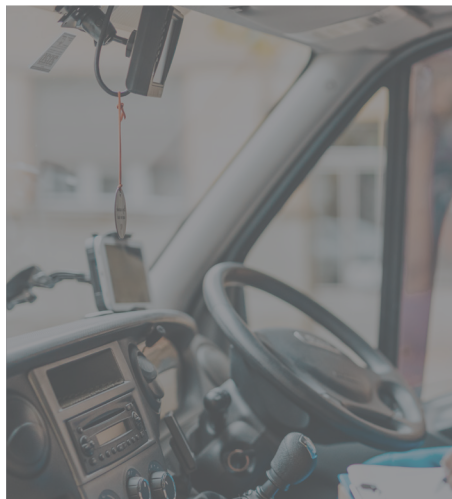
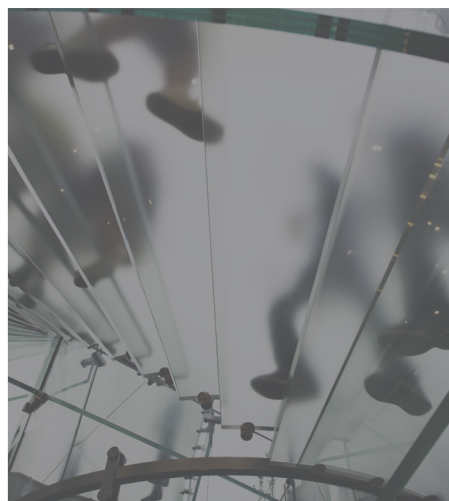


# adcorp

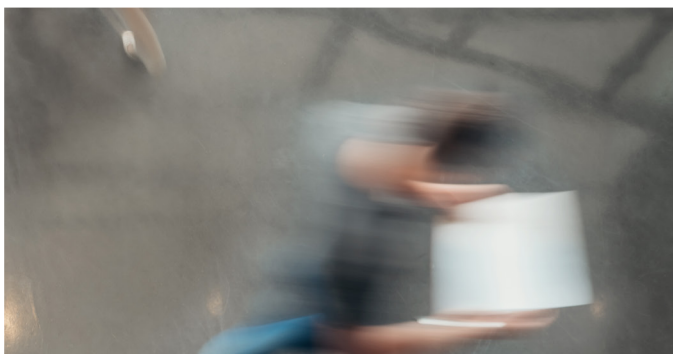
Connecting Potential

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



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# Directors' responsibility for the annual financial statements

## To the shareholders of Adcorp Holdings Limited

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the audited consolidated financial statements and related financial information included in this report. It is their responsibility to ensure that the audited consolidated financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The external auditor is engaged to express an independent opinion on the audited consolidated financial statements.

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


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

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

The directors have reviewed the group's cash flow forecast for the 12 months from approval of the consolidated financial statements to 30 June 2022 and, in light of this review and the current financial position, they are satisfied that the group has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the audited consolidated financial statements. The audited consolidated financial statements have been examined by the group's external auditor and their report is presented on pages 3 to 6.

The audited consolidated financial statements set out on pages 7 to 87, which have been prepared on the going concern basis, were approved by the directors on 31 May 2021 and were signed on their behalf by:



**John Wentzel**

*Chief Executive Officer*

31 May 2021

## Chief Executive Officer and Chief Financial Officer responsibility statement

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

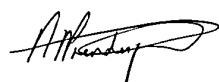
- (a) The consolidated annual financial statements set out on pages 7 to 87, fairly present in all material respects the consolidated financial position, financial performance and cash flows of Adcorp Holdings Limited in terms of International Financial Reporting Standards;
- (b) No facts have been omitted or untrue statements made that would make the consolidated annual financial statements false or misleading;
- (c) Internal financial controls have been put in place to ensure that material information relating to Adcorp Holdings Limited and its consolidated subsidiaries have been provided to effectively prepare the consolidated annual financial statements of Adcorp Holdings Limited; and
- (d) The internal financial controls are adequate and effective and can be relied upon in compiling the consolidated annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King IV Code on Corporate Governance<sup>TM\*</sup>. Where we are not satisfied, we have disclosed to the audit and risk committee and the auditor the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.



**John Wentzel**

*Chief Executive Officer*

31 May 2021



**Noel Prendergast**

*Chief Financial Officer*

31 May 2021

## Company Secretary compliance statement

I certify that, to the best of my knowledge and belief, the company and its subsidiaries has lodged with the Companies and Intellectual Property Commission (CIPC) all such returns as are required of a public company in terms of the Companies Act 71 of 2008, as amended, in respect of the year ended 28 February 2021 and that all such returns appear to be true, correct and up to date.



**Lisa Laporte**

*Company Secretary*

31 May 2021



# Independent auditor's report

## To the shareholders of Adcorp Holdings Limited

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Adcorp Holdings Limited and its subsidiaries (the Group) set out on pages 13 to 87, which comprise the consolidated statement of financial position as at 28 February 2021, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Adcorp Holdings Limited and its subsidiaries as at 28 February 2021, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

#### Basis for opinion

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

#### Key audit matters

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

# Independent auditor's report continued

## Key audit matter

## How the matter was addressed in the audit

### Impairment assessments on the carrying value of goodwill

Goodwill (R527 million) comprise 15% of the total assets of the Group. The Group has recognised Goodwill in the consolidated statement of financial position mainly as a consequence of business acquisitions.

As required by IAS 36: *Impairment of Assets* ("IAS 36"), the Directors conduct annual impairment tests to assess the recoverability of the carrying value of goodwill. This is performed using the discounted cash flow ("DCF") models.

As disclosed in note 7 of the consolidated financial statements, there are several key assumptions and judgements made in determining the inputs into these models.

The key assumptions with the most significant impact on the valuation models include:

- Growth rates applied to revenue, operating profits and Earnings Before Interest and Tax ("EBITDA") and EBITDA margins. The growth rates are highly subjective since they are based on the Directors' experience and expectations rather than observable market data.
- Terminal growth rates applied to the valuation models.
- The discount rates applied to the projected future cash flows. The discount rate is subjective and the calculation is complex.

The impairment assessment of goodwill is a key audit matter as a result of the judgement required by the Directors.

We focused our testing of the impairment of goodwill on the key assumptions and judgements made by the Directors. Our audit procedures included:

- Testing the design and implementation of relevant controls over the goodwill impairment assessment;
- Engaging our internal specialists to assist with:
  - Critically evaluating whether the models used by the Directors to calculate the value in use of the individual cash generating units are aligned with IAS 36;
  - Assessing the assumptions used to calculate the discount rates and independently recalculating the discount and growth rates.
- Assessing the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current economic fundamentals and expected future performance of the cash generating units;
- Comparing the projected cash flows, including the assumptions relating to revenue, operating profit, EBITDA, EBITDA margins and terminal growth rates against historical performance to assess the reasonableness of the Directors' projections;
- Recomputing the value in use of each of the cash generating units and comparing this to the carrying value at 28 February 2021 to determine whether any impairment is required; and
- Performing sensitivity analyses on key inputs and considering the potential impact on the carrying value of Goodwill.

Based on the above procedures performed:

There is sufficient headroom in the calculations and no impairments are required for any of the CGU's. However, there is limited headroom on the Paracon and Labour Solutions Australia (LSA) CGU's at the lower end of the sensitivity analysis.

The disclosure of the goodwill is consistent with the requirements of IAS 36.

**Key audit matter****How the matter was addressed in the audit****Recoverability of deferred taxation assets**

Deferred taxation assets raised on tax losses for the Group amount to R93 million. This has been recognised in the consolidated statement of financial position as disclosed in note 9 of the consolidated financial statements.

The Group recognised deferred taxation assets on tax losses in respect of the entities where it is probable in the judgement of the Directors that future taxable income will be generated to realise these recognised tax assets. This requires the Directors' judgement in estimating future taxable income.

The key assumption with the most significant impact on the determination of the deferred taxation asset raised include the growth rates applied to revenue, operating profits, EBITDA and EBITDA margins. The growth rates are highly subjective since they are based on the Directors' experience and expectations rather than observable market data.

We identified the valuation of the deferred taxation assets raised on tax losses as a key audit matter as a result of the judgement required by the Directors.

We involved our tax specialists to evaluate the recognition and measurement of the current and deferred tax assets. This included:

- Testing the design and implementation of relevant controls over the computation and assessment of taxation and deferred taxation;
- Analysing the current and deferred taxation calculations for compliance with the relevant tax legislation;
- Evaluating the Directors' assessment supporting the future cash flows, and analysing these future projected cash flows to determine whether they are reasonable and supportable given the current economic fundamentals and expected future performance of the entities;
- Comparing the projected cash flows, including the assumptions relating to revenue, operating profit, EBITDA, and EBITDA margins, against historical performance to assess the reasonableness of the Directors' projections; and
- Challenging the assumptions made by the Directors in projecting future taxable income that have been applied or used to justify the deferred taxation assets raised.

Based on the procedures performed and information available:

- The deferred taxation assets raised on assessed losses are supported by the projections of future taxable income.
- The deferred taxation balances recorded and the disclosures thereof are appropriate and are consistent with the requirements of IAS 12: *Income Taxes*.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the document titled "Adcorp Limited Annual Financial statements 2021", which includes the Directors' Report, the Audit and Risk Committee's Report, the Company Secretary's Certificate as required by the Companies Act of South Africa and the Chief Executive Officer and Chief Financial Officer responsibility statement, which we obtained prior to the date of this report and the Separate Financial statements and the Integrated Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

**Responsibilities of the Directors for the consolidated financial statements**

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

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

## Independent auditor's report continued

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

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

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

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

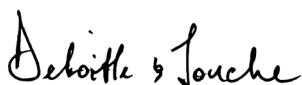
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

### Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Adcorp Holdings Limited for 20 years.



**Deloitte & Touche**  
Registered Auditor  
Per: T Murrday  
Partner

31 May 2021

Deloitte & Touche  
5 Magwa Crescent  
Midrand, 2066  
South Africa



# Report of the audit and risk committee

for the year ended 28 February 2021

The group's audit and risk committee (the committee or ARC) presents its report for the financial year ended 28 February 2021. The committee's duties and objectives, as mandated by the board, allow it to discharge its statutory and other board-delegated duties in keeping with its terms of reference. These duties are briefly set out in this report.

## Composition, meetings and assessment

The five members of the ARC were recommended by the board to the shareholders and were formally appointed at the previous annual general meeting (AGM) held on 10 September 2020 except for T Mokgabudi who was only appointed on 15 October 2020.

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

\* Appointed as member of audit and risk committee on 15 October 2020 and Chairman of the audit and risk committee on 1 March 2021

\*\* Resigned as Chairman of the audit and risk committee and the board on 1 March 2021

Closed sessions are arranged with key relevant parties and private sessions of members are held from time to time to ensure confidential assessments and discussions can occur. Eight committee meetings were held during the year including ordinary and special meetings.

In line with King IV, the board and its committee should be assessed once every two years and this was performed during the 2021 financial year.

## Roles and responsibilities

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

- Perform its statutory duties as prescribed by the Companies Act of South Africa, including the appointment and the assessment of the independence of the external auditor;
- Oversee the integrated reporting process and assess disclosures made to all stakeholders, which included the consolidated financial statements for the year under review;
- Oversee and evaluate the governance of risk and the related internal control environment, and consider the recommendation of the internal auditors in respect of the effectiveness of the system of internal controls;
- Monitor and assess all internal and external assurance providers;
- Assess key audit matters;
- Assess the expertise and experience of the CFO and the resources within the financial function; and
- Recommend the consolidated financial statements for report for approval by the board.

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

## External auditor appointment and independence

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

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

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

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

The audit and risk committee considered the tenure of Deloitte & Touche and has nominated, for re-election at the AGM of shareholders, Deloitte & Touche to continue in office in accordance with section 94(7) of the Companies Act of South Africa. Mr Thega Marriday has been recommended by the Deloitte Africa Executive to continue as the designated individual auditor for Adcorp Holdings Limited for the financial year ended 28 February 2022.

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

# Report of the audit and risk committee continued

for the year ended 28 February 2021

## Financial statements and accounting policies

The committee has assessed the group's accounting policies and the consolidated financial statements for the year ended 28 February 2021 and is satisfied that they are appropriate and comply in all respects with the Companies Act, IFRS and the JSE Listings Requirements together with consideration of the findings from the JSE Reporting back on proactive monitoring of financial statements in 2020 and combined findings of the JSE proactive monitoring of financial statements: Reviews done 2011 to 2019.

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

The committee supports the opinion of the board and the external auditor with regard to the consolidated financial statements, which have been approved by the board and will be presented to shareholders at the AGM to be held on 29 July 2021.

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

## Governance of risk

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

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

## Internal audit

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

During the year under review, the committee:

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

## CEO and CFO responsibility statement

The committee evaluated the group's assessment of the CEO and CFO responsibility statement on the consolidated financial statements and internal financial controls as required by new JSE Listings Requirements as set out on page 2. The committee received an update on the implementation of the project initiated to ensure compliance with paragraph 3.84(k) of the Listings Requirements of the JSE Limited. The implementation of the project included various stages such as scoping and assessment of materiality, gap analysis and the compilation of comprehensive risk and control matrices covering all of the business processes that have an impact on financial reporting, the review and testing of key controls, consideration of any findings identified by internal audit and the final year end sign off by all the relevant control owners. The process identified significant deficiencies which have been communicated to the committee and external auditors and have been included in a remediation plan by management. The committee have considered the mitigating controls provided by management that provide reasonable assurance that these financial statements are fairly presented.

## Impact of COVID-19

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

## Going concern

In preparing the consolidated group financial statements, the directors are responsible for evaluating the group's ability to continue as a going concern and therefore the appropriateness of the going concern assumption in preparing the financial statements. The directors have assessed the economic environment, current financial position, and the group's expected cash flows for the next 12 months through to the end of June 2022. The liquidity and solvency position has also been reviewed as part of this assessment.

The directors are satisfied that there are no material uncertainties that cast doubt on the group or company's ability to operate as a going concern. The group and company have sufficient resources, or access to resources, to continue with all operating activities for the foreseeable future. Based on this assessment, the directors consider it appropriate to adopt the going concern assumption for the preparation of the 2021 financial statements.

### Significant areas of judgement

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

- Goodwill impairment assessment; and
- Deferred tax assets raised on tax losses.

### Goodwill and impairment assessment

Management performed the annual assessment for impairment of goodwill. The committee has considered the significant estimates and judgements applied in management's valuation and impairment assessments. The committee assessed the following factors:

- The reasonableness of management's assumptions used in determining future cash flows;
- The terminal value and discount rates applied in management's valuation; and
- The adequacy of the disclosures made in note 7 in the financial statements.

On this basis, the committee is satisfied that no impairment (2020: R558 million) is required on the goodwill for the current year.

Refer to note 7 in the annual financial statements for a detailed analysis of the factors, inputs and outcomes of results of impairment testing at the reporting date.

### Deferred tax assets on tax losses

The group operates in different jurisdictions including South Africa and Australia, requiring judgements in recognising tax liabilities. There are also judgements needed in recognising deferred tax assets. The committee has applied its mind to the assumptions made in determining the recognition of the deferred tax assets and is satisfied as to the recoverability. A detailed view of the tax position of the group is provided in notes 9 and 10 in the consolidated financial statements.

### Evaluation of the expertise and experience of the CFO and the finance function

The committee has considered and is satisfied with the appropriateness of the expertise and experience of the CFO, Mr Noel Prendergast who was appointed as the interim CFO (effective 1 July 2020) and subsequently CFO on 21 October 2020.

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

The audit and risk committee has access to all financial information of the company, including the financial information of all entities within the group.

### Key focus areas

In addition to executing on its statutory duties and considering key audit matters, the committee also addressed the following key areas of focus during the year ended 28 February 2021:

- Monitoring progress in term of the group's financial roadmap;
- Receiving and discussing reports from internal audit and monitoring the risks and compliance within the business; and
- Ensuring appropriate governance and oversight of the group's IT transformation process. Refer to note 2.2 for further details.

The committee has set the following key areas of focus for 2022:

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

### Conclusion

Having considered all the material factors and key audit matters the committee recommended the consolidated financial statements for the year ended 28 February 2021 for approval to the board. The board has approved the annual financial statements which will be open for discussion at the forthcoming AGM of shareholders.

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



**T Mokgabudi**

*Chairman, audit and risk committee*

31 May 2021

# Directors' report

for the year ended 28 February 2021

The directors have pleasure in submitting their report and consolidated financial statements for the year ended 28 February 2021.

## Nature of business

The group has subsidiaries that carry on business in South Africa and Australia. Areas of activities include the permanent recruitment and flexible staffing sectors, professional IT services, as well as the provision of business process outsourcing, training and financial services. There have been no material changes in the nature of the business during the current financial year.

## Results of group operations

The results for the current financial year are detailed in the annual consolidated financial statements on page 13 to 87.

Revenue for the financial year decreased by 9,3% to R11 717 million from R12 922 million. Revenue was impacted by negative economic growth and rising unemployment levels which was exacerbated by the COVID-19 pandemic in both South Africa and Australia. Gross profit decreased by 22,3% to R1 142 million from R1 470 million as the group was unable to pass on its input costs. Other income increased significantly by R72 million from R27 million to R99 million mainly driven by the Australian operation receiving "Jobkeeper" support payments received from the Australian government of R44 million (AUD3,8 million), an increase of R8 million on profits recognised on the disposal of property and equipment as a result of a sale and leaseback transaction during the year, profit recognised of R3 million on the sale of Dare Holdings Proprietary Limited and Adcorp Singapore Pte Limited and a credit of R36 million realised on the derecognition of finance leases offset by a lease exit settlement cost of R18 million, exited during the current financial year.

Operating expenses decreased by 41,9% to R1 156 million from R1 991 million following restructuring initiatives implemented in the prior financial year and during the current financial year which were aimed at right-sizing the cost base of entities in the group and improving overall performance. As a result of these initiatives, staff costs and retirement benefit costs decreased significantly by R202 million. In addition, depreciation and amortisation decreased by R12 million due to intangible assets fully amortising during the year, the impairment of right-of-use assets decreased by R33 million and the impairment of goodwill recognised in the prior financial year decreased by R558 million. These cost decreases were offset by R13 million incurred on the derecognition of right-of-use assets related to leases exited during the year.

Net financing costs decreased by 14,2% from R106 million to R91 million in the current year as average interest-bearing borrowing levels decreased compared to the prior financial year. The taxation expense decreased by R50 million from R72 million to R22 million due to decreased taxable profits within the group and a derecognition of deferred tax assets in the prior financial year.

As a result, the group's net profit from continuing operations has increased by R668 million from a loss of R663 million to a profit of R5 million in the current financial year.

The group's profit for the year from discontinued operations was R36 million compared to R59 million in the prior financial year impacted by the sale of Dare Holdings Proprietary Limited and Adcorp Holdings Singapore Pte Limited effective 30 September 2020 and Adcorp Support Services Proprietary Limited's profit after taxation decreased as a result of the negative downturn in the South African economy which had a direct impact on performance.

The group's total net profit for the year was R41 million compared to a loss of R605 million in the comparative financial year.

## Share capital

The authorised share capital is 183 177 151 (2020: 183 177 151) ordinary shares of 2,5 cents per share and 16 822 849 (2020: 16 822 849) "B" ordinary shares of 2,5 cents per share. The issued share capital of the group at 28 February 2021 was 109 954 675 (2020: 109 954 675) ordinary shares of 2,5 cents per share and 6 729 140 (2020: 16 822 849) "B" ordinary shares of 2,5 cents per share.

Movements in the "B" ordinary shares are disclosed in note 15.1 and 16.1.2.

## Dividend

No dividends were declared for the financial year ended 28 February 2021 (2020: Nil).

## Property and equipment

There were no significant changes in the nature of the group's property and equipment during the current financial year. During the current financial year, the group acquired property and equipment to the value of R15,7 million compared to R69,6 million in the comparative financial year. Details are provided in note 4 of the annual consolidated financial statements.

