adcorp

Connecting Potential

Unaudited Group results

for the six months ended 31 August 2019

Salient features

EBITDA for the period decreased by **29%** to **R151 million** (H1 2018: R212 million)

Loss after tax of **R447 million** compared to a net profit after tax of R99 million in the prior half year period

Loss per share of **413,3 cents per share** compared to an earnings per share of 90,2 cents per share in the prior half year period

Headline earnings per share of **5,1 cents** compared to 88,3 cents per share in the prior half year period

Cash generated by operations declined by **69%** to **R110 million** (H1 2018: R358 million)

The **gearing ratio** increased to **50%** from **35%**

Days sales outstanding (DSO) improved to **51 days** from 52 days

Revenue for the period decreased by **10%** to **R7 billion** (H1 2018: R8 billion)

A **final dividend of R106 million** (relating to the financial year ended 28 February 2019) has been paid to all shareholders on 19 August 2019. No dividend has been declared for the six-month period ended 31 August 2019 (2018: Nil).

Commentary

Performance overview

The Group is disappointed to report, for the half year ended 31 August 2019, a net loss of R447 million compared to a R99 million profit for the same period last year. The decline in performance can be attributed to a combination of challenges in our trading environments, unsatisfactory operating performance and impairments amounting to R452 million.

Group revenue declined by R784 million during the period. The largest contributors to this decline were the Industrial Services (R291 million decline) and Support Services (R210 million decline) businesses in South Africa, and the Industrial Services (R263 million decline) business in Australia.

Segment report

	Revenue			Gross profit			EBITDA		
	Unaudited six months to 31 August 2019 R000	Unaudited six months to 31 August 2018 R000	Variance %	**Unaudited six months to 31 August 2019 R000**	Unaudited six months to 31 August 2018 R000	Variance %	**Unaudited six months to 31 August 2019 R000**	Unaudited six months to 31 August 2018 R000	Variance %
South Africa									
Industrial Services	**2 907 220**	3 198 437	(9,1)	**259 364**	395 100	(34,4)	**134 050**	166 037	(19,3)
Professional Services	**919 459**	961 809	(4,4)	**167 553**	199 650	(16,1)	**68 687**	77 898	(11,8)
Support Services	**520 222**	729 817	(28,7)	**93 471**	128 989	(27,5)	**17 018**	27 501	(38,1)
Training	**75 738**	90 913	(16,7)	**60 602**	61 839	(2,0)	**13 550**	3 874	>100
Financial Services	**66 366**	84 733	(21,7)	**44 345**	52 110	(14,9)	**32 842**	32 112	2,3
South Africa operations before central costs	**4 489 005**	5 065 709	(11,4)	**625 335**	837 688	(25,3)	**266 147**	307 422	(13,4)
Central costs*	**–**	1 024	(100)	**–**	(133)	(100)	**(160 698)**	(166 058)	(3,2)
Total – SA reported	**4 489 005**	5 066 733	(11,4)	**625 335**	837 555	(25,3)	**105 449**	141 364	(25,4)
Australia									
Industrial Services	**626 496**	889 510	(29,6)	**56 376**	84 534	(33,3)	**6 968**	30 483	(77,1)
Professional Services	**2 072 750**	2 016 376	2,8	**168 267**	157 767	(6,7)	**49 740**	55 213	(9,9)
Australia operations before central costs	**2 699 246**	2 905 886	(7,1)	**224 643**	242 301	(7,3)	**56 708**	85 696	(33,8)
Central costs	**–**	–	–	**–**	–	–	**(11 099)**	(14 635)	(24,2)
Total – Australia reported	**2 699 246**	2 905 886	(7,1)	**224 643**	242 301	(7,3)	**45 609**	71 061	(35,8)
Total Group – reported	**7 188 251**	7 972 619	(9,8)	**849 978**	1 079 856	(21,3)	**151 058**	212 425	(28,9)

* These are gross central costs before allocations to operating entities. They are currently tracked separately to ensure visibility over the rightsizing of this amount. Central costs comprise head office costs and certain shared functions.

