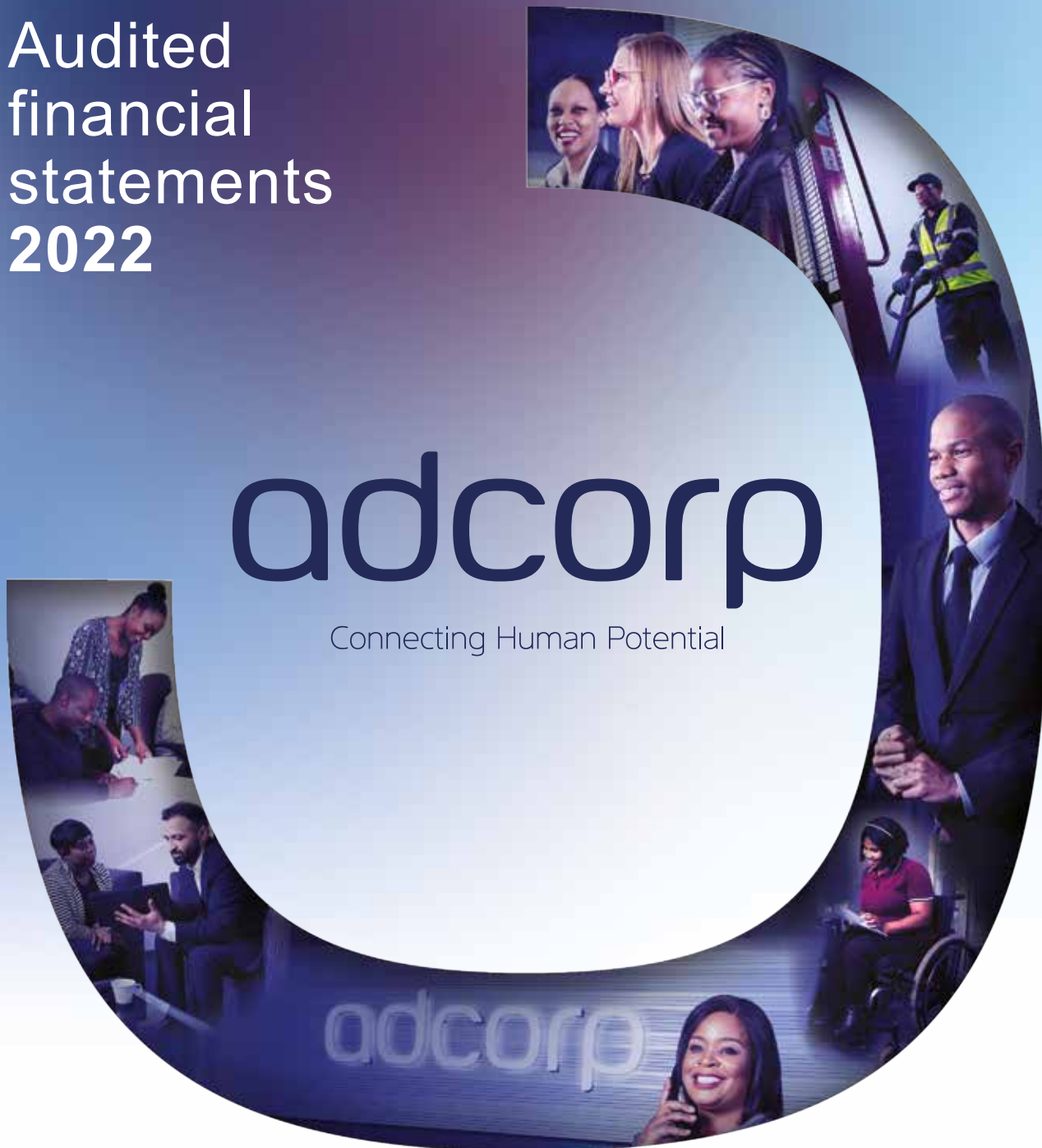


Audited financial statements 2022

adcorp

Connecting Human Potential



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General information

01

AUDITED FINANCIAL STATEMENTS 2022

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Adcorp Holdings Limited has subsidiaries that carry on business in South Africa and Australia. Areas of activities include the permanent recruitment and flexible staffing sectors, professional IT services, as well as the provision of business process outsourcing and training.
Directors	GT Serobe (Chairman) H Singh C Maswanganyi T Mokgabudi M Lubega S Sithole Dr J Wentzel N Prendergast MM Nkosi R van Dijk C Smith P Mnganga
Business address	102 Western Service Road Gallo Manor Extension 6 Woodmead Johannesburg 2191
Postal address	PO Box 70635 Bryanston 2021
Bankers	First National Bank
Auditor	Deloitte & Touche
Secretary	Lisa Laporte
Company registration number	1974/001804/06
Level of assurance	These audited financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Preparer	The audited financial statements were independently compiled by: Ernst & Young Advisory Services Proprietary Limited Gisela Pieterse CA(SA)
Supervised by	These audited financial statements were prepared under the direction and supervision of Noel Prendergast CA(SA), Chief Financial Officer
Issued	30 June 2022

Directors' responsibilities and approval

The directors are required in terms of the Companies Act of South Africa No 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the audited financial statements and related financial information included in this report. It is their responsibility to ensure that the audited financial statements fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditor is engaged to express an independent opinion on the audited financial statements.

The audited financial statements are prepared in accordance with International Financial Reporting Standards, the Companies Act of South Africa (No 71 of 2008) and the JSE Listings Requirements and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors set standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the audited financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the 12 months from approval of the audited financial statements to 30 June 2023 and, in light of this review and the current financial position, they are satisfied that the Company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Company's external auditor is responsible for independently auditing and reporting on the Company's audited financial statements. The audited financial statements have been examined by the Company's external auditor and their report is presented on pages 11 to 13.

The audited financial statements set out on pages 14 to 43, which have been prepared on the going concern basis, were approved by the board of directors on 30 June 2022 and were signed on their behalf by:



John Wentzel
Chief Executive Officer



Noel Prendergast
Chief Financial Officer

Chief Executive Officer and Chief Financial Officer responsibility statement and Company Secretary compliance statement

Chief Executive Officer and Chief Financial Officer Responsibility Statement

The directors, whose names are stated below, hereby confirm that:

- a) The audited financial statements set out on pages 14 to 43, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of International Financial Reporting Standards;
- b) No facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- c) Internal financial controls have been put in place to ensure that material information relating to the issuer and its subsidiaries have been provided to effectively prepare the annual financial statements of the issuer; and
- d) The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit and risk committee and the auditor the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.



John Wentzel
Chief Executive Officer



Noel Prendergast
Chief Financial Officer

Company Secretary compliance statement

I certify that, to the best of my knowledge and belief, the Company and its subsidiaries has lodged with the Companies and Intellectual Property Commission (CIPC) all such returns as are required of a public company in terms of the Companies Act 71 of 2008, as amended, in respect of the year ended 28 February 2022 and that all such returns appear to be true, correct and up to date.



Lisa Laporte
Company Secretary

Directors' report

for the year ended 28 February 2022

The directors have pleasure in submitting their report on the audited financial statements of Adcorp Holdings Limited for the year ended 28 February 2022.

1. Nature of business

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

There have been no material changes to the nature of the company's business from the prior year.

2. Review of financial results and activities

The audited financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the Company are set out in these audited financial statements.

3. Share capital

Authorised	Number of shares	
	2022	2021
Ordinary shares of 2.5 cents each	183 177 151	183 177 151
Class B ordinary shares of 2.5 cents each	16 822 849	16 822 849

Issued	2022	2021	Number of shares	
	R'000		2022	2021
Ordinary shares of 2.5 cents each	2 749	2 749	109 954 675	109 954 675
Class B ordinary shares of 2.5 cents each	320	320	6 729 140	6 729 140
Total share capital	3 069	3 069		

Refer to note 8 of the audited financial statements for detail of the movement in authorised and issued share capital.

4. Directorate

The directors in office at the date of this report are as follows:

Directors

GT Serobe (Chairman)
P Roux
P Mnganga
H Singh
SN Mabaso-Koyana
C Maswanganyi
T Mokgabudi
M Lubega
S Sithole
MW Spicer
Dr J Wentzel
N Prendergast
R van Dijk C Smith
P Mnganga

Changes

Resigned 31 March 2021
Appointed as lead independent director effective 26 May 2022

Resigned 1 March 2021

Passed away 9 March 2022
Appointed 1 April 2021

5. Dividends

The Board approved a final gross cash dividend of 47 cents per ordinary share for the financial year ended 28 February 2022 (2021: Nil).

6. Directors' interests in contracts

The register of interests of directors and others in shares of the Company is available to the shareholder on request.

7. Special resolutions

At the annual general meeting (AGM) held on 29 July 2021, Adcorp's shareholders passed the following special resolutions for the purposes indicated:

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

8. Statutory information

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

9. Auditor

The Audit Committee resolved during the year to put the external audit to tender with a view of appointing new auditors for the 2023 financial year. The process is underway and the selected external auditor and designated partner will be nominated and recommended to the shareholders at the AGM to be held on 28 July 2022.

10. Secretary

The Company Secretary is Ms Lisa Laporte.

The Board is satisfied that Lisa Laporte has the requisite knowledge of, or experience in relevant laws to fulfil the role.

11. Events after the reporting period

Debt refinance in South Africa

The South Africa operation is in the final stages of renegotiating a facility of R250 million plus an accordion feature of R100 million which is expected to be effective from 1 September 2022. The facility is expected to mature in three years from the effective date and will be used to fund its working capital requirements.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

12. Directors' and prescribed officers' remuneration and interests held

Details of directors' and prescribed officers' remuneration and interests held in shares appear in note 22 of the audited financial statements.

13. Going concern

In preparing the annual financial statements, the directors are responsible for evaluating the company's ability to continue as a going concern. The directors have assessed the economic environment, current financial position and the company's cash flow position for the next 12 months. The liquidity and solvency position has also been reviewed as part of this assessment. The Company was profitable for the year and solvent at year end, however, was in a net current liability position of R2,6 billion at year end due to amounts owing to Group subsidiaries. The Company's net current liability position is supported by a subordinated loan of R1,6 million with Adcorp Group South Africa Proprietary Limited and a subordinated loan to the value of R676 million with Adcorp Management Services Proprietary Limited and undrawn facilities totalling R300 million enabling the Company to settle its obligations as they become due in the normal course of business. It has therefore been concluded that the company's annual financial statements have been appropriately prepared on the going-concern assumption.