## Special resolutions

At the AGM held on 10 September 2020, Adcorp's shareholders passed the following special resolutions for the purposes indicated:

**Special resolution number 1:** To approve the remuneration payable to non-executive directors for their services as directors.

**Special resolution number 2:** To approve that the company and/or any subsidiary of the company be authorised to repurchase shares issued by the company, capped at 10% of issued share capital.

**Special resolution number 3:** To approve, in terms of section 44 read with section 45 of the Companies Act of South Africa, that the company provide financial assistance for the provision of any loans or other financial assistance to present or future related and inter-related companies.

## Statutory information

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

## Directorate and secretary

The directors during the year are as follows:

Name	Current year appointments and resignations
<b>Non-executive directors</b>	
GT Serobe	
P Mnganga	
GP Dingaan	Resigned 10 September 2020
H Singh	
SN Mabaso-Koyana	Resigned 1 March 2021
C Maswanganyi	
FS Mufamadi	Resigned 10 September 2020
S Sithole	
MW Spicer	
MM Nkosi	
R van Dijk	
C Smith	
T Mokgabudi	Appointed 15 October 2020
M Lubega	Appointed 1 July 2020
<b>Executive directors</b>	
CJ Kujenga	Resigned 31 May 2020
Dr J Wentzel	Appointed 1 April 2021
P Roux	Appointed 24 April 2020; resigned 31 March 2021
N Prendergast	Appointed 1 July 2020 as Interim Chief Financial Officer; appointed 14 October 2020 as Chief Financial Officer
<b>Company Secretary</b>	
Fluidrock Co Sec Proprietary Limited	Resigned 30 April 2020
L Laporte	Appointed 1 May 2020

## Directors' and prescribed officers' remuneration and interests held

Details of directors' and prescribed officers' remuneration and interests held in shares appear in notes 26 to 29 of the consolidated financial statements.

### Directors' interest in contracts

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

### Debt extension

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 and on 19 May 2021, the lenders of the Australian operations interest-bearing borrowings agreed to extend until 30 June 2022.

## Disposal of non-core assets

On 30 September 2020, the group disposed of its 100% shareholding in Dare Holdings Proprietary Limited and Adcorp Holdings Singapore Pte Limited. The group received proceeds of R29,9 million and recognised a profit on disposal of R2,6 million (note 32).

During the current financial year, Adcorp Support Services Proprietary Limited, a 100% indirectly held subsidiary was identified as a non-core asset that could be disposed of. The proceeds on a successful disposal will be utilised to reduce the interest-bearing borrowings of the group. Adcorp Support Services has been presented as a discontinued operation in the current financial year and the comparatives appropriately restated (note 3). The sale of Adcorp Support Services Proprietary Limited was concluded on 30 March 2021, refer to Events after the reporting period and note 38.



# Directors' report continued

for the year ended 28 February 2021

## Going concern

In preparing the consolidated group financial statements, the directors are responsible for evaluating the group's ability to continue as a going concern. The directors have assessed the economic environment, current financial position and the group's cash flow position for the next 12 months. The liquidity and solvency position has also been reviewed as part of this assessment.

## Solvency

As at 28 February 2021, the group had accumulated losses of R529 million and the group's total assets exceed its liabilities by R1 352 million.

## Liquidity

In assessing the liquidity position, a cash flow forecast was prepared up until 30 June 2022, which considered the disposal of non-core assets of the group. Collectively, these indicate that the group will have or have access to sufficient cash resources for the period under review. Furthermore, the cash position is monitored daily by management.

## Going concern conclusion

Although it is not possible to make an accurate and complete estimate of the full impact that the COVID-19 pandemic's continued national level restrictions imposed 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.

## Auditor

The audit and risk committee has nominated, for re-election at the AGM of shareholders, Deloitte & Touche to continue in office in accordance with section 94(7) of the Companies Act of South Africa.

## Company Secretary

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

## Compliance with applicable laws

The board hereby confirms that the company is:

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

## Events after 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 net proceeds of R172 million after the deduction of certain closing liabilities on 31 March 2021 (note 38).

### *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 AUD351 218.

# Consolidated statement of financial position

as at 28 February 2021

	Notes	2021 R'000	Restated 2020 <sup>1</sup> R'000	Restated 2019 <sup>1</sup> R'000
<b>Assets</b>				
<b>Non-current assets</b>		<b>1 357 418</b>	1 532 497	1 711 896
Property and equipment	4	48 286	72 212	57 647
Right-of-use assets	5.1	364 572	414 917	—
Intangible assets <sup>2</sup>	6	144 346	177 702	231 601
Goodwill	7	527 216	635 609	1 188 811
Other financial assets – investment at fair value	8.1	18 971	17 620	15 247
Deferred taxation	9	198 832	181 171	218 590
Prepayments <sup>2</sup>	13.1	55 195	33 266	—
<b>Current assets</b>		<b>1 962 906</b>	2 428 870	2 718 087
Trade receivables	12	1 377 823	1 924 851	2 086 490
Other receivables	13.3	101 297	91 849	103 712
Other financial assets – investment at amortised cost	8.2	—	36 924	31 676
Taxation prepaid	11	9 854	18 485	87 202
Cash and cash equivalents	14	473 932	356 761	409 007
Disposal group assets held for sale	3.2	196 553	116 039	—
<b>Total assets</b>		<b>3 516 877</b>	4 077 406	4 429 983
<b>Equity and liabilities</b>				
<b>Total equity</b>		<b>1 352 254</b>	1 245 847	1 976 308
Share capital and share premium	15.1	1 740 858	1 740 858	1 740 858
Treasury shares	15.2	(68 083)	(68 083)	(38 233)
Reserves	16	(320 521)	(426 928)	273 683
<b>Non-current liabilities</b>		<b>870 459</b>	489 676	801 203
Interest-bearing borrowings	17.1	400 000	—	690 466
Lease liabilities	5.2	369 658	404 021	—
Deferred taxation	9	100 801	85 655	104 077
Provisions		—	—	6 660
<b>Current liabilities</b>		<b>1 273 020</b>	2 303 024	1 652 472
Interest-bearing borrowings	17.2	55 823	1 001 684	194 836
Lease liabilities	5.2	75 281	93 457	—
Bank overdraft	14	87	182	227
Trade and other payables	18	908 922	1 010 646	1 111 233
Provisions	19	183 738	162 429	286 663
Taxation payable	11	49 169	34 626	59 513
Disposal group liabilities held for sale	3.2	21 144	38 859	—
<b>Total equity and liabilities</b>		<b>3 516 877</b>	4 077 406	4 429 983

<sup>1</sup> 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 2.2). 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.

<sup>2</sup> The comparatives for intangible assets have been restated with R33 million reclassified to non-current prepayments (note 2.2).

# Consolidated statement of profit or loss

for the year ended 28 February 2021

	Notes	2021 R'000	Restated <sup>1</sup> 2020 R'000
<b>Continuing operations</b>			
Revenue	20	11 716 956	12 922 325
Cost of sales		(10 575 140)	(11 452 501)
<b>Gross profit</b>		<b>1 141 816</b>	1 469 824
Other income	21	99 399	26 920
Loss allowance for expected credit losses – trade receivables <sup>2</sup>	12	33 396	8 084
Operating expenses <sup>2,3</sup>		(1 156 200)	(1 990 642)
<b>Operating profit/(loss) before finance income and finance costs</b>	22	<b>118 411</b>	(485 814)
Finance income	23	16 204	21 942
Finance costs	24	(106 854)	(127 456)
<b>Profit/(loss) before taxation</b>		<b>27 761</b>	(591 328)
Taxation expense	10	(22 338)	(71 977)
<b>Profit/(loss) for the year from continuing operations</b>		<b>5 423</b>	(663 305)
<b>Discontinued operations</b>			
Profit for the year from discontinued operations	3.1	35 906	58 553
<b>Profit/(loss) for the year</b>		<b>41 329</b>	(604 752)
<b>Profit/(loss) attributable to:</b>			
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
<b>Continuing operations basic and diluted earnings per share:</b>			
Basic earnings/(loss) per share – cents	25	2,2	(616,0)
Diluted earnings/(loss) per share – cents	25	2,1	(616,0)
<b>Discontinued operations basic and diluted earnings per share:</b>			
Basic earnings per share – cents	25	33,4	54,4
Diluted earnings per share – cents	25	32,5	54,4
<b>Total basic earnings/(loss) per share</b>			
Basic earnings/(loss) per share – cents	25	35,6	(561,6)
Diluted earnings/(loss) per share – cents	25	34,6	(561,6)

<sup>1</sup> The comparatives have been restated on the classification of Adcorp Support Services Proprietary Limited as a discontinued operation. Refer to note 3, Discontinued operations. In addition, the comparatives have been represented to present profit or loss line items by function (note 2.2).

<sup>2</sup> 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 2.2).

<sup>3</sup> Operating expenses have increased by R17 million relating to foreign exchange movements previously presented as an impairment expense (note 2.2). 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 2.2).

# Consolidated statement of other comprehensive income

for the year ended 28 February 2021

	2021 R'000	Restated <sup>1</sup> 2020 R'000
<b>Profit/(loss) for the year</b>	<b>41 329</b>	(604 752)
<b>Other comprehensive income<sup>2</sup></b>		
Continuing operations	<b>60 284</b>	2 741
Exchange differences on translating foreign operations	<b>16 539</b>	(3 841)
Exchange differences reclassified to profit or loss on disposal of foreign business (notes 16.2 and 32)	<b>(3 770)</b>	–
Exchange differences arising on the net investment of a foreign operation	<b>47 515</b>	6 582
<b>Discontinued operations</b>	<b>–</b>	1 282
Exchange differences on translating foreign operations	<b>–</b>	1 282
Other comprehensive income for the year, net of tax	<b>60 284</b>	4 023
<b>Total comprehensive income/(loss) for the year</b>	<b>101 613</b>	(600 729)
<b>Total comprehensive income/(loss) attributable to:</b>		
Owners of the parent continuing operations	<b>62 927</b>	(660 878)
Owners of the parent discontinued operations	<b>35 906</b>	59 835
Non-controlling interest	<b>2 780</b>	314

<sup>1</sup> The comparatives have been restated on the classification of Adcorp Support Services Proprietary Limited as a discontinued operation. Refer to note 3, 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 2.2).

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

# 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	Share-based payment reserve R'000
Notes	15.1	15.1	15.2	16.1
<b>Balance as at 28 February 2019 – reported</b>	2 749	1 738 109	(38 233)	161 774
<b>Restatement<sup>1</sup></b>	–	–	–	–
<b>Balance as at 28 February 2019 – restated<sup>1</sup></b>	2 749	1 738 109	(38 233)	161 774
Share-based payments	–	–	–	5 020
Treasury shares acquired	–	–	(29 850)	–
Dividend distributions	–	–	–	–
Loss for the year	–	–	–	–
Other comprehensive income/(loss) <sup>1</sup>	–	–	–	–
Equity due to change in control	–	–	–	–
<b>Balance as at 29 February 2020 – restated<sup>1</sup></b>	2 749	1 738 109	(68 083)	166 794
Share-based payments	–	–	–	<b>12 923</b>
Profit for the year	–	–	–	–
Other comprehensive income/(loss)	–	–	–	–
Share repurchases	–	–	–	–
Loss of control	–	–	–	–
<b>Balance as at 28 February 2021</b>	<b>2 749</b>	<b>1 738 109</b>	<b>(68 083)</b>	<b>179 717</b>

<sup>1</sup> 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 2.2).



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	Employees' share option scheme reserve R'000	Total equity R'000
16.2					
(15 614)	52 192	1 900 977	3 821	676	1 905 474
(13 650)	84 484	70 834	—	—	70 834
(29 264)	136 676	1 971 811	3 821	676	1 976 308
—	—	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
(31 823)	(567 474)	1 240 272	4 899	676	1 245 847
—	—	<b>12 923</b>	—	—	<b>12 923</b>
—	<b>38 228</b>	<b>38 228</b>	<b>3 101</b>	—	<b>41 329</b>
<b>60 605</b>	—	<b>60 605</b>	<b>(321)</b>	—	<b>60 284</b>
—	<b>151</b>	<b>151</b>	—	<b>(508)</b>	<b>(357)</b>
—	—	—	<b>(7 772)</b>	—	<b>(7 772)</b>
<b>28 782</b>	<b>(529 095)</b>	<b>1 352 179</b>	<b>(93)</b>	<b>168</b>	<b>1 352 254</b>

# Consolidated statement of cash flows

for the year ended 28 February 2021

	Notes	2021 R'000	Restated <sup>1</sup> 2020 R'000
<b>Operating activities</b>			
Profit/(loss) before taxation		<b>95 317</b>	(518 866)
From continuing operations		<b>27 761</b>	(591 328)
From discontinued operations	3.1	<b>67 556</b>	72 462
<b>Adjusted for:</b>			
Depreciation on property and equipment	4	<b>27 960</b>	29 193
Depreciation on right-of-use assets	5.1	<b>63 907</b>	62 777
Amortisation of intangibles		<b>42 148</b>	53 335
Prepayment released – enterprise technology transformation project	13.2	<b>14 373</b>	–
Impairment of goodwill	7	<b>–</b>	558 081
Impairment of right-of-use assets	5.4	<b>5 889</b>	38 703
Lease liabilities derecognised net of lease settlement costs	5.5	<b>(17 740)</b>	–
Right-of-use assets derecognised	5.5	<b>12 895</b>	–
Profit on the sale of property and equipment	22	<b>(7 881)</b>	(209)
Share-based payments	16.1	<b>12 923</b>	5 020
Unrealised foreign exchange losses		<b>–</b>	3 032
(Profit)/loss on the disposal of businesses	32	<b>(2 592)</b>	715
Fair value adjustment – investment at fair value	8.1	<b>(1 351)</b>	(2 373)
Other non-cash items		<b>–</b>	7 522
Value added tax accrual		<b>(21 479)</b>	–
Decrease in loss allowances for expected credit losses – trade receivables	12	<b>(33 396)</b>	(8 418)
Finance income	23	<b>(16 416)</b>	(22 586)
Finance costs	24	<b>107 312</b>	128 091
<b>Cash generated from operations before working capital changes</b>		<b>281 869</b>	334 017
Decrease in trade and other receivables	12 and 13	<b>745 667</b>	70 097
Decrease in trade and other payables	18	<b>(136 457)</b>	(62 862)
Increase/(decrease) in provisions	19	<b>22 651</b>	(130 894)
Other non-cash items		<b>–</b>	(1 837)
<b>Cash generated by operations</b>		<b>913 730</b>	208 521
Finance income	23	<b>16 416</b>	22 592
Finance costs	24	<b>(59 201)</b>	(90 832)
Interest expense on lease liabilities	5.2	<b>(48 111)</b>	(37 259)
Taxation paid	11	<b>(52 229)</b>	(20 025)
Dividend paid	30.1	<b>–</b>	(105 666)
<b>Net cash generated from/(utilised in) by operating activities</b>		<b>770 605</b>	(22 669)

	Notes	2021 R'000	Restated <sup>1</sup> 2020 R'000
<b>Investing activities</b>			
Additions to property and equipment	4	(15 750)	(69 605)
Proceeds from the sale of property and equipment		16 930	26 014
Additions to intangible assets	6	(980)	–
Prepayment – enterprise technology transformation project	13.2	(57 456)	(31 499)
Proceeds from investment – amortised cost	8.2	37 067	2 378
Proceeds on disposal of businesses	32	29 852	–
<b>Net cash generated inflow/(outflow) from investing activities</b>		<b>9 663</b>	<b>(72 712)</b>
<b>Financing activities</b>			
Share repurchases	16.1.2	(357)	–
Payment from the issue of treasury shares	15.2	–	(29 850)
Repayment of borrowings	17.3	(965 524)	(1 122 930)
Proceeds from borrowings	17.3	386 667	1 235 298
Repayment of lease liabilities and lease settlement cost	5.2 and 5.5	(69 966)	(35 417)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(649 180)</b>	<b>47 101</b>
Net increase/(decrease) in cash and cash equivalents		131 088	(48 280)
Cash and cash equivalents at the beginning of the year	14	360 500	408 780
Foreign currency adjustments		6 787	–
Cash and cash equivalents on disposal of businesses	32	(19)	–
<b>Cash and cash equivalents at the end of the year</b>	14	<b>498 356</b>	<b>360 500</b>

<sup>1</sup> 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 intangible assets has been reclassified to prepayment – enterprise technology transformation project (note 2.2).

# Segment report

for the year ended 28 February 2021

Information reported to the group's executive committee Chief Operating Decision Maker (CODM) to make 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 executing and handling 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 to identify efficiencies that will reduce costs and create a higher degree of strategic flexibility and support.

**Geographic 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 include intra-group charges. This is the measure reported to the group's Chief Executive for resource allocation and assessment of segment performance. To monitor segment performance and allocate 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 except other financial assets (except for trade and other receivables) and taxation assets. Goodwill has been allocated to reportable segments as described in note 7.

Transactions between segments follow the group's accounting policies.

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



# Segment report continued

for the year ended 28 February 2021

		Industrial Services	Professional Services <sup>1</sup>	Training <sup>2</sup>	Australia	Central
		South Africa	South Africa	South Africa	International	South Africa
<b>Revenue</b>						
<b>– 2021</b>	<b>(R'000)</b>	<b>4 590 767</b>	<b>2 030 402</b>	<b>184 609</b>	<b>4 911 178</b>	<b>–</b>
– 2020 <sup>11</sup>	(R'000)	5 541 907	2 538 898	310 466	4 531 054	–
<b>Internal revenue</b>						
<b>– 2021</b>	<b>(R'000)</b>	<b>141 523</b>	<b>11 455</b>	<b>12 844</b>	<b>–</b>	<b>5 262</b>
– 2020 <sup>11</sup>	(R'000)	217 959	11 454	6 534	–	16 523
<b>Loss allowance for expected credit loss and bad debts on trade receivables income/(expense)</b>						
<b>– 2021</b>	<b>(R'000)</b>	<b>4 427</b>	<b>20 763</b>	<b>2 738</b>	<b>5 466</b>	<b>2</b>
– 2020 <sup>11</sup>	(R'000)	7 554	(3 427)	10 026	(6 331)	262
<b>Operating profit/(loss) before finance income and finance costs<sup>5,7</sup></b>						
<b>– 2021</b>	<b>(R'000)</b>	<b>123 452</b>	<b>3 180</b>	<b>(21 654)</b>	<b>62 730</b>	<b>(35 508)</b>
– 2020 <sup>10,11</sup>	(R'000)	(78 889)	(235 617)	1 060	(102 128)	(57 627)
<b>Depreciation and amortisation</b>						
<b>– 2021</b>	<b>(R'000)</b>	<b>5 593</b>	<b>22 203</b>	<b>11 645</b>	<b>50 333</b>	<b>40 587</b>
– 2020 <sup>11</sup>	(R'000)	12 376	26 575	19 568	42 096	41 382
<b>Finance income</b>						
<b>– 2021</b>	<b>(R'000)</b>	<b>1 623</b>	<b>100</b>	<b>138</b>	<b>37</b>	<b>14 306</b>
– 2020 <sup>6,11</sup>	(R'000)	73 342	37 523	1 594	662	(106 076)
<b>Finance costs</b>						
<b>– 2021</b>	<b>(R'000)</b>	<b>(4 775)</b>	<b>(152)</b>	<b>(1 074)</b>	<b>(8 970)</b>	<b>(91 883)</b>
– 2020 <sup>6,11</sup>	(R'000)	(38 078)	(13 883)	(5 378)	(14 245)	(49 196)
<b>Impairment expenses<sup>7</sup></b>						
<b>– 2021</b>	<b>(R'000)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(5 889)</b>
– 2020 <sup>11</sup>	(R'000)	(207 041)	(219 719)	(3 148)	(132 813)	(34 063)
<b>Taxation (expense)/income</b>						
<b>– 2021</b>	<b>(R'000)</b>	<b>(41 937)</b>	<b>(20 093)</b>	<b>(20 575)</b>	<b>(11 598)</b>	<b>71 865</b>
– 2020 <sup>11</sup>	(R'000)	30 660	(28 463)	1 321	(5 847)	(69 648)
<b>Total assets</b>						
<b>– 2021</b>	<b>(R'000)</b>	<b>883 745</b>	<b>478 299</b>	<b>78 362</b>	<b>1 169 413</b>	<b>710 505</b>
– 2020 <sup>8,10,11</sup>	(R'000)	1 232 217	628 734	122 280	1 149 560	650 111
<b>Total liabilities</b>						
<b>– 2021</b>	<b>(R'000)</b>	<b>392 915</b>	<b>172 397</b>	<b>133 242</b>	<b>489 475</b>	<b>955 450</b>
– 2020 <sup>11</sup>	(R'000)	398 522	300 346	172 617	617 999	1 286 173
<b>Additions to property and equipment</b>						
<b>– 2021</b>	<b>(R'000)</b>	<b>246</b>	<b>572</b>	<b>119</b>	<b>10 808</b>	<b>627</b>
– 2020 <sup>11</sup>	(R'000)	12 680	5 185	3 519	4 487	41 879
<b>Additions to right-of-use assets</b>						
<b>– 2021</b>	<b>(R'000)</b>	<b>2 699</b>	<b>2 271</b>	<b>8 117</b>	<b>7 152</b>	<b>7 338</b>
– 2020 <sup>11</sup>	(R'000)	–	–	–	–	348 874
<b>Additions to intangible assets</b>						
<b>– 2021</b>	<b>(R'000)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>980</b>	<b>–</b>
– 2020 <sup>9,11</sup>	(R'000)	–	–	–	–	–

<sup>1</sup> 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.