Commentary continued

A large portion of the revenue decline in the South African Industrial Services and Support Services businesses was a result of a combination of the poor macroeconomic conditions and the final effects of the July 2018 Constitutional Court ruling on the "deeming" provision in the Labour Relations Act (LRA) flowing through our client base. As the market leader in the South African staffing industry, it goes without saying that we are directly impacted by South Africa's economic and employment woes. In the first half of this year, unemployment increased to 29%, business confidence fell to the lowest level in over two decades and the post-election economic relief, which many of our corporate clients were holding out for, has not materialised. This resulted in our clients rebasing their business projections, leading to higher than anticipated volume reduction in our South African Industrial Services and Support Services businesses. In addition to these cyclical factors, the Support Services business has been impacted by technological disruption in areas such as call centre staffing. In both these businesses, we are stepping up our level of interaction with clients, refining our value proposition and reducing our costs-to-serve.

The most significant impact on the half year results was not so much the decline in our revenue, but a decline in our gross margins which was not matched by a timely response to rationalise our related fixed cost base. We believe these interventions are reasonably within management control, and remedial measures have already commenced.

We are encouraged by the positive performance in our Training business, which has more than doubled in earnings, as we adopt a more commercial focus and rationalise the business.

Financial Services revenue decreased by 22% primarily due to the fact that prior year numbers include revenue for the FNDS 3000 business that was sold in Q1 of FY2019. Revenue in the Financial Services division has also been negatively impacted by the reduction of TES headcount which affects the Employee Benefits business. Excluding these factors, revenue for the FMS part of the business was up 12% and continues to perform well.

The revenue decline in the Australian Industrial Services division was largely as a result of drought conditions and floods that materially impacted the Labour Solutions Australia (LSA) business, which primarily provides staff to the agricultural sector. We have already started seeing some recovery in this business in the second half, but the events further highlight the urgent need to diversify the LSA business and this remains a key strategic focus.

In light of the deterioration in financial performance, management undertook a review of the significant goodwill and intangible assets balance. We have impaired R452 million worth of goodwill in Paracon, Blu, Cynergy, DAV and LSA given the significant slowdown in these businesses over the period under review. The details of this impairment can be found in note 7. Despite the impairment, these businesses remain cash generative and profitable. The impairment is primarily an accounting requirement, and management do not believe that this reflects a permanent loss of value or decline in the long term prospects of the businesses.

The Group posted, for the half year ended 31 August 2019, a net loss after tax of R447 million, a loss per share of 413,3 cents and HEPS of 5,1 cents.

We continue to focus on building a lean and agile business and phase 2 of the optimisation project has begun. This phase entails the structural redesign and process re-engineering of our operations and remaining support functions. As part of this project, it has become clear that some of the costs that are classified as overheads are directly associated to our cost-to-serve. We have gone through a comprehensive exercise to fully identify and understand these costs in order to quantify what our true gross profit (GP) margins are, and have adjusted this prospectively.

Consequently, the August 2019 cost of sales in the income statement below includes direct costs which were contained in operating expenses, below the GP line, in the prior comparable period. The GP margin on our income statement has fallen from 13,5% to 11,8%, however on a like-for-like basis, it has reduced from 13,5% to 13,2%. We believe this approach is crucial in assisting the business going forward to price its contracts and services appropriately.

Commentary continued

Income statement

	Unaudited six months to 31 August 2019 R000	Unaudited six months to 31 August 2018 R000	Variance %
Revenue	**7 188 251**	7 972 619	(9,8)
Cost of sales	**(6 338 273)**	(6 892 763)	(8,0)
Gross profit	**849 978**	1 079 856	(21,3)
Gross profit %	**11,8%**	13,5%	
Other income	**13 284**	28 073	(52,7)
Operating expenses (excluding depreciation and amortisation)	**(712 204)**	(895 504)	(20,5)
EBITDA	**151 058**	212 425	(28,9)
EBITDA %	**2,1%**	2,7%	
Depreciation and amortisation	**(64 797)**	(36 864)	75,8
Depreciation and amortisation reported	**(38 613)**	(36 864)	4,7
Depreciation of right-of-use assets (IFRS 16)	**(26 184)**	–	
Net cost of funding	**(46 604)**	(49 352)	5,6
Net cost of funding reported	**(40 072)**	(49 352)	33,7
Lease liability interest (IFRS 16)	**(6 532)**	–	
Impairment of intangible assets, goodwill and bonds	**(452 160)**	–	
Profit on disposal of assets/associate (pre-tax)	**–**	1 999	
(Loss)/profit before taxation	**(412 503)**	128 208	>100
Taxation	**(34 116)**	(29 137)	17,1
(Loss)/profit for the period	**(446 619)**	99 071	>100

Included in operating expenses is R20 million of costs related to strategic transformation activities. The Group adopted IFRS 16 in the current reporting period, resulting in the recognition of a "right-of-use" asset of R476 million, an increase to EBITDA of R15 million, depreciation of R26 million and interest expense of R7 million.