The amounts owing from/(to) Group companies that are disclosed as current on the statement of financial position as required by IFRS have no fixed terms of repayment and repayment is not expected in the foreseeable future. Therefore, the company's ability to settle its short-term obligations is not a concern.

Directors' report *continued*

for the year ended 28 February 2022

Solvency

As at 28 February 2022, the Company had an accumulated loss of R370,3 million (2021: R1,0 billion) and the Company's total assets exceed its liabilities by R1,7 billion (2021: R1,0 billion).

Liquidity

In assessing the liquidity position, a cash flow forecast was prepared up until 30 June 2023. It indicates that the Company will have sufficient cash resources for the period under review. Furthermore, the cash position is monitored on a daily basis by management.

Going concern conclusion

Although it is not possible to make an accurate and complete estimate of the full impact that the COVID-19 pandemic's continued national level restrictions imposed will have on the macroeconomic environment within which the Company operates, the directors are of the view that there are no material uncertainties that cast doubt on the Company's ability to operate into the foreseeable future. The directors are also satisfied that the Company has sufficient resources, or access to resources, to continue with all operating activities for the foreseeable future. Based on this assessment, the directors have no reason to believe that the Company will not be a going concern for the foreseeable future.

14. Compiler of audited financial statements

The compiler was responsible for preparation of the audited financial statements based on information provided by management and worked under the supervision of management. Management is responsible for these audited financial statements.

15. Compliance with applicable laws

The Board hereby confirms that the Company is:

- In compliance with the provisions of the Companies Act or laws of establishment, specifically relating to its incorporation; and
- Operating in conformity with its MOI and/or relevant constitutional documents.

Report of the Audit and Risk Committee

The company's Audit and Risk Committee (the committee or ARC) presents its report for the financial year ended 28 February 2022. The committee's duties and objectives, as mandated by the Board, allow it to discharge its statutory and other Board-delegated duties in keeping with its terms of reference. These duties are briefly set out in this report.

1. Composition, meetings and assessment

The five members of the ARC were recommended by the Board to the shareholders and were formally appointed at the previous annual general meeting held on 29 July 2021.

- T Mokgabudi (Chairman)
- SN Mabaso-Koyana
- H Singh
- M Lubega
- MW Spicer*
- R van Dijk

* Passed away on 9 March 2022.

As provided for in the ARC's terms of reference, closed sessions are arranged at least once a year with key relevant parties to ensure confidential assessments and discussions can occur. Nine (9) committee meetings were held during the year, of which five (5) were special meetings and four (4) were ordinary meetings.

In line with King IV, the Board and its committee should be assessed once every two years and this was performed during the 2022 financial year.

2. Roles and responsibilities

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

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

In order to execute her responsibilities, the Chairperson of the committee met separately during the course of the year with the CFO, the Company Secretary, management and the external auditors.

3. External auditor appointment and independence

The committee satisfied itself that the appointment of the external auditor has been done in accordance with the provisions of Section 22 of the JSE Listings Requirements and that all requisite information in this regard has been received to enable it to arrive at this consensus.

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

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

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

Report of the Audit and Risk Committee

continued

The audit and risk committee has requested and has been provided with all decision letters/explanations issued by IRBA or any other regulator and any summaries relating to monitoring procedures/deficiencies issued by Deloitte & Touche.

The Independent Regulatory Board for Auditors (IRBA) has determined that from 2023 all South African public interest entities must comply with mandatory audit firm rotation. Following careful consideration including the need for rotation of external auditors, the board of directors of Adcorp Holdings Limited decided to embark on a tender to consider the appointment of an external audit firm.

The committee, after following the process set out in paragraph 3.84(g)(iii) of the Listings Requirements, will be recommending the appointment of the company's external auditor and the designated partner to the board of directors. The committee will verify the independence of the firm selected and the individual that will be responsible for the audit. The selected external auditor and designated partner will be nominated and recommended to the shareholders at the AGM to be held on 28 July 2022.

4. Financial statements and accounting policies

The committee has assessed the company's accounting policies and the financial statements for the year ended 28 February 2022 and is satisfied that they are appropriate and comply in all respects with Companies Act, IFRS and the JSE Listings Requirements together with consideration of the findings from the JSE Reporting back on proactive monitoring of financial statements in 2020 and Combined findings of the JSE proactive monitoring of financial statements: Reviews done 2011 to 2019.

The committee reviewed the processes in place for the reporting of concerns and complaints relating to annual financial reporting and accounting practices, internal audit, contents of the audited financial statements, internal financial controls and any related matters. The committee can confirm that there were no such complaints of substance during the year under review.

The committee supports the opinion of the Board and the external auditor with regard to the financial statements which have been approved by the Board and will be presented to shareholders at the annual general meeting to be held on 28 July 2022.

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

5. Governance of risk

The committee is responsible for overseeing the governance of risk for the Company. During the year, the committee revisited the risk management framework and determined how to ensure effective cascading of integrated assurance across the various Board committees.

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

6. Internal audit

The internal audit function, under Ernst & Young, reviews and provides assurance on the adequacy and effectiveness of internal controls and internal financial controls.

During the year under review, the committee:

- Reviewed and approved the annual internal audit coverage plan;
- Evaluated the independence, effectiveness and performance of the internal audit function in terms of its scope, execution of its plan, coverage, independence, skills, resourcing, overall performance and position within the organisation and found it to be satisfactory;
- Received assurance that proper and adequate accounting records were maintained;
- Considered the internal audit reports on the company's systems of internal controls, including financial controls;
- Reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to internal audit findings and considered management's responses to adverse internal audit findings;
- Met with the internal audit independently of management; and
- Assessed the adequacy of the performance of the internal audit function and found it to be satisfactory.

7. CEO and CFO responsibility statement

The committee evaluated the company's assessment of the CEO and CFO responsibility statement on the financial statements and internal financial controls as required by new JSE Listings Requirements as set out on page 03. The committee received an update on the implementation of the project initiated to ensure compliance with paragraph 3.84(k) of the Listings Requirements of the JSE Limited. The implementation of the project included various stages such as scoping and assessment of materiality, gap analysis and the compilation of comprehensive risk and control matrices covering all of the business processes that have an impact on financial reporting, the review and testing of key controls, consideration of any findings identified by internal audit and the final year end sign off by all the relevant control owners. The process identified significant deficiencies which have been communicated to the committee and external auditors and have been included in a remediation plan by management. The committee have considered the mitigating controls provided by management that provide reasonable assurance that these financial statements are fairly presented.

8. Impact of COVID-19

The committee considered the impact of COVID-19 on the company's operations and assessed the relevant business and financial risks. The committee also considered the company's response to address the threat posed to the lives and livelihoods of the company's employees and other stakeholders.

9. Going concern

In preparing the audited financial statements, the directors are responsible for evaluating the company's ability to continue as a going concern and therefore the appropriateness of the going concern assumption in the preparation of the financial statements. The directors have assessed the economic environment, current financial position, and the company's expected cash flows for the next 12 months through to the end of June 2023. The liquidity and solvency position has also been reviewed as part of this assessment.

The Company was profitable for the year and solvent at year end, however, was in a net current liability position of R2,6 billion at year end due to amounts owing to Group subsidiaries. The company's net current liability position is supported by a subordinated loan of R1,6 billion with Adcorp Group South Africa Proprietary Limited and a subordinated loan to the value of R676 million with Adcorp Management Services Proprietary Limited and undrawn facilities totalling R300 million enabling the Company to settle its obligations as they become due in the normal course of business. It has therefore been concluded that the Company's audited financial statements have been appropriately prepared on the going-concern assumption.

The directors are satisfied that there are no material uncertainties that cast doubt on the company's ability to operate as a going concern and that the Company has sufficient resources, or access to resources, to continue with all operating activities for the foreseeable future. Based on this assessment, the directors consider it appropriate to adopt the going concern assumption for the preparation of the 2022 financial statements.

10. Significant areas of judgement

In arriving at the figures disclosed in the financial statements, there are certain areas where judgement is needed. The ARC has considered various elements of the financial statements that require judgement and provide additional commentary on the following:

- Impairment of investment in subsidiaries and intercompany receivable.

Impairment of investment in subsidiaries and intercompany receivable

The committee has considered the book value of the investment in subsidiaries and intercompany receivables in line with recoverable amount of the respective asset class for the period under review. The committee has applied its mind to the assumptions used in determining the recoverable amount including the following, the financial position of the subsidiary from whom the loans are recoverable, the net asset value of the subsidiary and the financial performance of the subsidiary in the financial year ended 28 February 2022. A detailed view of the impairment assessment and conclusion has been provided in Note 3 and 5 in the financial statements.

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

The committee has considered and is satisfied with the appropriateness of the expertise and experience of the CFO, Mr Noel Prendergast. The committee considered the appropriateness of the expertise, diversity and adequacy of resources of the group's financial function and the effectiveness of the members of management responsible for the financial function.

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

The Audit and Risk Committee has access to all financial information of the Company, including the financial information of subsidiaries of the Company.

Report of the Audit and Risk Committee

continued

Key focus areas

In addition to executing on its statutory duties and the considering key audit matters, the committee also addressed the following key areas of focus during the year ended 28 February 2022.

- Continuing to monitor the progress of the company's financial roadmap and approving any amendments necessitated by the turnaround strategy;
- Monitoring actions taken to mitigate the risks of COVID-19 on the business and its stakeholders; and
- Continuing monitoring the risk exposure of the Group and ensuring adequate and sound mitigating measures are in place.

The committee has set the following key areas of focus for 2023:

- Continuing to monitor the progress of the company's financial roadmap and approving any amendments necessitated by the turnaround strategy;
- Monitoring actions taken to mitigate the risks of COVID-19 on the business and its stakeholders;
- Continuing monitoring the risk exposure of the Group and ensuring adequate and sound mitigating measures are in place;
- Ensuring that the combined assurance model is in place and is applied to provide a coordinated approach to all assurance activities; and
- Evaluating initiatives implemented to monitor cyber security and security of data.

Conclusion

Having considered all the material factors and key audit matters the committee recommended the financial statements for the year ended 28 February 2022 for approval to the Board. The Board has approved the Audited Financial Statements which will be open for discussion at the forthcoming AGM of shareholders.

I would like to extend my appreciation to management, the external auditors, internal auditors and fellow committee members for their work and support throughout the year.



T Mokagabudi

Chairperson of the Audit and Risk Committee

Independent auditor's report

To the shareholders of Adcorp Holdings Limited

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Adcorp Holdings Limited (the Company) set out on pages 14 to 43, which comprise the separate statement of financial position as at 28 February 2022, and the separate statement of profit or loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Adcorp Holdings Limited as at 28 February 2022, and its separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Independent auditor's report *continued*

Key audit matter

How the matter was addressed in the audit

Impairment assessments of investments in subsidiaries

Investments in subsidiaries (R3,7 billion) comprise 88% of the total assets of the Company. The Company has recognised these assets in the separate statement of financial position.