<sup>2</sup> Includes Torque IT which was previously included in the Professional Services segment in the 2020 financial year which is now managed in the Training segment. The comparatives have been restated to include Torque IT in the Training segment.

<sup>3</sup> 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 previously included in the financial services segment which was a dormant subsidiary is now included in the Central segment.

<sup>4</sup> Relates to the trading performance and financial position of Dare Holdings Proprietary Limited and Adcorp Singapore Pte Limited 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 include the trading performance of Dare Holdings Proprietary Limited and Adcorp Singapore Pte Limited up until the disposal date being 30 September 2020.

<sup>5</sup> 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.

Group continuing operations	Discontinued operations <sup>3</sup>	Discontinued operations <sup>4</sup>	Total group	Geographical segments	
Total	South Africa	International	Total	South Africa	International
<b>11 716 956</b>	<b>128 624</b>	<b>291 538</b>	<b>12 137 118</b>	<b>6 934 402</b>	<b>5 202 716</b>
12 922 325	136 022	480 552	13 538 899	8 527 293	5 011 606
<b>171 084</b>	<b>—</b>	<b>—</b>	<b>171 084</b>	<b>171 084</b>	<b>—</b>
252 470	—	—	252 470	252 470	—
<b>33 396</b>	<b>—</b>	<b>—</b>	<b>33 396</b>	<b>27 930</b>	<b>5 466</b>
8 084	334	—	8 418	14 749	(6 331)
<b>132 200</b>	<b>44 623</b>	<b>9 389</b>	<b>186 212</b>	<b>114 093</b>	<b>72 119</b>
(473 201)	53 393	6 435	(413 373)	(317 680)	(95 693)
<b>130 361</b>	<b>3 654</b>	<b>—</b>	<b>134 015</b>	<b>83 682</b>	<b>50 333</b>
141 997	3 308	—	145 305	103 209	42 096
<b>16 204</b>	<b>212</b>	<b>1</b>	<b>16 417</b>	<b>16 379</b>	<b>38</b>
7 045	15 547	—	22 592	21 930	662
<b>(106 854)</b>	<b>(458)</b>	<b>—</b>	<b>(107 312)</b>	<b>(98 342)</b>	<b>(8 970)</b>
(120 780)	(7 311)	(6)	(128 097)	(113 846)	(14 251)
<b>(5 889)</b>	<b>—</b>	<b>—</b>	<b>(5 889)</b>	<b>(5 889)</b>	<b>—</b>
(596 784)	—	—	(596 784)	(463 971)	(132 813)
<b>(22 338)</b>	<b>(17 098)</b>	<b>(14 551)</b>	<b>(53 987)</b>	<b>(27 838)</b>	<b>(26 149)</b>
(71 977)	(12 249)	(1 660)	(85 886)	(78 379)	(7 507)
<b>3 320 324</b>	<b>196 553</b>	<b>—</b>	<b>3 516 877</b>	<b>2 347 464</b>	<b>1 169 413</b>
3 782 902	178 465	116 039	4 077 406	2 811 807	1 265 599
<b>2 143 479</b>	<b>21 144</b>	<b>—</b>	<b>2 164 623</b>	<b>1 675 148</b>	<b>489 475</b>
2 775 657	17 043	38 859	2 831 559	2 174 701	656 858
<b>12 372</b>	<b>3 364</b>	<b>—</b>	<b>15 736</b>	<b>4 928</b>	<b>10 808</b>
67 750	1 855	—	69 605	65 118	4 487
<b>27 577</b>	<b>—</b>	<b>—</b>	<b>27 577</b>	<b>20 425</b>	<b>7 152</b>
348 874	—	—	348 874	348 874	—
<b>980</b>	<b>—</b>	<b>—</b>	<b>980</b>	<b>—</b>	<b>980</b>
—	—	—	—	—	—

<sup>6</sup> 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 segment's financing costs.

<sup>7</sup> Includes impairment on right-of-use assets (note 5.4) and impairment of goodwill (note 7). The consolidated annual financial statements segment report as at 29 February 2020 excluded these line items.

<sup>8</sup> 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.

<sup>9</sup> Restated to adjust for R31 million reclassified as a prepayment from intangible assets (note 2.2).

<sup>10</sup> 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 2.2).

<sup>11</sup> Restated for the effects described in footnote 1, 2, 3, 8 and 9 above as applicable to affect the restatements.

# Notes to the consolidated annual financial statements

for the year ended 28 February 2021

## Corporate information

Principle activities of the group and its subsidiaries include the rendering of services in areas that of permanent recruitment and flexible staffing sectors, professional IT services, as well as the provision of business process outsourcing, training and financial services. The group carries on business in South Africa and Australia.

### 1. Accounting framework

The group applies all applicable International Financial Reporting Standards (IFRS) to prepare the consolidated annual financial statements.

Consequently, all IFRS statements that were effective at 28 February 2021 and are relevant to its operations have been applied.

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

In preparation of the financial statements, the group has assessed materiality for each item on the statement of profit or loss and statement of comprehensive income and statement of financial position. In assessing the materiality of the group, quantitative and qualitative factors were taken into account. Materiality was determined at R12,5 million.

### New and amended standards and interpretations

The accounting policies applied are consistent with those adopted and disclosed in the group financial statements for the year ended 29 February 2020. The group has adopted the following new accounting pronouncements which became effective in the current reporting period:

Standard	Annual reporting periods beginning on or after	Possible impact
Amendments to References to the Conceptual Framework in IFRS	1 January 2020	The impact of the amendment is not material
Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020	The amendment has not had an impact on the financial statements as there is currently no hedge accounting
Definition of a business – amendments to IFRS 3	1 January 2020	The impact of the amendment is not material
Definition of Material – amendments to IAS 1 and IAS 8	1 January 2020	The impact of the amendment is not material
Presentation of Financial Statements: Disclosure initiative	1 January 2020	The impact of the amendment is not material
Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	1 January 2020	The impact of the amendment is not material

### Standards issued but not yet effective

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

Standard	Annual reporting periods beginning on or after	Possible impact
COVID-19-Related Rent Concessions – amendment to IFRS 16	1 June 2020	Unlikely there will be a material impact
Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021	Unlikely there will be a material impact
Reference to the Conceptual Framework – amendments to IFRS 3	1 January 2022	Unlikely there will be a material impact
Property, Plant and Equipment – proceeds before intended use – amendments to IAS 16	1 January 2022	Unlikely there will be a material impact
Amendments to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract	1 January 2022	Unlikely there will be a material impact
Annual Improvements to IFRS 2018 – 2020	1 January 2022	Unlikely there will be a material impact
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	1 January 2023	Unlikely there will be a material impact
Disclosure of Accounting Policies – amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023	Unlikely there will be a material impact
Definition of Accounting Estimates – amendments to IAS 8	1 January 2023	Unlikely there will be a material impact
IFRS 17 Insurance Contracts	1 January 2023	Unlikely there will be a material impact

## 2. Significant accounting policies

Any accounting policies that are general in nature and are applicable to more than one specific note have been disclosed below.

### Statement of compliance

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

### 2.1 Basis of preparation

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and Companies Act of South Africa (No. 71 of 2008). The consolidated annual financial statements are presented in Rand (ZAR), the currency of South Africa where Adcorp Holdings Limited is incorporated. All values are rounded to the nearest thousand in the tables presented and nearest million in explanatory notes unless otherwise stated.

These consolidated annual financial statements have been audited in compliance with the applicable requirements of the South African Companies Act.

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

### 2.2 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 function and 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 and 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 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. 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 3).

#### *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.

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.

# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 2. Significant accounting policies continued

### 2.2 Restatements continued

#### *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.

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 have 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.

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.



## 2. Significant accounting policies continued

### 2.2 Restatements continued

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.

#### Impact of restatements and reclassifications on prior year annual financial statements

The tables which follow present the impact of the restatements on prior periods consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of other comprehensive income and the consolidated statement of cash flows as detailed above.

#### Consolidated statement of financial position as at 28 February 2019 and 29 February 2020

	2019 R'000		2019 R'000		2020 R'000		2020 R'000
	As reported	Restatement of cash and cash equivalents and other financial assets – investment at amortised cost	Restated		As reported	Restatement of cash and cash equivalents and other financial assets – investment at amortised cost	Reclassification of intangible assets to prepayments Restated
<b>Assets</b>							
<b>Impact of total non-current assets reported</b>	1 711 896	–	1 711 896		1 532 497	–	1 532 497
Intangible assets	231 601	–	231 601		210 968	–	177 702
Prepayments	–	–	–		–	–	33 266
<b>Impact on total current assets reported</b>	2 647 253	70 834	2 718 087		2 358 770	70 100	2 428 870
Investment – amortised cost	2 992	28 684	31 676		4 431	32 493	36 924
Cash and cash equivalents	366 857	42 150	409 007		319 154	37 607	356 761
<b>Total assets</b>	4 359 149	70 834	4 429 983		4 007 306	70 100	4 077 406

# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 2. Significant accounting policies continued

### 2.2 Restatements continued

*Consolidated statement of profit or loss as at 29 February 2020*

	2020 R'000					2020 R'000
	As reported	Reclassification of line items on the consolidated statement of profit or loss	Consolidated statement of profit or loss restatement	Restatement for discontinued operations	Restatement of cash and cash equivalents and other financial assets – investment at amortised cost	Restated
<b>Continuing operations</b>						
Revenue	13 058 347	–	–	(136 022)	–	12 922 325
Cost of sales	(11 495 905)	–	–	43 404	–	(11 452 501)
<b>Gross profit</b>	<b>1 562 442</b>	<b>–</b>	<b>–</b>	<b>(92 618)</b>	<b>–</b>	<b>1 469 824</b>
Other income	28 302	–	209	(1 591)	–	26 920
Loss allowance for expected credit losses – trade receivables	–	–	8 418	(334)	–	8 084
Operating expenses	(1 250 157)	(17 591)	(748 123)	25 229	–	(1 990 642)
<b>Earnings before depreciation and amortisation</b>	<b>340 587</b>	<b>(17 591)</b>	<b>(739 496)</b>	<b>(69 314)</b>	<b>–</b>	<b>(485 814)</b>
Depreciation and amortisation	(145 305)	–	141 997	3 308	–	–
<b>Operating profit</b>	<b>195 282</b>	<b>(17 591)</b>	<b>(597 499)</b>	<b>(66 006)</b>	<b>–</b>	<b>(485 814)</b>
Interest income	22 592	–	–	(650)	–	21 942
Interest expense	(128 091)	–	–	635	–	(127 456)
Impairment expense	(613 373)	17 591	596 784	–	(1 002)	–
Net profits from the sale of entities	(715)	–	715	–	–	–
<b>Loss before taxation</b>	<b>(524 305)</b>	<b>–</b>	<b>–</b>	<b>(66 021)</b>	<b>–</b>	<b>(591 328)</b>
Taxation expense	(84 226)	–	–	12 249	–	(71 977)
<b>Loss for the year from continuing operations</b>	<b>(608 531)</b>	<b>–</b>	<b>–</b>	<b>(53 772)</b>	<b>(1 002)</b>	<b>(663 305)</b>
<b>Discontinued operations</b>						
Profit for the year from discontinued operations	4 781	–	–	53 772	–	58 553
<b>Loss for the year</b>	<b>(603 750)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(1 002)</b>	<b>(604 752)</b>
<b>Loss attributable to:</b>						
Owners of the parent from continuing operations	(608 845)	–	–	(53 772)	(1 002)	(663 619)
Owners of the parent discontinued operations	4 781	–	–	53 772	–	58 553
Non-controlling interest	314	–	–	–	–	314
<b>Continuing operations</b>						
Basic loss per share – cents	(565,1)	–	–	(50,0)	(0,9)	(616,0)
Diluted loss per share – cents	(565,1)	–	–	(50,0)	(0,9)	(616,0)
<b>Discontinued operations</b>						
Basic earnings per share – cents	4,4	–	–	50,0	–	54,4
Diluted earnings per share – cents	4,4	–	–	50,0	–	54,4
<b>Total basic (loss)/earnings per share</b>						
Basic loss per share	(560,7)	–	–	–	(0,9)	(561,6)
Diluted loss per share	(560,7)	–	–	–	(0,9)	(561,6)

## 2. Significant accounting policies continued

### 2.2 Restatements continued

*Consolidated statement of other comprehensive income as at 29 February 2020*

	2020 R'000		2020 R'000
	As reported	Restatement for discontinued operations	Restatement of cash and cash equivalents and other financial assets – investment at amortised cost
			Restated
Continuing operations			
Loss for the year	(603 750)	–	(1 002)
Other comprehensive (loss)/income			
Exchange difference on translating foreign operations	(4 109)	–	268
Exchange differences arising on the net investment of a foreign operations	6 582	–	–
Discontinued operations			
Exchange differences on translating foreign operations	1 282	–	–
Other comprehensive income for the year, net of tax	3 755	–	268
Total comprehensive loss for the year	(599 995)	–	(734)
Total comprehensive (loss)/income attributable to:			
Owners of the parent continuing operations	(606 372)	(53 772)	(734)
Owners of the parent discontinued operations	6 063	53 772	–
Non-controlling interest	314	–	–

# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 2. Significant accounting policies continued

### 2.2 Restatements continued

*Consolidated statement of cash flows as at 29 February 2020*

	2020 R'000					2020 R'000	
	As reported	Reclassification of line items	Reclassification of line items on the consolidated statement of profit or loss	Restatement for discontinued operations	Restatement of cash and cash equivalents and other financial assets – investment at amortised cost	Reclassification of intangible assets to prepayments	Restated
Operating activities							
Profit/(loss) before taxation	(517 864)	–	–	–	(1 002)	–	(518 866)
From continuing operations	(524 305)	–	–	(66 021)	(1 002)	–	(591 328)
From discontinued operations	6 441	–	–	66 021	–	–	72 462
Adjusted for:							
Depreciation and amortisation	29 193	–	–	–	–	–	29 193
Depreciation: right-of-use asset	62 777	–	–	–	–	–	62 777
Interest income	6	(6)	–	–	–	–	–
Impairment of financial asset	16 589	–	(16 589)	–	–	–	–
Amortisation of intangibles	53 335	–	–	–	–	–	53 335
Impairment of intangible asset and goodwill	558 081	–	–	–	–	–	558 081
Impairment of right-of-use assets	38 703	–	–	–	–	–	38 703
Loss on the sale or property and equipment	(209)	–	–	–	–	–	(209)
Share based payments	5 020	–	–	–	–	–	5 020
Unrealised foreign exchange loss	(14 559)	–	17 591	–	–	–	3 032
Profit/(loss) on sale of associate	715	–	–	–	–	–	715
Fair value adjustment	(2 373)	–	–	–	–	–	(2 373)
Other non-cash items	12 065	–	(1 002)	–	(3 541)	–	7 522
Decrease in bad debt provision	(8 418)	–	–	–	–	–	(8 418)
Interest income	(22 592)	6	–	–	–	–	(22 586)
Interest expense	128 091	–	–	–	–	–	128 091
Cash generated from operations before workings capital changes	338 560	–	–	–	(4 543)	–	334 017
Decrease in trade and other receivables	70 097	–	–	–	–	–	70 097
Decrease in trade and other payables including IFRS 15 contract liabilities	(62 862)	–	–	–	–	–	(62 862)
(Decrease)/increase in provisions	(130 894)	–	–	–	–	–	(130 894)
Other non-cash items	(1 837)	–	–	–	–	–	(1 837)

## 2. Significant accounting policies continued

### 2.2 Restatements continued

	2020 R'000					2020 R'000	
	As reported	Reclassification of line items	Reclassification of line items on the consolidated statement of profit or loss	Restatement for discontinued operations	Restatement of cash and cash equivalents and other financial assets – investment at amortised cost	Reclassification of intangible assets to prepayments	Restated
Cash generated by operations	213 064	–	–	–	(4 543)	–	208 521
Interest income	22 592	–	–	–	–	–	22 592
Interest expense	(90 832)	–	–	–	–	–	(90 832)
Interest expense on lease liability	(37 259)	–	–	–	–	–	(37 259)
Taxation paid	(20 025)	–	–	–	–	–	(20 025)
Dividend paid	(105 666)	–	–	–	–	–	(105 666)
Net cash generated/ (utilised) by operating activities	(18 126)	–	–	–	(4 543)	–	(22 669)
Investing activities							
Additions to property, equipment and intangible assets	(101 104)	–	–	–	–	31 499	(69 605)
Proceeds from the sale of property and equipment	26 014	–	–	–	–	–	26 014
Prepayment – enterprise technology transformation project	–	–	–	–	–	(31 499)	(31 499)
Proceeds from other financial assets	2 378	–	–	–	–	–	2 378
Net cash generated (utilised) from investing activities	(72 712)	–	–	–	–	–	(72 712)
Financing activities							
Payment from the issue of treasury shares	(29 850)	–	–	–	–	–	(29 850)
Repayment of borrowings	(1 122 930)	–	–	–	–	–	(1 122 930)
Proceeds from borrowings	1 235 298	–	–	–	–	–	1 235 298
Repayment of lease liabilities	(35 417)	–	–	–	–	–	(35 417)
Net cash utilised by financing activities	47 101	–	–	–	–	–	47 101
Net (decrease)/increase in cash and cash equivalents	(43 737)	–	–	–	(4 543)	–	(48 280)
Cash and cash equivalents at the beginning of period/ year	366 630	–	–	–	42 150	–	408 780
Cash and cash equivalents at the end of the year	322 893	–	–	–	37 607	–	360 500

# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 2. Significant accounting policies continued

### 2.3 Fair value measurements and valuation processes

The group measures certain financial instruments at fair value at each reporting date (note 8.1 and 35.6).

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

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

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

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

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

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

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in note 35.6.

### 2.4 Basis of consolidation

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

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

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

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

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

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

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

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

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

## 2. Significant accounting policies continued

### 2.5 Foreign currency transactions and balances

Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using the functional currency.