The net cost of funding has improved by 5,8% mainly due to better cash management. The increase in the tax expense by 17,1% is mainly due to additional deferred tax raised in the current year on the IFRS 16 finance lease liability. However, our effective tax rate has decreased from 22,7% to a negative 8,3%, as a result of the goodwill impairment recognised.

Despite the operating difficulties reflected in the half year results, Adcorp remains South Africa's largest staffing provider with a blue-chip client base that includes South Africa's leading companies in telecommunications, financial services, energy, manufacturing and general industrials. The bulk of our volume reductions have been driven by clients pulling back on their volumes, as opposed to Adcorp losing the clients completely. We, therefore, remain focused on delivering high quality service to our clients to ensure that we remain our clients' top choice when the cycle eventually turns.

Changes to the Board of Adcorp

The following changes to the directorate took place during the period under review:

- Appointment of R van Dijk as an independent non-executive director with effect from 6 June 2019.
- Appointment of M Nkosi as a non-executive director with effect from 6 June 2019.
- Resignation of M Mthunzi as an independent non-executive director with effect from 6 June 2019.
- Resignation of P Moeketsi as a non-executive director with effect from 6 June 2019.
- Appointment of FluidRock Co Sec (Pty) Ltd as Company Secretary with effect from 25 July 2019.
- Resignation of Innocent Dutiro as an executive director with effect from 8 October 2019.

The Board would like to thank our outgoing board members Mncane Mthunzi and Paul Moeketsi, and our outgoing Chief Executive Officer, Innocent Dutiro, for their contribution over the years. We welcome our new board members, Ronel van Dijk and Monde Nkosi, who bring strong financial skills to the Audit and Risk and Investment committees.

Commentary continued

Outlook

Despite the disappointing financial and operational performance for the half year period under review, the business is fundamentally sound and will be able to meet all its commitments and deliver on its strategic plans, albeit over a longer timeframe.

In South Africa, our focus over the short term will be the implementation of tactical interventions to claw back on the losses incurred in the first half of this year. We have also begun simplifying the grouping of our different business units in line with our go-to-market strategies to ensure that businesses that serve the same client base and have similar processes operate under the same pillar and benefit from synergies and collaboration. As noted above, we anticipate our businesses to be agile in responding to revenue and margin pressures through right sizing their cost bases as well as offering better customer propositions. The Group will also be spending more time on customer centric activities compared to the past two years, which have been dominated by internal restructure efforts.

A key focus of the strategic transformation is the realignment of our Training business so that we can effectively leverage our assets, which include numerous accreditations and campuses across the country, to deliver value in reskilling and upskilling of South Africa's workforce. Developments in our Training business are exciting as we work with an increasing number of our clients to deliver demand-led requirements that enhance their workforce skills requirements in a growing age of digital through our IT certification business, TorqueIT. The need for skilled artisans is an imperative for our South African market and we are harnessing our capabilities within our businesses, Adcorp Technical Training (ATT) and Production Management Institute (PMI), to partner with our clients in the heavy industrials, mining and logistics industries.

While we are seeing a marginal uplift in headcount volumes in our LSA business, we do not expect a full recovery in the current financial year. Diversification away from agriculture had already been identified as an area of focus and we are investigating our options in this regard within Australia. Paxus, which had been impacted by a slowdown in volumes in response to the May general elections in Australia, is anticipating a stronger second half of the financial year.

Positioning ourselves to remain competitive as we support our clients as they navigate their human capital and workplace needs remains a priority for the business, and we remain committed to unlocking value for our shareholders while we provide a positive impact in the countries and communities where we work.

Appreciation

We would like to thank our Board, shareholders, funders, employees and all other stakeholders for their ongoing support during this difficult trading period. Thank you for your continued confidence in the potential that the Adcorp Group holds.