As required by IAS 36 *Impairment of Assets* (IAS 36), the Directors conduct impairment tests to assess the recoverability of the carrying value of investments. This is performed using the discounted cash flow (DCF) model and the Net Asset Value (NAV) model.

As disclosed in note 3 of the separate financial statements, there are several key sensitive judgements made in determining the inputs into these models. The carrying amount of the investments in subsidiaries as at 28 February 2022 is R3,7 billion.

The key assumptions where a DCF model was used with the most significant impact on the valuation models include:

- Growth rates applied to revenue, earnings before interest, taxes, depreciation and amortisation (EBITDA) and EBITDA margin;
- Discount rates; and
- Terminal Growth Rates.

The impairment assessment of investments in subsidiaries is considered a key audit matter as a result of judgement required to be applied by the Directors.

We focused our testing of the impairment of investment in subsidiaries on the key assumptions made by the Directors. Our audit procedures included:

- Testing the design and implementation of relevant controls over the impairment assessment;
- Engaging our internal specialists to assist with:
 - Critically evaluating whether the models used by the Directors to calculate the value in use are aligned with IAS 36;
 - Validating the assumptions used to calculate the discount rates and independently recalculating the discount and growth rates.
- Analysing the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current economic climate and expected future performance of the investments;
- Comparing the projected cash flows, including the assumptions relating to revenue, EBITDA and EBITDA margins and terminal growth rates, against historical performance to assess the reasonableness of the Directors' projections; and
- Recomputing the value in use where required for each of the investments and comparing this to the carrying value at 28 February 2022 to determine the appropriateness of either no impairment being required or the adequacy of the impairment being recorded.

Based on the procedures performed and information available, we found the investment in subsidiaries as well as the disclosures thereof to be appropriate.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Adcorp Holdings Limited annual financial statements for the year ended 28 February 2022", which includes the directors' report, the report of the Audit and Risk Committee, the Company Secretary Compliance Statement as required by the Companies Act of South Africa and the Chief Executive Officer and Chief Financial Officer responsibility statement and the integrated annual report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the separate financial statements

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

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

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

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

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

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

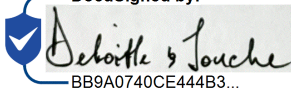
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Adcorp Holdings Limited for 21 years.

DocuSigned by:

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Deloitte & Touche

Registered Auditor

Per: T Marriday

Partner

30 June 2022

Deloitte & Touche
 5 Magwa Crescent
 Midrand, 2066
 South Africa

Statement of financial position

as at 28 February 2022

	Notes	2022 R'000	2021 R'000
Assets			
Non-current assets			
Investments in subsidiaries	3	3 752 600	2 180 338
Investment held at fair value	4	19 597	18 971
Loans to Group companies	5	498 369	–
		4 270 566	2 199 309
Current assets			
Amounts due by subsidiary companies	5	639	2 283 545
Other receivables	6	3 247	3 081
Cash and cash equivalents	7	144 387	132 016
		148 273	2 418 642
Total assets		4 418 839	4 617 951
Equity and liabilities			
Equity			
Share capital and share premium	8	1 741 178	1 741 178
Reserves		312 570	296 048
Accumulated loss		(370 354)	(1 013 035)
		1 683 394	1 024 191
Liabilities			
Non-current liabilities			
Non-current portion of interest-bearing borrowings	11	–	400 000
Deferred taxation	12	19 603	27 216
		19 603	427 216
Current liabilities			
Trade and other payables	13	3 966	3 388
Amounts due to subsidiary companies	14	2 611 876	3 113 156
Current portion of interest-bearing borrowings	11	100 000	50 000
		2 715 842	3 166 544
Total liabilities		2 735 445	3 593 760
Total equity and liabilities		4 418 839	4 617 951

The accounting policies on pages 19 to 22 and the notes on pages 23 to 43 form an integral part of the audited financial statements.

Statement of profit or loss and other comprehensive income

for the year ended 28 February 2022

	Notes	2022 R'000	2021 R'000
Revenue	15	2 011	–
Other operating (loss)/gain		(24 598)	69 880
Other operating expenses		(15 773)	(15 772)
Operating (loss)/profit	16	(38 360)	54 108
Investment income	17	15 689	42 276
Finance costs	18	(16 213)	(47 168)
Impairment reversal/(charge) of investments and intercompany loans receivable		673 325	(218 982)
Fair value gain on investment		626	1 351
Profit/(loss) before taxation		635 067	(168 415)
Taxation	19	7 613	(19 566)
Profit/(loss) for the year		642 680	(187 981)
Other comprehensive income		–	–
Total comprehensive income/(loss) for the year		642 680	(187 981)

The accounting policies on pages 19 to 22 and the notes on pages 23 to 43 form an integral part of the audited financial statements.

Statement of changes in equity

for the year ended 28 February 2022

	Share capital R'000	Share premium R'000	Total share capital R'000
Balance at 1 March 2020	3 170	1 738 109	1 741 279
Loss for the year	–	–	–
Total comprehensive loss for the year	–	–	–
Shares repurchases	(101)	–	(101)
Recognition of BBBEE and staff share-based payments	–	–	–
Equity settled share-based payment recorded at a subsidiary level	–	–	–
Balance at 1 March 2021	3 069	1 738 109	1 741 178
Profit for the year	–	–	–
Total comprehensive loss for the year	–	–	–
Recognition of BBBEE and staff share-based payments	–	–	–
Equity settled share-based payment recorded at a subsidiary level	–	–	–
Balance at 28 February 2022	3 069	1 738 109	1 741 178
Notes	8	8	8

The accounting policies on pages 19 to 22 and the notes on pages 23 to 43 form an integral part of the audited financial statements.

Share-based payments reserve R'000	Non- distributable reserve R'000	Total reserves R'000	Accumulated loss R'000	Total equity R'000
166 794	119 918	286 712	(825 054)	1 202 937
–	–	–	(187 981)	(187 981)
–	–	–	(187 981)	(187 981)
–	–	–	–	(101)
7 206	–	7 206	–	7 206
2 130	–	2 130	–	2 130
176 130	119 918	296 048	(1 013 034)	1 024 192
–	–	–	642 680	642 680
–	–	–	642 680	642 680
7 206	–	7 206	–	7 206
9 316	–	9 316	–	9 316
192 652	119 918	312 570	(370 354)	1 683 394
9	10			

Statement of cash flows

for the year ended 28 February 2022

	Notes	2022 R'000	2021 R'000
Cash flows from operating activities			
Cash generated from operations	20	362 895	456 273
Finance income		15 689	42 276
Finance costs		(16 213)	(47 168)
Net cash generated from operating activities		362 371	451 381
Cash flows from financing activities			
Reduction of share capital	8	–	(101)
Proceeds from loans		610 000	386 667
Repayment of loans		(960 000)	(706 667)
Net cash outflow from financing activities		(350 000)	(320 101)
Total cash movement for the year		12 371	131 280
Cash at the beginning of the year		132 016	736
Total cash at end of the year	7	144 387	132 016

The accounting policies on pages 19 to 22 and the notes on pages 23 to 43 form an integral part of the audited financial statements.

Accounting policies

for the year ended 28 February 2022

Corporate information

Adcorp Holdings Limited is a public company incorporated and domiciled in South Africa. The principle activity of the Company is investment holding. Areas of activity of its subsidiaries include the rendering of services in areas of permanent recruitment and flexible staffing sectors, professional IT services, as well as the provision of business process outsourcing and training. Subsidiaries carry on business in South Africa and Australia.

1. Significant accounting policies

1.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards, the Companies Act of South Africa and JSE Listing Requirements.

1.2 Basis of preparation

The audited financial statements have been prepared in accordance with International Financial Reporting Standards and the International Financial Reporting Interpretations Committee (IFRIC) and Financial Pronouncements as issued by the Financial Reporting Standards Council. The audited financial statements are presented in Rand (ZAR), the currency of South Africa where Adcorp Holdings Limited is incorporated. All values are rounded to the nearest thousand in the tables presented and nearest million in explanatory notes unless otherwise stated.

These audited financial statements have been audited in compliance with the applicable requirements of the South African Companies Act (No. 71 of 2008).

The financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. These accounting policies are consistent with those of the comparative financial year unless otherwise stated.

Fair value measurements and valuation processes

The Company measures certain financial instruments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair values of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the audited financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

1.3 Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument and are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Accounting policies *continued*

for the year ended 28 February 2022

1. Significant accounting policies *continued*

1.3 Financial instruments *continued*

Subsequent measurement of financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value depending on their classification of the financial asset.

Financial assets at amortised cost include other receivables (note 6), cash and cash equivalents (note 7) and loans to and from Group companies (notes 5 and 14), as the business model is to collect payment of principal and interest.

Financial assets at fair value through profit or loss include an investment in a cell captive arrangement housed within an insurance company (note 4) and measured subsequently at each reporting date at fair value.

The Company currently does not recognise any financial assets through other comprehensive income.

Subsequent measurement of financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest rate method or at fair value through profit or loss. The Group currently has no financial liabilities classified as at fair value through profit or loss.

Financial liabilities at amortised cost includes interest-bearing borrowings (note 11) and trade and other payables (note 13).

Financial assets write-offs

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Derecognition of financial assets and liabilities

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains all the risks and rewards of ownership substantially and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains all the risks and rewards of ownership of a transferred financial asset substantially, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Company derecognises a financial liability when, and only when, the company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it, as an extinguishment of the original financial liability and recognising a new financial liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Any costs or fees incurred are recognised as part of the profit or loss on extinguishment. If the modification is not substantial, the difference between the carrying amount of the liability before the modification and the present value of the cash flows after the modification should be recognised in profit or loss as the modification profit or loss within other profits and losses and any costs or fees incurred adjust the carrying amount of the financial liability and are amortised over the remaining term of the modified liability.

Amortised cost and effective interest rate method

The effective interest method calculates the amortised cost of a financial instrument and allocates income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts excluding ECLs through the expected life of the instrument, or, where appropriate a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

For a financial liability, the effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate a shorter period, to the amortised cost of the liability.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, adjusted for any loss allowances. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowances.

Finance income is recognised in profit or loss and presented in the finance income line item. Interest expense is recognised in profit or loss presented in the finance cost line item.

