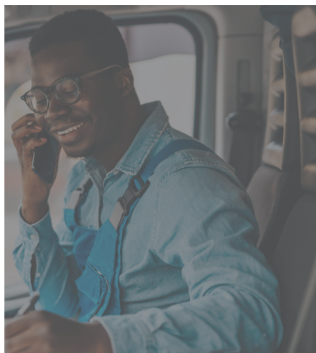
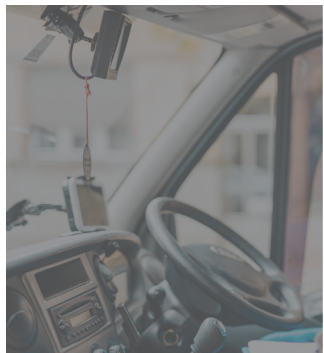
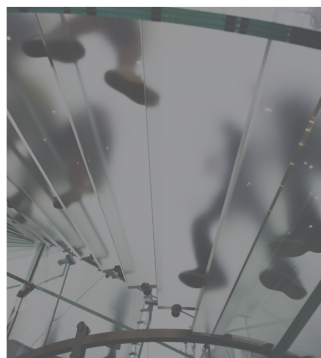
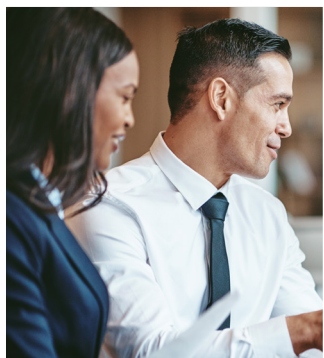
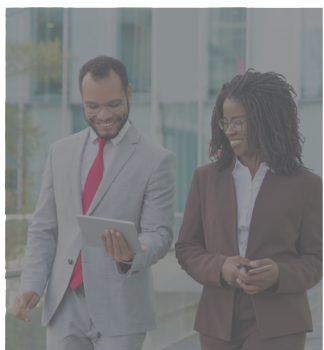


adcorp

Connecting Potential

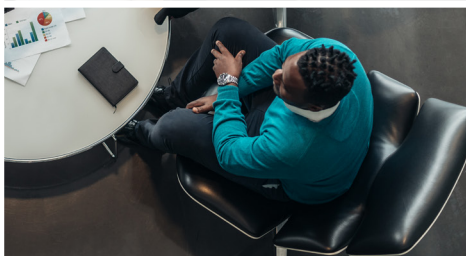
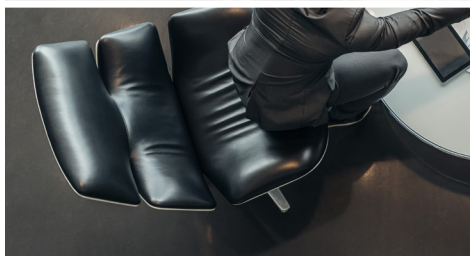
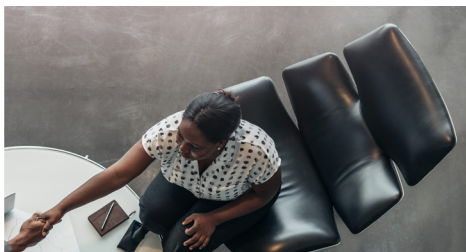
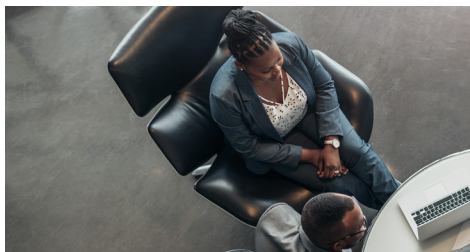
Audited summarised consolidated annual financial statements
for the year ended 28 February 2021





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Salient highlights

Revenue from continuing operations decreased by **9,3%** to **R11,7 billion** (2020: R12,9 billion)*

Cash generated by operations increased by **337,3%** to **R914 million** (2020: R209 million)*

Interest-bearing debt, excluding leases, reduced to **R456 million** (2020: R1,002 million)

Total earnings per share increased to **35,6 cents** per share (2020: 561,6 cents loss per share)*

Operating profit from continuing operations before finance income and finance costs increased by **124,4%** to **R118 million** (2020: R486 million loss)*

Unrestricted cash and cash equivalents from continuing operations increased to **R407 million** (2020: R314 million)

Net debt position improved to **R49 million** (2020: R688 million)**

Total headline earnings per share increased to **34,2 cents** per share (2020: 17,2 cents loss per share)*

BBBEE transaction successfully completed with Adcorp Workforce Solutions achieving **Level 1 rating**

* Restated.

** Net debt defined as interest-bearing debt excluding leases less unrestricted cash and cash equivalents from continuing operations.

Commentary

Company profile

The Adcorp Group is a workforce solutions provider that seeks to connect and develop human potential to shape markets, economies and our shared future. Adcorp and its constituent brands are represented within South Africa and Australia employing in excess of 1 700 permanent staff, assigning more than 45 000 contingent staff daily and training multiple learners through a vast spectrum of disciplines.

Introduction

We start by recognising that the Covid-19 pandemic is a human tragedy that has significantly impacted our clients and our people in both of Adcorp's principal geographies, South Africa and Australia. Notwithstanding these challenges, Adcorp is in a stronger position than a year ago, with significantly lower debt, improved earnings and empowerment credentials, as well as a clear strategy for profitable growth. This is testament to the resilience of our business model, our clients and our people.

Financial overview

Adcorp's revenue from continuing operations decreased across all segments excluding Australia (increased in ZAR, the reporting currency, although revenue decreased in AUD, its functional currency) which resulted in a consolidated group revenue decline of 9,3% from R12,9 billion to R11,7 billion.

The group EBITDA from continuing operations for the year decreased by 1,6% to R250 million compared to R254 million in the prior year.

Following the liquidity management measures and interventions introduced to mitigate the impact of Covid-19, the second half of FY2021 has continued to demonstrate good working capital management and effective debt reduction.

Cash generated by operations increased to R914 million from R209 million in 2020. The group's consolidated cash and cash equivalents (excluding restricted cash in Angola and cash in assets held-for-sale) totalled R407 million, increasing by R93 million from the prior year (2020: R314 million). The group's days sales outstanding (DSO) reduced from 43 days to 38 days.

As a result of restructuring initiatives aimed at right-sizing the cost base of entities in the group and improving overall performance, staff costs and retirement benefit costs decreased significantly by R202 million compared to FY2020.

The group's effective tax rate from continuing operations was 81%, largely driven by current year tax losses not recognised and non-deductible expenses. The South African tax system does not operate on group taxation principles and therefore group companies are taxed at an entity level. The effective tax rate was also impacted by the positive financial performance of our Australian operations. As at 28 February 2021, total tax losses not recognised were R751 million (2020: R682 million) and those recognised were R332 million (2020: R343 million).

The group has concluded the significant components of its Project Simplification restructuring exercise of which, the tax impact thereof will only be realised in the 2022 and future financial years. This initiative to restructure and right-size the business was done in line with the long-term strategic and commercial objectives of the group. Additionally, the project reduces complexity and costs for the group through the deregistration of non-trading entities.

Liquidity and cash flow

Significant improvement in collections throughout the group and other cash positive initiatives resulted in group debt excluding finance leases decreasing to R456 million from R1 billion in 2020, with both South Africa and Australia contributing to the substantial degearing of the business. Furthermore, the conclusion of the DARE disposal has enabled the Australian operations to repatriate the equivalent of R33 million to South Africa.

Group net debt excluding finance leases was R688 million as at 29 February 2020 and has reduced by R639 million to R49 million as at 28 February 2021.

The South Africa operation successfully concluded the facility extension with its lender consortium on 24 November 2020. The facility was extended in May 2021 until 31 August 2022. The facility is used primarily to fund working capital requirements. The revised terms of the facility includes a reduction of the debt to R400 million by June 2021, which has been factored into the going concern analysis.

The Australian operation has extended its facility to 30 June 2022.

Operational review

SOUTH AFRICA

Industrial Services

The Industrial Services portfolio houses Adcorp's largest revenue generators, being contingent industrial workforces and functional outsourcing.

The majority of the Industrial Services business portfolio was fairly resilient to the adverse market conditions due to client sector diversity, however it was not unaffected from weakened trading conditions and suffered revenue contraction of 17,2% and a 22,1% reduction in gross profit when measured against prior year.

Contingency staffing accounted for the majority of the decline, particularly in two market sectors within BLU, namely the hospitality and automotive sectors, and secondly within CYNERGY due to the loss of a large energy sector client. Conversely, functional outsourcing saw its revenues increase by 9%. The improved performance was due to organic growth and new sales on the back of operating sectors that were more resilient to the negative impact of COVID-19 trading conditions.

Management's corporate strategy execution, the disposal of low margin business, the resetting of the cost base, as well as a far more targeted sector focus should result in long-term resilience and sustainability to the global pandemic and potentially protracted adverse trading conditions.

Commentary continued

Professional Services

The Professional Services division houses four broadly defined business units:

- The traditional contingency staffing solutions in office-based professions and contact centres operating under the Kelly and Quest brands.
- The IT resourcing and solutions brand of Paracon.
- Charisma, a supplier of contingent medical staff and ancillary wellness services.
- DAV/TalentCRU which provides permanent placement and total talent outsourcing solutions such as Managed Services Provider (MSP) and Recruitment Process Outsourcing (RPO) models.

Consistent with the COVID-19 trading environment, this portfolio had a decline in revenue generation of 20,0%. The most severely impacted division, due to macroeconomic trading conditions was the permanent placement sector. The significant reduction of this product line also materially impacted the gross profit of the total portfolio as permanent placements typically deliver very high GP% (variance to prior year of negative 32,7%).