Transactions in foreign currencies are initially recorded by the group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Subsequent to initial recognition, monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The profit or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the profit or loss on change in fair value of the item (i.e. translation differences on items whose fair value profit or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

### 2.6 Foreign currency translations

For the purposes of presenting the consolidated financial statements, the presentation currency is the South African Rand. On consolidation, the assets and liabilities of entities with a functional currency other than the Rand are translated into Rand at the rate of exchange prevailing at the reporting date and income and expenses for each statement presenting profit or loss and other comprehensive income are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. All resulting exchange differences are recognised in other comprehensive income in a foreign currency translation reserve.

On disposal of a foreign operation, the deferred cumulative amount recognised in other comprehensive income in the foreign currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

The applicable exchange rates are as follows:

	2021			2020		
	AUD	USD	AOA	AUD	USD	AOA
Exchange rate at the beginning of the year	10,16	15,61	0,0314	9,99	14,08	0,0458
Exchange rate at the end of the year	11,65	15,08	0,0234	10,16	15,61	0,0314
Average exchange rate during the year	11,61	16,52	0,0273	10,01	14,57	0,0378

AUD = Australian dollar

USD = United States dollar

AOA = Angolan kwanza

## 2.7 Financial instruments

### 2.7.1 Initial recognition and measurement

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

### 2.7.2 Subsequent measurement of financial assets

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

Financial assets at amortised cost include trade receivables (note 12) and other receivables (note 13), government bonds in Angola (note 8.2) and cash and cash equivalents (note 14) as the business model is to collect payment of principal and interest.

Financial assets at fair value through profit or loss include an investment in a cell captive arrangement housed within an insurance company (note 8.1).

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



# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 2. Significant accounting policies continued

### 2.7.3 Subsequent measurement of financial liabilities

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

Financial liabilities at amortised cost includes lease liabilities (note 5.2), bank overdrafts (note 14), interest-bearing borrowings (note 17) and trade and other payables (note 18).

### 2.7.4 Financial asset write-offs

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

### 2.7.5 Derecognition of financial assets and liabilities

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

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

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

### 2.7.6 Amortised cost and effective interest rate method

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

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

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

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

Interest income is recognised in profit or loss and presented in the interest income line item. Interest expense is recognised in profit or loss presented in the interest expense line item.

## 2.8 Change in accounting policy

During the current financial year there have been no changes to accounting policies made by management as a result of new and amended IFRS applicable in the current financial year. Refer to note 2.2, reclassification of intangible asset to prepayment for changes of accounting policy.

### 3. Discontinued operations

#### Accounting policy

The group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expenses.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately in the statement of financial position.

#### *Dare Holdings Proprietary Limited and Adcorp Singapore Pte Limited – Australia*

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 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. Refer to note 32 for further details relating to the disposal.

#### *Adcorp Support Services Proprietary Limited*

Adcorp Support Services Proprietary Limited is a wholly owned indirect subsidiary of Adcorp Holdings Limited and formed part of the Financial Services segment in the 29 February 2020 audited consolidated annual financial statements.

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 38, Events after the reporting period.

# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 3. Discontinued operations continued

### 3.1 Financial performance of discontinued operations

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 of on 30 September 2020 (note 32) 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 classified as a discontinued operation in the current financial year.

	2021 R'000	Restated 2020 R'000
<b>Profit or loss</b>		
Revenue	420 162	616 574
Cost of sales	(304 934)	(484 016)
<b>Gross profit</b>	115 228	132 558
Other income	1 536	1 591
Loss allowance for expected credit losses	–	334
Operating expenses	(48 963)	(62 042)
<b>Operating profit before finance income and finance costs</b>	67 801	72 441
Finance income	213	656
Finance costs	(458)	(635)
<b>Profit before taxation</b>	67 556	72 462
Taxation expense	(31 650)	(13 909)
<b>Profit after taxation</b>	35 906	58 553
Other comprehensive income		
Exchange differences arising on translating foreign operations	–	1 282
<b>Total comprehensive income</b>	35 906	59 835
Attributable to:		
South Africa	38 951	53 772
International	(3 045)	6 063
	35 906	59 835

### 3. Discontinued operations continued

#### 3.2 Assets and liabilities held for sale

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
<b>Non-current assets held for sale</b>	<b>158 658</b>	295
Property and equipment	4 785	295
Right-of-use assets	3 149	—
Goodwill	148 656	—
Deferred taxation	2 068	—
<b>Current assets held for sale</b>	<b>37 895</b>	115 744
Trade receivables	8 195	—
Other receivables	5 189	111 823
Cash and cash equivalents	24 511	3 921
<b>Total assets held for sale</b>	<b>196 553</b>	116 039
<b>Non-current liabilities held for sale</b>	<b>1 206</b>	—
Lease liabilities	1 206	—
<b>Current liabilities held for sale</b>	<b>19 938</b>	38 859
Trade and other payables	11 571	37 725
Lease liabilities	2 496	—
Provisions	5 235	—
Taxation payable	636	1 134
<b>Total liabilities held for sale</b>	<b>21 144</b>	38 859

#### 3.3 Cash flows from discontinued operation

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

	2021 R'000	Restated 2020 R'000
<b>Cash flow from discontinued operations:</b>		
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)
<b>Net cash inflow from discontinued operations</b>	<b>81 709</b>	38 470

# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 4. Property and equipment

### Accounting policy

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

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

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

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

### Key estimates and judgements

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

- Computer and office equipment 1 to 5 years
- Furniture and fittings 2 to 5 years
- Leasehold improvements over the lease period

### Reconciliation of beginning and ending balances by classes of assets

	Leasehold Improvements 2021 R'000	Computer and office equipment and furniture and fittings 2021 R'000	Total 2021 R'000	Total 2020 R'000
<b>Balance at the beginning of the year</b>	<b>33 474</b>	<b>38 738</b>	<b>72 212</b>	57 647
Assets at cost	72 481	143 708	216 189	181 585
Accumulated depreciation	(39 007)	(104 970)	(143 977)	(123 938)
<b>Current year movements</b>				
Classified as held for sale	(45)	(4 740)	(4 785)	(295)
Additions <sup>1</sup>	461	15 274	15 735	69 605
Effect of foreign currency exchange differences	1 337	796	2 133	307
Cost	3 066	4 502	7 568	586
Accumulated depreciation	(1 729)	(3 706)	(5 435)	(279)
Disposals and assets derecognised	(1 092)	(7 957)	(9 049)	(25 859)
Cost	(24 660)	(27 715)	(52 375)	(35 292)
Accumulated depreciation	23 568	19 758	43 326	9 433
Depreciation (note 22)	(7 438)	(20 522)	(27 960)	(29 193)
<b>Net book value at the end of the year</b>	<b>26 697</b>	<b>21 589</b>	<b>48 286</b>	72 212
Represented by:				
Cost	51 131	124 133	175 264	216 189
Accumulated depreciation	(24 434)	(102 544)	(126 978)	(143 977)
<b>Net book value at the end of the year</b>	<b>26 697</b>	<b>21 589</b>	<b>48 286</b>	72 212

<sup>1</sup> Excludes additions of R0,015 million in the current financial year by Dare Holdings Proprietary Limited and Adcorp Singapore Pte Limited classified as held for sale and discontinued operations as at 29 February 2020.

## 5. Leases

The group primarily leases office buildings and IT equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

### Accounting policy

The group assesses whether a contract is, or contains a lease, at the inception of the contract. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### *Group as lessee*

The group assessed whether a contract is or contains a lease, at inception of a contract. The group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases and leases of low-value assets. Short-term leases have a term of 12 months or less and low-value assets comprise leases with a value below R75 000 per annum. For short-term and low-value leases the group applies the permitted exceptions under IFRS 16 *Leases*. The group recognises the lease payments for short-term and low-value leases as an operating expense in profit or loss on a straight-line basis over the lease term.

#### *Lease liability*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed lease payments, including in-substance fixed payments, less any lease incentives;
- Lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option; and
- Penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

The group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when: there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate and a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

#### *Right-of-use assets*

The right-of-use assets are initially measured at the amount equal to the lease liability. The right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the lease term of the underlying asset on a straight-line basis. The group has not entered into any leasing arrangements that contain the option to purchase leased property. Depreciation starts at the commencement date of a lease.

The group applies IAS 36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss. The group tests for impairment of the right-of-use assets on an annual basis when there are indicators of impairment. The group considers unproductive lease assets for impairment.

For right-of-use assets which are depreciated over their lease terms, the lease terms are presented in the following table:

- Buildings (one to twelve years) – over the lease period; and
- Printers (two to three years) – over the lease period.

On expiry or exit of the lease arrangement, the right-of-use asset's cost and accumulated depreciation are derecognised to the profit or loss as no future economic benefits are expected to flow to the group.

# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 5. Leases continued

### 5.1 Right-of-use assets

#### Reconciliation of beginning and ending balances by classes of assets

	Buildings 2021 R'000	Printers 2021 R'000	Total 2021 R'000	Total 2020 R'000
<b>Balance at the beginning of the year</b>	<b>410 671</b>	<b>4 246</b>	<b>414 917</b>	166 586
Cost	509 147	7 442	516 589	166 586
Accumulated depreciation	(59 773)	(3 196)	(62 969)	—
Accumulated impairments	(38 703)	—	(38 703)	—
Classified as held for sale	(3 149)	—	(3 149)	—
Cost	(7 348)	—	(7 348)	—
Accumulated depreciation	4 199	—	4 199	—
Additions	20 239	7 338	27 577	348 874
Depreciation (note 22)	(60 614)	(3 293)	(63 907)	(62 777)
Impairment (note 22)	(5 889)	—	(5 889)	(38 703)
Right-of-use assets derecognised (note 22)	(10 351)	(2 544)	(12 895)	—
Cost	(91 710)	(7 177)	(98 887)	—
Accumulated depreciation	42 656	4 633	47 289	—
Accumulated impairments	38 703	—	38 703	—
Foreign exchange movements	7 918	—	7 918	937
Cost	9 848	—	9 848	1 129
Accumulated depreciation	(1 930)	—	(1 930)	(192)
<b>Balance at the end of the year</b>	<b>358 825</b>	<b>5 747</b>	<b>364 572</b>	414 917
Represented by:				
Cost	440 176	7 603	447 779	516 589
Accumulated depreciation	(75 462)	(1 856)	(77 318)	(62 969)
Accumulated impairments	(5 889)	—	(5 889)	(38 703)
<b>Balance at the end of the year</b>	<b>358 825</b>	<b>5 747</b>	<b>364 572</b>	414 917

### 5.2 Lease liabilities

	Buildings 2021 R'000	Printers 2021 R'000	Total 2021 R'000	Total 2020 R'000
Current lease liabilities	72 342	2 939	75 281	93 457
Non-current lease liabilities	366 367	3 291	369 658	404 021
<b>Carrying value</b>	<b>438 709</b>	<b>6 230</b>	<b>444 939</b>	497 478
<b>Reconciliation of beginning and ending balances</b>				
<b>Balance at the beginning of the year</b>	<b>493 029</b>	<b>4 449</b>	<b>497 478</b>	166 586
Additions	20 239	7 338	27 577	365 116
Repayments <sup>1</sup>	(95 241)	(3 358)	(98 599)	(72 676)
Interest expense	47 560	551	48 111	37 259
Foreign exchange movements	10 130	—	10 130	1 193
Lease liabilities derecognised (note 5.5 and note 21)	(33 306)	(2 750)	(36 056)	—
Lease liability classified as held for sale	(3 702)	—	(3 702)	—
<b>Balance at the end of the year</b>	<b>438 709</b>	<b>6 230</b>	<b>444 939</b>	497 478

<sup>1</sup> Excludes lease repayments and interest of R1 162 million in the current financial year by Dare Holdings Proprietary Limited and Adcorp Singapore Pte Limited classified as held for sale and discontinued operations as at 29 February 2020.



## 5. Leases continued

### 5.3 Maturity analysis of lease liabilities

	Buildings 2021 R'000	Printers 2021 R'000	2021 R'000	2020 R'000
<b>Minimum lease payments</b>	<b>761 203</b>	<b>6 953</b>	<b>768 156</b>	867 996
Within one year	116 491	3 417	119 908	141 611
Between two and five years	286 578	3 536	290 114	305 872
More than five years	358 134	–	358 134	420 513
<b>The present value of the lease obligation is due as follows:</b>	<b>438 709</b>	<b>6 230</b>	<b>444 939</b>	497 478
Within one year	72 342	2 939	75 281	93 457
Between two and five years	95 112	3 291	98 403	103 632
More than five years	271 255	–	271 255	300 389
<b>The present value of the interest payments is due as follows:</b>	<b>322 494</b>	<b>723</b>	<b>323 217</b>	370 518
Within one year	44 149	478	44 627	48 154
Between two and five years	191 466	245	191 711	202 240
More than five years	86 879	–	86 879	120 124

The group does not face a significant liquidity risk with regard to its lease liabilities.

#### Key estimates and judgements

A summary of the policies applied to the group's leases is as follows:

##### *Extension and termination options*

The group has considered such extension and termination options within a lease where it is reasonably certain to exercise such extension and termination options.

##### *Incremental borrowing rate*

In determining the incremental borrowing rate, the group made use of recent third-party financing received as a starting point, and adjusted the cost of borrowing to reflect changes in financing conditions since third-party financing was received and made adjustments for entity-specific risk within the group. The determination of the incremental borrowing rate applied to lease transactions is a significant area of judgement and management estimation.

##### *Low-value assets*

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise printers. Low-value assets comprise leases with a value below R75 000.

##### *COVID-19 impact*

During the current financial year, the group successfully negotiated rental deferments with lessors on certain leases which ranged between three and six months. These deferrals did not constitute rent waivers. The deferral of rental payments was not considered to be a modification to the lease arrangements.

# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 5. Leases continued

### 5.4 Right-of-use assets impaired

The following right-of-use assets have been impaired:

Adcorp segments	2021 R'000	2020 R'000
Industrial Services	–	(1 492)
Training	–	(3 148)
Central	(5 889)	(34 063)
<b>Total impairment</b>	<b>(5 889)</b>	<b>(38 703)</b>

An impairment of R6 million has been recognised in the current financial year relating to the Woodmead head office premises which arose as a result of a portion of the building being sub-leased at rates below the lease contract obligation. In the comparative financial year, the group was under an obligation to continue to pay the monthly lease payments due to the lessor for the duration of the contract which constitutes an unavoidable cost as defined with respect to three leases in the group. These lease contracts were considered to be onerous as the group expected to receive no further benefits from the properties leased, but was still committed to pay the lessor the future rentals (neither through continuing use nor sublease) until expiry of lease contract. The right-of-use assets associated with these leases were impaired in the comparative financial period to the value of R39 million as presented in the table above.

### 5.5 Profit on derecognition of right-of-use assets and lease liabilities

	2021 R'000	2020 R'000
Lease liabilities derecognised (note 5.2 and note 21)	36 056	–
Right-of-use assets derecognised (note 22)	(12 895)	–
Settlement costs incurred on exit of leases (note 22)	(18 316)	–
<b>Profit on derecognition of lease liabilities and right-of-use assets</b>	<b>4 845</b>	<b>–</b>

During the current financial year, the lease agreements relating to the Industrial Services and Training segments expired and the group reached an early exit settlement on the lease agreement associated with the Central segment. The group exited the lease arrangement in the Central segment on 31 August 2020 for an agreed settlement of R18 million on early termination of the lease contract.

## 6. Intangible assets

### Accounting policy

#### *Intangible assets acquired separately*

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

#### *Internally generated intangible assets*

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

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

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

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

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

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

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

# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 6. Intangible assets continued

### Reconciliation of beginning and ending balances by classes of assets

	Capitalised development 2021 R'000	Trademarks 2021 R'000	Customer base 2021 R'000	Other 2021 R'000	Total 2021 R'000	Total 2020 <sup>1</sup> R'000
<b>Balance at the beginning of the year</b>	<b>37 165</b>	<b>48 553</b>	<b>82 377</b>	<b>9 607</b>	<b>177 702</b>	231 601
Assets at cost	317 708	219 571	770 918	77 551	1 385 748	1 385 748
Accumulated amortisation	(279 255)	(174 439)	(706 860)	(67 944)	(1 228 498)	(1 175 163)
Foreign exchange movements	(1 288)	3 421	18 319	–	20 452	21 016
Additions	–	–	–	980	980	–
Derecognition and reclassifications	(22 220)	39 206	(7 382)	(9 604)	–	–
Cost	(249 139)	(83 843)	(263 325)	(77 551)	(673 858)	–
Accumulated amortisation	247 851	86 451	281 253	66 539	682 094	–
Reclassifications of amortisation	(22 220)	39 206	(7 381)	1 408	11 013	–
Foreign exchange movements	1 288	(2 608)	(17 929)	–	(19 249)	–
Amortisation expense (note 22)	(4 469)	(5 898)	(31 685)	(96)	(42 148)	(53 335)
Foreign exchange movements	–	4 743	2 926	143	7 812	(564)
<b>Net book value at the end of the year</b>	<b>10 476</b>	<b>86 604</b>	<b>46 236</b>	<b>1 030</b>	<b>144 346</b>	177 702
<b>Represented by:</b>						
Assets at cost <sup>1</sup>	68 569	141 836	564 312	1 130	775 847	1 385 748
Accumulated amortisation and impairments	(58 093)	(55 232)	(518 076)	(100)	(631 501)	(1 228 498)
Foreign exchange movements	–	–	–	–	–	20 452
<b>Net book value at the end of the year</b>	<b>10 476</b>	<b>86 604</b>	<b>46 236</b>	<b>1 030</b>	<b>144 346</b>	177 702

<sup>1</sup> The comparatives have been restated by R33 million to reclassify capitalised development costs to prepayments. Refer to note 2.2.

During the current financial period, intangible assets that were fully amortised were derecognised as no future economic benefits are expected to flow from these intangible assets. In addition, accumulated amortisation was reclassified between the categories of intangible assets for improved presentation of the intangible assets. The impact of such reclassifications on the net carrying value for the group is Rnil.

Other intangible assets relate mainly to accreditation training programme costs capitalised.

### Key estimates and judgements

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

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

## 7. Goodwill

### Accounting policy

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

Goodwill arising on 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 impairment testing, goodwill is allocated to each of the group's cash-generating units (CGU) (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 is derived from taking into account market risks and the cost of debt. The variables used in the model are established on the basis of management judgement and current market conditions.

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

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.

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).

# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 7. Goodwill continued

### 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 weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the group's investors. The cost of debt is based on the interest-bearing borrowings the group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. Adjustments to the discount rates were made at 28 February 2021 to reflect the appropriate level of risk at the reporting date.

### Reconciliation of beginning and ending balances

	2021 R'000	2020 R'000
<b>Cost</b>		
Opening balances 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)	—
<b>Closing balances at the end of the year</b>	<b>1 482 783</b>	<b>1 591 176</b>
<b>Impairments</b>		
Opening balances	(955 567)	(397 486)
Impairment of goodwill during the year (note 22)	—	(558 081)
<b>Closing balances at the beginning of the year</b>	<b>(955 567)</b>	<b>(955 567)</b>
<b>Carrying amount at the end of the year</b>	<b>527 216</b>	<b>635 609</b>

After recognition of impairment losses, the carrying amount of goodwill is attributable to the following material CGUs:

	2021 R'000	2020 R'000
<b>Industrial Services</b>	<b>83 109</b>	<b>83 109</b>
Adcorp BLU, a division of Adcorp Workforce Solutions Proprietary Limited	83 109	83 109
<b>Professional Services</b>	<b>128 612</b>	<b>128 612</b>
Paracon a division of Fortress Administration Proprietary Limited	128 612	128 612
<b>Australia</b>	<b>315 495</b>	<b>275 232</b>
Australia group of companies	315 495	275 232
<b>Financial Services</b>	<b>—</b>	<b>148 656</b>
FMS, a division of Adcorp Support Services Proprietary Limited	—	148 656
<b>Total</b>	<b>527 216</b>	<b>635 609</b>

Financial Services was disclosed as a separate segment in the group consolidated financial statements as at 29 February 2020. During the current financial year, this segment has been included in discontinued operations, refer to note 3. The goodwill attributable to Financial Services will be derecognised on the disposal of Adcorp Support Services Proprietary Limited.