By order of the Board

GT Serobe	**CJ Kujenga**
Chairman	*Interim Chief Executive Officer*

16 October 2019

Condensed consolidated statement of financial position

as at 31 August 2019

	Notes	Unaudited six months to 31 August 2019 R000	Unaudited six months to 31 August 2018 R000	Audited year to 28 February 2019 R000
Assets				
Non-current assets		**1 717 188**	1 774 671	1 711 896
Property and equipment		**88 808**	65 137	57 647
Right-of-use assets		**451 484**	–	–
Intangible assets		**212 164**	265 934	231 601
Goodwill	7	**750 349**	1 222 110	1 188 811
Investment		**16 907**	13 670	15 247
Investment – amortised cost		**–**	10 361	–
Deferred taxation	8	**197 476**	197 459	218 590
Current assets		**2 672 724**	3 000 848	2 647 253
Trade receivables		**2 045 496**	2 170 205	2 086 490
Other receivables		**167 727**	141 732	103 712
Investment – amortised cost		**3 097**	–	2 992
Taxation prepaid		**54 094**	89 541	87 202
Cash and cash equivalents		**402 310**	599 370	366 857
Total assets		**4 389 912**	4 775 519	4 359 149
Equity and liabilities				
Capital and reserves		**1 350 749**	1 851 214	1 905 474
Share capital and share premium		**1 740 858**	1 740 858	1 740 858
Reserves		**(390 109)**	110 356	164 616
Total interest-bearing liabilities	9	**1 540 189**	1 231 757	892 189
Non-current liabilities		**1 219 516**	892 985	697 126
Long-term loans		**831 840**	892 985	690 466
Finance lease liability: right-of-use assets		**387 676**	–	–
Provisions		**–**	–	6 660
Current liabilities		**320 673**	338 772	195 063
Short-term portion of long-term loans		**237 611**	338 046	194 836
Finance lease liability: right-of-use assets		**81 605**	–	–
Bank overdraft		**1 457**	726	227
Non-interest-bearing liabilities		**1 498 974**	1 692 548	1 561 486
Non-current liabilities		**94 616**	91 878	104 077
Deferred taxation	8	**94 616**	91 878	104 077
Current liabilities		**1 404 358**	1 600 670	1 457 409
Trade and other payables		**1 097 235**	1 242 858	1 111 233
Provisions		**275 916**	309 506	286 663
Taxation		**31 207**	48 306	59 513
Total equity and liabilities		**4 389 912**	4 775 519	4 359 149

Condensed consolidated statement of profit or loss

for the six months ended 31 August 2019

	Note	**Unaudited six months to 31 August 2019 R000**	Unaudited six months to 31 August 2018 R000	Audited year to 28 February 2019 R000
Revenue	5	**7 188 251**	7 972 619	15 065 369
Cost of sales		**(6 338 273)**	(6 892 763)	(13 032 499)
Gross profit		**849 978**	1 079 856	2 032 870
Other income		**13 284**	28 073	45 461
Operating expenses (excluding depreciation and amortisation)		**(712 204)**	(895 504)	(1 611 174)
Earnings before depreciation and amortisation		**151 058**	212 425	467 157
Depreciation and amortisation		**(64 797)**	(36 864)	(79 416)
Operating profit		**86 261**	175 561	387 741
Interest income		**14 339**	7 072	21 031
Interest expense		**(60 943)**	(56 424)	(104 624)
Impairment of goodwill		**(452 160)**	–	(6 821)
Profit on disposal of non-core assets		**–**	1 999	–
Profits from the sale of subsidiary and associate		**–**	–	574
(Loss)/profit before taxation		**(412 503)**	128 208	297 901
Taxation expense		**(34 116)**	(29 137)	(35 578)
(Loss)/profit for the period from continuing operations		**(446 619)**	99 071	262 323
Loss for the period from discontinued operations		**–**	(351)	(178)
(Loss)/profit for the period		**(446 619)**	98 720	262 145
(Loss)/profit attributable to:				
Owners of the parent from continuing operations		**(446 619)**	98 650	261 850
Owners of the parent from discontinued operations		**–**	(351)	(178)
Non-controlling interest		**–**	421	473
Continuing operations				
Basic (loss)/earnings per share (cents)		**(413,3)**	90,5	240,1
Diluted (loss)/earnings per share (cents)		**(413,3)**	87,6	234,3
Discontinued operations				
Basic loss per share (cents)		**–**	(0,30)	(0,16)
Diluted loss per share (cents)		**–**	(0,30)	(0,16)
Total basic (loss)/earnings per share				
Basic (loss)/earnings per share (cents)		**(413,3)**	90,2	240,1
Diluted (loss)/earnings per share (cents)		**(413,3)**	87,3	234,1