The portfolio reacted swiftly to the situation to reset its cost base and to correct its product mix ensuring sustainability within a sector of the market that addresses the acquisition of scarce skills and talent acquisition outsourcing.

Training

PMI, due to its longer-term progression of learning outcome models and iCan, due to its unique solutions to service people with disabilities, both demonstrated resilience in a difficult trading period by leveraging their annuity learning and development products. Conversely, the IT training business of Torque IT suffered significant contraction due to its product being considered a discretionary spend item by clients. A second impact on this total portfolio was an initial sluggish conversion to online digital learning platforms, necessary within the context of COVID-19 and the limitations this placed on physical instruction. The portfolio has delivered a year on year 40,5% and 48,6% drop in revenue and gross profit respectively.

The conditions created by the pandemic accelerated changes within the training portfolio in a sector that was already undergoing change. This not only facilitated a sustainable response to delivering learning within the constraints of COVID-19 but more notably the extension of the training portfolio into new delivery models, products and market segments.

The training portfolio is well-placed to meet the changing landscape of the sector, meet the skills and development needs of corporate South Africa and extend its impact through its digital platforms to more diverse content and markets.

AUSTRALIA

Revenue from the Australian continuing operations increased by 8,4% in the group's reporting currency, but declined by an aggregate 6,5% in its functional currency. The functional decrease was due to permanent placement fees that declined by 35% and staffing services income reducing by 6,7% as the contracting market felt the full impact of the COVID-19 pandemic.

Revenue improved somewhat when the Australian government responded to the pandemic's impact on business.

Margins held steady on a year-on-year basis. This resulted from a focus on the on-boarding of quality margin clients and the increased utilisation rates of retained contractors.

Although market demand is increasing, and some rebound is evident, labour shortage will play a critical part in the ability to realise full potential. Growth will be contingent on executing a group value proposition and producing a focused strategy on industry verticals that can deliver quality margins and assist expansion.

Disposals

As announced on SENS on 1 December 2020, Adcorp wholly-owned subsidiary Adcorp Workforce Solutions Proprietary Limited disposed of Adcorp Support Services Proprietary Limited. The disposal comprised FMS Marketing Solutions Division and the Employee Benefits Division. The disposal was approved by shareholders on 30 March 2021.

On 30 September 2020, the group disposed of its 100% shareholding in Dare Holdings Proprietary Limited and Adcorp Holdings Singapore Pte Limited.

Changes to the board of directors

During the year and post year end, the following changes to the board occurred:

- Appointment of Dr JP Wentzel as Chief Executive Officer effective 1 April 2021.
- Appointment and resignation of P Roux as Chief Executive Officer effective 24 April 2020 and 31 March 2021 respectively.
- Appointment of N Prendergast as Chief Financial Officer effective 21 October 2020 (interim Chief Financial Officer effective 1 July 2020).
- Resignation of GP Dingaan effective 10 September 2020.
- Resignation of SN Mabaso-Koyana effective 1 March 2021.
- Resignation of FS Mufamadi effective 10 September 2020.
- Appointment of T Mokgabudi effective 15 October 2020.
- Appointment of M Lubega effective 1 July 2020.
- Resignation of CJ Kugenga effective 31 May 2020.

Dividends

The board has decided that no dividend will be declared as the prevailing economic circumstances demand prudent cash resource management.

Commentary continued

Prospects and outlook

During the 2021 financial year, Adcorp made significant strides in stabilising and enhancing liquidity. The group now has a strong balance sheet from which to drive future growth.

During the 2021 financial year, the group successfully completed a B-BBEE transaction and Adcorp Workforce Solutions achieved a Level 1 rating. This has greatly enhanced our competitiveness in the South African market. Furthermore, the group made material upgrades to IT systems and processes, which will lead to a better customer experience and reduced cost. Finally, Adcorp has stable divisional management teams with clear strategies to drive profitable growth in their respective areas – supported by a lean central office.

Adcorp is a formidable workplace-solutions company with blue-chip clients in South Africa and Australia. The work done in 2021 has left Adcorp with a stable platform for profitable growth going forward.

By order of the board

31 May 2021

Directors

Dr John Wentzel (Chief Executive Officer)
Noel Prendergast (Chief Financial Officer)
Gloria Serobe* (Chairman)
Monde Nkosi*
Sam Sithole*
Clive Smith*
Melvyn Lubega**
Ronel van Dijk**
Prof Herman Singh**
Tshidi Mokgabudi**
Dr Phumla Mnganga**
Cecil Maswanganyi*
Michael Spicer**

* *Non-executive.*

** *Independent non-executive.*

Audited summarised consolidated statement of financial position

as at 28 February 2021

	Notes	2021 R'000	Restated ¹ 2020 R'000	Restated ¹ 2019 R'000
Assets				
Non-current assets		1 357 418	1 532 497	1 711 896
Property and equipment		48 286	72 212	57 647
Right-of-use assets		364 572	414 917	—
Intangible assets ²		144 346	177 702	231 601
Goodwill	8	527 216	635 609	1 188 811
Other financial assets – investment at fair value		18 971	17 620	15 247
Deferred taxation	9	198 832	181 171	218 590
Prepayments ²		55 195	33 266	—
Current assets		1 962 906	2 428 870	2 718 087
Trade receivables		1 377 823	1 924 851	2 086 490
Other receivables		101 297	91 849	103 712
Other financial assets – investment at amortised cost		—	36 924	31 676
Taxation prepaid		9 854	18 485	87 202
Cash and cash equivalents		473 932	356 761	409 007
Disposal group held for sale	5	196 553	116 039	—
Total assets		3 516 877	4 077 406	4 429 983
Equity and liabilities				
Total equity		1 352 254	1 245 847	1 976 308
Share capital and share premium		1 740 858	1 740 858	1 740 858
Treasury shares		(68 083)	(68 083)	(38 233)
Reserves		(320 521)	(426 928)	273 683
Non-current liabilities		870 459	489 676	801 203
Interest-bearing borrowings	10	400 000	—	690 466
Lease liabilities	10	369 658	404 021	—
Deferred taxation	9	100 801	85 655	104 077
Provisions		—	—	6 660
Current liabilities		1 273 020	2 303 024	1 652 472
Interest-bearing borrowings	10	55 823	1 001 684	194 836
Lease liabilities	10	75 281	93 457	—
Bank overdraft		87	182	227
Trade and other payables		908 922	1 010 646	1 111 233
Provisions		183 738	162 429	286 663
Taxation payable		49 169	34 626	59 513
Disposal liabilities held for sale	5	21 144	38 859	—
Total equity and liabilities		3 516 877	4 077 406	4 429 983

¹ The comparatives have been restated to reverse an allowance for expected credit losses previously raised against cash and cash equivalents and other financial assets – investment at amortised cost, relating to cash and bonds held in Angola (note 3.1). The restatement has been applied retrospectively and as a result, the consolidated statement of financial position for the 2019 financial year is presented above as required by, IAS 1 Presentation of Financial Statements.

² The comparatives for intangible assets have been restated with R33 million reclassified to non-current prepayments (note 3.1).

Audited summarised consolidated statement of profit or loss

for the year ended 28 February 2021

	Notes	2021 R'000	Restated ¹ 2020 R'000
Continuing operations			
Revenue	7	11 716 956	12 922 325
Cost of sales		(10 575 140)	(11 452 501)
Gross profit		1 141 816	1 469 824
Other income		99 399	26 920
Loss allowance for expected credit losses – trade receivables ²		33 396	8 084
Operating expenses ³		(1 156 200)	(1 990 642)
Operating profit/(loss) before finance income and finance costs		118 411	(485 814)
Finance income		16 204	21 942
Finance costs		(106 854)	(127 456)
Profit/(loss) before taxation		27 761	(591 328)
Taxation expense		(22 338)	(71 977)
Profit/(loss) for the year from continuing operations		5 423	(663 305)
Discontinued operations			
Profit for the year from discontinued operations	5	35 906	58 553
Profit/(loss) for the year		41 329	(604 752)
Profit/(loss) attributable to:			
Owners of the parent from continuing operations		2 322	(663 619)
Owners of the parent discontinued operations		35 906	58 553
Non-controlling interest		3 101	314
Continuing operations basic and diluted earnings per share:			
Basic earnings/(loss) per share (cents)		2,2	(616,0)
Diluted earnings/(loss) per share (cents)		2,1	(616,0)
Discontinued operations basic and diluted earnings per share:			
Basic earnings per share (cents)		33,4	54,4
Diluted earnings per share (cents)		32,5	54,4
Total earnings per share:			
Basic earnings/(loss) per share (cents)		35,6	(561,6)
Diluted earnings/(loss) per share (cents)		34,6	(561,6)

¹ The comparatives have been restated on the classification of Adcorp Support Services Proprietary Limited as a discontinued operation. Refer to note 5, Discontinued operations. In addition, the comparatives have been represented to present profit or loss line items by function (note 3.1).

² The comparatives have been restated to reflect the loss allowances for expected credit losses on the face of the consolidated statement of profit or loss. As a result, operating expenses increased in the comparative financial year by R8 million (note 3.1).

³ Operating expenses have increased by R17 million relating to foreign exchange movements previously presented as an impairment expense (note 3.1). The impairment expense in the 29 February 2020 consolidated annual financial statements furthermore, included a credit of R1 million relating to the movement on expected loss allowances raised on the cash and bonds held in Angola. The comparatives are restated to reverse the allowance for expected credit losses previously raised for cash and cash equivalents and other financial assets – investment at amortised cost, relating to cash and bonds held in Angola (note 3.1).