## 7. **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 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 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 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 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 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%.

#### ***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 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 is 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%.



# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 7. Goodwill continued

### Australia segment CGUs continued

#### 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 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).

As a result of the annual impairment review, the group has not impaired any of its goodwill allocated to any of its CGUs (2020: R558 million impairment was recognised):

	2021 R'000	2020 R'000
<b>Industrial Services</b>		
Staff U Need, a division of Adcorp Staffing Solutions Proprietary Limited <sup>1</sup>	–	(79 309)
Adcorp BLU, a division of Adcorp Workforce Solutions Proprietary Limited	–	(126 239)
<b>Professional Services</b>		
Paracon, a division of Fortress Administration Proprietary Limited	–	(212 449)
DAV Professional Placement Group, a division of Adcorp Fulfilment Services Proprietary Limited <sup>1</sup>	–	(7 271)
<b>Australia</b>		
Labour Solutions Australia group of companies	–	(132 813)
<b>Total impairment (note 22)</b>	<b>–</b>	<b>(558 081)</b>

<sup>1</sup> Goodwill was fully impaired at 29 February 2020.

## 8. Other financial assets

### 8.1 Investment at fair value

#### Accounting policy

Investments in securities are recognised on a trade date basis and are initially measured at fair value. The investment in the cell captive arrangement detailed below, is classified as held at fair value through profit or loss and measured subsequently at each reporting date at fair value. Refer additionally to note 2.3.

#### Reconciliation of beginning and ending balances

	2021 R'000	2020 R'000
<b>Investment at fair value</b>		
Balance at the beginning of the year	<b>17 620</b>	15 247
Fair value gain	<b>1 351</b>	2 373
<b>Balance at the end of the year<sup>1</sup></b>	<b>18 971</b>	17 620

<sup>1</sup> Refer to note 35.6 for additional disclosure relating to the investment.

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

## 8. Other financial assets continued

### 8.1 Investment at fair value continued

#### Key judgements

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

The group has determined that it does not have control over its insurance cell captive as the assets and liabilities are controlled by the insurer. The group does not have the ability to direct the relevant activities of the cell captive arrangement or influence returns and the cell captive has therefore not been consolidated. There have been no changes during the current financial year to the cell captive arrangement.

### 8.2 Investment – amortised cost

#### Accounting policy – initial recognition and subsequent measurement

Refer to note 2.7.

#### Reconciliation of beginning and ending balances

	2021 R'000	2020 <sup>1</sup> R'000
<b>Balance at the beginning of the year</b>	<b>36 924</b>	31 676
Interest earned	<b>1 252</b>	3 235
Foreign exchange (loss)/profit	<b>(1 109)</b>	4 391
Payment received on maturity	<b>(34 706)</b>	–
Coupon payment	<b>(2 361)</b>	(2 378)
<b>Balance at the end of the year</b>	<b>–</b>	36 924

<sup>1</sup> The comparative balance at the beginning of the year has been restated by R29 million to reverse the allowance for expected credit losses raised. The foreign exchange (loss)/profit has been represented by R10 million to correctly reflect the line item within the above reconciliation. The balance at the end of the year has increased by R32 million and the allowance for expected credit losses reversed.

On 17 October 2017, the group invested US\$2 306 145 in a three-year term USD linked government bond in Angola. The bond (with a coupon rate of 7%, payable every six months) matured in October 2020 with the group receiving payment on maturity.

#### Credit risk

The carrying amount of the bonds reflected in the comparatives represented the group's maximum exposure to credit risk for the receivable as the dollar investment amount is guaranteed.

#### Market risk

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

## 9. Deferred taxation

### Accounting policy

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, carry forward 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.

# Notes to the consolidated annual financial statements continued

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## 9. Deferred taxation continued

### Accounting policy 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 taxation assets	198 832	181 171
Aggregate net deferred taxation liabilities	(100 801)	(85 655)
Net deferred taxation assets	98 031	95 516

The following are the major deferred tax assets and liabilities recognised by the group and movements thereon during the current and comparative reporting period:

	As at 29 February 2020 R'000	Profit or loss movements R'000	Other compre- hensive movements R'000	Foreign exchange movements	Held for sale	As at 28 February 2021 R'000
Deferred taxation raised on provisions	26 473	14 551	—	—	(990)	40 034
Operating lease timing adjustments	4 783	(88)	—	—	—	4 695
Computed losses	95 955	(3 085)	—	—	—	92 870
Income received in advance	17 049	(869)	—	—	—	16 180
Lease liabilities	18 509	(585)	—	—	(113)	17 811
Intangible assets	38 839	(3 018)	—	—	—	35 821
Other	114	(94)	—	—	—	20
<b>Deferred taxation assets</b>	<b>201 722</b>	<b>6 812</b>	<b>—</b>	<b>—</b>	<b>(1 103)</b>	<b>207 431</b>
Prepayments	(3 972)	2 114	—	—	1	(1 857)
Intangible asset – software	(31 622)	5 466	—	—	—	(26 156)
Section 24C future expense deduction	(6 595)	(5)	—	—	—	(6 600)
Deferred taxation on fair value adjustment of foreign loan	(7 650)	—	(18 478)	—	—	(26 128)
Deferred taxation on accrued revenue	(54 082)	7 998	—	—	—	(46 084)
Deferred taxation on interest	(2 285)	—	—	—	—	(2 285)
Foreign exchange movements	—	(1 886)	—	1 886	—	—
Other	—	(290)	—	—	—	(290)
<b>Deferred taxation liabilities</b>	<b>(106 206)</b>	<b>13 397</b>	<b>(18 478)</b>	<b>1 886</b>	<b>1</b>	<b>(109 400)</b>
<b>Net deferred taxation assets</b>	<b>95 516</b>	<b>20 209</b>	<b>(18 478)</b>	<b>1 886</b>	<b>(1 102)</b>	<b>98 031</b>

## 9. Deferred taxation continued

### Accounting policy continued

	2021 R'000	2020 R'000
<b>Reconciliation of estimated taxation losses available in the group:</b>		
Estimated losses at the beginning of the year	1 024 623	758 608
Increases in taxation losses for the year	122 923	326 174
Taxation losses utilised during the year	(65 027)	(60 159)
Estimated taxation losses at the end of the year	1 082 519	1 024 623
<b>Consisting of:</b>		
Taxation losses recognised	331 678	342 695
Taxation losses not recognised	750 841	681 928
	1 082 519	1 024 623

### Key estimates and judgements

Significant management judgement is required to determine the amount of deferred taxation assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

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 requires 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.

While the group's transformation journey continues, significant progress has been made in the pursuit of the abovementioned 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 and 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.

# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 10. Taxation

### Accounting policy

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

Current taxation relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not profit or loss.

The income taxation expense represents the sum of the current taxation and deferred taxation.

	2021 R'000	Restated 2020 R'000
<b>Continued operations</b>		
<b>Current taxation</b>		
– Current year	44 754	66 175
– Prior year over provision	(3 957)	(10 980)
<b>Deferred taxation</b>		
– Current year	(18 744)	15 926
– Prior year (over)/underprovision	(1 465)	531
<b>Foreign taxation</b>		
– Foreign withholding taxes	1 750	325
<b>Taxation expense from continued operations in profit or loss</b>	<b>22 338</b>	<b>71 977</b>
<b>Taxation recognised in the other comprehensive income</b>		
Deferred taxation:		
– Exchange differences of net investment of foreign operations	(18 478)	2 560
<b>Taxation (income)/expense from continued operations recognised in other comprehensive income</b>	<b>(18 478)</b>	<b>2 560</b>

The comparatives have been restated as a result of Adcorp Support Services Proprietary Limited classified in the current financial year as a discontinued operation (note 3).

**10. Taxation continued****Taxation reconciliation on continued operations**

	<b>2021 R'000</b>	Restated 2020 R'000
<b>Profit/(loss) before taxation</b>	<b>27 761</b>	(591 328)
South African standard tax rate (%)	<b>28</b>	28
Normal tax at standard rate	<b>7 773</b>	(165 572)
<b>Adjustment for the tax effect at the standard rate for the following items:</b>		
Exempt income		
– Incentive income	<b>(20 484)</b>	(16 205)
<b>Non-deductible items charged against income:</b>		
– Capital losses	<b>190</b>	–
– Non-deductible expenses <sup>1</sup>	<b>10 279</b>	6 684
– Impairment of intangible assets and goodwill	<b>–</b>	154 576
– Share-based payments – permanent	<b>3 022</b>	1 937
Non-taxable income	<b>–</b>	176
Fair value adjustments	<b>(378)</b>	(664)
<b>Special allowances claimed:</b>		
– Learnerships	<b>(5 912)</b>	(9 912)
Current year taxation losses not recognised	<b>33 595</b>	58 481
Prior year unrecognised taxation losses utilised in current year	<b>(5 243)</b>	(16 844)
Prior year taxation losses recognised	<b>(7 577)</b>	(6 429)
Prior year taxation losses derecognised	<b>10 746</b>	66 188
Prior year overprovision	<b>(34)</b>	13
Rate change adjustment	<b>1 967</b>	195
Other	<b>(184)</b>	9 477
Prior year underprovision of current and deferred taxation	<b>(5 422)</b>	(10 124)
<b>Actual taxation charge for the year</b>	<b>22 338</b>	71 977
<b>Taxation expense relating to discontinued operations</b>		
<b>Current taxation</b>		
– Current year	<b>32 617</b>	13 930
<b>Deferred taxation</b>		
– Current year	<b>(967)</b>	(21)
<b>Total group</b>	<b>53 988</b>	85 886

<sup>1</sup> Includes non-deductible consulting fees and tax penalties.

The comparatives have been restated as a result of Adcorp Support Services Proprietary Limited classified in the current financial year as a discontinued operation (note 3).

Uncertainties exist concerning the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of business relationships, differences arising between the actual results and the assumptions made, could necessitate future adjustments to current taxation income and expense already recorded.

The group considered whether it has any uncertain tax positions, particularly those relating to the deductibility of related party interest. The group's taxation filings include deductions related to related party interest on capital loans and the taxation authorities may challenge those tax treatments. The interpretation resulted in the reclassification of the projected tax impact of R22 million from deferred tax to current tax in the prior financial year consolidated financial statements of the group.



# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 11. Taxation paid

	2021 R'000	Restated 2020 R'000
Net amount (payable)/prepaid at the beginning of the year	(17 275)	27 689
Amounts charged to statement of comprehensive income including discontinued operations	(75 163)	(69 451)
Interest due from the South African Revenue Services	(1 897)	4 880
Foreign currency	2 155	696
Non-cash adjustment	–	(1 114)
Net amount payable at the end of the year	39 951	17 275
<b>Net cash taxation payment</b>	<b>(52 229)</b>	<b>(20 025)</b>

The comparatives have been restated as a result of Adcorp Support Services Proprietary Limited classified in the current financial year as a discontinued operation (note 3).

## 12. Trade receivables

### Accounting policy – initial recognition and subsequent measurement

Refer to note 2.7.

### Accounting policy – impairment

The group recognises a loss allowance for ECLs applying the simplified approach and measures the loss allowance at an amount equal to the lifetime ECLs. As there is no significant financing component to trade receivables, the group uses a specific identification and provision matrix when measuring ECL on the trade receivables.

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

	2021 R'000	2020 R'000
Gross trade receivables	1 430 942	2 011 366
Allowance for ECLs	(53 119)	(86 515)
<b>Trade receivables</b>	<b>1 377 823</b>	<b>1 924 851</b>
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:		
South Africa	810 012	1 432 680
Australia	567 811	492 171
Trade receivables	1 377 823	1 924 851
The ageing of trade receivables at the reporting date was:		
Current	1 038 097	1 346 071
0 – 30 days from invoice date	261 633	338 494
31 – 60 days from invoice date	50 129	128 543
61 – 90 days from invoice date	21 595	64 644
91 – 365 days from invoice date	59 488	133 614
<b>Gross trade receivables</b>	<b>1 430 942</b>	<b>2 011 366</b>
Movement in the allowance for ECLs		
Balance at the beginning of the year	86 515	94 933
Amounts written off	(6 347)	(15 738)
Amounts (released)/provided during the year	(27 049)	7 320
<b>Balance at the end of the year</b>	<b>53 119</b>	<b>86 515</b>

The trade receivables are provided as security for all banking facilities available to the group as disclosed in note 17. According to the facilities term sheet, the eligible receivables are defined as those with outstanding invoices aged up to 90 days. Under the terms agreed to, the group is restricted from invoice discounting and any other factoring arrangements on the eligible receivables.

## 12. Trade receivables continued

### Exposure to credit risk

The following table details the risk profile of trade receivables based on the group's provision matrix. As the group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the allowance for ECLs, based on past due status, is not further distinguished between the group's different customer base. The group's expected credit loss rate is 3,7% (2020: 4,3%).

	2021		2020	
	R'000	ECL per ageing category	R'000	ECL per ageing category
The ageing of the expected credit loss at the reporting date was:				
Current	6 586	0,6%	8 114	0,6%
0 – 30 days from invoice date	3 677	1,4%	5 788	1,7%
31 – 60 days from invoice date	2 091	4,2%	5 922	4,6%
61 – 90 days from invoice date	1 288	7,4%	6 035	9,3%
91 – 365 days from invoice date	10 357	16,3%	34 319	25,7%
Specifically identified	29 120	**	26 337	**
Total allowance for ECLs	53 119	3,7%	86 515	4,3%

\*\* Fully provided for based on specific identification criteria: customers' financial difficulty, inability to pay and when it is perceived that there is no realistic prospect of recovery.

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.

A customer is considered to be in default when the amount based on customer credit terms is due but is unpaid. 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.

### Key estimates and assumptions

To measure the ECLs, trade receivables are grouped based on shared credit risk characteristics and the days past due. The probability of a customer defaulting and the realised loss with defaulted accounts has been determined using historical data of 12 months.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors when affecting the ability of the customers to settle the receivables. The measurement of the ECLs also reflects the recovery expected from any credit risk insurance relating to trade receivables. The insured portion of the South African trade receivables are not impaired and insured at 85% (2020: 85%) of their value against default. The value insured is R713 million (2020: R923 million) capped at R350 million annually.

Historical estimated losses are calculated as the average losses for the past year. The estimated loss value is adjusted to be forward-looking by taking into account the group's credit control measures and collection policies. When measuring ECLs the group uses reasonable and supportable forward-looking information based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. The group has considered quantitative forward-looking information such as the core inflation rate, economic growth (GDP), unemployment rates and interest rates. Qualitative assessments have also been performed, of which the impact was found to be immaterial. The forward-looking adjusted loss rate is applied to each receivables terms' bucket based on the unpaid balance by the total estimated loss rate. The expected loss rate is applied to the outstanding buckets to derive the allowance for ECLs. A qualitative assessment of the impact of forward-looking information has been performed and found to be immaterial.

There have not been any changes in the estimation techniques or significant assumptions applied during the current financial year.

# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 13. Other receivables and non-current prepayments

### 13.1 Non-current prepayments

	2021 R'000	2020 <sup>1</sup> R'000
Prepayment – enterprise technology transformation project	55 195	33 266
Total non-current prepayments	55 195	33 266

<sup>1</sup> Restated for enterprise technology transformation costs reclassified from intangible assets to non-current prepayments (note 2.2 and 6).

### 13.2 Reconciliation of current and non-current prepayments – enterprise technology transformation project

	2021 R'000	2020 <sup>1</sup> R'000
Balance at the beginning of the year	33 266	–
Additions	57 456	33 266
Amounts released during the year	(14 373)	–
<b>Balance at the end of the year</b>	<b>76 349</b>	<b>33 266</b>
Non-current	55 195	33 266
Current <sup>1</sup>	21 154	–
<b>Total non-current prepayments</b>	<b>76 349</b>	<b>33 266</b>

<sup>1</sup> Current prepayment relating to the enterprise technology transformation project is included in prepayments in other receivables in note 13.2.

### 13.3 Other receivables

#### Accounting policy – initial recognition and subsequent measurement

Refer to note 2.7.

#### Accounting policy – impairment

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

	2021 R'000	2020 R'000
Deposits	3 207	3 884
Prepayments <sup>1</sup>	41 292	31 656
Sundry billings <sup>2</sup>	41 064	45 674
Lease receivable	1 108	–
Sundry loans	3 094	692
Value added taxation	3 196	–
Other <sup>3</sup>	8 336	9 943
<b>Total other receivables</b>	<b>101 297</b>	<b>91 849</b>

<sup>1</sup> Includes R21 million relating to the enterprise technology transformation project (note 13.1).

<sup>2</sup> Includes R3,9 million reclassified from provisions, refer to note 19.

<sup>3</sup> Comprises SETA government grants and other incentives receivable.

Other receivables of R5 million are included as held for sale, refer to note 3.

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

#### 14. Cash and cash equivalents

##### Accounting policy – initial recognition and subsequent measurement

Refer to note 2.7.

Cash and cash equivalents comprise the following:

	2021 R'000	2020 <sup>1</sup> R'000
Cash resources <sup>2</sup>	473 932	356 761
Bank overdrafts	(87)	(182)
<b>Total cash and cash equivalents from continuing operations</b>	<b>473 845</b>	356 579
Cash and cash equivalents included in discontinued operations (note 3.2)	24 511	3 921
<b>Total cash and cash equivalents</b>	<b>498 356</b>	360 500
<b>Value of restricted cash and cash equivalents held in Angola</b>	<b>66 833</b>	42 712

<sup>1</sup> The comparatives have been restated to increase the cash resources by R38 million (note 2.1).

<sup>2</sup> Cash resources include restricted cash in Angola related to Capital Outsourcing Group Proprietary Limited.

##### Credit risk

The maximum exposure to credit risk is represented by the carrying amount of cash and cash equivalents. 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.

##### Liquidity risk

The cash in Angola is restricted due to sovereign exchange controls and as a result the group's ability to remit money out of Angola is limited.

##### Currency risk

The risk of having to face further currency fluctuation on cash held in Angola is very real considering the current tight foreign exchange restrictions in Angola and the current economic activity. The group continues to hold cash until such time as these can be remitted back to South Africa or utilised within Angola.

# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 15. Share capital and share premium

### 15.1 Share capital and share premium

	2021 R'000	2020 R'000
<b>Authorised share capital:</b>		
183 177 151 ordinary shares of 2,5 cents each (2020: 183 177 151)	4 579	4 579
16 822 849 "B" ordinary shares of 2,5 cents each (2020: 16 822 849)	421	421
<b>Total authorised share capital</b>	<b>5 000</b>	5 000
<b>Number of ordinary shares ('000):</b>		
<b>Opening balance at the beginning of the year excluding treasury shares</b>	<b>107 400</b>	108 637
Ordinary shares at the beginning of the year	109 955	109 955
Treasury shares at the beginning of the year	(2 555)	(1 318)
Increase in treasury shares	–	(1 237)
<b>Closing balance at the end of the year</b>	<b>107 400</b>	107 400
<b>Consisting of:</b>		
Total ordinary shares in issue	109 955	109 955
Less: Treasury shares	(2 555)	(2 555)
<b>Closing balance at the end of the year excluding treasury shares</b>	<b>107 400</b>	107 400
<b>Number of "B" ordinary shares ('000):</b>		
Number at the beginning of the year	16 823	16 823
Shares repurchased	(10 094)	–
<b>Number at the end of the year</b>	<b>6 729</b>	16 823

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 B ordinary shares held by Thornbird Trade and Invest 33 Proprietary Limited and Wiphold Financial Services Number Two Proprietary Limited respectively for R0,102 million. Refer to note 16.1.2 for further details.