Condensed consolidated statement of other comprehensive income

for the six months ended 31 August 2019

	Unaudited six months to 31 August 2019 R000	Unaudited six months to 31 August 2018 R000	Audited year to 28 February 2019 R000
(Loss)/profit for the period	**(446 619)**	98 720	262 145
Other comprehensive income/(loss)*:			
Exchange differences on translating foreign operations	**13 249**	72 302	9 734
Exchange differences arising on the net investment of a foreign operation	**4 556**	71 253	23 527
Exchange differences on translating foreign operations	**–**	–	1 040
Other comprehensive income/(loss) for the year, net of tax	**17 805**	143 555	34 301
Non-controlling interest	**–**	(421)	(473)
Total comprehensive (loss)/income for the year	**(428 814)**	241 854	295 973
Total comprehensive (loss)/income attributable to:			
Owners of the parent continuing operations	**(428 814)**	242 626	295 678
Owners of the parent discontinued operations	**–**	(351)	(178)
Non-controlling interest	**–**	(421)	473

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

Condensed consolidated statement of cash flows

for the six months ended 31 August 2019

	Unaudited six months to 31 August 2019 R000	Unaudited six months to 31 August 2018 R000	Audited year to 28 February 2019 R000
Operating activities			
(Loss)/profit before taxation	**(412 503)**	127 857	297 723
Adjusted for:			
Foreign currency exchange gains	**–**	–	(25 236)
Fair value adjustments – financial assets	**–**	–	25 407
Interest income – discontinued operations	**–**	–	(3 752)
Depreciation	**40 217**	15 219	25 845
Amortisation of intangibles	**24 580**	21 645	53 571
Impairment of goodwill	**452 160**	–	6 821
Profit on sale of business assets		(1 999)	–
Profit on the sale of property and equipment		(116)	(803)
Share-based payments	**9 605**	11 913	24 464
Unrealised foreign exchange (gain)/loss	**(6 306)**	(2 005)	(1 514)
Non-cash portion of operating lease rentals	**(2 013)**	63	(3 417)
Profit on the sale of associate	**–**	–	(574)
Net movement on assets held for sale	**–**	(18 811)	(18 811)
Fair value adjustment	**3 256**	(427)	(2 003)
Non-cash adjustments	**–**	–	(4 639)
(Decrease)/increase in bad debt provision	**9 397**	(2 405)	(14 127)
Bad debt written off	**6 540**	–	–
Interest income	**(14 339)**	(7 072)	(21 031)
Interest expense	**54 411**	56 424	104 624
Interest expense on finance lease liabilities	**6 532**	–	–
Cash generated from operations before working capital changes	**171 537**	200 286	442 548
(Increase)/decrease in trade and other receivables	**(32 418)**	115 285	173 683
(Decrease)/increase in trade and other payables	**(13 998)**	20 170	(113 797)
(Decrease)/increase in provisions	**(17 407)**	22 304	6 121
Other non-cash items	**1 934**	–	(8 541)
Cash generated by operations	**109 648**	358 045	500 014
Interest income	**14 339**	7 072	24 783
Interest expense	**(54 411)**	(56 424)	(104 624)
Interest expense on finance lease liabilities	**(6 532)**	–	–
Cash settlement of share options exercised	**–**	(7 199)	(8 133)
Taxation paid	**(18 730)**	(67 815)	(59 550)
Dividend paid	**(105 666)**	(1 403)	(2 234)
Net cash generated/(utilised) by operating activities	**(61 352)**	232 276	350 256

Condensed consolidated statement of cash flows
continued

for the six months ended 31 August 2019

	Unaudited six months to 31 August 2019 R000	Unaudited six months to 31 August 2018 R000	Audited year to 28 February 2019 R000
Investing activities			
Additions to property, equipment and intangible assets	**(50 337)**	(13 937)	(32 138)
Proceeds from sale of property and equipment	**–**	1 048	5 083
Proceeds from other financial assets	**–**	4 051	32 508
Net cash inflow on disposal of associate	**–**	–	1 000
Net cash inflow from disposal of subsidiary	**–**	2 654	10 250
Net cash generated from investing activities	**(50 337)**	(6 184)	16 703
Financing activities			
Repurchase of shares	**(29 850)**	–	(15 231)
Repayment of borrowings	**–**	(66 444)	(1 366 966)
Proceeds from borrowings	**184 149**	91 957	1 033 216
Decrease in finance lease liabilities: properties	**(8 387)**	–	–
Other non-current liabilities – interest-bearing	**–**	(1 613)	
Net cash utilised by financing activities	**145 912**	23 900	(348 981)
Net increase in cash and cash equivalents	**34 223**	249 992	17 978
Cash and cash equivalents at the beginning of the period	**366 630**	348 652	348 652
Cash and cash equivalents at the end of the period	**400 853**	598 644	366 630

