)**	**(52 418)**	**(4 328)**
– 2016 (R'000)	(53 046)	(3 436)	(17 795)	(5 027)
Taxation expense/(income)				
– 2017 (R'000)	**20 927**	**1 805**	**9 057**	**(1 462)**
– 2016 (R'000)	28 068	1 650	2 247	(2 211)
Net asset values				
– 2017 (R'000)	**1 629 435**	**178 243**	**856 311**	**71 795**
– 2016 (R'000)	1 793 487	234 032	701 166	40 517
Asset carrying value				
– 2017 (R'000)	**2 297 125**	**354 308**	**1 358 394**	**97 002**
– 2016 (R'000)	2 555 311	379 170	1 123 355	66 425
Liabilities carrying value				
– 2017 (R'000)	**667 690**	**176 065**	**502 083**	**25 207**
– 2016 (R'000)	761 824	145 138	422 189	25 908
Additions to property and equipment				
– 2017 (R'000)	**4 645**	**670**	**19 190**	**542**
– 2016 (R'000)	26 740	4 677	14 766	1 522
Tangible assets				
– 2017 (R'000)	**54 544**	**5 476**	**26 486**	**1 668**
– 2016 (R'000)	77 051	10 734	21 070	2 533

* *Normalised earnings is defined as operating profit adjusted for depreciation, amortisation of intangibles, lease-smoothing and one-off transaction costs relating to acquisitions.*

** *International represents operations in Africa, Australia and Asia-Pacific regions.*

*** *In the current year Financial services is disclosed separately from training to reflect how the business is managed.*

In the current financial year operating entities are reallocated from industrial to support services, support services to professional services and central/shared services were combined to reflect how the Group is managed. Comparative figures are disclosed on the same basis.

Financial services***	Sub-total	Central	Total	International**	South Africa	Total
163 670	**16 070 836**	**2 115**	**16 072 951**	**6 564 162**	**9 508 789**	**16 072 951**
162 019	15 583 760	1 991	15 585 751	5 778 324	9 807 427	15 585 751
–	**245 504**	**823**	**246 327**	**–**	**246 327**	**246 327**
–	229 851	1 777	231 628	–	231 628	231 628
38 744	**329 475**	**(199 165)**	**130 310**	**(103 702)**	**234 012**	**130 310**
42 771	633 814	(169 047)	464 767	90 794	373 973	464 767
40 916	**419 382**	**(115 596)**	**303 786**	**(2 743)**	**306 529**	**303 786**
45 397	737 320	(115 541)	621 779	150 083	471 696	621 779
25,0	**2,6**	**–**	**1,9**	**(0,0)**	**3,2**	**1,9**
28,0	4,7	–	4,0	2,6	4,8	4,0
13,5	**138,1**	**(38,1)**	**100,0**	**(0,9)**	**100,9**	**100,0**
7,3	118,6	(18,6)	100,0	24,1	75,9	100,0
2 266	**112 097**	**32 397**	**144 494**	**74 313**	**70 181**	**144 494**
2 533	126 134	15 659	141 793	62 797	78 996	141 793
18 660	**80 826**	**(68 526)**	**12 300**	**4 838**	**7 462**	**12 300**
15 645	68 064	(44 395)	23 669	19 422	4 247	23 669
(2 312)	**(117 480)**	**(34 385)**	**(151 865)**	**(53 466)**	**(98 399)**	**(151 865)**
(849)	(80 153)	(53 569)	(133 722)	(25 156)	(108 566)	(133 722)
11 837	**42 164**	**798**	**42 962**	**55 811**	**(12 849)**	**42 962**
11 426	41 180	12 750	53 930	41 275	12 655	53 930
202 727	**2 938 511**	**(636 524)**	**2 301 987**	**1 189 584**	**1 112 403**	**2 301 987**
193 717	2 962 919	(277 618)	2 685 301	1 137 045	1 548 256	2 685 301
220 467	**4 327 296**	**1 416 776**	**5 744 072**	**2 227 237**	**3 516 835**	**5 744 072**
214 353	4 338 614	2 039 546	6 378 160	2 412 659	3 965 501	6 378 160
17 740	**1 388 785**	**2 053 300**	**3 442 085**	**1 037 653**	**2 404 432**	**3 442 085**
20 636	1 375 695	2 317 164	3 692 859	1 275 614	2 417 245	3 692 859
2 442	**27 489**	**5 337**	**32 826**	**7 995**	**24 831**	**32 826**
1 439	49 144	27 034	76 178	27 872	48 306	76 178
4 161	**92 335**	**19 615**	**111 950**	**43 284**	**68 666**	**111 950**
3 117	114 505	23 291	137 796	64 137	73 659	137 796

Corporate information

Adcorp Holdings Limited

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

Executive directors

BE Bulunga, RL Pike *(Chief Executive Officer)*, PC Swart

Non-executive directors

C Maswanganyi, GP Dingaan, NS Ndhlazi

Independent non-executive directors

MJN Njeke (*Chairman*), JA Boggenpoel, SN Mabaso-Koyana, ME Mthunzi, TDA Ross, MW Spicer

Alternate non-executive directors

MR Ramaite

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Company secretary

KH Fihrer

Transfer secretaries

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