	2021 R'000	2020 R'000
<b>Issued share capital and premium comprises:</b>		
109 954 675 ordinary shares of 2,5 cents each (2020: 109 954 675)	2 749	2 749
<b>Total issued share capital</b>	<b>2 749</b>	2 749
Share premium	1 738 109	1 738 109
<b>Total share capital and share premium</b>	<b>1 740 858</b>	1 740 858
<b>Reconciliation of share capital and premium movement:</b>		
Balance at the beginning of the year	1 740 858	1 740 858
<b>Balance at the end of the year</b>	<b>1 740 858</b>	1 740 858

## 15. Share capital and share premium continued

### 15.2 Treasury shares

#### Accounting policy

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No profit or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

	2021 R'000	2020 <sup>1</sup> R'000
Adcorp Fulfilment Services Proprietary Limited – 556 607 shares (2020: 556 607)	(22 834)	(22 834)
Torque IT Proprietary Limited – 1 988 015 shares (2020: 1 988 015)	(45 081)	(45 081)
Adcorp Employee Benefit Trust 2 (AEBT 2) consolidated – 6 729 140 “B” shares (2020: 6 729 140)	(168)	(168)
<b>Total treasury shares</b>	<b>(68 083)</b>	<b>(68 083)</b>

## 16. Reserves

The reserves consist of:

Share-based payment reserve (note 16.1.1)	179 717	166 794
Foreign currency translation reserve (note 16.2)	28 782	(31 823)
Accumulated retained loss	(529 095)	(567 474)
Non-controlling interest	(93)	4 899
Employee share option scheme reserve (note 16.1.2)	168	676
<b>Total reserves</b>	<b>(320 521)</b>	<b>(426 928)</b>

<sup>1</sup> The comparatives have been restated for the effects of reversing the allowance for expected credit losses relating to the cash and bonds held in Angola (note 2.2). The foreign currency translation reserve increased by R13 million and the accumulated retained loss decreased by R83 million.

## 16.1 Share-based schemes

### Accounting policy

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

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

### 16.1.1 Share-based payment reserve

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

	2021 R'000	2020 R'000
<b>Balance at the beginning of the year</b>	<b>166 794</b>	<b>161 774</b>
Senior management long-term incentive scheme	16 183	18 369
AEBT 2 and Broad-Based Black Economic Empowerment (B-BBEE) shareholders' trust	150 611	143 405
<b>Share-based expense recognised during the year</b>	<b>12 923</b>	<b>5 020</b>
Senior management long-term incentive scheme	2 130	(2 186)
AEBT 2 and B-BBEE shareholders' trust	7 206	7 206
AEBT 3 transaction	3 587	—
<b>Balance at the end of the year</b>	<b>179 717</b>	<b>166 794</b>
Made up of:		
Senior management long-term incentive scheme	18 313	16 183
AEBT and B-BBEE shareholders' trust	157 817	150 611
AEBT 3 transaction	3 587	—
<b>Total share-based payment reserve</b>	<b>179 717</b>	<b>166 794</b>

# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 16. Reserves continued

### 16.1 Share-based schemes continued

#### 16.1.1 Share-based payment reserve continued

The share-based expense recognised during the year from equity-settled share-based payments is as follows:

	2021 R'000	2020 R'000
<b>Total share-based expense recognised from equity-settled share-based transactions</b>	<b>12 923</b>	5 020

### Key estimates and judgements

The assessed fair value at grant date of options granted during the 28 February 2021 financial year is disclosed below. The fair value of the share appreciation rights at grant date are independently determined using the binomial model. Retention shares (RS) and the performance shares (PS) at grant date are independently determined with the present value of future expected dividends discounted at a risk-free rate. The valuation models take into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option and the correlations and volatilities of the peer group companies.

#### Senior management long-term incentive scheme

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

The plan includes two types of awards:

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

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

	Number of share options 2021	Weighted average exercise price 2021	Number of share options 2020	Weighted average exercise price 2020
Senior management long-term incentive scheme				
Outstanding balance at the beginning of the year	1 957 659	20,15	5 479 735	14,47
Granted during the year	5 482 388	4,26	1 384 412	23,93
Forfeited during the year	(1 085 787)	15,59	(4 906 488)	14,96
Outstanding balance at the end of the year	6 354 260	7,21	1 957 659	20,15

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

	Number	Grant date	Vesting date	Expiry date	Type	Fair value at grant date
Issued in 2018	209 650	2018/02/02	2021/02/02	2024/02/02	PS	17,99
Issued in 2019	83 519	2018/05/18	2021/05/18	2024/05/18	PS	17,03
Issued in 2019	336 450	2018/06/21	2021/06/20	2024/06/20	PS	17,16
Issued in 2019	32 592	2019/01/22	2022/06/20	2025/06/20	PS	19,27
Issued in 2020	509 084	2019/05/28	2022/03/01	2022/06/01	PS	23,93
Issued in 2021	5 182 965	2020/12/01	2023/11/30	2023/11/30	PS	4,26
	6 354 260					



**16. Reserves continued****16.1 Share-based schemes continued****16.1.1 Share-based payment reserve continued****Key estimates and judgements continued*****Senior management long-term incentive scheme continued***

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

	2021	2020
Spot price (R)	5,62 – 24,94	17,99 – 24,94
Expected volatility (%)	34,06 – 90,56	34,06 – 42,26
Expected life (years)	3 – 6	3 – 6
Risk-free rate (%)	4,20 – 7,76	6,95 – 7,76
Expected dividend yield (%)	0 – 9,28	0 – 2,44

**2020 B-BBEE Empowerment transaction**

On 13 November 2020, a B-BBEE transaction was completed and a new company was established, Adcorp Group South Africa Proprietary Limited and a trust registered, Adcorp Employee Benefit Trust 3 (AEBT 3) as contemplated by the B-BBEE transaction. As a result of the B-BBEE transaction, Adcorp Group South Africa Proprietary Limited became the new holding company of Adcorp Management Services Proprietary Limited (which was an indirect subsidiary of Adcorp Holdings Limited) and Adcorp Workforce Management Solutions Proprietary Limited (which was a direct subsidiary of Adcorp Holdings Limited). AEBT 3 was issued with 23,95% of the issued ordinary no par value shares in Adcorp Group South Africa Proprietary Limited, Thornbird Trade and Invest 33 Proprietary Limited 4,16% and Quest Strategic Partners Proprietary Limited 7,31% with Adcorp Holdings Limited holding 64,58% of Adcorp Group South Africa Proprietary Limited ordinary shares and 100% of the "A" preference shares in Adcorp Group South Africa Proprietary Limited.

Thornbird Trade and Invest 33 Proprietary Limited and Quest Strategic Partners Proprietary Limited have effectively received an option in Adcorp Group South Africa Proprietary Limited as consideration for Adcorp Group South Africa Proprietary Limited receiving empowerment credentials.

At commencement, the following parameters were used to determine the option valuation:

	2021
Expected volatility (%)	30,00
Expected life (years)	20,00
Risk-free rate (%)	Nominal
Expected dividend yield (%)	zero curve
	9,50

The share-based payment expense of R3,6 million was incurred by Adcorp Management Services Proprietary Limited as a result of the transaction.

**Key estimates and judgements**

The AEBT 3 trust is consolidated in the current financial year as Adcorp Holdings Limited has control over the trust as it has the ability to direct the relevant activities of the Trust through the drafting of the trust deed which sets out the decision making powers relevant to the Trust which are pre-determined in the trust deed. Through the trust deed Adcorp Holding Limited has exercised power to direct the relevant activities of the Trust. Adcorp Holdings Limited will furthermore obtain variable returns through access to future resources or future contracts from maintaining the group's B-BBEE credentials. Furthermore, the beneficiaries of the Trust are employees of the group which exposes the group to variable returns through their employment services.

The group applied its judgement in determining the appropriate IFRS 2 expense that should be recognised as a result of the B-BBEE transaction as approved by the shareholders on 14 December 2020 utilising the principles as outlined in IFRS 2 *Share-based Payment*. In determining the share-based expense, the group obtained an expert valuation. This valuation was then subject to a sensitivity analysis based on the assumptions applied in the model. The valuation model is sensitive to the expected percentage volatility and the expected dividend yield percentage assumptions.

The group determined that additional information surrounding the impact of the sensitivities on these key assumptions should be disclosed to the users of these financial statements to understand the magnitude of changes. Due to the nature of the scheme, the share-based payment expense is non-recurring and has vested fully during the current period.

# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 16. Reserves continued

### 16.1 Share-based schemes continued

#### 16.1.1 Share-based payment reserve continued

##### Sensitivity analysis

	2021 Impact on share-based payment expense recognised	
	10% increase	10% decrease
Expected volatility	R5 million increase	R2.5 million decrease
	2% increase	2% decrease
	10% increase	10% decrease
Expected dividend yield	R1 million decrease	R1.5 million increase

#### 16.1.2 Employee share option scheme reserve

##### AEBT 2 and B-BBEE shareholders' interest

In terms of the Black Economic Empowerment (BEE) transaction in 2013 (2013 B-BBEE transaction), Adcorp has authorised and issued a total of 6 729 140 "B" ordinary shares (2020: 16 822 849) to its empowerment shareholders at a par value of 2,5 cents per share:

- 6 729 140 (2020: 6 729 140) are owned by a trust called the AEBT 2;
- Nil (2020: 5 887 997) participation was allocated to women's empowerment group Wiphold Financial Services Number Two Proprietary Limited; and
- Nil (2020: 4 205 712) participation was allocated to an empowerment business, Thornbird Trade and Invest 33 Proprietary Limited. At the end of 10 years, the "B" ordinary shares convert into Adcorp ordinary shares based on the value of the notional debt that is paid down at the time.

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 B ordinary shares held by Thornbird Trade and Invest 33 Proprietary Limited and Wiphold Financial Services Number Two Proprietary Limited respectively for R0,102 million.

	2021 R'000	2020 R'000
<b>Issued "B" class shares in Adcorp Holdings shares</b>		
16 822 849 "B" ordinary shares of 2,5 cents per share (2020: 16 822 849) at the beginning of the year	421	421
Share repurchased – share premium (10 093 709 shares)	(253)	–
6 729 140 "B" ordinary shares of 2,5 cents per share (2020: 16 822 849) at the end of the year	168	421
<b>"A" class shares issued in subsidiaries</b>		
Nil "A" ordinary shares of no par value in Quest Staffing Solutions Proprietary Limited (2020: 400 shares)	–	25
Nil "A" ordinary shares of no par value in Fortress Administration Proprietary Limited (2020: 450 shares)	–	230
	168	676

On 13 November 2020, the group implemented a new BEE transaction (refer to AEBT 3) on page 61 and the 400 and 450 "A" ordinary shares issued in subsidiaries as presented in the table above were purchased at the presented values by Adcorp Fulfilment Services Proprietary Limited and Adcorp Staffing Solutions Proprietary Limited from Quest Strategic Partners Proprietary Limited and Wiphold Financial Services Number Three Proprietary Limited respectively.

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

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

**16. Reserves continued****16.1 Share-based schemes continued****16.1.2 Employee share option scheme reserve continued**

Using the modification cost principles under IFRS 2 *Share-based Payment*, the total modified cost of the option is R146 million. The total value to be amortised over the 10-year period is the aggregate of (a) 40% of the modification option cost plus (b) the unamortised option value relating to the 2007 B-BBEE deal. Details of the amounts expensed over the remaining period of the scheme are as follows:

	2021 R'000	2020 R'000
One year	7 206	7 206
Year two to five	14 412	21 618

**AEBT 2 and B-BBEE shareholders' interest continued**

The following reconciles the outstanding share options granted under the AEBT 2 at the beginning and end of the financial year:

	Number of share options 2021	Weighted average exercise price R 2021	Number of share options 2020	Weighted average exercise price R 2020
Outstanding balance at the beginning of the year	6 729 140	42,17	6 729 140	42,17
Issued during the year	–	–	–	–
Outstanding at the end of the year	6 729 140	42,17	6 729 140	42,17

**16.2 Foreign currency translation reserve**

	2021 R'000	2020 <sup>1</sup> R'000
Balance at the beginning of the year	(31 823)	(29 264)
Arising on translation of foreign operations	64 375	(2 559)
Exchange difference reclassified to profit or loss on disposal of foreign subsidiary (note 32)	(3 770)	–
Balance at the end of the year	28 782	(31 823)

<sup>1</sup> The comparatives have been restated for the effects of reversing the allowance for expected credit losses relating to the cash and bonds held in Angola (note 2.2). The balance at the beginning of year increased by R14 million and amounts arising on translation of foreign operations decreased by R0.3 million. The closing balance at the end of the year increased by R13 million.

Exchange differences relating to the translation from the functional currencies of the group's foreign subsidiaries into Rand amounts are brought to account by entries made directly to the foreign currency translation reserve.

**17. Interest-bearing borrowings****17.1 Non-current interest-bearing borrowings**

	2021 R'000	2020 R'000
ZAR new revolving credit facility	400 000	–
<b>Non-current interest-bearing debt</b>	<b>400 000</b>	<b>–</b>

**17.2 Current interest-bearing borrowings**

ZAR term loan	–	200 000
ZAR revolving credit facility	–	570 000
ZAR new revolving credit facility	50 000	–
AUD borrowing base facility	5 823	231 684
<b>Current interest-bearing borrowings</b>	<b>55 823</b>	<b>1 001 684</b>

# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 17. Interest-bearing borrowings continued

### 17.2 Current interest-bearing borrowings continued

#### ZAR term loan, ZAR revolving credit facility and ZAR new revolving credit facility

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. The repayment profile of the ZAR New Revolving credit facility is therefore:

Repayment date	Repayment amount R'000
28 February 2021	150 000
1 July 2021	300 000
31 May 2022	400 000

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

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

On 30 November 2020, the ZAR term loan was R67 million and the ZAR revolving credit facility was R400 million (collectively the borrowing base facility at that date amounted to R467 million). In line with the group's accounting policy, the amendment to the borrowing base facility constituted a substantial modification of the terms of the existing borrowing base facility as the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received was more than 10% different from the discounted present value of the remaining cash flows of the existing facility. An amount of R67 million was drawn down on the ZAR revolving credit facility on 30 November 2020. As a result, on 30 November 2020, R467 million of the borrowing base facility was derecognised and a new financial liability being the ZAR new revolving credit facility in the tables above at note 17.1 and 17.2 was recognised (also refer to table at note 17.3 below). A loss on extinguishment of R4 million was recognised in profit or loss on that date relating to a participation fee on the modification of the borrowing base facility.

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

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

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

On 3 May 2021, the maturity date of the ZAR New Revolving credit facility was extended to 31 August 2022 (note 38).

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

**17. Interest-bearing borrowings continued****17.2 Current interest-bearing borrowings continued****ZAR term loan, ZAR revolving credit facility and ZAR new revolving credit facility continued**

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

As security for the borrowing base facility, a shared security agreement was entered into that holds a cession over the trade receivables between 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

**AUD borrowing**

The AUD borrowing base facility consisted of a term debt facility that matured on 28 February 2021, a revolving borrowing base facility that matures on 30 June 2021 and a letter of credit and bank guarantee which matures on 30 June 2021. Further details of each are presented below:

***Term debt facility***

The term debt facility limit initially granted was AUD2,3 million, reduced by each reduction amount on the relevant repayment date as follows:

<b>Repayment date</b>	<b>Reduction amount AUD'000</b>	<b>AUD Facility limit AUD'000</b>
31 August 2020	<b>1 750</b>	550
28 February 2021	<b>550</b>	Nil

The term debt facility matured on 28 February 2021 and interest was payable monthly in arrears calculated on the applicable base rate as determined with reference to the Australian Reserve Bank rates at the time of drawdown plus a margin that ranged from 1,25% to 1,5% per annum based on the leverage ratio.

***Revolving borrowing base facility***

The revolving borrowing base facility is AUD25 million. It matures on 30 June 2021 with interest payable quarterly at the applicable base rate as determined with reference to the Australian Reserve Bank rates at the time of drawdown plus a margin of 1,40% per annum. Interest is compounded monthly and the facility is limited to a maximum of four draws outstanding at any one time. The facility can be prepaid in whole or in part at any time and unless otherwise agreed must be for a minimum of AUD100,000 and an integral multiple of AUD50,000.

# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 17. Interest-bearing borrowings continued

### 17.2 Current interest-bearing borrowings continued

#### AUD borrowing continued

##### *Letter of credit and bank guarantee*

The facility limit is AUD2 million and unless otherwise agreed, the letter of credit instrument must have a term of at least one month. Repayments must be a minimum of AUD50,000. The facility is restricted to no more than five letter of credit instruments and the minimum draw must be AUD50,000 and the letter of credit instrument must have a term of at least one month. Prepayments must be a minimum of AUD50,000 unless otherwise agreed.

Financial covenants on the AUD borrowings include a level of debt service cover ratio and a level of interest cover ratio up until the maturity dates and the borrowing base facility at any time may not exceed the lessor of the borrowing base facility and the receivables borrowing base applicable at the time and the consolidated net worth of the Australian Group does not fall below the greater of AUD55 million and 85% of the consolidated net worth of the Australian Group for the previous financial year. The receivables borrowing base is an amount equal to 80% of eligible receivables.

As at 28 February 2021, the Australian Group only used the borrowing base facility and the amount outstanding at that date was R5,8 million (AUD0,5 million) as disclosed in the tables on page 63.

As security for the AUD borrowings, a shared security agreement was entered into that holds a cession over the trade receivables between the following operating subsidiaries of the Adcorp Australia 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

As at the reporting date, no events of default had occurred and the Australia Group has complied with all financial covenants during the current financial year.

On 19 May 2021, the lenders agreed to extend the borrowing facilities until 30 June 2022 (note 38).

### 17.3 Reconciliation of movements on interest-bearing borrowings

	2021 R'000	2020 R'000
Opening balances at the beginning of the year	1 001 684	885 302
Repayments on facilities during the year	(965 524)	(1 122 930)
Proceeds from facilities during the year	386 667	1 235 298
Derecognition of ZAR term loan <sup>1</sup>	(66 667)	—
Derecognition of ZAR revolving credit facility <sup>1</sup>	(400 000)	—
Recognition of ZAR new revolving credit facility <sup>1</sup>	466 667	—
Foreign currency movements <sup>1</sup>	32 996	4 014
Closing balance at the end of the year	455 823	1 001 684

<sup>1</sup> Non-cash movements.

**18. Trade and other payables**

	2021 R'000	2020 R'000
Trade creditors	124 122	149 664
Value added taxation	148 804	208 055
Operating expense accruals	187 335	200 352
Payroll accruals	340 846	336 677
Income received in advance from customer contract liabilities	57 785	60 889
Other creditors	50 030	55 009
<b>Trade and other payables</b>	<b>908 922</b>	<b>1 010 646</b>

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

The group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

During the current financial year, the group's detailed COVID-19 response included the renegotiation of payment terms and the deferral of a number of payments to suppliers – in order to manage cash flows within the group to meet its obligations to staff and lender covenant requirements. The deferral arrangements did not constitute a waiver as the obligations to the suppliers remained fully payable within a period of one year following the deferral of payments.

**18.1 Income in advance from customer contract liabilities**

Amounts recognised in the income received in advance relate to monies received in advance from customers. The group has recognised the following current liabilities related to contracts with customers.

	Performance obligation (timing)	2021 R'000	2020 R'000
Customer liabilities – training	Revenue is recognised over time as the training is provided	50 644	46 253
Customer liabilities – permanent placements	Revenue is recognised when at the point in time when placed candidates begin employment	–	174
Customer liabilities – outsource-based solutions	Revenue is recognised at the point in time that the solution has been delivered to the customer	–	436
Customer liabilities – temporary placements	Revenue is recognised over time as the services are rendered	7 141	14 026
<b>Total income received in advance from contract liabilities</b>		<b>57 785</b>	<b>60 889</b>

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities where performance obligations were satisfied in the current year.