Condensed consolidated statement of changes in equity

for the six months ended 31 August 2019

	Share capital R000	Share premium R000	Treasury shares R000	Share-based payment reserve R000
Balance as at 28 February 2018 (audited)	2 749	1 738 109	(23 002)	137 310
Recognition of BBBEE and staff share-based payments	–	–	–	11 913
Dividend distributions	–	–	–	–
Profit for the year	–	–	–	–
Other comprehensive income	–	–	–	–
Equity due to change in control	–	–	–	–
Non-controlling interest	–	–	–	–
Balance as at 31 August 2018 (unaudited)	2 749	1 738 109	(23 002)	149 223
Recognition of BBBEE and staff share-based payments	–	–	–	12 551
Treasury shares acquired	–	–	(15 231)	–
Dividend distributions	–	–	–	–
Profit for the year	–	–	–	–
Other comprehensive income	–	–	–	–
Equity due to change in control	–	–	–	–
Non-controlling interest	–	–	–	–
Balance as at 28 February 2019 (audited)	2 749	1 738 109	(38 233)	161 774
Recognition of BBBEE and staff share-based payments	**–**	**–**	**–**	**9 605**
Treasury shares acquired	**–**	**–**	**(29 850)**	**–**
Dividend distributions	**–**	**–**	**–**	**–**
Loss for the year	**–**	**–**	**–**	**–**
Other comprehensive income	**–**	**–**	**–**	**–**
Balance as at 31 August 2019 (unaudited)	**2 749**	**1 738 109**	**(68 083)**	**171 379**

Foreign currency translation reserve R000	Retained earnings R000	Attributable to equity holders of the parent R000	Non-controlling interest R000	Employees' share option scheme reserve R000	Total R000
(26 388)	(230 773)	1 598 005	3 908	676	1 602 589
–	–	11 913	–	–	11 913
–	(1 403)	(1 403)	–	–	(1 403)
–	98 299	98 299	421	–	98 720
72 302	71 253	143 555	–	–	143 555
–	(6 816)	(6 816)	–	–	(6 816)
–	–	–	2 656	–	2 656
45 914	(69 440)	1 843 553	6 985	676	1 851 214
–	–	12 551	–	–	12 551
–	–	(15 231)	–	–	(15 231)
–	(831)	(831)	–	–	(831)
–	163 373	163 373	52	–	163 425
(61 528)	(47 726)	(109 254)	–	–	(109 254)
–	6 816	6 816	–	–	6 816
–	–	–	(3 216)	–	(3 216)
(15 614)	52 192	1 900 977	3 821	676	1 905 474
–	**–**	**9 605**	**–**	**–**	**9 605**
–	**–**	**(29 850)**		**–**	**(29 850)**
–	**(105 666)**	**(105 666)**	**–**	**–**	**(105 666)**
–	**(446 619)**	**(446 619)**	**–**	**–**	**(446 619)**
13 249	**4 556**	**17 805**	**–**	**–**	**17 805**
(2 365)	**(495 537)**	**1 346 252**	**3 821**	**676**	**1 350 749**

Segment report

for the six months ended 31 August 2019

Information reported to the Group's Chief Executive (the chief operating decision maker (CODM)) for the purposes of resource allocation and assessment of segment performance is focused on the different service offerings and geographical region of operations. The Group's reportable segments under IFRS 8 are defined as:

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.

Support Services

This operating segment provides support staffing solutions in "white-collar" areas, such as nursing, clerical, administration, office and call centre positions.

Professional Services

This operating segment provides highly skilled IT and digitally focused professionals. It also delivers consulting, project and managed services in a number of specialist domains.

Training

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

Financial Services

This operating segment offers affordable, pay-as-you-go financial service and lifestyle benefit solutions customised for the Group's assignee base as well as external clients.