Other receivables

The Company recognises a loss allowance for expected credit losses (ECL) applying the simplified approach and measures the loss allowance at an amount equal to the lifetime ECLs. As there is no significant financing component to other receivables, the Company uses a specific identification and provision matrix when measuring ECLs.

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

1.4 Taxation

Current taxation

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxation assets and liabilities are offset when they arise from the same tax reporting entity, and relate to the same authority and when there exists a legal right to offset.

The carrying amount of the deferred taxation assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred taxation asset to be utilised. Unrecognised deferred taxation assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred taxation asset to be recovered.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Accounting policies *continued*

for the year ended 28 February 2022

1. Significant accounting policies *continued*

1.4 Taxation *continued*

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

Current taxation assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws are used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

1.5 Share based payments

Share-based payment schemes are all settled by providing shares of the Company to the recipients. The Company accounts for all share-based payments as equity settled.

Equity-settled share-based payment transactions are measured at the fair value of the equity instruments granted. The fair value is measured at the grant date. IFRS 2 defines the grant date as the date at which the entity and another party agree to a share-based payment, being when the entity and counterparty have a shared understanding of the terms and conditions of the arrangement.

1.6 Investments in subsidiaries

All investments in subsidiaries are carried at cost less any impairments.

For the purposes of impairment testing, the cost of each of the subsidiaries is compared to the recoverable amount which is the higher of the value in use or fair value less costs to sell. Where the recoverable amount is lower than the cost, an impairment is recognised in profit or loss. The value in use is determined when an impairment indicator exists.

1.7 Investment at fair value

Investments in securities are recognised on a trade date basis and are initially measured at fair value. The investment in the cell captive arrangement detailed below, is classified as held at fair value through profit or loss and measured subsequently at each reporting date at fair value. Refer additionally to note 1.3.

Notes to the audited financial statements

for the year ended 28 February 2022

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/interpretation:	Effective date: Years beginning on or after	Expected impact:
Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	1 January 2021	The South African Reserve Bank (SARB) has indicated their intention to move away from JIBAR and to create an alternative reference rate for South Africa; however, there is currently no indication of when the designated successor rate will be made available. Management continues to stay abreast of the changes and will assess impacts once the changes have been finalised. The refinancing of the South African revolving credit facility for the new financial year will make use of an alternative rate.

2.2 Standards and interpretations not yet effective

The Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Company's accounting periods beginning on or after 01 March 2022 or later periods:

Standard/interpretation:	Effective date: Years beginning on or after	Expected impact:
Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12	1 January 2023	Unlikely there will be a material impact
Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023	Unlikely there will be a material impact
Definition of accounting estimates: Amendments to IAS 8	1 January 2023	Unlikely there will be a material impact
Classification of Liabilities as Current or Non-current and Deferral of Effective Date – Amendment to IAS 1	1 January 2023	Unlikely there will be a material impact
IFRS 17 Insurance Contracts	1 January 2023	Unlikely there will be a material impact
Reference to the Conceptual Framework: Amendments to IFRS 3	1 January 2022	Unlikely there will be a material impact
Annual Improvement to IFRS Standards 2018-2020	1 January 2022	Unlikely there will be a material impact
Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	1 January 2022	Unlikely there will be a material impact
Onerous Contracts – Cost of Fulfilling a Contract: Amendments to IAS 37	1 January 2022	Unlikely there will be a material impact
IFRS 9 Financial instruments – Fees in the '10 per cent test' for derecognition of financial liabilities	1 January 2022	Unlikely there will be a material impact
COVID-19 – Related Rent Concessions – Amendment to IFRS 16	1 April 2021	Unlikely there will be a material impact

Notes to the audited financial statements *continued*

for the year ended 28 February 2022

3. Investment in subsidiaries

	2022 R'000	2021 R'000
Shares at cost less amounts written off:		
Adcorp Flexible Staffing Solutions Proprietary Limited	209	209
DAV Personnel Proprietary Limited	7 269	7 269
Employrite Proprietary Limited	–	41 478
Funerary Marketing Services Proprietary Limited	–	231 363
Premier Personnel Proprietary Limited	–	1 946
Research Surveys Proprietary Limited	6 726	6 726
Paxus Holdings	284 875	284 875
Adcorp Group South Africa Proprietary Limited	3 011 441	1 895 254
Adcorp Workforce Management Solutions Proprietary Limited	456 075	–
	3 766 595	2 469 120
Impairment of investment in subsidiaries	(13 995)	(288 782)
	3 752 600	2 180 338
Accumulated impairment of investment in subsidiaries		
Employrite Proprietary Limited	–	41 478
Funerary Marketing Services Proprietary Limited	–	231 363
Research Surveys Proprietary Limited	6 726	6 726
DAV Personnel Proprietary Limited	7 269	7 269
Premier Personnel Proprietary Limited	–	1 946
	13 995	288 782

Employrite Proprietary Limited, Funerary Marketing Services Proprietary Limited and Premier Personnel Proprietary Limited were fully impaired in the prior year and were subsequently deregistered in the current year.

In the current year, the intercompany loan with Adcorp Staffing Solutions to the value of R456 million, was recapitalised as an investment in subsidiaries of Adcorp Workforce Management Solutions Proprietary Limited, through a loan reorganisation process.

In the current year, the following intercompany loans were recapitalised as an investment in subsidiaries of Adcorp Group South Africa Proprietary Limited, through a loan reorganisation process:

- Adcorp Fulfilment Services Proprietary Limited R741 million
- Adcorp Workforce Solutions Proprietary Limited R370 million

Impairment of assets

An impairment exists when the carrying value of an investment or cash-generating unit to which the investment belong exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value-in-use calculation is based on a discounted cash flow (DCF) model or by comparing to the carrying value of the investment at year end to the proportionate share of the net asset value of the underlying subsidiary. Impairment losses recognised in the current year were based on comparing the carrying value of the investment at year end to the proportionate share of the net asset value of the underlying subsidiary. The investments in subsidiaries are unlisted shares not traded in an active market.

The proportionate share of the net asset value of the underlying subsidiaries are as follows:

	Net asset value
Adcorp Flexible Staffing Solutions Proprietary Limited	330 681
DAV Personnel Proprietary Limited*	7 034
Research Surveys Proprietary Limited*	17 866
Adcorp Group South Africa Proprietary Limited	3 011 445
Adcorp Workforce Management Solutions Proprietary Limited	1 883 054

* The additional consideration that the following subsidiaries are dormant and that no additional cash flows are expected to realise, this triggered the risk of irrecoverability and therefore an impairment was raised to the full carrying value.

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

The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate used for the terminal-value calculation. The key assumptions used to determine the recoverable amount for the different subsidiaries are discussed further in this note. The estimated future cash flows and discount rates used are pre-tax based on an assessment of the current risks applicable to the specific subsidiary.

The weighted average cost of capital rate is derived from taking into account market risks as well as the cost of debt. The variables used in the model are established on the basis of management judgement and current market conditions. The variables used in the model are established on the basis of management judgement and current market conditions. Management judgement is also applied in estimating the future cash flows of the cash-generating units.

Key estimates and assumptions

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

An annual impairment test was performed on the 28 February 2022. No impairment was recognised in the current financial year. In the prior year, the restructure of Adcorp Workforce Management Solutions Proprietary Limited resulted in, the net carrying value (cost less impairment) of the investment in Adcorp Workforce Management Solutions Proprietary Limited to be derecognised and transferred as part of the cost of the investment held in Adcorp Group South Africa Proprietary Limited.

The table below illustrates the discount rate growth rates and terminal growth rate used in the valuation calculation to determine the headroom of the CGU.

	Pre-tax discount rate		Growth rates range		Terminal growth rate		Headroom	
	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %	2022 R'000	2021 R'000
Paxus Australia								
Paxus	17,1	16,4	2-12	2-13	2	2	347 000	411 000

Sensitivity analysis

The impairment calculations are most sensitive to the following assumptions:

- Growth rates applied to revenue, earnings before interest, taxes, depreciation and amortisation (EBITDA) and EBITDA margin
- Discount rates
- Terminal growth rates

Anticipated earnings

Only the plans that are committed to and given effect to at 28 February 2022 were effected in the projected cash flows.

Discount rates

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

Notes to the audited financial statements *continued*

for the year ended 28 February 2022

3. Investment in subsidiaries *continued*

Paxus Australia

A change of 10% in growth rates applied to revenue, earnings before interest, taxes, depreciation and amortisation (EBITDA) in the cash flow forecast would result in a valuation difference of R133 million (2021: R141 million) which would not result in an impairment if the deviation in earnings is negative.

A change of 1% of the discount rate would result in a R74 million (2021: R48 million) difference in the valuation, which would not result in an impairment if the rate increased by 1%.

A change of 1% of the terminal growth rate would result in a R44 million difference in the valuation, which would not result in an impairment if the rate decreased by 1%.

4. Investment held at fair value

	2022 R'000	2021 R'000
Investment at fair value		
Opening balance	18 971	17 620
Fair value gain	626	1 351
Closing balance – carrying amount	19 597	18 971

The above investment represents investment in a cell captive arrangement which is housed within an insurance company where the Company owns a special class of shares that entitles the Company to participate in the administration, risk and economic result of the agreed insurance business introduced to the insurance company. The investment in the unlisted shares are not traded in an active market.

Key judgements

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

Adcorp Holdings Limited has determined that it does not have control over its insurance cell captive as the assets and liabilities are controlled by the insurer. There have been no changes during the current financial year to the cell captive arrangement.

5. Amounts due by subsidiary companies

	2022 R'000	2021 R'000
Subsidiaries		
Adcorp Flexible Staffing Solutions Proprietary Limited	1 251	1 251
Adcorp Fulfilment Services Proprietary Limited	–	741 535
Adcorp Workforce Solutions Proprietary Limited	–	370 417
Adcorp Staffing Solutions Proprietary Limited	2 038	458 087
Fortress Administration Proprietary Limited	233	–
Paxus Holdings	498 369	539 311
Adcorp Workforce Management Solutions Proprietary Limited	–	848 915
Adcorp Contracting Proprietary Limited	311	–
Adcorp Consulting Proprietary Limited	–	658
Production Management Institute of Southern Africa Proprietary Limited	40	–
Prior Learning Centre Proprietary Limited	55	–
Expected credit losses	(3 289)	(676 629)
	499 008	2 283 545
Reconciliation: Expected credit loss on loans to subsidiaries		
Adcorp Fulfilment Services Proprietary Limited	–	217 286
Adcorp Staffing Solutions Proprietary Limited	2 038	458 092
Adcorp Flexible Staffing Solutions Proprietary Limited	1 251	1 251
	3 289	676 629

Due to a change in management's intention, the Paxus Holdings loan has been re-classified as non-current as it is not expected to be repaid within 12 months of the reporting period.