	2021 R'000	2020 R'000
Balance at the beginning of the year	60 889	55 899
Income in advance recognised as liability – performance obligations not met	292 732	171 379
– Training	101 362	89 834
– Permanent placements	238	199
– Outsourcing	94	1 525
– Temporary placements	191 038	79 821
<b>Revenue recognised during the period</b>	<b>(295 836)</b>	<b>(166 389)</b>
– Training	(96 972)	(78 763)
– Permanent placements	(412)	(650)
– Outsourcing	(529)	(1 639)
– Temporary placements	(197 923)	(85 337)
<b>Balance at the end of the year</b>	<b>57 785</b>	<b>60 889</b>



# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 18. Trade and other payables continued

### 18.1 Income in advance from customer contract liabilities continued

#### Training

Revenue from training is recognised as the contracted service is rendered to a client, which is over a period of time. Consideration received from clients who pay for training services in full, at the beginning of the service contract, is recognised as a contract liability. Revenue from the contract liability is recognised over the period of the training contract.

#### Permanent placements

Revenue from permanent placements is recognised at a point in time when a qualified candidate has been placed and begins permanent employment with a client. Consideration received is recognised net of a "contingency allocation" for permanent placement candidates who may not remain with a client through a specified contingency period. This contingency is recognised as a contract liability. Revenue from the contract liability is recognised at the point when the contingency period has lapsed.

#### Outsourcing

Revenue from outsourcing solutions is recognised at the point in time that the solution has been delivered to the customer. Consideration received from clients who pay for outsourcing solutions in advance, before the solution has been delivered, is recognised as a contract liability. Revenue from the contract liability is recognised at the point when the solution has been delivered.

#### Temporary placements

Revenue from temporary placements is recognised as the contracted service is rendered to a client, which is over a period of time. Consideration received from clients who pay for temporary placement services in full, at the beginning of the service contract, is recognised as a contract liability. Revenue from the contract liability is recognised over the period of the temporary placement contract.

## 19. Provisions

### Accounting policy

Provisions are recognised when the group has a present (legal or constructive) obligation as a result of a past event, it is probable that the group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### Provision for leave pay

The provision for leave pay is measured at the group's best estimate of the expenditure required to settle the obligation at the reporting date in accordance with the Basic Conditions of Employment Act. The provision includes both temporary and permanent employees.

#### Bonuses

The bonus provision includes both temporary and permanent staff. The group rewards the meeting of strategic financial and non-financial objectives through bonuses to permanent employees. The provision is utilised when the bonus is approved and paid out in May of the following financial year. Temporary staff bonuses are raised based on contractual obligations with our assignee and candidate base.

## 19. Provisions continued

### Other

Other provisions represent the directors' best estimate of future economic benefits that may be required to cover claims on services rendered by the group. The provisions have been determined based on assessments and estimates by management. Actual results could differ from estimates and there is no certainty regarding the timing of these cash flows.

	As at 29 February 2020 R'000	Provisions reclassified 2021 R'000	Provisions raised 2021 R'000	Provisions utilised 2021 R'000	Foreign exchange movement 2021 R'000	Transfer liabilities held for sale 2021 R'000	As at 28 February 2021 R'000
Leave pay	106 420	–	115 161	(117 206)	2 013	(1 172)	105 216
Bonuses	29 696	–	80 459	(54 811)	1 917	(4 063)	53 198
Other	26 313	(3 946) <sup>1</sup>	26 610	(24 921)	1 268	–	25 324
<b>Total</b>	<b>162 429</b>	<b>(3 946)</b>	<b>222 230</b>	<b>(196 938)</b>	<b>5 198</b>	<b>(5 235)</b>	<b>183 738</b>

	As at 28 February 2019 R'000	Provisions reclassified 2020 R'000	Provisions raised 2020 R'000	Provisions utilised 2020 R'000	Foreign exchange movement 2020 R'000	Transfer liabilities held for sale 2020 R'000	As at 29 February 2020 R'000
Leave pay	131 309	–	42 090	(67 246)	267	–	106 420
Bonuses <sup>2</sup>	81 148	–	40 267	(91 962)	243	–	29 696
Other <sup>2</sup>	74 206	–	12 352	(60 313)	68	–	26 313
<b>Total</b>	<b>286 663</b>	<b>–</b>	<b>94 709</b>	<b>(219 521)</b>	<b>578</b>	<b>–</b>	<b>162 429</b>

<sup>1</sup> Amount reclassified to other receivables during the current financial year for better presentation.

<sup>2</sup> For better presentation, there has been a reclassification of prior year amounts between the provision for bonuses and other provisions of R8 million. The reclassification has been affected in the provisions raised movement.

## 20. Revenue

### Accounting policy

The group is in the business of providing services to clients. Permanent placement and outsourced-based solutions services are provided at a point in time. Temporary placement and training services are provided over a period of time. Revenue is therefore recognised at the point of delivery for permanent placement and outsourced-based solutions and over a period of time for temporary placement and training services. In certain cases the group uses 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.

### Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the group transfers the related services. Contract liabilities are recognised as revenue when the group performs under the contract (i.e. transfers the related services to the customer). Refer to note 18.1 Income received in advance from customer contract liabilities for details of the liabilities recognised by the group arising from contracts from customers.

The group does not enter into arrangements with deferred payment terms that exceed 12 months, therefore there is no significant financing component accounted for.

The group makes use of the practical expedient option in paragraph 121 in IFRS 15 as the right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date. The service contracts bill a fixed amount for each hour of service provided.

# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 20. Revenue continued

Performance obligation	Description	Timing	2021 R'000	Restated 2020 R'000
Permanent placement	Permanent placement involve 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
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
Outsourced-based solutions	This is focused on managing a wide range of business processes through qualified professionals who use automation and optimisation tools to help improve efficiency, reduce operational costs and increase productivity, while capitalising on process automation technologies. This could also include providing clients with contract management and vendor disbursements for client suppliers.	Revenue is recognised once the solution has been delivered to the customer.	1 959 493	1 999 892
<b>Total revenue</b>			<b>11 716 956</b>	12 922 325

The comparatives have been restated in the temporary placement line and total revenue as a result of Adcorp Support Services Proprietary Limited classified in the current financial year as a discontinued operation (note 3).

### Key estimates and judgements

The group is a principal if it controls the specified service before the service is rendered to a customer. The group is an agent if the entity's performance obligation is to arrange for the provision of the service by another party. The following factors were considered in determining whether the group is a principal or an agent:

- Primary responsibility for providing the services to the customer or for fulfilling the order;
- Latitude in establishing prices, either directly or indirectly, for example by providing additional goods or services which they will bill for; and
- Who bears the customer's credit risk for the amount receivable.

## 21. Other income

### Accounting policy for government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the group recognises as expenses related costs for which the government grant is intended to compensate. A government grant is not recognised until there is reasonable assurance that the group will comply with conditions attaching to it and the grants will be received. Government grants which are unconditional are presented on the consolidated statement of profit or loss in other income.

	2021 R'000	2020 <sup>1</sup> R'000
<b>Other income comprises:</b>		
Other income <sup>2</sup>	27 236	26 711
Sub-lease rental income	20	—
Profit on the disposal of property and equipment <sup>3</sup>	7 881	209
Jobkeeper income <sup>4</sup>	43 930	—
Lease liabilities derecognised (note 5.2 and 5.5) <sup>5</sup>	17 740	—
Profit on the disposal of businesses (note 33)	2 592	—
<b>Total other income</b>	<b>99 399</b>	<b>26 920</b>

<sup>1</sup> The comparatives have been restated as a result of Adcorp Support Services Proprietary Limited classified in the current financial year as a discontinued operation (note 3).

<sup>2</sup> Includes training levies recovered and Bureau income.

<sup>3</sup> Includes an R8 million gain recognised on a sale and leaseback transaction concluded in November 2020 where laptops with a net book value at that date of R8 million were sold and the group received proceeds of R16 million. The lease arrangement was recognised as an operating lease and the lease costs expensed due to the assets being considered to be low-value assets (refer to the group's accounting policy at note 5).

<sup>4</sup> Relates to "Jobkeeper" support payments received from the Australian government by the Australian operations as a result of COVID-19 in the current financial year.

<sup>5</sup> Includes settlement cost to exit a lease of R18 million (note 5.5).

## 22. Operating profit/(loss) before finance income and finance costs

Operating profit/(loss) before finance income and finance costs includes the following expenses:

	2021 R'000	Restated 2020 R'000
Auditors' remuneration	(18 868)	(18 761)
Retirement benefits	(41 950)	(67 651)
Leasing and rentals (note 36)	(9 755)	(25 679)
Staff costs	(629 110)	(805 275)
Depreciation and amortisation from continuing operations	(130 361)	(141 997)
Depreciation on property and equipment from continuing operations (note 4)	(26 405)	(27 985)
Depreciation on right-of-use assets from continuing operations (note 5.1)	(61 808)	(60 677)
Amortisation of intangible assets from continuing operations (note 6)	(42 148)	(53 335)
Derecognition of right-of-use assets (note 5.1)	(12 895)	—
Impairment of right-of-use assets (note 5.4)	(5 889)	(38 703)
Enterprise technology transformation project costs	(20 888)	(37 344)
Impairment of goodwill (note 7)	—	(558 081)
Costs incurred on the disposal of businesses (note 32)	(2 556)	(715)
Foreign exchange losses	(15 266)	(175)

The comparatives have been restated as a result of Adcorp Support Services Proprietary Limited classified in the current financial year as a discontinued operation (note 3).

	2021 R'000	Restated 2020 R'000
<b>Depreciation included in discontinued operations includes:</b>		
Depreciation on property and equipment from continuing operations (note 4)	(1 555)	(1 208)
Depreciation on right-of-use assets from continuing operations (note 5.1)	(2 099)	(2 100)
<b>Total depreciation and amortisation included in discontinued operations (note 3.1)</b>	<b>(3 654)</b>	<b>(3 308)</b>

# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 23. Finance income

Finance income comprise:

	2021 R'000	Restated 2020 R'000
Bank deposits	14 262	18 342
Interest received on other financial assets and other	1 565	3 235
Other	377	365
<b>Interest income</b>	<b>16 204</b>	<b>21 942</b>

The comparatives have been restated as a result of Adcorp Support Services Proprietary Limited classified in the current financial year as a discontinued operation (note 3).

## 24. Finance costs

Finance costs comprises:

	2021 R'000	Restated 2020 R'000
Bank overdrafts	(7 294)	(12 705)
Interest-bearing borrowings	(51 906)	(77 451)
Interest on lease liabilities <sup>1</sup>	(47 654)	(36 624)
Other	–	(676)
<b>Interest expense</b>	<b>(106 854)</b>	<b>(127 456)</b>

<sup>1</sup> Refer to note 5.2 lease liabilities. The above excludes lease liability interest classified in discontinued operations of R0,457 million (2020: R0,650 million) (note 3).

The comparatives have been restated as a result of Adcorp Support Services Proprietary Limited classified in the current financial year as a discontinued operation (note 3).

## 25. Earnings per share

The calculation of earnings per share on continuing operations attributable to the ordinary equity holders of the parent is based on 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 <sup>1</sup> 2020
<b>Continuing operations:</b>		
Basic earnings/(loss) per share (cents)	2,2	(616,0)
Diluted earnings/(loss) per share (cents)	2,1	(616,0)
<b>Discontinuing operations:</b>		
Basic earnings per share (cents)	33,4	54,4
Diluted earnings per share (cents)	32,5	54,4
<b>Total basic earnings/(loss) per share</b>		
Basic earnings/(loss) per share (cents)	35,6	(561,6)
Diluted earnings/(loss) per share (cents)	34,6	(561,6)
<b>Weighted average number of ordinary shares outstanding during the period</b>	<b>107 400 053</b>	107 732 131
<b>Reconciliation of weighted average number of ordinary shares outstanding to the weighted average diluted number of shares outstanding during the period</b>		
Weighted average number of ordinary shares outstanding during the period	107 400 053	107 732 131
Adcorp employee share schemes – dilution <sup>2</sup>	6 354 260	1 957 659
Adcorp employee share schemes – anti-dilutive shares excluded <sup>2</sup>	(3 177 130)	(1 957 659)
<b>Diluted weighted number of ordinary shares outstanding during the period</b>	<b>110 577 183</b>	107 732 131

## 25. Earnings per share continued

	2021 R'000	Restated <sup>1</sup> 2020 R'000
<b>Reconciliation of headline earnings/(loss) from continuing operations<sup>3</sup></b>		
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 assets	(1 649)	(10 837)
(Profit)/loss from the sale of businesses	(36)	715
<b>Headline earnings/(loss) from continuing operations</b>	<b>852</b>	<b>(77 108)</b>
Headline earnings/(loss) per share (cents)	0,8	(71,6)
Diluted headline earnings/(loss) earnings per share (cents)	0,8	(71,6)
<b>Reconciliation of headline earnings from discontinued operations<sup>3</sup></b>		
Profit for the year	35 906	58 553
<b>Headline earnings from discontinued operations</b>	<b>35 906</b>	<b>58 553</b>
Headline earnings per share (cents)	33,4	54,4
Diluted headline earnings per share (cents)	32,5	54,4
<b>Reconciliation of headline earnings/(loss) from total operations<sup>3</sup></b>		
Profit/(loss) for the year	38 228	(605 066)
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 assets	(1 649)	(10 837)
(Profit)/loss from the sale of businesses	(36)	715
<b>Headline earnings/(loss)</b>	<b>36 758</b>	<b>(18 555)</b>
Headline earnings/(loss) per share (cents)	34,2	(17,2)
Diluted headline earnings/(loss) per share (cents)	33,2	(17,2)

<sup>1</sup> Comparatives have been restated on the classification of Adcorp Support Services Proprietary Limited as a discontinued operation (note 3) and for the restatement of the allowances for expected credit losses reversed relating to the cash and bonds held in Angola (note 2.2). 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.

<sup>2</sup> 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 is excluded.

<sup>3</sup> 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 consolidated annual financial statements continued

for the year ended 28 February 2021

## 26. Directors' and prescribed officers' emoluments

Executive directors 2021	Salary R'000	Bonus R'000	Employee benefits R'000	Sub-total R'000	Realised gains on share options R'000	Separation costs R'000	Notice and leave pay R'000	Total R'000
P Roux (appointed 24 April 2020; resigned 31 March 2021)	5 104	14 100	352	19 556	–	–	–	19 556
N Prendergast (appointed 1 July 2020)	2 010	612	90	2 712	–	–	–	2 712
CJ Kujenga (resigned 31 May 2020)	884	–	63	947	–	1 241 <sup>1</sup>	1 412	3 600
	7 998	14 712	505	23 215	–	1 241	1 412	25 868
<b>Executive directors 2020</b>								
I Dutiro (resigned 8 October 2019)	3 404	–	680	4 084	–	11 661	2 237	17 982
CJ Kujenga (resigned 31 May 2020)	3 695	–	381	4 076	–	1 241	–	5 317
	7 099	–	1 061	8 160	–	12 902	2 237	23 299

<sup>1</sup> The separation cost was accrued in the 2020 financial year and paid during the current financial year.

Prescribed officers 2021	Salary R'000	Bonus R'000	Employee benefits R'000	Sub-total R'000	Realised gains on share options R'000	Notice and leave pay R'000	Total R'000
R de Grooth	2 412	720	270	3 402	–	–	3 402
K Vittee	2 222	699	386	3 307	–	–	3 307
T Fowler	2 205	751	188	3 144	–	–	3 144
U Fear (resigned 31 May 2020)	476	–	31	507	–	(5)	502
T Sadik (resigned 30 April 2020)	453	–	–	453	–	149	602
H Weyers (resigned 28 February 2021)	1 045	15	73	1 133	–	345	1 478
	8 813	2 185	948	11 946	–	489	12 435
<b>Prescribed officers 2020</b>							
R de Grooth	2 201	–	211	2 412	–	–	2 412
K Vittee	1 708	–	193	1 901	–	–	1 901
U Fear (resigned 31 May 2020)	1 967	–	278	2 245	–	–	2 245
T Sadik (resigned 30 April 2020)	981	–	–	981	–	–	981
T Fowler	2 199	1 187	193	3 579	–	–	3 579
	9 056	1 187	875	11 118	–	–	11 118



**27. Directors' and prescribed officers' participation in long-term incentive scheme**

	Number of unexercised options as at 29 February 2020	Number of options granted	Number of options exercised	Number of options forfeited	Number of unexercised options as at 28 February 2021	Vesting date
<b>Executive directors</b>						
CJ Kujenga (resigned 31 May 2020)	116 568*	—	—	(116 568)	—	20/06/2021
	241 000 <sup>#</sup>	—	—	(241 000)	—	02/02/2021
	125 182 <sup>#</sup>	—	—	(125 182)	—	01/03/2022
N Prendergast	—	516 129	—	—	<b>516 129<sup>#</sup></b>	30/11/2023
<b>Prescribed officers</b>						
R de Grooth	35 000 <sup>#</sup>	—	—	—	<b>35 000<sup>#</sup></b>	01/03/2020
	68 671 <sup>#</sup>	—	—	—	<b>68 671<sup>#</sup></b>	20/06/2021
	76 135 <sup>#</sup>	—	—	—	<b>76 135<sup>#</sup></b>	01/03/2022
	—	483 969	—	—	<b>483 969<sup>#</sup></b>	30/11/2023
K Vittee	139 650 <sup>#</sup>	—	—	—	<b>139 650<sup>#</sup></b>	01/03/2020
	74 132 <sup>#</sup>	—	—	—	<b>74 132<sup>#</sup></b>	20/06/2021
	62 262 <sup>#</sup>	—	—	—	<b>62 262<sup>#</sup></b>	01/03/2022
	—	469 965	—	—	<b>469 965<sup>#</sup></b>	30/11/2023
H Weyers (resigned 28 February 2021)	36 478 <sup>#</sup>	—	—	(36 478)	—	20/06/2021
	20 114 <sup>#</sup>	—	—	(20 114)	—	01/03/2022
	—	159 677	—	(159 677)	—	30/11/2023
T Fowler	64 779 <sup>#</sup>	—	—	—	<b>64 779<sup>#</sup></b>	20/06/2021
	52 751 <sup>#</sup>	—	—	—	<b>52 751<sup>#</sup></b>	01/03/2022
U Fear (resigned 31 May 2020)	48 899 <sup>#</sup>	—	—	(48 899)	—	01/03/2022

<sup>#</sup> Performance shares.

\* Sign-on shares.

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

# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 28. Non-executive directors' emoluments

2021 Non-executive directors	Directors' fees R'000
GT Serobe	777
P Mnganga	362
GP Dingaan (resigned 10 September 2020)	114
H Singh	702
SN Mabaso-Koyana (resigned 1 March 2021)	427
C Maswanganyi	241
FS Mufamadi (resigned 10 September 2020)	65
S Sithole	338
MW Spicer	467
MM Nkosi	236
R van Dijk	306
C Smith	1 656
T Mokgabudi (appointed 15 October 2020)	243
M Lubega (appointed 1 July 2020)	249
	<b>6 183</b>
<b>2020</b> Non-executive directors	
GT Serobe	927
P Mnganga	361
GP Dingaan	406
H Singh	607
SN Mabaso-Koyana	1 059
C Maswanganyi	349
TP Moeketsi (resigned 6 June 2019)	184
ME Mthunzi (resigned 6 June 2019)	99
FS Mufamadi	368
S Sithole	441
MW Spicer	636
MM Nkosi (appointed 6 June 2019, previously an alternate director from 19 October 2018)	455
R van Dijk (appointed 6 June 2019)	355
C Smith (appointed 10 January 2020)	295
	<b>6 542</b>

**29. Schedule of directors' interests – Adcorp Holdings Limited**

	2021			2020		
	Direct	Indirect	Total	Direct	Indirect	Total
<b>Directors' names</b>						
I Dutiro (resigned 8 October 2019)	–	–	–	6 330	–	6 330
CJ Kujenga (resigned 31 May 2020)	–	–	–	–	2 554 620	2 554 620
TP Moeketsi (resigned 6 June 2019)	–	–	–	–	28 443 256	28 443 256
S Sithole*	–	32 758 743	32 758 743	–	28 443 256	28 443 256
MW Spicer	–	48 000	48 000	–	48 000	48 000
C Smith	–	1 601 463	1 601 463	–	–	–
<b>Alternate directors</b>						
MM Nkosi* (appointed 19 October 2018)	–	32 758 743	32 758 743	–	28 443 256	28 443 256
	–	67 166 949	67 166 949	6 330	87 932 388	87 938 718
Less double counting for Value Capital Partners (VCP)	–	(32 758 743)	(32 758 743)		(56 886 512)	(56 886 512)
	–	34 408 206	34 408 206	6 330	31 045 876	31 052 206

\* Interest held through VCP.