Audited summarised consolidated statement of other comprehensive income

for the year ended 28 February 2021

	2021 R'000	Restated ¹ 2020 R'000
Profit/(loss) for the year	41 329	(604 752)
Other comprehensive income²		
Continuing operations	60 284	2 741
Exchange differences on translating foreign operations	16 539	(3 841)
Exchange difference reclassified to profit or loss on disposal of foreign business	(3 770)	—
Exchange differences arising on the net investment of a foreign operation	47 515	6 582
Discontinued operations	—	1 282
Exchange differences on translating foreign operations	—	1 282
Other comprehensive income for the year, net of taxation	60 284	4 023
Total comprehensive income/(loss) for the year	101 613	(600 729)
Total comprehensive income/(loss) attributable to:		
Owners of the parent continuing operations	62 927	(660 878)
Owners of the parent discontinued operations	35 906	59 835
Non-controlling interest	2 780	314

¹ The comparatives have been restated on the classification of Adcorp Support Services Proprietary Limited as a discontinued operation. Refer to note 5, Discontinued operations. In addition, the comparatives have been restated on the reversal of an allowance for expected credit losses previously raised against cash and cash equivalents and other financial assets – investment at amortised cost, relating to cash and bonds held in Angola (note 3.1).

² All items included in other comprehensive income/(loss) will be reclassified to profit or loss upon derecognition.

Audited summarised consolidated statement of cash flows

for the year ended 28 February 2021

	Notes	2021 R'000	Restated ¹ 2020 R'000
Operating activities			
Profit/(loss) before taxation		95 317	(518 866)
From continuing operations		27 761	(591 328)
From discontinued operations		67 556	72 462
Adjusted for:			
Depreciation on property and equipment		27 960	29 193
Depreciation right-of-use assets		63 907	62 777
Amortisation of intangibles		42 148	53 335
Prepayment released – enterprise technology transformation project		14 373	–
Impairment of goodwill		–	558 081
Impairment of right-of-use assets		5 889	38 703
Lease liabilities derecognised net of settlement costs		(17 740)	–
Right-of-use assets derecognised		12 895	–
Profit on the sale of property and equipment		(7 881)	(209)
Share-based payments		12 923	5 020
Unrealised foreign exchange losses		–	3 032
(Profit)/loss on the disposal of businesses		(2 592)	715
Fair value adjustment – investment at fair value		(1 351)	(2 373)
Other non-cash items		–	7 522
Value added tax accrual		(21 479)	–
Decrease in loss allowances for expected credit losses – trade receivables		(33 396)	(8 418)
Finance income		(16 416)	(22 586)
Finance costs		107 312	128 091
Cash generated from operations before working capital changes		281 869	334 017
Decrease in trade and other receivables		745 667	70 097
Decrease in trade and other payables		(136 457)	(62 862)
Increase/(decrease) in provisions		22 651	(130 894)
Other non-cash items		–	(1 837)
Cash generated by operations		913 730	208 521
Finance income		16 416	22 592
Finance costs		(59 201)	(90 832)
Interest expense on lease liabilities		(48 111)	(37 259)
Taxation paid		(52 229)	(20 025)
Dividend paid		–	(105 666)
Net cash generated from/(utilised in) by operating activities		770 605	(22 669)

	Notes	2021 R'000	Restated ¹ 2020 R'000
Investing activities			
Additions to property and equipment		(15 750)	(69 605)
Proceeds from sale of property and equipment		16 930	26 014
Additions to intangible assets		(980)	–
Prepayment – enterprise technology transformation project		(57 456)	(31 499)
Proceeds from investment – amortised cost		37 067	2 378
Proceeds on disposal of businesses		29 852	–
Net cash inflow/(outflow) from investing activities		9 663	(72 712)
Financing activities			
Share repurchases		(357)	–
Payment from the issue of treasury shares		–	(29 850)
Repayment of borrowings		(965 524)	(1 122 930)
Proceeds from borrowings		386 667	1 235 298
Repayment of lease liabilities and lease settlement cost		(69 966)	(35 417)
Net cash (outflow)/inflow from financing activities		(649 180)	47 101
Net increase/(decrease) in cash and cash equivalents		131 088	(48 280)
Cash and cash equivalents at the beginning of the year		360 500	408 780
Foreign currency adjustments		6 787	–
Cash and cash equivalents on disposal of businesses		(19)	–
Cash and cash equivalents at the end of the year		498 356	360 500

¹ The comparatives have been restated with R17 million to reclassify the adjusting line item in unrealised foreign exchange gains which was previously presented as an impairment of financial asset at 29 February 2020. The comparatives have furthermore been restated to give effect to the restatement to reverse the allowance for expected credit losses previously raised against cash and cash equivalents and other financial assets – investment at amortised cost, relating to cash and bonds held in Angola. In addition, R31 million cash outflow previously presented as an outflow for additions to intangibles assets has been reclassified to prepayment - enterprise technology transformation project (note 3.1).

Audited summarised consolidated statement of changes in equity

for the year ended 28 February 2021

	Share capital R'000	Share premium R'000	Treasury shares R'000
Balance as at 28 February 2019 – reported	2 749	1 738 109	(38 233)
Restatement¹	–	–	–
Balance as at 28 February 2019 – restated¹	2 749	1 738 109	(38 233)
Share-based payments	–	–	–
Treasury shares acquired	–	–	(29 850)
Dividend distributions	–	–	–
Loss for the year	–	–	–
Other comprehensive income/(loss) ¹	–	–	–
Equity due to change in control	–	–	–
Balance as at 29 February 2020 – restated¹	2 749	1 738 109	(68 083)
Share based payments	–	–	–
Profit for the year	–	–	–
Other comprehensive income/(loss)	–	–	–
Share repurchases	–	–	–
Loss of control	–	–	–
Balance as at 28 February 2021	2 749	1 738 109	(68 083)

¹ The foreign currency translation reserve and accumulated retained earnings as at 28 February 2019 have been restated by a R14 million debit and an R84 million credit respectively to give effect to the restatement to reverse the allowances for expected credit losses previously raised against cash and cash equivalents and other financial assets – investment at amortised cost, relating to cash and bonds held in Angola. The loss for the year and foreign currency translation reserve movement in other comprehensive income/loss has been restated by R0,3 million and R1 million respectively as a result of the restatement effected at 28 February 2019 (note 3.1).

Share-based payment reserve R'000	Foreign currency translation reserve R'000	Accumulated retained earnings/ (loss) R'000	Attributable to equity holders of the parent R'000	Non-controlling interest R'000	Employee's share option scheme reserve R'000	Total R'000
161 774	(15 614)	52 192	1 900 977	3 821	676	1 905 474
—	(13 650)	84 484	70 834	—	—	70 834
161 774	(29 264)	136 676	1 971 811	3 821	676	1 976 308
5 020	—	—	5 020	—	—	5 020
—	—	—	(29 850)	—	—	(29 850)
—	—	(105 666)	(105 666)	—	—	(105 666)
—	—	(605 066)	(605 066)	314	—	(604 752)
—	(2 559)	6 582	4 023	—	—	4 023
—	—	—	—	764	—	764
166 794	(31 823)	(567 474)	1 240 272	4 899	676	1 245 847
12 923	—	—	12 923	—	—	12 923
—	—	38 228	38 228	3 101	—	41 329
—	60 605	—	60 605	(321)	—	60 284
—	—	151	151	—	(508)	(357)
—	—	—	—	(7 772)	—	(7 772)
179 717	28 782	(529 095)	1 352 179	(93)	168	1 352 254

Segment report

for the year ended 28 February 2021

Information reported to the group's executive committee chief operating decision maker (CODM) for the purposes of making key operating decisions, resource allocation and the assessment of segmental performance is focused on the different service offerings and geographical region of operations. The group's reportable segments under IFRS 8 are as follows:

Industrial Services

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

Professional services

This operating segment provides highly skilled information technology (IT) and digitally focused professionals. It also delivers consulting, project and management services in a number of specialist domains as well as support staffing solutions in "white collar" areas, such as nursing, clerical, administration, office and call centre positions.

Training

This operating segment facilitates training and provides solutions to external clients and support to other Adcorp service lines.

Australia

This operating segment includes both Industrial Services and Professional Services, as well as central services as described above combined into one segment as decisions taken relate to the Australian operating business as a whole.

Central

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

Geographical segmentation

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

Segment operating profit or loss before finance income and finance costs represents the profit or loss earned by each segment without allocation of, central administration costs including directors' salaries, finance income, finance costs, and income tax expense applicable to the central segment, however, includes internal charges between the central and other segments. The finance income and finance costs includes intra-group charges. This is the measure reported to the group's Chief Executive for the purpose of resource

allocation and assessment of segment performance. For the purposes of monitoring segment performance and allocating resources between segments the group's Chief Executive monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of other financial assets (except for trade and other receivables) and taxation assets. Goodwill has been allocated to reportable segments as described in note 8.

Transactions between segments follow the group's accounting policies.

No single customer contributes more than 10% of the group's revenues.