During the current year intragroup facilities bear interest at 0% (2021: 8,25%) and received interest at 0% (2021: 4,83%). No interest is levied on current payables and receivables.

Loans to and from the Group companies are generally unsecured and not subject to any fixed terms of repayment.

Key estimates and judgements

The Company measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition.

In determining the ECL on intercompany receivable loan accounts, management has considered:

- The financial position of the companies from whom intercompany loans are recoverable. The net asset value of the Company from whom the loan is recoverable was used by management to determine whether the loan could be recovered in the event of the company's liquidation. A negative net asset value would increase the probability of non-recoverability in future; and
- The change in financial performance of the Company where declining profitability was considered a potential sign of decreased ability to make payment on receivable balances in future.

In the current year, the intercompany loans to subsidiaries with Adcorp Fulfilment Services Proprietary Limited and Adcorp Staffing Solutions Proprietary Limited were recapitalised as an investment in subsidiaries through a loan reorganisation process which resulted in the reversal of the related expected credit losses recognised in the previous financial year. Management has assessed that there has not been a significant increase in credit risk associated with the intercompany loan accounts between the 2021 and 2022 financial years. The Company's financial performance contributed significantly to the assessed risk as well as having assessed credit risk, the Company expects credit losses of R3,3 million (2021: R676,6 million).

The assessed risk resulted in the recognition of expected credit losses on the following intercompany receivables:

	2022 R'000	2021 R'000
Movement in the allowance for ECLs		
Balance at the beginning of the year	676 629	675 376
Amounts (released)/provided during the year	(673 340)	1 253
Balance at the end of the year	3 289	676 629

Adcorp Staffing Solutions Proprietary Limited

An expected credit loss of R2 million has been provided for on the loan receivable in the prior year, due to the elevated credit risk arising from the negative net asset value of the Company. There has been no change in credit risk and therefore no change in expected credit loss in the current financial year.

Adcorp Flexible Staffing Solutions Proprietary Limited

An expected credit loss of R1,3 million had been provided for on the loan receivable in the prior year, due to the elevated credit risk arising from the negative net asset value of the Company.

Split between non-current and current portions

	2022 R'000	2021 R'000
Non-current assets	498 369	–
Current assets	639	2 283 545
	499 008	2 283 545

Notes to the audited financial statements *continued*

for the year ended 28 February 2022

6. Other receivables

	2022 R'000	2021 R'000
Financial instruments:		
Interest from bank facilities	315	129
Other receivables	195	195
Staff loans	1	–
Non-financial instruments:		
VAT	1 971	1 644
Prepayments	265	613
Deposits	500	500
Total other receivables	3 247	3 081

Fair value of other receivables

Due to short-term nature of current receivables, their carrying amounts is considered to be the same as their fair value.

Exposure to credit risk

Other receivables inherently expose the Company to credit risk, being the risk that the Company will incur financial loss if customers fail to make payments as they fall due.

Key estimates and assumptions

The Company has considered the fact that no material write-offs have been made on other receivables in the past and has raised no expected credit loss on these assets.

7. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following:

	2022 R'000	2021 R'000
Bank balances	144 387	132 016
Facilities		
The Group had the following intra-day facility as at 28 February 2022. The facility is non-interest bearing.		
Facility		
Intra-day facility with First National Bank non-interest bearing	100 000	100 000
These facilities are repayable on demand, bear interest at rates linked to the prime overdraft rate.		
Security for these facilities are linked to the agreements concluded with the above banking institutions, as described fully in note 11.		
Total facilities available		
South Africa	550 000	1 000 000
Total facilities used		
South Africa	100 000	450 000
Available facilities		
South Africa		
Revolving credit facility	400 000	400 000
Accordian credit facility	150 000	150 000
	550 000	550 000

Credit risk

The maximum exposure to credit risk is represented by the carrying amount of cash and cash equivalents. The Company only deposits short-term cash surpluses with financial institutions of high-quality credit standing.

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

8. Share capital and share premium

	2022 R'000	2021 R'000
Authorised		
183 177 151 ordinary shares of 2,5 cents each (2021: 183 177 151)	4 579	4 579
16 822 849 "B" ordinary shares of 2,5 cents each (2021: 16 822 849)	421	421
Closing balance	5 000	5 000
Issued		
109 954 675 ordinary shares of 2,5 cents each (2021: 109 954 675)	2 749	2 749
6 729 140 "B" ordinary shares of 2,5 cents each (2021: 16 822 849)	320	320
Share premium	1 738 109	1 738 109
Closing balance	1 741 178	1 741 178

9. Share-based payment reserve

A reconciliation of the share-based payment reserve (per share) is provided below:

	2022 R'000	2021 R'000
Share-based payment reserve		
Opening balance	176 130	166 794
Senior management long-term incentive scheme	18 313	16 183
Adcorp employee benefit trust and BBBEE shareholders' trust	157 817	150 611
Charge arising from equity-settled share-based schemes	19 709	9 336
Senior management long-term incentive scheme	12 503	2 130
Adcorp employee benefit trust and BBBEE shareholders' trust	7 206	7 206
Other movement in share-based payment reserve	(3 186)	–
Senior management long-term incentive scheme	(3 186)	–
Closing balance	192 652	176 130
Senior management long-term incentive scheme	27 629	18 313
Adcorp employee benefit trust and BBBEE shareholders' trust	165 023	157 817

The full expense recognised for share-based payment transactions, for both the management long-term incentive scheme and the Adcorp Employee Benefit Trust and BBBEE Shareholders' trust, arise from equity-settled share-based payment schemes.

There were no cash-settled share-based payment schemes in operation in the financial year.

Key estimates and judgements

The assessed fair value at grant date of options granted during the 28 February 2022 financial year is disclosed below. The fair value of the Share Appreciation Rights at grant date are independently determined using a binomial model. Retention Shares and the performance shares at grant date are independently determined present value of future expected dividends discounted at a risk-free rate. The valuation model takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at the grant date and the expected price of volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option and the correlations and volatilities of the peer Group companies.

Senior management long-term incentive scheme

Adcorp awards shares under the scheme as part of their retention and to align management remuneration with the achievement of short and long-term strategic and financial performance targets.

The plan includes two types of awards:

- Performance Shares (PS): a conditional right to Adcorp shares, the vesting of which is subject to the fulfilment of service conditions as well as performance conditions. As specified in the award letter, participants will not be entitled to dividends or having any voting rights on the Performance Shares until the awards vest. Vesting periods are three years from date of award.
- Retention Shares (RS): these are similar to PS but are not conditional on performance of Adcorp.

Notes to the audited financial statements *continued*

for the year ended 28 February 2022

9. Share-based payment reserve *continued*

The following reconciles the outstanding share options granted under the senior management long-term incentive scheme at the end of the financial year:

Senior management long-term incentive scheme	2022		2021	
	Number of share options average	Weighted exercise price	Number of share options average	Weighted exercise price
Outstanding at the beginning of the year	6 354 260	7,21	1 957 659	20,15
Granted during the year	9 142 712	4,92	5 482 388	4,26
Exercised during the year	(264 370)	17,47	–	–
Forfeited during the year	(1 797 523)	8,81	(1 085 787)	15,59
Outstanding at the end of the year	13 435 079	5,11	6 354 260	7,21

The following options were issued under the senior management long-term incentive scheme in the current and prior financial years:

	Number still in issue	Grant date	Vesting date	Expiry date	Type	Fair value at grant date
Issued in FY2019	32 592	2019/01/22	2022/06/20	2025/06/20	PS	19,27
Issued in FY2020	381 943	2019/05/28	2022/03/01	2022/06/01	PS	23,93
Issued in FY2021	4 574 834	2020/12/01	2023/11/30	2023/11/30	PS	4,26
Issued in FY2022	2 962 406	2021/03/01	2023/02/28	2023/02/28	PS	5,93
Issued in FY2022	906 095	2021/04/01	2024/04/01	2024/04/01	PS	4,88
Issued in FY2022	4 577 209	2021/06/30	2024/06/30	2024/06/30	RS	3,82
	13 435 079					

Subsequent to year end, 5 014 845 share options relating to the senior management long-term incentive scheme were forfeited.

The fair value of the Share Appreciation Rights at grant date are independently determined using a binomial model. The inputs to the model determining the fair value of the options at grant date are set out below:

	2022	2021
Inputs		
Weighted average share price (R)	5,20 – 24,94	5,62 – 24,94
Expected volatility (%)	34,06 – 109,32	34,06 – 90,56
Expected life (years)	3 – 6	3 – 6
Risk-free rate (%)	4,20 – 7,76	4,20 – 7,76
Expected dividend yield (%)	0 – 10,27	00,00 – 9,28

Adcorp Employee Benefit Trust and BBBEE shareholders' interest

In terms of the BEE transaction in FY2013 (2013 BBBEE transaction), Adcorp has authorised and issued a total of 6 729 140 'B' ordinary shares (2021: 6 729 140) to its empowerment shareholders at a par value of 2,5 cents per share.

In the prior year, Adcorp Holdings Limited entered into a share repurchase agreement with Thornbird Trade and Invest 33 Proprietary Limited and Wiphold Financial Services Number Two Proprietary Limited whereby, Adcorp Holdings Limited repurchased all the B ordinary shares held by Thornbird Trade and Invest 33 Proprietary Limited and Wiphold Financial Services Number Two Proprietary Limited respectively for R0,102 million.