Note: There have been no changes in directors' interest post-year-end to the date of this report.

**30. Dividends****30.1 Dividend paid**

	2021 R'000	2020 R'000
Amounts paid	–	(105 666)

Dividends paid by the group in the comparative financial year relate to the dividend declared for the 2019 financial year which was paid out to registered shareholders on 19 August 2019.

**30.2 Dividend declared**

No dividends were declared for the financial year ended 28 February 2021 (2020: Rnil million).

# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 31. Related parties

The group did not enter into any transactions with group parties other than those with subsidiaries which were eliminated on consolidation. Refer to Annexure A for a listing of significant subsidiaries.

### 31.1 Trading transactions

During the year, group entities entered into the following transactions:

	Sale of services		Holding company management fees		Accounting and information technology fees	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Subsidiaries of Adcorp Holdings Limited	171 084	252 470	135 532	163 166	244 283	134 249

### 31.2 B-BBEE shareholders' interest

Certain directors of the group are directors of the group's B-BBEE partners (refer to note 16.1.2).

GP Dingaen, a non-executive director who resigned on 10 September 2020, is an employee of the Wiphold Group, being one of the group's B-BBEE partners.

C Maswanganyi, who is a non-executive director collectively control Simeka Group, being one of the group's B-BBEE partners.

For key management interest disclosures, please refer to notes 26, 27, 28 and 29.

## 32. Profit/(loss) from the disposal of businesses

	2021 R'000	2020 R'000
Profit on the sale of Dare Holdings Proprietary Limited and Adcorp Holdings Singapore Pte Limited (note 21)	2 592	—
Costs expensed for the sale of Adcorp Support Services Proprietary Limited (note 22)	(2 556)	—
Costs incurred on the disposal of FNDS3000 Proprietary Limited disposed 1 June 2018 (note 22)	—	(715)
<b>Net profit/(loss) from the sale of businesses</b>	<b>36</b>	<b>(715)</b>

The costs expensed for the sale of Adcorp Support Services Proprietary Limited relate mainly to legal fees and regulatory costs incurred to date.

**32. Profit/(loss) on the disposal of businesses continued****Profit on the sale of Dare Holdings Proprietary Limited and Adcorp Holdings Singapore Pte Limited**

On 30 September 2020, the group disposed of its 100% shareholding in Dare Holdings Proprietary Limited and Adcorp Holdings Singapore Pte Limited. The carrying value of the assets and liabilities, consideration received and the profit recognised at the disposal date was as follows:

	<b>2021 R'000</b>
<b>Non-current assets disposed of</b>	<b>2 065</b>
Property and equipment	310
Right-of-use assets	1 755
<b>Current assets disposed of</b>	<b>59 353</b>
Trade and other receivables	59 334
Cash and cash equivalents	19
<b>Current liabilities disposed of</b>	<b>30 339</b>
Lease liabilities	593
Trade and other payables	29 232
Provisions	514
<b>Net assets disposed of</b>	<b>(31 079)</b>
Consideration received	29 852
Foreign currency movements	49
Foreign currency translation reserve reclassified to profit or loss (note 16.2)	3 770
<b>Profit on disposal of Dare Holdings Proprietary Limited and Adcorp Holdings Singapore Pte Limited</b>	<b>2 592</b>

There were no business acquisition and disposal transactions in the comparative financial year.

**33. 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 disclosed in note 17, cash and cash equivalents disclosed in note 14, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 15 and 16.

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 gearing ratio is determined as net debt (being interest-bearing borrowings less unrestricted cash and cash equivalents) excluding finance leases as a percentage of total equity. 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.

# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 34. Financial instruments by category

### 34.1 Financial assets by category

	Amortised cost R'000	Fair value through profit or loss R'000	Total R'000
<b>As at 28 February 2021</b>			
Investments (note 8.1 and 8.2)	–	18 971	18 971
Trade receivables (note 12)	1 377 823	–	1 377 823
Other receivables (note 13)	56 809	–	56 809
Cash and cash equivalents (note 14)	473 932	–	473 932
	<b>1 908 564</b>	<b>18 971</b>	<b>1 927 535</b>
<b>As at 29 February 2020</b>			
Investments (note 8.1 and 8.2)	36 924	17 620	54 544
Trade receivables (note 12)	1 924 851	–	1 924 851
Other receivables (note 13)	60 193	–	60 193
Cash and cash equivalents (note 14)	356 761	–	356 761
	<b>2 378 729</b>	<b>17 620</b>	<b>2 396 349</b>

### 34.2 Financial liabilities by category

	Amortised cost R'000	Total R'000
<b>As at 28 February 2021</b>		
Lease liabilities (note 5.2)	444 939	444 939
Interest-bearing borrowings (note 17.1 and 17.2)	455 823	455 823
Bank overdraft (note 14)	87	87
Trade and other payables (note 18)	361 487	361 487
	<b>1 262 336</b>	<b>1 262 336</b>
<b>As at 29 February 2020</b>		
Lease liabilities (note 5.2)	497 478	497 478
Interest-bearing borrowings (note 17.1 and 17.2)	1 001 684	1 001 684
Bank overdraft (note 14)	182	182
Trade and other payables (note 18)	405 025	405 025
	<b>1 904 369</b>	<b>1 904 369</b>

## **35. Financial risk management**

### **35.1 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, coordinates 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.

### **35.2 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 (note 8.2).

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.

### **35.3 Interest risk management**

The group is exposed to interest rate risk because it has interest-bearing borrowings (note 17) 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.

### **35.4 Credit risk management**

The maximum exposure to credit risk is represented by the carrying amount of trade receivables (note 12) and short-term cash and cash equivalents (note 14). The credit risk management of the group is disclosed within note 12 and 14 respectively.



# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 35. Financial risk management continued

### 35.5 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 the following facilities available:

	2021 R'000	2020 R'000
<b>Non-interest-bearing facilities</b>		
Intra-day facility with First National Bank non-interest-bearing	100 000	100 000
<b>Non-interest-bearing facilities</b>	<b>100 000</b>	<b>100 000</b>
<b>Total interest-bearing borrowing facilities available</b>		
South Africa	1 000 000	1 150 000
– ZAR new revolving credit facility	850 000	–
– ZAR revolving credit facility	–	800 000
– ZAR term loan	–	200 000
– Accordion facility	150 000	150 000
Australia – AUD borrowing base facility	291 175	355 655
<b>Total interest-bearing borrowing facilities available</b>	<b>1 291 175</b>	<b>1 505 655</b>
<b>Interest-bearing borrowing facilities utilised</b>		
South Africa	450 000	770 000
– ZAR new revolving credit facility	450 000	–
– ZAR revolving credit facility	–	570 000
– ZAR term loan	–	200 000
– Accordion facility	–	–
Australia – AUD borrowing base facility	5 823	231 684
<b>Total interest-bearing borrowing facilities utilised</b>	<b>455 823</b>	<b>1 001 684</b>
<b>Unutilised interest-bearing borrowing facilities</b>		
South Africa	550 000	380 000
– ZAR new revolving credit facility	400 000	–
– ZAR revolving credit facility	–	230 000
– ZAR term loan	–	–
– Accordion facility	150 000	150 000
Australia	285 352	123 971
<b>Total unutilised interest-bearing borrowing facilities</b>	<b>835 352</b>	<b>503 971</b>

### Interest-bearing borrowings

Refer to note 17 for additional disclosures.

Trade receivables are used as security to secure funding relating to the interest-bearing borrowing facilities. According to the facilities term sheet, the eligible receivables are defined as those with outstanding invoices aged up to 90 days. Under the terms agreed to, the group is restricted from invoice discounting and any other factoring arrangements on the eligible receivables.

### Cash and cash equivalents

Refer to note 14 for additional disclosures and cash and cash equivalents available and any restrictions applicable thereto.

**35. Financial risk management continued****35.6 Maturity analysis of non-derivative financial liabilities (including interest)**

	<b>2021 R'000</b>	2020 R'000
Trade and other payables (note 18)	<b>361 487</b>	405 025
Interest-bearing borrowings (note 17.2)	<b>55 823</b>	1 001 684
Lease liabilities (note 5.2)	<b>83 240</b>	99 488
<b>Total due within one year</b>	<b>500 550</b>	1 506 197
After one year but within two years	<b>475 258</b>	87 842
After two years but within three years	<b>69 869</b>	73 792
After three years but within four years	<b>66 465</b>	66 655
After four years but within five years	<b>60 806</b>	65 104
After five years	<b>415 367</b>	475 960
<b>Total due after one year</b>	<b>1 087 765</b>	769 353
<b>Total debt</b>	<b>1 588 315</b>	2 275 550

**35.7 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):

<b>Financial assets</b>	<b>2021 R'000</b>	2020 R'000	Valuation technique(s) and key inputs	Fair value hierarchy	Relationship of unobservable inputs to fair value
Investment	<b>18 971</b>	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

# Notes to the consolidated annual financial statements continued

for the year ended 28 February 2021

## 36. Operating lease arrangements

### Accounting policy

The group has the following short-term and low-value lease commitments:

	2021 R'000	Restated 2020 R'000
The group as lessee		
Short-term lease expenses	6 949	25 679
Low value assets lease expenses	2 806	–
<b>Minimum lease payments under operating property and IT-related leases recognised as an expense in the year (note 22)</b>	<b>9 755</b>	25 679
<b>At the statement of financial position date, the group has outstanding commitments under non-cancellable operating leases which fall due as follows</b>		
Within one year	7 078	26 511
Between two and five years	8 422	–
<b>Total commitments under non-cancellable leases</b>	<b>15 500</b>	26 511
Average lease terms of short-term leases (months)	<b>12 months or shorter</b>	12 months or shorter
Average lease term remaining for low value assets	<b>33 months</b>	–

Comparatives have been restated on the classification of Adcorp Support Services Proprietary Limited as a discontinued operation. Refer to note 3.

## 37. Contingent liabilities and commitments

	2021 R'000	2020 R'000
The bank has issued guarantees to creditors to the value of:	25 593	28 250
The group has commitments relating to information technology development of:	12 175	–

**38. Events after 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 net 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 AUD351 218.

**39. Going concern**

In preparing the consolidated financial statements, the directors are responsible for evaluating the group's ability to continue as a going concern and as a consequence the appropriateness of the going concern assumption in the preparation of the financial statements. The directors have assessed the economic environment, current financial position, and the group's expected cash flows for the next 12 months through to the end of June 2022.

**Disposal of non-core assets**

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

**Solvency**

On 28 February 2021, the total assets of the group exceeded the total liabilities by R1 352 million and the current ratio as at 28 February 2021 was 1.5:1. There are no events anticipated in the year ahead that indicate any risk to the group's solvency position.

**Liquidity**

In assessing the liquidity position, cash flow forecasts were prepared, which took into consideration, the disposal of non-core assets and the extension of debt facilities. This cash flow forecast covered the period up until the end of June 2022. The cash position is monitored daily by management and the group is comfortable with its liquidity levels.

**Going concern conclusion**

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

## Annexure A: Details of significant subsidiaries

for the year ended 28 February 2021

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

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

Share type	Authorised share capital of subsidiary/associate		Issued share capital of subsidiary/associate		Number of shares held by Adcorp	
	February 2021 Number	February 2020 Number	February 2021 Number	February 2020 Number	February 2021 Number	February 2020 Number
Ordinary	20 000	20 000	9 000	9 000	9 000	9 000
Ordinary	100 000	—	10 000	—	6 458	—
Redeemable preference	10 000	—	1 592	—	1 592	—
Ordinary	30 000 100	30 000 100	30 000 100	30 000 100	30 000 100	30 000 100
Ordinary	4 000	4 000	400	400	400	400
Ordinary	4 000	4 000	100	100	100	100
Class "A" redeemable preference	225 000	225 000	—	—	—	—
Ordinary	1 000	1 000	100	100	100	100
Ordinary	1 000	1 000	100	100	100	100
Ordinary	900 000 000	900 000 000	349 716 709	349 716 709	349 716 709	349 716 709
Convertible redeemable preference	100 000 000	100 000 000	—	—	—	—
Ordinary	1 000 000 000	1 000 000 000	100 000 000	100 000 000	100 000 000	100 000 000
Ordinary	4 000	4 000	2 000	2 000	2 000	2 000
Ordinary	100	100	100	100	80	80
Ordinary	100	100	100	100	75	75
Ordinary	1 000	1 000	120	120	120	120
Ordinary	550	550	550	550	550	550
A' ordinary	450	450	450	450	—	—
Ordinary	100	100	100	100	100	100
Ordinary	1 000	1 000	1 000	1 000	1 000	920
Ordinary	60 530 464	60 530 464	60 530 464	60 530 464	60 530 464	60 530 464
Ordinary	200	200	200	200	200	200
Ordinary	152 856	152 856	152 856	152 856	152 856	152 856
Ordinary	4 000	4 000	100	100	100	100
Ordinary	1 000	1 000	600	600	600	600
A' ordinary	1 000	1 000	400	400	—	—
Ordinary	300	300	100	100	100	100
Ordinary	1 000	1 000	100	100	100	100
Ordinary	1 000	1 000	100	100	100	100
Ordinary	4 000	4 000	100	100	100	100

## Shareholder analysis

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	4 003	84,86	418 290	0,38
1 001 – 10 000	409	8,67	1 348 307	1,23
10 001 – 100 000	192	4,07	6 541 877	5,95
100 001 – 1 000 000	88	1,87	26 948 039	24,51
Over 1 000 000	25	0,53	74 698 162	67,93
<b>Total</b>	<b>4 717</b>	<b>100,00</b>	<b>109 954 675</b>	<b>100,00</b>
<b>Distribution of shareholders</b>				
Assurance companies	18	0,38	2 689 142	2,45
Close corporations	16	0,34	157 399	0,14
Collective investment schemes	76	1,61	31 788 793	28,91
Control accounts	1	0,02	108	0,00
Foundations and charitable funds	25	0,53	948 469	0,86
Hedge funds	3	0,06	20 839 390	18,95
Insurance companies	7	0,15	288 489	0,26
Investment partnerships	10	0,21	2 089 246	1,90
Managed funds	15	0,32	127 485	0,12
Medical aid funds	9	0,19	474 461	0,43
Organs of state	2	0,04	2 579 260	2,35
Private companies	30	0,64	2 071 244	1,88
Public companies	1	0,02	16	0,00
Public entities	2	0,04	103 356	0,09
Retail shareholders	4 255	90,21	3 749 718	3,41
Retirement benefit funds	129	2,74	36 131 194	32,86
Scrip lending	4	0,09	1 255 076	1,14
Stockbrokers and nominees	20	0,42	3 339 898	3,04
Treasury	1	0,02	556 605	0,51
Trusts	83	1,76	764 736	0,70
Unclaimed scrip	10	0,21	590	0,00
<b>Total</b>	<b>4 717</b>	<b>100,00</b>	<b>109 954 675</b>	<b>100,00</b>
<b>Shareholder type</b>				
<b>Non-public shareholders</b>	6	0,13	34 971 141	31,81
Directors and associates (direct holding)	1	0,02	6 330	0,01
Directors and associates (indirect holding)	4	0,09	34 408 206	31,29
Treasury	1	0,02	556 605	0,51
Public shareholders	4 711	99,87	74 983 534	68,19
<b>Total</b>	<b>4 717</b>	<b>100,00</b>	<b>109 954 675</b>	<b>100,00</b>

<b>Fund managers with a holding greater than 5% of the issued shares</b>	<b>Number of shares</b>	<b>% of issued capital</b>
Value Capital Partners	32 758 743	29,79
Allan Gray	21 512 994	19,57
Kagiso Asset Management	19 914 543	18,11
PSG Asset Management	9 070 949	8,25
<b>Total</b>	<b>83 257 229</b>	<b>75,72</b>
<b>Beneficial shareholders with a holding greater than 5% of the issued shares</b>		
H4 Collective Investments	20 053 299	18,23
Allan Gray	9 819 879	8,93
PSG	9 070 949	8,25
Kagiso	6 042 585	5,50
Sentinel Mining Industry Retirement Funds	5 725 340	5,21
<b>Total</b>	<b>50 712 052</b>	<b>46,12</b>
<b>Total number of shareholdings</b>	<b>4 717</b>	
<b>Total number of shares in issue</b>	<b>109 954 675</b>	
<b>Share price performance</b>		
Opening price 1 March 2020	R10,08	
Closing price 28 February 2021	<b>R6,49</b>	
Closing high for the period	<b>R10,08</b>	
Closing low for the period	<b>R1,35</b>	
Number of shares in issue	<b>109 954 675</b>	
Volume traded during the period	<b>41 065 441</b>	
Ratio of volume traded to shares issued (%)	<b>37,35%</b>	
Rand value traded during the period	<b>R191 056 330</b>	
Price/earnings ratio as at 28 February 2021	<b>21,21</b>	
Earnings yield as at 28 February 2021	<b>4,71</b>	
Dividend yield as at 28 February 2021	<b>0,00</b>	
Market capitalisation at 28 February 2021	<b>R713 605 841</b>	



## Shareholder analysis continued

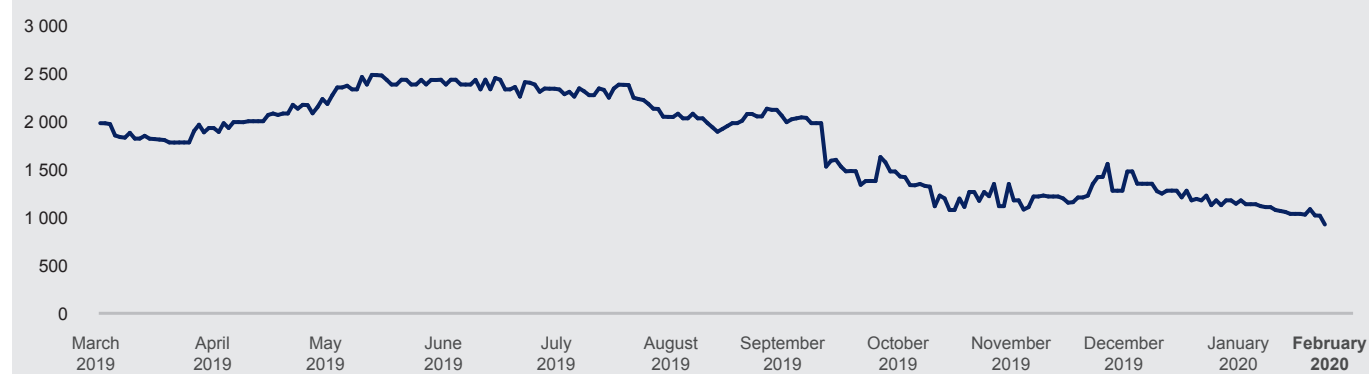
**Adcorp price chart – daily closing price (cents)**



**Five-year share price performance**  
(cents)



**Adcorp price chart – daily closing price**  
(cents)



# Corporate information

## **Adcorp Holdings Limited**

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Listed 1987  
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ISIN: ZAE000000139  
Website: [www.adcorpgroup.com](http://www.adcorpgroup.com)

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