Segment report continued

for the year ended 28 February 2021

	Industrial Services	Professional Services ¹	Training ²	Australia	Central
	South Africa R'000	South Africa R'000	South Africa R'000	International R'000	South Africa R'000
Revenue					
– 2021	4 590 767	2 030 402	184 609	4 911 178	–
– 2020 ¹¹	5 541 907	2 538 898	310 466	4 531 054	–
Internal revenue					
– 2021	141 523	11 455	12 844	–	5 262
– 2020 ¹¹	217 959	11 454	6 534	–	16 523
Loss allowances for expected credit losses and bad debts on trade receivables – income/(expense)					
– 2021	4 427	20 763	2 738	5 466	2
– 2020 ¹¹	7 554	(3 427)	10 026	(6 331)	262
Operating profit/(loss) before finance income and finance costs^{5,7}					
– 2021	123 452	3 180	(21 654)	62 730	(35 508)
– 2020 ^{10, 11}	(78 889)	(235 617)	1 060	(102 128)	(57 627)
Depreciation and amortisation					
– 2021	5 593	22 203	11 645	50 333	40 587
– 2020 ¹¹	12 376	26 575	19 568	42 096	41 382
Finance income					
– 2021	1 623	100	138	37	14 306
– 2020 ^{6,11}	73 342	37 523	1 594	662	(106 076)
Finance costs					
– 2021	(4 775)	(152)	(1 074)	(8 970)	(91 883)
– 2020 ^{6,11}	(38 078)	(13 883)	(5 378)	(14 245)	(49 196)
Impairment expense⁷					
– 2021	–	–	–	–	(5 889)
– 2020 ¹¹	(207 041)	(219 719)	(3 148)	(132 813)	(34 063)
Taxation (expense)/income					
– 2021	(41 937)	(20 093)	(20 575)	(11 598)	71 865
– 2020 ¹¹	30 660	(28 463)	1 321	(5 847)	(69 648)

Group – continued operations	Discontinued operations ³	Discontinued operations ⁴	Total group	Geographical segments	
R'000	South Africa R'000	International R'000	Total R'000	South Africa R'000	International R'000
11 716 956	128 624	291 538	12 137 118	6 934 402	5 202 716
12 922 325	136 022	480 552	13 538 899	8 527 293	5 011 606
171 084	–	–	171 084	171 084	–
252 470	–	–	252 470	252 470	–
33 396	–	–	33 396	27 930	5 466
8 084	334	–	8 418	14 749	(6 331)
132 200	44 623	9 389	186 212	114 093	72 119
(473 201)	53 393	6 435	(413 373)	(317 680)	(95 693)
130 361	3 654	–	134 015	83 682	50 333
141 997	3 308	–	145 305	103 209	42 096
16 204	212	1	16 417	16 379	38
7 045	15 547	–	22 592	21 930	662
(106 854)	(458)	–	(107 312)	(98 342)	(8 970)
(120 780)	(7 311)	(6)	(128 097)	(113 846)	(14 251)
(5 889)	–	–	(5 889)	(5 889)	–
(596 784)	–	–	(596 784)	(463 971)	(132 813)
(22 338)	(17 098)	(14 551)	(53 987)	(27 838)	(26 149)
(71 977)	(12 249)	(1 660)	(85 886)	(78 379)	(7 507)

Segment report continued

for the year ended 28 February 2021

	Industrial Services	Professional Services ¹	Training ²	Australia	Central
	South Africa R'000	South Africa R'000	South Africa R'000	International R'000	South Africa R'000
Total assets					
– 2021	883 745	478 299	78 362	1 169 413	710 505
– 2020 ^{8,10,11}	1 232 217	628 734	122 280	1 149 560	650 111
Total liabilities					
– 2021	392 915	172 397	133 242	489 475	955 450
– 2020 ¹¹	398 522	300 346	172 617	617 999	1 286 173
Additions to property and equipment					
– 2021	246	572	119	10 808	627
– 2020 ¹¹	12 680	5 185	3 519	4 487	41 879
Additions to right-of-use assets					
– 2021	2 699	2 271	8 117	7 152	7 338
– 2020 ¹¹	–	–	–	–	348 874
Additions to intangible assets					
– 2021	–	–	–	980	–
– 2020 ^{9,11}	–	–	–	–	–

¹ Includes support services which was presented as a separate segment in the 2020 financial year. Support services previously included Kelly, Quest and the Charisma businesses which are now managed within the Professional Services segment. The comparatives have been restated to include the businesses previously disclosed in the support services segment.

² Includes Torque IT which was previously included in the Professional Services segment in the 2020 financial year and is now managed in the training segment. The comparatives have been restated to include Torque IT in the training segment.

³ Relates to the trading performance and financial position of Adcorp Support Services Proprietary Limited classified as a discontinued operation in the current financial year and its related asset and liabilities classified as held for sale. The comparatives have been restated. Advantage Proprietary Limited was previously included in the financial services segment, which was a dormant subsidiary, and is now included in the central segment.

⁴ Relates to the trading performance and financial position of Dare Holdings Proprietary Limited and Adcorp Singapore Pte Limited being classified as a discontinued operation in the 2020 financial year and their related assets and liabilities classified as held for sale. The results in the 2021 financial year, includes the trading performance of Dare Holdings Proprietary Limited and Adcorp Singapore Pte Limited up until the disposal date being 30 September 2020.

Group – continued operations	Discontinued operations ³	Discontinued operations ⁴	Total group	Geographical segments	
R'000	South Africa R'000	International R'000	Total R'000	South Africa R'000	International R'000
3 320 324	196 553	–	3 516 877	2 347 464	1 169 413
3 782 902	178 465	116 039	4 077 406	2 811 807	1 265 599
2 143 479	21 144	–	2 164 623	1 675 148	489 475
2 775 657	17 043	38 859	2 831 559	2 174 701	656 858
12 372	3 364	–	15 736	4 928	10 808
67 750	1 855	–	69 605	65 118	4 487
27 577	–	–	27 577	20 425	7 152
348 874	–	–	348 874	348 874	–
980	–	–	980	–	980
–	–	–	–	–	–

⁵ Includes internal charges charged between segments within continued and discontinued operations. As a result, the amounts presented in the segmental report from continuing operations will not agree to the amounts presented in the consolidated statement of profit or loss for continuing operations.

⁶ Includes internal charges charged between segments within continued and discontinued operations. As a result, the amounts presented in the segmental report from continuing operations will not agree to the amounts presented in the consolidated statement of profit or loss for continuing operations. In the current financial year, the central segment did not charge the remaining segments financing costs.

⁷ Includes impairment on right-of-use assets and impairment of goodwill (note 8). The consolidated annual financial statements segment report as at 29 February 2020 excluded these line items.

⁸ Restated to adjust goodwill allocated across each segments total assets which was incorrectly allocated in the segmental report in the consolidated financial statements as at 29 February 2020.

⁹ Restated to adjust for R31 million reclassified as a prepayment from intangible assets (note 3.1).

¹⁰ Restated to reverse an allowance for expected credit losses previously raised against cash and cash equivalents and other financial assets – investment at amortised cost, relating to cash and bonds held in Angola (note 3.1).

¹¹ Restated for the affects described in footnote 1, 2, 3, 8 and 9 above as applicable to affect the restatements.

Notes to the audited summarised consolidated financial statements

for the year ended 28 February 2021

1. Independent audit

The summary consolidated financial statements have been derived from the audited consolidated financial statements. The directors of the company take full responsibility for the preparation of the summary group financial statements and that the financial information has been correctly derived and are consistent in all material respects with the underlying audited group financial statements.

The summary consolidated financial statements for the year ended 28 February 2021 have been audited by our auditor, Deloitte & Touche, who has expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated financial statements, which included key audit matters from which these summarised consolidated financial statements were derived.

A copy of the auditor's report on the summarised consolidated financial statements and of the auditor's report on the consolidated financial statements are available for inspection during office hours 08:00 to 16:00, Monday to Friday, at the company's registered office, Adcorp Place, 102 Western Service Road, Gallo Manor Ext 6, Johannesburg, South Africa, 2191, together with the financial statements identified in the respective auditor's reports.

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

Any forward looking statements have not been reviewed or reported on by the company's external auditor.

2. General information

The group carries on business in South Africa and Australia with its activities including the permanent recruitment and flexible staffing, professional IT services as well as the provision of business process outsourcing, training and financial services.

3. Basis of preparation

The summarised consolidated financial statements are prepared in accordance with the JSE Listings Requirements for preliminary financial statements and the requirements of the Companies Act, No 71 of 2008 of South Africa applicable to summary financial statements. The summarised consolidated financial statements are prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee (APC) and the Financial Pronouncements as issued by the Financial Reporting Standards Council (FRSC), and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

The accounting policies applied in the consolidated financial statements from which the summary consolidated financial statements were derived, are in accordance with IFRS and are consistent with those accounting policies applied in the preparation of the consolidated audited financial statements for the year ended 29 February 2020 unless otherwise stated.

3. Basis of preparation continued

The summary consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 28 February 2021, which have been prepared in accordance with IFRS and the Companies Act, No 71 of 2008 of South Africa. A copy of the full set of the audited consolidated financial statements is available for inspection from the Company Secretary or can be downloaded from the website: www.adcorpgroup.com/investors/financials.

These summarised consolidated financial statements and the consolidated financial statements were prepared under the supervision of Noel Prendergast CA(SA), in his capacity as Chief Financial Officer and have been audited by the Company's auditor.

3.1 Restatements

Consolidated statement of profit or loss restatement:

The consolidated statement of profit or loss presented for the year ending 29 February 2020 erroneously presented items of income and expense as a hybrid of by function and by nature. The consolidated statement of profit or loss has been restated to present items of income and expense by their function as IAS 1 Presentation of Financial Statements requires that these items be presented by either their function or by their nature. The comparatives have accordingly been restated as well as the operating profit or loss before taxation as presented in the segmental report. In addition, IAS 1 Presentation of Financial Statements requires expected loss allowances to be presented on the face of the statement of profit or loss. The comparatives have been restated to reflect such disclosure.

The above restatement has had no impact on the net loss reported in the comparative year and the resulting earnings measures.