	2022	2021
Issued		
'B' class shares in Adcorp Holdings shares	168	421
6 729 149 ordinary shares of 2,5 cents per share (2021: 6 729 149)		
Sales repurchased – 10 093 709 shares	–	(253)
	168	168

In respect of the 2013 BBBEE deal, the fair value of the cancelled options and new options issued on date of modification were calculated using the Black-Scholes option-pricing model. The inputs to the model are set out below:

	2014
Weighted average share price (R)	34,86
Weighted average exercise price (R)	42,17
Expected volatility (%)	24,47
Expected life (years)	10,00
Risk-free rate (%)	7,99
Expected dividend yield (%)	4,07

Using the modification cost principles under IFRS 2: Share-based payments, the total modified cost of the options is R145,6 million. The total value to be amortised over the 10-year period is the aggregate of (a) 40% of the modification option cost plus (b) the unamortised option value relating to the 2007 BBBEE deal. Details of the amounts expenses over the remaining period of the scheme are as follows:

Details of the amounts expensed over the-year period are as follows:

	2022	2021
One year	7 206	7 206
Two to five years	7 206	14 412
	14 412	21 618

The following reconciles the outstanding share options granted under the Adcorp Employee Benefit Trust at the beginning and end of the financial year:

Adcorp Employee Benefit Fund Trust 2	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
'B' ordinary shares	6 729 140	42,17	6 729 140	42,17
Outstanding at the end of the year	6 729 140	42,17	6 729 140	42,17

	2022 R'000	2021 R'000
10. Non-distributable reserve		
Unrealised profit arising on sale of BEE companies into new entity during 2004	119 918	119 918
11. Interest-bearing borrowings		
Non-current interest-bearing borrowings		
ZAR revolving credit facility	–	400 000
Current interest-bearing borrowings		
ZAR revolving credit facility	100 000	50 000

In the prior year, the Group restructured its facilities to include a revolving credit facility of R850 million ("ZAR revolving credit facility") originally maturing on 31 May 2022 and an accordion facility of R150 million which matures three months following the commencement of the availability period for the accordion facility which shall be no later than 31 May 2022. The ZAR revolving credit facility reduced automatically to R700 million on 28 February 2021 and to R400 million on 1 July 2021, with an extension granted on the facility to 31 August 2022. The repayment profile of the ZAR revolving credit facility is therefore:

Repayment date	Repayment amount
31 August 2022	100 000

Notes to the audited financial statements *continued*

for the year ended 28 February 2022

11. Interest-bearing borrowings *continued*

Any amount outstanding on the ZAR revolving credit facility is to be repaid before or on each revolving credit facility reduction date. Any amount on the accordion facility which remains outstanding on the maturity date, will be repaid in full on that date. Interest is compounded weekly in arrears at an agreed margin plus JIBAR which is determined on each measurement date being the last day of each financial quarter with reference to the agreed leverage ratio at such measurement date in accordance with the following table:

Leverage ratio	Applicable margin
Less than 2 times	3,40%
From 2 times up to (and including) 2,5 times	3,65%
Greater than 2,5 times up to (and including) 3 times	4,65%
3 times and above	5,15%

The agreement sets out various events of default. For as long as an event of default has occurred and is continuing, the margin shall be the applicable margin as set out in the table above plus 2% per annum. The financial covenants set-out in the agreement includes the following:

- An interest cover of 3:1 for the measurement period expiring after 28 February 2021;
- A current ratio of 1,25:1 at each measurement period which expired on 31 May 2021 and 1,10:1 for each measurement period expiring thereafter;
- A leverage ratio of 2,5:1 for the measurement period expiring 31 May 2021, 2:1 for the measurement period expiring 31 August 2021 and 1,5:1 for each measurement period thereafter; and
- At each measurement date between the effective date and the date upon which the revolving credit facility has been reduced to R400 million (i.e. 1 July 2021), the actual EBITDA of the South African company shall not deviate from the forecasted EBITDA reflected in the base case financial model, by more than 15%.

As at the reporting date, no events of default had occurred and the Company has complied with all financial covenants on the amended and restated borrowing base facility.

The accordion facility was not utilised during the current financial year.

Security

Trade receivables are used as security to secure funding relating to the borrowing base facility. The eligible receivables are defined as those with outstanding invoices aged up to 90 days. Under the terms agreed to, the Company is restricted from invoice discounting and any other factoring arrangements on the eligible receivables.

As security for the borrowing base facility, a shared security agreement was entered into that holds a cession over the trade receivables between specified operating subsidiaries of the Adcorp Group.

Reconciliation of movements on interest-bearing borrowings

	2022 R'000	2021 R'000
Opening balance	450 000	770 000
Repayments on facilities during the year	(960 000)	(706 667)
Proceeds from facilities during the year	610 000	386 667
Derecognition of ZAR Term loan	–	(66 667)
Derecognition of ZAR Revolving credit facility	–	(400 000)
Recognition of ZAR New revolving credit facility	–	466 667
	100 000	450 000

	2022 R'000	2021 R'000
12. Deferred taxation		
Deferred tax liability:		
Deferred tax on fair value adjustment of foreign loan	(19 603)	(27 216)
Reconciliation of deferred tax liability		
At beginning of year	(27 216)	(7 650)
Reduction due to rate change	726	–
Fair value adjustment on foreign loan	6 887	(19 566)
	(19 603)	(27 216)
13. Trade and other payables		
Financial instruments:		
Trade payables	322	380
Accruals	3 644	3 008
	3 966	3 388

Trade and other payables do not carry interest and are stated at their nominal value. The carrying amount approximates the fair value. The average credit period on trade and other payables is 30 days. All amounts will be settled within 12 months and are therefore considered to be short term in nature.

The Company has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

14. Amounts due to subsidiary companies

	2022 R'000	2021 R'000
Subsidiaries		
Adcorp Management Services Proprietary Limited	988 463	1 487 780
Quest Staffing Solutions Proprietary Limited	–	2 085
Research Surveys Proprietary Limited	17 867	17 867
Capital Outsourcing Group Proprietary Limited – Africa	12 722	12 722
Adcorp Contracting Proprietary Limited	–	37
TalentCru Proprietary Limited	–	475
Torque IT Proprietary Limited	823	–
Adcorp Group South Africa Proprietary Limited	1 592 001	1 592 000
Production Management Institute of Southern Africa Proprietary Limited	–	190
	2 611 876	3 113 156

During the current year intragroup facilities bear interest at 0% (2021: 8,25%) and received interest at 0% (2021: 4,83%). As part of the company's COVID-19 response plan, management continued to provide its subsidiaries with relief by not charging interest on the treasury loans during the financial year. No interest is levied on current payables and receivables.

Loans from subsidiaries are generally unsecured and not subject to any fixed terms of repayment.

Fair value of amounts due to subsidiaries

The fair value of Group loans payable approximates their carrying amounts.

	2022 R'000	2021 R'000
15. Revenue		
Revenue other than from contracts with customers		
Dividends received	2 011	–

Notes to the audited financial statements *continued*

for the year ended 28 February 2022

	2022 R'000	2021 R'000
16. Operating loss		
Operating loss/(profit) for the year is stated after charging (crediting) for the following, amongst others:		
Audit fees	110	190
Remuneration, other than to employees		
Consulting and professional services	171	1 539
Share-based payments expense	7 206	7 206
	7 377	8 745
Other		
Administrative and managerial services*	(4 341)	(5 025)
Board fees	8 100	6 775
Administration costs	–	3 577
Computer expenses	407	814
Other expenses	4 120	696
Exchange differences arising on the foreign loan	24 598	(69 880)
Total	40 371	(54 108)
* Relates to recovery of costs for services performed on behalf of subsidiaries.		
17. Investment income		
Interest income		
Investments in financial assets:		
Bank and other cash	4 777	13 299
Loans to Group companies:		
Subsidiaries	10 912	28 977
Total interest income	15 689	42 276
18. Finance costs		
Financial instruments held at amortised cost		
Long-term loans	16 213	47 163
Bank	–	5
Total finance costs	16 213	47 168
19. Taxation		
Deferred		
Current period	(7 613)	19 566
Reconciliation of the tax expense		
Reconciliation between loss before taxation and tax expense:		
Loss before taxation	635 067	(168 415)
Tax at the applicable tax rate of 28% (2021: 28%)	177 819	(47 156)
Tax effect of adjustments on taxable income		
Non-deductible expenses	–	67 209
Other permanent differences	(816)	(487)
Non-taxable income	(184 616)	–
	(7 613)	19 566

It was announced that the corporate tax rate will be reduced from 28% to 27% with effect from years of assessment ending on or after 31 March 2023. This rate change will only have an impact on Adcorp's current tax rate for the year of assessment ending February 2024. Thus the rate for current tax purposes will remain at 28% for the reporting period February 2022 and 2023. A blended tax rate has been applied to deferred tax assets and liabilities. All deferred tax assets and liabilities, which will realise during the financial period February 2023 has been raised at 28% and all deferred assets and liabilities, which will realise after February 2023 has been raised at 27%.

	2022 R'000	2021 R'000
20. Cash generated from operations		
Profit (loss) before taxation	635 067	(168 415)
Adjustments for:		
Impairment of intercompany loans receivable	(673 325)	218 982
Fair value gain on investment	(626)	(1 351)
Foreign exchange difference relating to translation of foreign operation	24 598	(69 880)
Finance income	(15 689)	(42 276)
Finance costs	16 213	47 168
Share-based payment expenses	7 206	7 206
Changes in working capital:		
Increase in other receivables	(166)	(2 350)
Increase in trade and other payables	580	1 525
Movement in intercompany accounts	369 037	465 664
	362 895	456 273
The movement in the intercompany accounts is adjusted for the impact of non-cash movements relating to:		
Foreign exchange difference relating to translation of foreign operation	(24 598)	69 880
Share-based payment scheme at subsidiary recognised in equity	9 316	2 130
Acquisition of investment in subsidiary	(1 572 266)	(1 592 000)
Intercompany balances	1 956 585	1 985 654
Net movement in intercompany accounts	369 037	465 664
21. Related parties		
Relationships		
Refer to notes 5 and 14 for details regarding related parties balances		
Related party transactions		
Interest received from related parties		
Subsidiaries	(10 912)	(28 977)
Purchases from (sales to) related parties		
Subsidiaries	–	(5 025)
Dividends paid to (received from) related parties		
Adcorp Group South Africa	(2 011)	–
Consulting fees paid to related party		
Non-executive director – C Smith	1 462	1 396

Notes to the audited financial statements *continued*

for the year ended 28 February 2022

22. Directors' and prescribed officer's emoluments

Executive

2022	Salary R'000	Bonus R'000	Employee benefits R'000	Notice and leave pay	Total R'000
Dr J Wentzel (appointed 1 April 2021)	4 409	6 088	1 157	–	11 654
N Prendergast	2 723	1 440	517	–	4 680
P Roux (resigned 31 March 2021)	500	–	40	353	893
	7 632	7 528	1 714	353	17 227

2021	Salary R'000	Bonus R'000	Employee benefits R'000	Separation cost R'000	Notice and leave pay R'000	Total R'000
CJ Kujenga (resigned 31 May 2020)	884	–	63	1 241	1 412	3 600
P Roux (resigned 31 March 2021)	5 104	14 100	352	–	–	19 556
N Prendergast	2 010	612	90	–	–	2 712
	7 998	14 712	505	1 241	1 412	25 868

Prescribed officers

2022	Salary R'000	Bonus R'000	Employee benefits R'000	Realised gains on share options R'000	Separation costs R'000	Notice and leave pay R'000	Total R'000
R de Grooth	2 715	1 350	301	298	–	–	4 664
K Vittee (resigned 28 February 2022)	2 440	–	666	615	3 069	877	7 667
N Najjar (appointed 1 April 2021)	1 798	1 638	471	–	–	–	3 907
M Woodbury	2 768	665	247	–	–	–	3 680
	9 721	3 653	1 685	913	3 069	877	19 918

2021	Salary R'000	Bonus R'000	Employee benefits R'000	Notice and leave pay R'000	Total R'000
R de Grooth	2 412	720	270	–	3 402
K Vittee	2 222	699	386	–	3 307
T Fowler	2 205	751	188	–	3 144
T Sadik (resigned 30 April 2020)	453	–	–	149	602
H Weyers (resigned 28 February 2021)	1 045	15	73	345	1 478
U Fear (resigned 31 May 2020)	476	–	31	(5)	502
	8 813	2 185	948	489	12 435

Non-executive directors

	Directors' fees R'000
2022	
GT Serobe	1 037
P Mnganga	502
H Singh	468
C Maswanganyi	329
S Sithole	494
MW Spicer*	643
MN Nkosi (resigned 1 June 2022)	268
R van Dijk	443
C Smith	338
T Mokgabudi	665
M Lubega	443
	5 630

* Passed away on 8 March 2022.