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

Segment profit represents the profit earned by each segment without allocation of the share of profits of associates and joint ventures, central administration costs including directors' salaries, finance income, non-operating gains or losses in respect of financial instruments and finance costs, and income tax expense. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance. For the purposes of monitoring segment performance and allocating resources between segments the Group's Chief Executive monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of investments in associates and joint ventures, other financial assets (except for trade and other receivables) and tax assets. Goodwill has been allocated to reportable segments as described in note 7. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

	Industrial		Professional services			
	South Africa R000	Australia R000	Support services R000	South Africa R000	Australia R000	Training R000
Revenue						
– August 2019 (unaudited)	**2 907 220**	**626 496**	**520 222**	**919 459**	**2 072 750**	**75 738**
– August 2018 (unaudited)	3 198 437	889 510	729 817	961 809	2 016 376	90 913
– February 2019 (audited)	5 980 971	1 622 869	1 371 072	1 935 706	3 839 095	166 005
Internal revenue						
– August 2019 (unaudited)	**19 110**	**–**	**5 708**	**602**	**–**	**(362)**
– August 2018 (unaudited)	27 779	–	4 616	836	–	2 010
– February 2019 (audited)	199 250	–	434 476	1 560	–	8 077
Gross profit						
– August 2019 (unaudited)	**259 364**	**56 376**	**93 471**	**167 553**	**168 267**	**60 602**
– August 2018 (unaudited)	395 100	84 534	128 989	199 650	157 767	61 839
– February 2019 (audited)	714 338	150 330	254 114	384 245	317 664	119 242
EBITDA						
– August 2019 (unaudited)	**134 050**	**6 968**	**17 018**	**68 687**	**49 740**	**13 550**
– August 2018 (unaudited)	166 037	30 483	27 501	77 898	55 213	3 874
– February 2019 (audited)	344 005	51 123	49 387	188 552	116 142	5 806
Asset carrying value from continuing operations						
– August 2019 (unaudited)	**1 133 696**	**197 429**	**269 202**	**809 056**	**571 369**	**49 476**
– August 2018 (unaudited)	1 238 797	238 925	231 227	769 666	647 093	57 181
– February 2019 (audited)	1 305 993	198 897	243 865	704 299	584 444	60 177
Liabilities carrying value						
– August 2019 (unaudited)	**473 253**	**46 380**	**90 849**	**275 040**	**347 974**	**117 302**
– August 2018 (unaudited)	560 470	51 354	93 286	333 759	396 619	120 318
– February 2019 (audited)	529 172	49 978	74 402	320 427	338 215	130 760

Financial services	Subtotal	Central South Africa	Australia	Total	International	South Africa	Total
R000	R000	R000	R000	R000	R000	R000	R000
66 366	**7 188 251**	**–**	**–**	**7 188 251**	**2 699 246**	**4 489 005**	**7 188 251**
84 733	7 971 595	1 024	–	7 972 619	2 905 886	5 066 733	7 972 619
149 336	15 065 054	315	–	15 065 369	5 461 964	9 603 405	15 065 369
–	**25 058**	**3 393**	**–**	**28 451**	**–**	**–**	**28 451**
–	35 241	2 134	–	37 375	–	–	37 375
–	643 363	13 609	–	656 972	–	–	656 972
44 345	**849 978**	**–**		**849 978**	**224 643**	**625 334**	**849 978**
52 110	1 079 989	(133)	–	1 079 856	242 301	837 555	1 079 856
90 828	2 030 760	2 110	–	2 032 870	467 994	1 564 876	2 032 870
32 842	**322 855**	**(160 698)**	**(11 099)**	**151 058**	**45 609**	**105 449**	**151 058**
32 112	393 118	(166 058)	(14 635)	212 425	71 061	141 364	212 425
65 189	820 204	(329 762)	(23 284)	467 157	143 981	323 176	467 157
25 538	**3 055 766**	**651 096**	**683 050**	**4 389 912**	**1 451 848**	**2 938 064**	**4 389 912**
215 095	3 397 986	680 536	697 000	4 775 519	1 583 018	3 192 501	4 775 519
184 585	3 282 260	558 052	518 837	4 359 149	1 302 178	3 056 971	4 359 149
12 032	**1 362 830**	**1 367 233**	**309 100**	**3 039 163**	**703 454**	**2 335 709**	**3 039 163**
25 928	1 581 734	932 890	409 681	2 924 305	857 654	2 066 651	2 924 305
17 470	1 460 424	789 835	203 416	2 453 675	591 609	1 862 066	2 453 675

Notes to the unaudited interim financial statements

for the six months ended 31 August 2019

1. Basis of preparation

The unaudited consolidated financial statements are prepared in accordance with the JSE Listings Requirements for interim reports, the requirements of IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act, No 71 of 2008 of South Africa.