Discontinued operations:

An Acquisition Agreement for the sale of Adcorp Support Services Proprietary Limited was concluded and signed on 30 November 2020, subject to regulatory approval and certain conditions precedent which are expected to be settled within twelve months of the reporting date. As a result, Adcorp Support Services Proprietary Limited has been classified as a disposal group held for sale and presented separately in the statement of financial position and its consolidated operations presented as a discontinued operation in the statement of comprehensive income. The comparative consolidated statement of profit or loss and consolidated statement of comprehensive income have accordingly been restated for the classification of Adcorp Support Services Proprietary Limited as a discontinued operation (note 5).

Segmental reporting

The consolidated financial statements for the financial year ending 29 February 2020, previously included a segment "support services" which consisted of Kelly, Quest and the Charisma businesses. These businesses are now managed and presented within the Professional Services segment, given the significant overlap in the client base. The segmental report comparatives for Professional Services have accordingly been restated to include these businesses.

Torque IT was previously included in the Professional Services segment in the prior financial year consolidated financial statements. As Torque IT is now managed under the training segment, the segmental results for Torque IT are included in the training segment and the comparatives have accordingly been restated.

Notes to the audited summarised consolidated financial statements continued

for the year ended 28 February 2021

3. Basis of preparation continued

3.1 Restatements continued

Segmental reporting continued

The Australian segmental results in the 29 February 2020 consolidated financial statements, separately disclosed the Australian operations into Industrial Services, Professional Services and central from Australia. The Australian operations have been combined into one segment for Australia in the current financial year as decisions taken by the CODM relate to the Australian operating business as a whole. The comparative segmental results have accordingly been restated.

On preparing the current year financial results, it was identified that the goodwill which is allocated to each of the segments was incorrectly allocated in the consolidated financial statements as at 29 February 2020 in the segment report. The comparatives across all segments have been restated with the correct allocation of goodwill for each segment.

Other restatements

Restatement of cash and cash equivalents and other financial assets – investment at amortised cost

The consolidated annual financial statements at 29 February 2020, included an allowance for expected credit losses on the consolidated statement of financial position for cash and cash equivalents of R38 million (2019: R42 million) relating to cash held in Angola and R32 million (2019: R29 million) against investments held at amortised cost relating to an investment in Angolan bonds. The group raised expected credit losses on these financial assets as at 29 February 2020 as the cash and any resulting cash on the maturity of the Angolan bonds was considered to be restricted due to the inability of the group to access and repatriate the cash from Angola historically.

IFRS 9 Financial Instruments, requires that an expected credit loss impairment model is based on the fundamental principle of exposure to credit risk and losses and requires that when determining a loss allowance for lifetime credit losses, this must be assessed against the underlying credit risk of the counterparty. Based on the assessment of the underlying credit risk of the counterparty, with whom the financial instrument is held, this may result in exposure of credit losses that may originate over the life of the financial instrument.

The group reassessed its expected credit loss judgment applied during the current financial year and concluded that the expected credit losses raised against cash and the investment at amortised cost were not in accordance with the principles of IFRS 9 Financial Instruments as cash by definition is cash on hand or on demand in terms of IAS 7 Statement of Cash Flows and, when assessing lifetime exposure to credit losses, the expected credit loss methodology must be applied against the credit risk of the counterparty, which is Standard Bank and the Angolan government respectively in each case, rather than the repatriation risk which is attributed to the group.

3. Basis of preparation continued

3.1 Restatements continued

Other restatements continued

As a result, the comparatives have been restated to reverse the cumulative allowances that were raised for expected credit losses against the cash and investment at amortised cost in Angola. The restatement has been applied retrospectively and as a result, the consolidated statement of financial position for the 2019 financial year is presented as required by, IAS 1 Presentation of Financial Statements. The effect of the restatement to reverse the allowances for expected credit losses is as follows:

The consolidated statement of financial position as at 28 February 2019, increased cash and cash equivalents by R42 million and other financial assets – investments at amortised cost increased by R29 million. The foreign currency translation reserve was debited with R14 million and accumulated retained earnings was credited with R85 million being the cumulative restatement as a result of the reversal of the allowances for expected credit losses at the beginning of the preceding period.

The comparative results for the 2020 financial year on the consolidated statement of financial position, increased cash and cash equivalents by R38 million and other financial assets – investments at amortised cost increased by R32 million. The consolidated statement of profit or loss increased losses previously reported by R1 million and the movement in the foreign currency translation reserve was restated by a R0,3 million credit.

The comparatives for the consolidated statement of comprehensive income have been restated to give effect to the restatements and the consolidated statement of cash flows has been restated to reflect the increased cash and cash equivalents and the non-cash adjustment of R1 million relating to the movement previously presented (previously included and presented in the impairment of financial asset) reversed. The segmental report has been restated to give effect to the restatement of the amounts described in the operating profit before finance income and finance charges and total assets.

Reclassification of line items on the consolidated statement of profit or loss

The consolidated statement of profit or loss and the consolidated statement of cash flows in the consolidated financial statements as at 29 February 2020, presented an unrealised foreign exchange loss of R17 million as an impairment of other financial assets. The comparatives in the consolidated statement of cash flows has represented the adjustment to unrealised foreign exchange gains. The representation had no impact on the net cash flows of the group.

Reclassification of intangible asset to prepayments

During the 2020 financial period the group had undertaken to implement a new cloud-based enterprise technology transformation project ("ERP solution"). A number of costs were incurred and continue to be incurred by the group in obtaining and implementing the ERP solution. Examples included research costs, licence fees, data conversion and configuration and customisation costs.

Notes to the audited summarised consolidated financial statements continued

for the year ended 28 February 2021

3. Basis of preparation continued

3.1 Restatements continued

Other restatements continued

The group had, in applying its judgement on how to account for each of the above costs, applied the requirements of IAS 38 Intangible Assets. The group had noted that, in applying its judgement, there was no clear guidance provided in IAS 38 on how to account for costs incurred on cloud-based software solutions. However, the IFRS Interpretations Committee ("IFRIC"), had considered the appropriate accounting treatment that should apply for costs incurred in obtaining a cloud-based software solution. Thus, applying the IFRIC agenda decision published during the 2020 financial period, the group had accounted for the licencing fees paid as a prepayment rather than an intangible asset. There was no further discussion by the IFRIC or the International Accounting Standards Board ("IASB") on how to account for other costs of implementation incurred for a cloud-based software solution. Therefore, the group had applied the requirements of IAS 38 related to internally generated intangible assets in determining the appropriate recognition and measurement principles to be applied to these costs of implementation due to the significant customisation required by the group prior to use of the ERP solution. As a result, the consolidated financial statements as at 29 February 2020 included R33 million in intangible assets as capitalised development costs.

During the current financial period the group noted that the IFRIC had published an agenda decision which subsequently addressed the accounting treatments of costs to implement a cloud-based software solution, specifically related to configuration and/or customisation costs incurred by an entity. In applying the requirements of the IFRIC agenda decision, the group noted that its judgement applied on the capitalised development costs did not reflect the assessment and conclusions reached by the IFRIC. The group does note that an IFRIC agenda Decision is not part of IFRS and thus accordingly, a change in accounting policy that is motivated by an Agenda Decision is not a change that is mandated by the IASB. Because they are non-authoritative, there is no transition guidance available for implementing them.

Therefore, while the IFRIC agenda decision does not add or change existing IFRS requirements, they often explain how to apply them to a specific fact pattern. The group has applied the requirements of the IFRIC agenda decision as a voluntary change in accounting policy, as the group believes that this will provide more relevant and reliable information to users and will be in line with the accounting treatment applied on the licence fees. These changes have been applied retrospectively, with comparative information adjusted accordingly. There is no impact on prior year opening equity as the ERP solution was only implemented in the comparative financial year.

The comparatives on the consolidated statement of financial position has been restated to reclassify R33 million from intangible assets to a non-current prepayment and the consolidated statement of cash flows has been restated to reclassify R31 million from the additions to intangible assets to prepayment – enterprise technology transformation project.

4. Going concern

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.

For this reason, accounting policies supported by judgements, estimates and assumptions in compliance with IFRS are applied on the basis that the group shall continue as a going concern.

5. Discontinued operations

The group disposed of its investment in Dare Holdings Proprietary Limited and Adcorp Holdings Singapore Pte Limited, which was disclosed as a discontinued operation in the 2020 financial year and the current financial year up until the effective date of disposal on 30 September 2020. The disposal is consistent with the group's long-term policy to focus activities on the core businesses of the group.

During the current financial year, the group's management and board of directors approved the sale of Adcorp Support Services Proprietary Limited and an Acquisition Agreement was concluded and signed on 30 November 2020, subject to regulatory approval and certain conditions precedent which are expected to be settled within 12 months of the reporting date. As a result, Adcorp Support Services Proprietary Limited has been classified as a disposal group held for sale and presented separately in the statement of financial position, and its consolidated operations presented as a discontinued operation in the statement of comprehensive income with comparatives restated as required under IFRS.

The disposal is consistent with the group's long-term strategy to focus its activities on its core capabilities and to utilise the proceeds from the sale of assets to reduce the group's gearing.

On 30 March 2021, the disposal met all requirements under the conditions of the Acquisition Agreement, refer to note 16, Events after the reporting period.

The financial performance presented below relates to Adcorp Support Services Proprietary Limited, Dare Holdings Proprietary Limited and Adcorp Holdings Singapore Pte Limited. Dare Holdings Proprietary Limited and Adcorp Holdings Singapore Pte Limited were disposed on 30 September 2020 and the financial performance of these entities is included below up until the disposal date. The comparatives have been restated for Adcorp Support Services Proprietary Limited, which is classified as a discontinued operation in the current financial year.