	Directors' fees R'000
2021	
GT Serobe	777
P Mnganga	362
GP Dingaan (resigned 10 September 2020)	114
SN Mabaso-Koyana (resigned 1 March 2021)	427
C Maswanganyi	241
T Mokgabudi (appointed 15 October 2020)	243
M Lubega	249
FS Mufumadi (resigned 10 September 2020)	65
MN Nkosi	236
H Singh	702
S Sithole	338
MW Spicer	467
R van Dijk	306
C Smith	260
	4 787

Notes to the audited financial statements *continued*

for the year ended 28 February 2022

22. Directors' and prescribed officer's emoluments *continued* Directors' shareholding as at 28 February 2022

Executive directors	Number of unexercised options as at 28 February 2021	Issue price R/share	Number of options granted	Number of options exercised	Number of options forfeited	Number of unexercised options at 28 February 2022	Vesting date
Dr J Wentzel (appointed 1 April 2021)	–	4,26	906 095	–	–	906 099*	30/06/2024
	–	3,82	949 367	–	–	949 371#	30/06/2024
N Prendergast	516 129	4,88	–	–	–	516 134*	30/11/2023
	–	3,82	303 797	–	–	303 797#	30/06/2024
Prescribed officers	Number of unexercised options as at 28 February 2021	Issue price R/share	Number of options granted	Number of options exercised	Number of options forfeited	Number of unexercised options at 28 February 2022	Vesting date
R de Grooth	35 000	17,99	–	(17 500)	(17 500)	–#	01/03/2020
	68 671	17,16	–	(34 336)	(34 335)	–#	20/06/2021
	76 135	23,93	–	–	–	76 135#	01/03/2022
	483 969	4,26	–	–	–	483 969#	30/11/2023
	–	5,93	456 713	–	–	456 713~	28/02/2023
	–	3,82	284 868	–	–	284 868#	30/06/2024
K Vittee**	139 650	17,99	–	(69 825)	(69 825)	–#	01/03/2020
	74 132	17,16	–	(37 066)	(37 066)	–#	20/06/2021
	62 262	23,93	–	–	(62 262)	–#	01/03/2022
	469 965	4,26	–	–	(469 965)	–#	30/11/2023
	–	5,93	443 498	–	(443 498)	–~	28/02/2023
	–	3,82	277 562	–	(277 562)	–#	30/06/2024
T Fowler	64 779	17,16	–	–	(64 779)	–#	20/06/2021
	52 751	23,93	–	–	(52 751)	–#	01/03/2022
N Najjar	–	3,82	261 076	–	–	261 076#	30/06/2024

Performance shares

~ Retention shares

* Sign-on-shares

** K Vittee resigned on the 28 February 2022

On resignation, rights to all shares in the long-term incentive scheme are forfeited.

Schedule of directors' interests – Adcorp Holdings Limited

Directors' names	Direct 2022	Indirect 2022	Total 2022	Direct 2021	Indirect 2021	Total 2021
Dr J Wentzel	19 100	–	19 100	–	–	–
S Sithole*	–	34 258 743	34 258 743	–	32 758 743	32 758 743
MW Spicer	–	48 000	48 000	–	48 000	48 000
C Smith	–	1 601 463	1 601 463	–	1 601 463	1 601 463
Alternate directors						
MM Nkosi* (resignation effective 1 June 2022)	–	34 258 743	34 258 743	–	32 758 743	32 758 743
T Olls*	–	34 258 743	34 258 743	–	–	–
	19 100	104 425 692	104 444 792	–	67 166 949	67 166 949
Less duplicate counting for Value Capital Partners (VCP)	–	(68 517 486)	(68 517 486)	–	(32 758 743)	(32 758 743)
	19 100	35 908 206	35 927 306	–	34 408 206	34 408 206

* Interest held through Value Capital Partners (VCP).

23. Dividends**Dividend paid**

No dividends were paid in the current financial year (2021: Rnil).

Dividends declared

The board of directors of Adcorp has approved and declared a final gross dividend of 47,0 cents per ordinary share, on 26 May 2022 from income reserves, for the year ended 28 February 2022.

24. Financial instruments and risk management**Categories of financial instruments***Categories of financial assets*

2022	Notes	Fair value through profit or loss	Financial assets at amortised cost	Total
Investment	4	19 597	–	19 597
Amounts due by subsidiary companies	5	–	499 008	499 008
Other receivables	6	–	511	511
Cash and cash equivalents	7	–	144 387	144 387
		19 597	643 906	663 503
2021	Notes	Fair value through profit or loss	Financial assets at amortised cost	Total
Investment	4	18 971	–	18 971
Amounts due by subsidiary companies	5	–	2 283 545	2 283 545
Other receivables	6	–	324	324
Cash and cash equivalents	7	–	132 016	132 016
		18 971	2 415 885	2 434 856

Notes to the audited financial statements *continued*

for the year ended 28 February 2022

24. Financial instruments and risk management *continued*

Categories of financial instruments *continued*

Categories of financial liabilities

2022	Notes	Financial liabilities at amortised cost	Total
Trade and other payables	13	3 644	3 644
Amounts due to subsidiary companies	14	2 611 876	2 611 876
Interest-bearing borrowings	11	100 000	100 000
		2 715 520	2 715 520

2021	Notes	Financial liabilities at amortised cost	Total
Trade and other payables	13	3 388	3 388
Amounts due to subsidiary companies	14	3 113 156	3 113 156
Interest-bearing borrowings	11	450 000	450 000
		3 566 544	3 566 544

Capital risk management

The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of debt, which includes the interest-bearing borrowings disclosed in note 11, cash and cash equivalents disclosed in note 7, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 8 and 9.

The company's investment committee has considered the cost of capital and the risks associated with each class of capital. The current gearing ratio is 2,6% (2021: 26%). The gearing ratio is determined as net debt (being interest-bearing borrowings less cash and cash equivalents) as a percentage of total equity. The committee believes that the appropriate leverage ratio for the nature of the business is the gross debt-to-EBITDA ratio and has a target of 1.0x. This is reviewed on an ongoing basis as the strategic transformation of the Company progresses.

Financial risk management

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company is exposed to credit risk on the loans to fellow subsidiaries as the loans are non-interest bearing. The maximum exposure to credit risk is presented in the table below:

	Notes	2022			2021		
		Gross carrying amount R'000	Credit loss allowance R'000	Amortised cost/fair value R'000	Gross carrying amount R'000	Credit loss allowance R'000	Amortised cost/fair value R'000
Amounts due by subsidiary companies	5	502 297	(3 289)	499 008	2 960 174	(676 629)	2 283 545
Other receivables	6	511	—	511	324	—	324
Cash and cash equivalents	7	144 387	—	144 387	132 016	—	132 016
		647 195	(3 289)	643 906	3 092 514	(676 629)	2 415 885

Interest risk management

The Company is exposed to interest rate risk because it has interest-bearing borrowings (note 11) that attract interest at a floating rate.

At 28 February 2022, if interest rates had been 1% higher/lower and all other variables were held constant, the profit or loss for the year would have decreased/increased by R1 million (2021: decreased/increased by 4,5 million).

The sensitivity analyses have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting year. The analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

25. Fair value information

Some of the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The primary valuation models utilised by the Company for valuing unlisted portfolio investments are market-related net asset value of investments. The market-related net asset value used is dependent on independent third-party valuations. The following table gives information about how the fair values of these assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used):

Financial assets/ financial liabilities	2022 R'000	2021 R'000	Valuation technique(s) and key inputs R'000	Fair value hierarchy	Relationship of unobservable input to fair value
Investment	19 597	18 971	Fair value – market valuation	Level 3	The fair value is determined based on the net asset value of the insurance cell captive at the reporting date. The net asset value is determined from financial information received from the insurer

26. Commitments Guarantees

	2022 R'000	2021 R'000
The bank has issued guarantees to creditors to the value of	24 133	25 191

27. Going concern

In preparing the audited financial statements, the directors are responsible for evaluating the company's ability to continue as a going concern and as a consequence the appropriateness of the going concern assumption in the preparation of the audited financial statements. The directors have assessed the economic environment, current financial position and the company's cash flow position for the next 12 months through to the end of June 2023.

Solvency

As at 28 February 2022, the total assets of the Company exceeded the total liabilities by R1 683 394 (2021: R1 024 191) and the current ratio as at 28 February 2022 was 0.2:1. There are no events anticipated in the year ahead that indicate any risk to the company's solvency position.

Liquidity

In assessing the liquidity position, cash flow forecasts were prepared, which took into consideration, the disposal of non-core assets and the extension of debt facilities. This cash flow forecast covered the period up until the end of June 2023. The cash position is monitored daily by management and the Group is comfortable with its liquidity levels.

Going concern conclusion

Although it is not possible to make an accurate and complete estimate of the full impact that the COVID-19 pandemic's continued national level restrictions imposed in South Africa will have on the macroeconomic environment within which the Group operates, the directors are of the view that there are no known material uncertainties that cast doubt on the group's ability to operate into the foreseeable future. The directors are also satisfied that the Group has sufficient resources, or access to resources, to continue with all operating activities for the foreseeable future. Based on this assessment, the directors have no reason to believe that the Group will not be a going concern for the foreseeable future.