Notes to the audited summarised consolidated financial statements continued

for the year ended 28 February 2021

5. Discontinued operations continued

	2021 R'000	2020 R'000
Profit or loss		
Revenue	420 162	616 574
Cost of sales	(304 934)	(484 016)
Gross profit	115 228	132 558
Other income	1 536	1 591
Loss allowances for expected credit losses and bad debts	—	334
Operating expenses	(48 963)	(62 042)
Operating profit before finance income and finance costs	67 801	72 441
Finance income	213	656
Finance costs	(458)	(635)
Profit before taxation	67 556	72 462
Taxation expense	(31 650)	(13 909)
Profit after taxation	35 906	58 553

The assets and liabilities held for sale relate to Adcorp Support Services Proprietary Limited in the current financial year and Dare Holdings Proprietary Limited and Adcorp Singapore Pte Limited in the comparative financial year.

	2021 R'000	2020 R'000
Non-current assets held for sale	158 658	295
Property and equipment	4 785	295
Right-of-use assets	3 149	—
Goodwill	148 656	—
Deferred taxation	2 068	—
Current assets held for sale	37 895	115 744
Trade receivables	8 195	—
Other receivables	5 189	111 823
Cash and cash equivalents	24 511	3 921
Total assets held for sale	196 553	116 039

5. Discontinued operations continued

	2021 R'000	2020 R'000
Non-current liabilities held for sale	1 206	—
Lease liabilities	1 206	—
Current liabilities held for sale	19 938	38 859
Trade and other payables	11 571	37 725
Lease liabilities	2 496	—
Provisions	5 235	—
Taxation payable	636	1 134
Total liabilities held for sale	21 144	38 859

The cash flows presented below relate to Adcorp Support Services Proprietary Limited and Dare Holdings Proprietary Limited up until the disposal date on 30 September 2020. The comparatives have been restated for Adcorp Support Services Proprietary Limited, which is classified as a discontinued operation in the current financial year.

	2021 R'000	2020 R'000
Net cash inflow from operating activities	88 183	42 166
Net cash outflow from investing activities	(3 361)	(2 002)
Net cash outflow from financing activities	(3 113)	(1 694)
Net cash inflow from discontinued operations	81 709	38 470

Notes to the audited summarised consolidated financial statements continued

for the year ended 28 February 2021

6. Earnings per share

The calculation of earnings per share on continuing operations attributable to the ordinary equity holders of the parent is based on profits of R2,3 million (2020: losses of R663,6 million), profit from discontinued operations of R35,9 million (2020: R58,6 million), and ordinary shares of 107 400 053 (2020: 107 732 131), being the weighted average number of shares relative to the above earnings.

	2021	Restated ¹ 2020
Continuing operations		
Basic earnings/(loss) per share – cents	2,2	(616,0)
Diluted earnings/(loss) per share – cents	2,1	(616,0)
Discontinued operations		
Basic earnings per share – cents	33,4	54,4
Diluted earnings per share – cents	32,5	54,4
Total basic earnings/(loss) per share		
Basic earnings/(loss) per share – cents	35,6	(561,6)
Diluted earnings/(loss) per share – cents	34,6	(561,6)
Weighted average number of ordinary shares outstanding during the period	107 400 053	107 732 131
Reconciliation of weighted average number of ordinary shares outstanding to the weighted average diluted number of shares outstanding during the period		
Weighted average number of ordinary shares outstanding during the period	107 400 053	107 732 131
Adcorp employee share schemes – potential dilution ²	6 354 260	1 957 659
Adcorp employee share schemes – anti-dilutive shares excluded ²	(3 177 130)	(1 957 659)
Diluted weighted average number of shares outstanding during the period	110 577 183	107 732 131

	2021 R'000	Restated ¹ 2020 R'000
Reconciliation of headline earnings/(loss) from continuing operations³		
Profit/(loss) for the year	2 322	(663 619)
Profit on sale of property and equipment	(7 881)	(209)
Taxation recovered on the sale of property and equipment	2 207	58
Impairment of right-of-use assets and goodwill	5 889	596 784
Taxation on impairment of right-of-use asset	(1 649)	(10 837)
(Profit)/loss from the sale of subsidiaries	(36)	715

6. Earnings per share continued

	2021 R'000	Restated ¹ 2020 R'000
Headline earnings/(loss) from continued operations	852	(77 108)
Headline earnings/(loss) per share – cents	0,8	(71,6)
Diluted headline earnings/(loss) per share – cents	0,8	(71,6)
Reconciliation of headline earnings/(loss) from discontinued operations³		
Profit for the year	35 906	58 553
Headline earnings/(loss) from discontinued operations	35 906	58 553
Headline earnings per share – cents	33,4	54,4
Diluted headline earnings per share – cents	32,5	54,4
Reconciliation of headline earnings/(loss) from total operations³		
Profit/(loss) for the year	38 228	(605 066)
Loss/(profit) on sale of property and equipment	(7 881)	(209)
Taxation recovered on the sale of property and equipment	2 207	58
Impairment of goodwill and right-of-use assets	5 889	596 784
Taxation on impairment of right-of-use asset	(1 649)	(10 837)
Profits from the sale of businesses	(36)	715
Headline earnings/(loss)	36 758	(18 555)
Headline earnings/(loss) per share – cents	34,2	(17,2)
Diluted headline/(loss) earnings per share – cents	33,2	(17,2)

¹ Comparatives have been restated on the classification of Adcorp Support Services Proprietary Limited as a discontinued operation (note 5) and for the restatement of the allowances for expected credit losses reversed relating to the cash and bonds held in Angola (note 3.1). In addition, headline earnings presented in the 29 February 2020 annual consolidated financial statements, has been restated to increase the headline loss by R11 million to present the tax effect, on the impairment of right-of-use assets that was erroneously excluded in the 29 February 2020 consolidated annual financial statements calculation of the headline loss and headline and diluted headline loss per share. Headline loss per share and diluted headline loss per share was negatively impacted by the restatements by, 11 cents per share from a loss of 6,2 cents per share reported for both the headline loss and diluted headline loss per share, to a loss of 17,2 cents per share for headline and diluted headline loss per share respectively.

² The dilution of shares results from the potential exercise of options in the employee share scheme. The potential exercise of options considered to be anti-dilutive are excluded.

³ Headline earnings/(loss) per share is based on the earnings adjusted for the (profit)/loss on the sale of assets, impairment of goodwill and right-of-use assets.

Notes to the audited summarised consolidated financial statements continued

for the year ended 28 February 2021

7. Revenue

The group is in the business of providing services to clients. Permanent placement and outsourced-based solutions services are provided at a point in time. Temporary placement and training services are provided over a period of time. Revenue is therefore recognised at the point of delivery for permanent placement and outsourced-based solutions and over a period of time for temporary placement and training services. In certain cases the group makes use of output-based methods to determine when the revenue for performance obligations is recognised over time.

Revenue is measured based on the consideration to which the group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when the performance obligations are met.

Performance obligation	Description	Timing	2021 R'000	Restated ¹ 2020 R'000
Permanent placement	Permanent placement involves placing candidates in full-time employment with prospective employers. Once candidates are placed, the group has no further obligations to the customer.	Revenue is recognised when placed candidates begin employment.	59 142	136 507
Temporary placement	Adcorp provides temporary employment services to customers – the services are described as a "solution". The services contracted include procurement, screening, payroll administration, maintenance of records, management reporting, labour-related matters etc. Additional services may be required on an ad hoc basis, the terms of which are to be agreed upon between the parties.	Revenue is recognised as the services are rendered.	9 513 735	10 475 460

7. Revenue continued

Performance obligation	Description	Timing	2021 R'000	Restated ¹ 2020 R'000
Training	The group provides disability, technical, higher and technological training, as well as other ancillary services. There are no contracts with variable consideration components, as well as multiple performance obligations.	Revenue is recognised as the training is provided.	184 586	310 466
Outsource-based – solutions	This is focused on managing a wide range of business processes through qualified professionals who use automation and optimisation tools to help improve efficiency, reduce operational costs and increase productivity, while capitalising on process automation technologies. This could also include providing clients with contract management and vendor disbursements for client suppliers.	Revenue is recognised once the solution has been delivered to the customer.	1 959 493	1 999 892
Total revenue			11 716 956	12 922 325

¹ The comparatives have been restated in the temporary placement line and total revenue as a result of Adcorp Support Services Proprietary Limited being classified in the current financial year as a discontinued operation (note 5).

Notes to the audited summarised consolidated financial statements continued

for the year ended 28 February 2021

8. Goodwill

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

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

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

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

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

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

The weighted average cost of capital (WACC) 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's judgement and current market conditions. Management judgement is also applied in estimating the future cash flows of the CGUs.

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

The cash flow inputs to the DCF were derived from the budget and forecasts for the next four years and do not include restructuring activities that the group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested.

8. Goodwill continued

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

Key estimates and assumptions

Key assumptions include the discount rate and cash flows used to determine the value in use. Future cash flows are estimated based on the most recent budgets and forecasts approved by management covering a period of five years and are extrapolated over the useful life of the asset to reflect the long-term plans for the group using the estimated growth rate for the specific business which is determined with reference to long-term country specific gross domestic product ("GDP") rates.

An impairment test was carried out on 31 August 2020 due to the economic impacts of COVID-19 followed by an annual impairment test on 28 February 2021. No impairment was recognised in the current financial year (2020: R558 million impairment was recognised).

Sensitivity analysis

The impairment calculations are most sensitive to the following assumptions:

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

Anticipated earnings

Only the plans that are committed to and given effect to at 28 February 2021 were affected in the projected earnings.

Discount rates

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the group and its operating segments and is derived from its WACC. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the group's investors. The cost of debt is based on the interest-bearing borrowings the group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. Adjustments to the discount rates were made at 28 February 2021 to reflect the appropriate level of risk at the reporting date.