28. Events after the reporting period

Debt refinance in South Africa

The South African operation is in the final stages of renegotiating a facility of R250 million plus an accordion feature of R100 million which is expected to be effective from 1 September 2022. The facility is expected to mature in three years from the effective date and will be used to fund its working capital requirements.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

Annexure A

Name of subsidiary	Nature of business/status
Adcorp Fulfilment Services Proprietary Limited	Holding company
Adcorp Group South Africa Proprietary Limited	Holding company
Adcorp Group South Africa Proprietary Limited	Holding company
Adcorp Holdings Australia Proprietary Limited	Holding company
Adcorp Management Services Proprietary Limited	Shared services
Adcorp Staffing Solutions Proprietary Limited	Holding company
Adcorp Staffing Solutions Proprietary Limited	Holding company
Adcorp Technical Training Proprietary Limited	Training
Adcorp Workforce Management Solutions Proprietary Limited	Holding company
Adcorp Workforce Management Solutions Proprietary Limited	Holding company
Adcorp Workforce Solutions Proprietary Limited	Flexible staffing
Adfusion Contract Management Services Proprietary Limited	Recruitment
All About Xpert Australia Proprietary Limited	Project management products and services
All About Xpert Technologies Proprietary Limited	Project management products and services
Fortress Administration Solutions Proprietary Limited	Outsourcing solutions
Fortress Administration Solutions Proprietary Limited	Outsourcing solutions
Inn-Staff Swaziland Proprietary Limited	Flexible staffing
Labour Solutions Australia Agri Proprietary Limited	Flexible staffing
Labour Solutions Australia Proprietary Limited	Flexible staffing
Paxus Australia Proprietary Limited	Supplier of IT services
Production Management Institute of Southern Africa Proprietary Limited	Training
Quest Staffing Solutions Proprietary Limited	Flexible staffing
Quest Staffing Solutions Proprietary Limited	Flexible staffing
TalentCru Proprietary Limited (Australia)	Emergent business
Torque Technical Computer Training Proprietary Limited	Supplier of IT services

The table of significant subsidiaries excludes subsidiaries disposed during the current financial year, dormant subsidiaries and subsidiaries in a deregistration process.

Share type	Authorised share capital of subsidiary/associate		Issued share capital of subsidiary/associate		Number of shares held by Adcorp	
	February 2022 Number	February 2021 Number	February 2022 Number	February 2021 Number	February 2022 Number	February 2021 Number
Ordinary	20 000	20 000	9 000	9 000	9 000	9 000
Ordinary	100 000	100 000	10 000	10 000	6 458	6 458
Redeemable preference	10 000	10 000	1 592	1 592	1 592	1 592
Ordinary	30 000 100	30 000 100	30 000 100	30 000 100	30 000 100	30 000 100
Ordinary	4 000	4 000	400	400	400	400
Ordinary	4 000	4 000	100	100	100	100
Class "A" redeemable preference	225 000	225 000	—	—	—	—
Ordinary	1 000	1 000	100	100	100	100
Ordinary	900 000 000	900 000 000	349 716 709	349 716 709	349 716 709	349 716 709
Convertible redeemable preference	100 000 000	100 000 000	—	—	—	—
Ordinary	1 000 000 000	1 000 000 000	100 000 000	100 000 000	100 000 000	100 000 000
Ordinary	4 000	4 000	2 100	2 000	2 100	2 000
Ordinary	100	100	100	100	100	80
Ordinary	100	100	100	100	100	75
Ordinary	4 000	4 000	2550	2 549	2 550	2 549
A' ordinary	450	450	450	450	—	—
Ordinary	100	100	100	100	100	100
Ordinary	1 000	1 000	1 000	1 000	1 000	1 000
Ordinary	60 530 464	60 530 464	60 530 464	60 530 464	60 530 464	60 530 464
Ordinary	152 856	152 856	152 856	152 856	152 856	152 856
Ordinary	4 000	4 000	100	100	100	100
Ordinary	1 000	1 000	700	600	700	600
A' ordinary	1 000	1 000	400	400	400	—
Ordinary	1 000	1 000	100	100	100	100
Ordinary	1 000	1 000	100	100	100	100

Shareholder analysis

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	5 581	89,78	399 732	0,36
1 001 – 10 000	362	5,82	1 207 508	1,10
10 001 – 100 000	162	2,61	5 520 136	5,02
100 001 – 1 000 000	85	1,37	28 837 159	26,23
Over 1 000 000	26	0,42	73 990 140	67,29
Total	6 216	100,00	109 954 675	100,00
Distribution of shareholders				
Assurance companies	14	0,23	6 587 163	5,99
Close corporations	14	0,23	106 875	0,10
Collective investment schemes	40	0,64	29 540 378	26,87
Control accounts	1	0,01	108	0,00
Custodians	6	0,10	222 761	0,20
Foundations and charitable funds	16	0,26	1 331 776	1,21
Hedge funds	4	0,06	19 429 164	17,67
Insurance companies	3	0,05	254 982	0,23
Investment partnerships	14	0,23	4 097 289	3,73
Managed funds	11	0,18	216 823	0,20
Medical aid funds	4	0,06	409 714	0,37
Organs of state	2	0,03	2 496 243	2,27
Private companies	34	0,55	2 169 109	1,97
Public companies	2	0,03	318 510	0,29
Retail shareholders	5 843	94,00	3 686 173	3,35
Retirement benefit funds	111	1,79	36 210 526	32,93
Scrip lending	2	0,03	550 042	0,50
Stockbrokers and nominees	13	0,21	925 318	0,84
Treasury	1	0,01	556 605	0,51
Trusts	71	1,14	844 526	0,77
Unclaimed scrip	10	0,16	590	0,00
Total	6 216	100,00	109 954 675	100,00
Shareholder type				
Non-public shareholders	8	0,13	39 208 395	35,66
Directors and associates (direct holding)	3	0,05	38 375	0,03
Directors and associates (indirect holding)	3	0,05	35 908 206	32,66
Treasury	2	0,03	3 261 814	2,97
Public shareholders	6 208	99,87	70 746 280	64,34
Total	6 216	100,00	109 954 675	100,00

Fund managers with a holding greater than 5% of the issued shares	Number of shares	% of issued capital
Value Capital Partners	34 258 743	31,16
Allan Gray	18 335 751	16,68
Kagiso Asset Management	20 898 247	19,01
Steyn Capital Management	8 355 882	7,60
PSG Asset Management	8 733 422	7,94
Total	90 582 045	82,39

Beneficial shareholders with a holding greater than 5% of the issued shares		
H4 Collective Investments	14 640 795	13,32
Allan Gray	9 894 847	9,00
PSG	8 733 422	7,94
Kagiso	6 534 278	5,94
Sentinel Mining Industry Retirement Funds	5 886 235	5,35
Eskom Pension & Provident Fund	5 667 700	5,15
Total	51 357 277	46,70

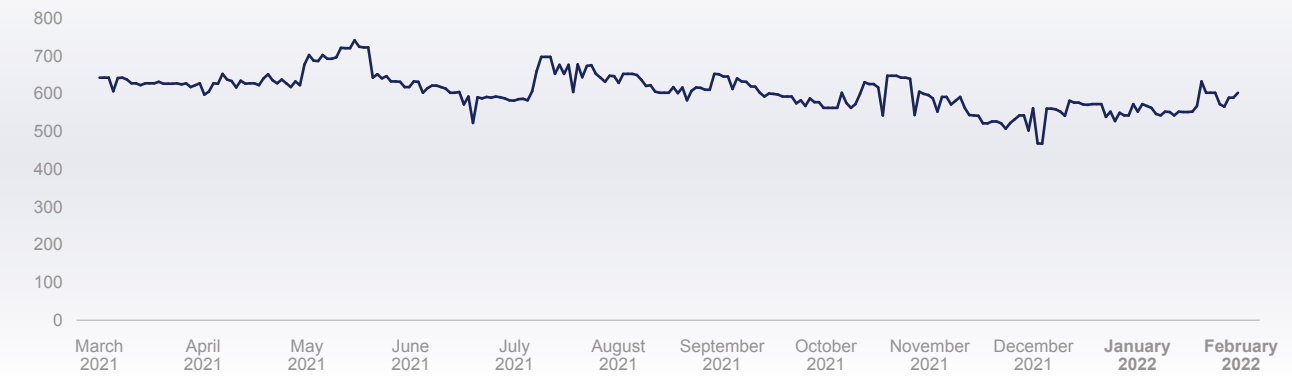
Total number of shareholdings	6 216
Total number of shares in issue	109 954 675

Share price performance

Opening price 1 March 2021	R6,49
Closing price 28 February 2022	R6,00
Closing high for the period	R7,39
Closing low for the period	R4,65
Number of shares in issue	109 954 675
Volume traded during the period	25 941 579
Ratio of volume traded to shares issued (%)	23,59
Rand value traded during the period	R155 932 759
Price/earnings ratio as at 28 February 2022	20,91
Earnings yield as at 28 February 2022	4,78
Dividend yield as at 28 February 2022	7,83
Market capitalisation at 28 February 2022	R659 728 050

Shareholder analysis *continued*

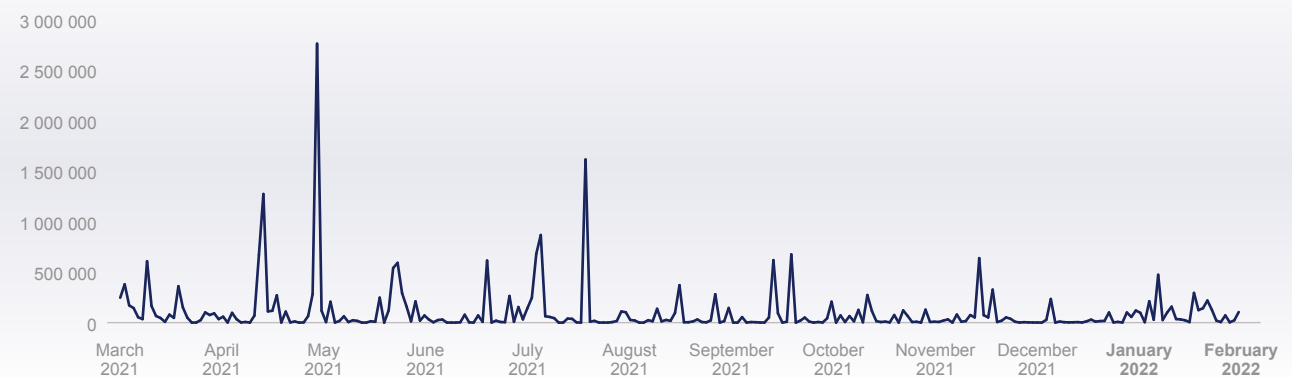
Adcorp price chart – daily closing price (cents)



Five-year share price performance (cents)



Adcorp price chart – 1 March 2021 to 28 February 2022 (volume)



Corporate information

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