Notes to the audited summarised consolidated financial statements continued

for the year ended 28 February 2021

8. Goodwill continued

Reconciliation of beginning and ending balance

	2021 R'000	2020 R'000
Cost		
Opening balance at the beginning of the year	1 591 176	1 586 297
Foreign currency movement	40 263	4 879
Classified as held for sale	(148 656)	–
Closing balance at the end of the year	1 482 783	1 591 176
Impairments		
Opening balance at the beginning of the year	(955 567)	(397 486)
Impairment of goodwill during the year	–	(558 081)
Closing balance at the end of the year	(955 567)	(955 567)
Carrying amount at the end of the year	527 216	635 609
After recognition of impairment losses, the carrying amount of goodwill is attributable to the following CGUs:		
Industrial Services	83 109	83 109
Adcorp BLU, a division of Adcorp Workforce Solutions Proprietary Limited	83 109	83 109
Professional Services	128 612	128 612
Paracon a division of Fortress Administration Proprietary Limited	128 612	128 612
Australia	315 495	275 232
Australia Group of Companies	315 495	275 232
Financial Services	–	148 656
FMS, a division of Adcorp Support Services Proprietary Limited	–	148 656
Total	527 216	635 609

Financial services was disclosed as a separate segment in the consolidated financial statements as at 29 February 2020. During the current financial year, this segment has been included in discontinued operations, refer to note 5. The goodwill attributable to financial services will be derecognised on the disposal of Adcorp Support Services Proprietary Limited.

8. Goodwill continued

Industrial Services segment CGUs

BLU

The annual impairment assessment was performed on 28 February 2021. The valuation is based on the projected sustainable cash flows methodology using the latest budgets and forecasts. A four-year horizon is used to project the cash flows. The pre-tax discount rate applied was 25,9% (2020: 29,0%) and cash flows beyond the four years were extrapolated using a 2% (2020: 0%) terminal growth rate. The assessment on 28 February 2021 resulted in a headroom of R127 million. In the comparative financial year, an impairment of R126 million was recognised.

A change of 10% in projected earnings would result in a valuation difference of R85 million (2020: R45 million), which would not result in an impairment if the deviation in earnings was negative (2020: R21 million impairment).

A change of 1% of the discount rate would result in a R17 million (2020: R26 million) difference in the valuation, which would not result in an impairment if the rate increased by the 1% (2020: R2 million impairment).

Professional Services segment CGUs

Paracon a division of Fortress Administration Proprietary Limited

The annual impairment assessment was performed on 28 February 2021. The valuation is based on the projected sustainable cash flows methodology using the latest budgets and forecasts. A four-year horizon is used to project the cash flows. The pre-tax discount rate applied was 24,8% (2020: 25,2%) and cash flows beyond the four years were extrapolated using a 2% (2020: 3%) terminal growth rate. The assessment on 28 February 2021 resulted in a headroom of R138 million. In the comparative financial year, an impairment of R212 million was recognised.

A change of 10% in projected earnings would result in a valuation difference of R53 million (2020: R35 million), which would not result in an impairment if the deviation in earnings is negative (2020: R21 million impairment).

A change of 1% of the discount rate would result in a R13 million (2020: R20 million) difference in the valuation, which would not result in an impairment if the rate increased by the 1% (2020: R6 million impairment).

Australia segment CGUs

Paxus Australia

The annual impairment assessment was performed on 28 February 2021. The valuation is based on the projected sustainable cash flows methodology using the latest budgets and forecasts. A four-year horizon is used to project the cash flows. The pre-tax discount rate applied was 16,4% (2020: 16,4%) and cash flows beyond the four years were extrapolated using a 2% (2020: 2%) terminal growth rate. The assessment on 28 February 2021 resulted in a headroom of R411 million (2020: R56 million headroom).

A change of 10% in projected earnings would result in a valuation difference of R141 million (2020: R56 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 R48 million (2020: R20 million) difference in the valuation, which would not result in an impairment if the rate increased by 1%.

Notes to the audited summarised consolidated financial statements continued

for the year ended 28 February 2021

8. Goodwill continued

Australia segment CGUs continued

TalentCru Proprietary Limited in Australia

The annual impairment assessment was performed on 28 February 2021. The valuation is based on the projected sustainable cash flows methodology using the latest budgets and forecasts. A four-year horizon is used to project the cash flows. The pre-tax discount rate applied was 16,4% (2020: 16,6%) and cash flows beyond the four years were extrapolated using a 2% (2020: 3%) terminal growth rate. The assessment on 28 February 2021 resulted in a headroom of R51 million (2020: R67 million).

A change of 10% in projected earnings would result in a valuation difference of R10 million (2020: R22 million) which would not result in an impairment if the deviation in earnings were negative.

A change of 1% of the discount rate would result in a R36 million (2020: R20 million) difference in the valuation, which would not result in an impairment if the rate increased by 1%.

Labour solutions Australia

The annual impairment assessment was performed on 28 February 2021. The valuation is based on the projected sustainable cash flows methodology using the latest budgets and forecasts. A four-year horizon is used to project the cash flows. The pre-tax discount rate applied was 19,3% (2020:19,1%) and cash flows beyond the four years were extrapolated using a 2% (2020: 2%) terminal growth rate. The assessment on 28 February 2021 resulted in a headroom of R156 million (2020: R133 million impairment).

A change of 10% in projected earnings would result in a valuation difference of R34 million (2020: R17 million), which would not result in an impairment if the deviation in earnings was negative (2020: R17 million impairment).

A change of 1% of the discount rate would result in a R13 million (2020: R8 million) difference in the valuation, which would not result in an impairment if the rate increased by 1% (2020: R8 million impairment).

9. Deferred tax

Deferred taxation is recognised using the liability method on temporary differences at the reporting date between the tax base of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred taxation liabilities are generally recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that sufficient taxable profits will be available against which deductible temporary differences, carryforward of unused taxation credits and unused taxation losses can be utilised. Such deferred taxation assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and those deferred taxation liabilities in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future and deferred taxation assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

9. Deferred tax continued

Deferred taxation assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled, based on enacted or substantively enacted rates at the reporting date.

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.

Deferred taxation is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred taxation is also recognised in other comprehensive income.

The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2021 R'000	2020 R'000
Aggregate net deferred tax assets	198 832	181 171
Aggregate net deferred tax liabilities	(100 801)	(85 655)
Net deferred taxation assets	98 031	95 516

Key estimates and judgements

In evaluating the group's ability to recover deferred taxation assets in the jurisdiction from which they arise, all available evidence is considered, including projected future taxable income and results of operations.

In projecting future taxable income, historical results are adjusted for the results of discontinued operations where applicable and incorporate assumptions about the amount of future operating income, adjusted for items that do not have taxation consequences. The assumptions about future taxable income require the use of significant judgement and are consistent with the plans and estimates the group is using to manage the underlying businesses. The assumptions take into account historical performance of the group, as well as future expected growth.

The group is going through a strategic transformation that is aimed at:

- Building a strong business that is focused on leveraging core business;
- Ensuring that the business is lean and agile;
- Strengthening the brand; and
- Embedding a performance culture built on sound governance principles.

Notes to the audited summarised consolidated financial statements continued

for the year ended 28 February 2021

9. Deferred tax continued

Key estimates and judgements

While the group's transformation journey continues, significant progress has been made in the pursuit of the above mentioned strategic objectives. In projecting the future taxable income used for determining the recognition of deferred taxation assets, management considered the impact of various optimisation programmes that are underway, as well as the impact of COVID-19 on the overall South African economy. The group remains confident of its ability to generate future taxable income, thus judgement is applied with regard to the timing of the utilisation of the deferred taxation assets. The taxation losses can be carried forward indefinitely and have no expiry date. As a result, the group has recognised R332 million (2020: R343 million). The unrecognised taxation losses amount to R751 million (2020: R682 million) at the end of the financial year.

10. Interest-bearing liabilities

	Interest rate	Maturity	2021 R'000	2020 R'000
Non-current interest-bearing liabilities			769 658	404 021
ZAR new revolving credit facility	Johannesburg Interbank Agreed Rate (JIBAR) + agreed margin ¹	31 May 2022	400 000	—
Lease liabilities	Incremental borrowing rate (IBR)		369 658	404 021
Current interest-bearing liabilities			131 104	1 095 141
ZAR term loan	JIBAR + 340	30 November 2020	—	200 000
ZAR revolving credit facility	JIBAR + 340	30 November 2020	—	570 000
ZAR new revolving credit facility	JIBAR + agreed margin ¹	31 May 2022	50 000	—
AUD borrowing base facility	Base rate ² + margin (1,25% to 1,40%)	30 June 2021	5 823	231 684
Lease liabilities	IBR		75 281	93 457
Total			900 762	1 499 162

¹ The margin is determined on each measurement date being the last day of each financial quarter with reference to the agreed leverage ratio. The rate ranges between 3,4% and 5,2% on the ZAR new revolving credit facility.

² The base rate is determined with reference to the Australian Reserve Bank rates at the time of drawdown. The rate ranges between 1,0% and 1,5% on the Australian borrowing base facility.

10. Interest-bearing liabilities continued

The ZAR term loan and ZAR revolving credit facility ("borrowing base facility") presented in the comparative year, matured on 30 November 2020. On 24 November 2020, Adcorp Holdings Limited renegotiated its borrowing base facility through an amendment and restatement agreement relating to the borrowing base facility originally dated 8 December 2017, which became effective on 30 November 2020. Under the amendment and restatement agreement, the facilities were restructured to include a revolving credit facility of R850 million ("ZAR new revolving credit facility") 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 accordion facility covers a three month period from December in any year to February of the next year the last of which period shall be December 2021 to February 2022, which is available in the event of the group's working capital requirements over this period, at the group's sole discretion. The ZAR new revolving credit facility reduces automatically to R700 million on 28 February 2021 and to R400 million on 1 July 2021.

Trade receivables are used as security to secure funding relating to the group loan facilities, inclusive of South Africa and Australia.

As security for the South Africa loan facility granted to the group, a shared security agreement was entered into that holds a cession over the trade receivables between the following operating subsidiaries of the Adcorp Group:

- Adcorp Staffing Solutions Proprietary Limited
- Adcorp Fulfilment Services Proprietary Limited
- Adcorp Management Services Proprietary Limited
- Adcorp Support Services Proprietary Limited
- Quest Staffing Solutions Proprietary Limited
- Fortress Administration Proprietary Limited
- Paracon SA Proprietary Limited
- Mondial IT Solutions Proprietary Limited
- Production Management Institute of Southern Africa Proprietary Limited
- Adcorp Workforce Management Solutions Proprietary Limited
- Adcorp Workforce Solutions Proprietary Limited
- TalentCru Proprietary Limited
- Torque Technical Computer Training Proprietary Limited
- Zest Hospitality Proprietary Limited
- Adcorp Contracting Proprietary Limited
- Adcorp Technical Training Proprietary Limited
- Adfusion Contract Management Services Proprietary Limited

On 3 May 2021, the maturity date of the ZAR new revolving credit facility was extended to 31 August 2022 (note 16).

As security for the Australia loan facility, a shared security agreement was entered into which holds a cession over the trade receivables between the following operating subsidiaries of the Adcorp Group:

- Adcorp Holdings Australia Proprietary Limited
- Paxus Australia Proprietary Limited
- Labour Solutions Australia Proprietary Limited
- Labour Solutions Australia (Agri) Proprietary Limited
- Adcorp Holdings Singapore Pte Limited
- AllaboutXpert Australia Proprietary Limited
- Talentcru Proprietary Limited

On 19 May 2021, the lenders agreed to extend the borrowing facilities until 30 June 2022 (note 16).

Notes to the audited summarised consolidated financial statements continued

for the year ended 28 February 2021

11. Management of capital

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

The group's investment committee has considered the cost of capital and the risks associated with each class of capital. The current gearing ratio is negative 1,3% (2020: 51,8%). The committee believes that the appropriate leverage ratio for the nature of the business is the debt-to-EBITDA ratio and has a target of 1,5x. This is reviewed on an ongoing basis as the strategic transformation of the group progresses.

12. Financial instruments by category

	2021 R'000	2020 R'000
Financial assets		
Other financial assets – investment at fair value	18 971	17 620
Other financial assets – investment at amortised cost	–	36 924
Trade receivables – amortised cost	1 377 823	1 924 851
Other receivables – amortised cost	56 809	60 193
Cash and cash equivalents – amortised cost	473 932	356 761
Financial liabilities		
Lease liabilities – amortised cost	444 939	497 478
Interest-bearing borrowings – amortised cost	455 823	1 001 684
Bank overdraft – amortised cost	87	182
Trade and other payables – amortised cost	361 487	405 025

13. Financial risk management

13.1 Financial risk management objectives

The group's activities expose it to a variety of financial risks such as market risk (including foreign currency exchange risk), interest rate risk, credit risk and liquidity risk. The group's executive and head office treasury function provides services to the business, co-ordinates access to domestic financial markets, and monitors and manages the financial risks relating to the operations of the group. The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The head office treasury function reports quarterly to the board, which monitors risks and policies implemented to mitigate risk exposures.

13. Financial risk management continued

13.2 Foreign currency management

The group was exposed to foreign currency exchange movements related to the investment carried at amortised cost in the prior financial year and cash and cash equivalents denominated in US dollars in the current and prior financial year.

At 29 February 2020, in respect of the investment carried at amortised cost, if the South Africa rand had weakened/strengthened 5% against the US dollar, with all other variables held constant, profit or loss for the year would have increased/decreased by R2 million. However, due to the investment being impaired as cash is considered to be restricted in Angola, the allowance for expected credit losses would have adjusted any foreign currency fluctuations thereby negating any impact on profit or loss.

At 28 February 2021, in respect of the cash and cash equivalents denominated in US dollars, if the South Africa rand had weakened/strengthened 5% against the US dollar, with all other variables held constant, profit or loss for the year would have increased/decreased by R3 million (2020: R2 million). However, due to the investment being impaired as cash is considered to be restricted in Angola, the allowance for expected credit losses would have adjusted any foreign currency fluctuations thereby negating any impact on the profit or loss.

13.3 Interest risk management

The group is exposed to interest rate risk because it has interest-bearing borrowings (note 10) that attract interest at a floating rate.

At 28 February 2021, 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 R5 million (2020: decreased/increased by R10 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.

13.4 Credit risk management

The maximum exposure to credit risk is represented by the carrying amount of trade receivables and short-term cash and cash equivalents.

Before accepting any new customer, the South African operations uses an external credit bureau to assess the potential customer's credit quality and defines credit limits by customer. The carrying value approximates the fair value.

The group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

The group's credit terms to clients range between seven to 180 days with an average collection period of 38 days (2020: 43 days) and no interest is charged on the trade receivables.

The group 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.

Notes to the audited summarised consolidated financial statements continued

for the year ended 28 February 2021

13. Financial risk management continued

13.5 Liquidity risk management

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

The group has undrawn variable rate facilities of R835 million (2020: R504 million). Cash and cash equivalents as at 28 February 2021 is R474 million (2020: R357 million). Included in cash and cash equivalents is restricted cash held in Angola of R67 million (2020: R43 million).

13.6 Maturity analysis of non-derivative financial liabilities (including interest)

	2020 R'000	2020 R'000
Trade and other payables	361 487	405 025
Interest-bearing borrowings	55 823	1 001 684
Lease liabilities	83 240	99 488
Total due within one year	500 550	1 506 197
After one year but within two years	475 258	87 842
After two years but within three years	69 869	73 792
After three years but within four years	66 465	66 655
After four years but within five years	60 806	65 104
After five years	415 367	475 960
Total due after one year	1 087 765	769 353
Total debt	1 588 315	2 275 550

13.7 Financial instruments measured at fair value

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

	2021 R'000	2020 R'000	Valuation technique(s) and key inputs	Fair value hierarchy	Relationships of unobservable inputs to fair value
Investment – fair value	18 971	17 620	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

14. Disposal of Dare Holdings Proprietary Limited and Adcorp Singapore Pte Limited

On 30 September 2020, the group disposed of its 100% shareholding in Dare Holdings Proprietary Limited and Adcorp Singapore Pte Limited. The carrying value of net assets at the disposal date was R31 million. The proceeds received was R30 million and the group realised a profit of R3 million inclusive of foreign currency translation reclassified to profit or loss on the disposal date of R4 million.

15. Contingent liabilities and commitments

The bank has issued guarantees R26 million (2020: R28 million) on behalf of the group, to creditors. The group has commitments relating to information technology development of R12 million.

16. Events after the reporting period

Disposal of Adcorp Support Services Proprietary Limited

On 30 March 2021, the group disposed of its 100% shareholding in Adcorp Support Services Proprietary Limited and received proceeds of R172 million after the deduction of certain closing liabilities on 31 March 2021.

Debt extension in South Africa

On 3 May 2021, the lenders of the South African operations interest-bearing borrowings agreed to extend the borrowing base facilities agreement final maturity date to 31 August 2022.

Debt extension in Australia

On 19 May 2021, the lenders of the Australian operations interest-bearing borrowings agreed to extend the borrowing base facility until 30 June 2022.

Change in non-controlling interest:

On 13 May 2021, 25% of the minority interest in AllaboutXpert Technologies Proprietary Limited in Australia was acquired by AllAboutXpert Australia Proprietary Limited for a consideration of AU\$351 218.

17. Dividends paid

No dividend was declared or paid for the year ended 28 February 2021 (2020: R106 million dividend paid, Rnil dividend declared).

18. B ordinary shares repurchased

On 13 November 2020, 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 4 205 712 B ordinary shares held by Thornbird Trade and Invest 33 Proprietary Limited and 5 887 997 B ordinary shares from Wiphold Financial Services Number Two Proprietary Limited respectively for R0.102 million.

Independent auditor's report on summarised consolidated financial statements

To the shareholders of Adcorp Holdings Limited

Opinion

The summarised consolidated financial statements of Adcorp Holdings Limited, which comprise the summarised consolidated statement of financial position as at 28 February 2021, the summarised consolidated statements of profit and loss, other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Adcorp Holdings Limited for the year ended 28 February 2021.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of Adcorp Holdings Limited, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, set out in note 3 to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Other matter

We have not audited future financial performance and expectations by management included in the accompanying summarised consolidated financial statements and accordingly do not express any opinion thereon.

Summarised consolidated financial statements

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summarised consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of Adcorp Holdings Limited and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 31 May 2021. That report also includes communication of key audit matters as reported in the auditor's report of the audited financial statements

Directors' responsibility for the summarised consolidated financial statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, set out in note 3 to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34, Interim Financial Reporting.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summarised consolidated financial statements are consistent, in all material respects, with the consolidated audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.



Deloitte & Touche

Registered Auditors

Per: T Marriday

Partner

31 May 2021

5 Magwa Crescent

Midrand, 2066

South Africa

Corporate information

Adcorp Holdings Limited

Registration number 1974/001804/06

Listed 1987

Share code: ADR

ISIN: ZAE000000139

Website: www.adcorpgroup.com

JSE Sponsor

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