The interim financial statements comprise the condensed consolidated statement of financial position at 31 August 2019, condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of cash flows, condensed consolidated statement of changes in equity, and condensed segment report for the six months ended 31 August 2019 and selected explanatory notes.

These interim financial statements do not include all the notes typically included in the annual financial statements and should therefore be read in conjunction with the Group audited consolidated financial statements for the year ended 28 February 2019.

The accounting policies and method of computation applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards (IFRS) as issued by the IASB and are consistent with those applied in the preparation of the Group's 2019 consolidated financial statements, except for changes arising from the adoption of IFRS 16 *Leases*, as set out in note 4.

These unaudited consolidated financial statements for the six months ended 31 August 2019 were prepared under the supervision of Ms Cheryl-Jane Kujenga CA(SA), in her capacity as CFO and have not been audited or reviewed by the Company's auditor.

2. Auditor's responsibility

These unaudited interim financial results have neither been audited nor reviewed by the Group's auditor.

3. Going concern

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

4. Adoption of new accounting standard

The Group elected to adopt IFRS 16 *Leases* prospectively from 1 March 2019 using the modified prospective approach without restating comparative figures. IFRS 16 replaces the existing leases standard and the related interpretations.

In applying IFRS 16 for the first time, the Group used certain practical expedients permitted by the standard, namely a single discount rate for leases with reasonably similar characteristics. The liability was measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate (IBR) at 1 March 2019. The weighted average incremental borrowing rate applied to the lease liability on 1 March 2019 was 10,3% for South Africa and 3,7% for Australia.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. This fundamentally changes how the Group will recognise operating leases where the Group is the lessee. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Group will recognise a right-to-use asset and a lease liability for its operating lease of property. The nature of the expense related to this lease will now change from an operating lease charge to a depreciation charge for the right-of-use asset and interest expense for the lease liability.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review. There were no onerous contracts as at 1 March 2019
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 March 2019 as short-term leases
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4: *Determining Whether an Arrangement Contains a Lease*.

Notes to the unaudited interim financial statements
continued

for the six months ended 31 August 2019

4. Adoption of new accounting standard continued

The impact of the adoption of IFRS 16 *Leases*, on the financial performance and position of the Group is summarised in the table below:

Recognition of right-of-use assets and liability

	R000
Measurement of lease liabilities	
Operating lease commitments disclosed as at 28 February 2019	**142 627**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**137 191**
Less: Short-term leases not recognised as a liability	**(19 593)**
Add: Commitments not disclosed at 28 February 2019	**27 061**
Lease liability recognised as at 1 March 2019	**144 659**
Right-of-use asset	
Recognised on 1 March 2019	**144 659**
Additions	**333 009**
Depreciation	**(26 184)**
Balance as at 31 August 2019	**451 484**
Lease liability	
Recognised on 1 March 2019	**144 659**
Additions	**333 009**
Finance cost	**6 532**
Lease payments	**(14 919)**
Balance as at 31 August 2019	**469 281**
Of which are:	
Current lease liabilities	**81 605**
Non-current lease liabilities	**387 676**
Lease liability recognised as at 31 August 2019	**469 281**

5. Revenue

The Group is in the business of providing services to clients. Permanent placement and outsourced-based solutions services are provided at a point in time. Temporary placement and training services are provided over a period of time. Revenue is therefore recognised at the point of delivery for permanent placement and outsourced-based solutions and over a period of time for temporary placement and training services. In certain cases the Group makes use of output-based methods to determine when the revenue for performance obligations is recognised over time. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when the performance obligations are met.

5. **Revenue** continued

Performance obligation	Description	Timing	**Unaudited six months to 31 August 2019 R000**	Unaudited six months to 31 August 2018 R000	Audited year to 28 February 2019 R000
Permanent placement	Permanent placement involves placing candidates in full-time employment with prospective employers. Once candidates are placed, the Group has no further obligations to the customer.	Revenue is recognised when placed candidates begin employment.	**81 547**	92 283	176 097
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.	**6 483 013**	7 273 395	13 802 351
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.	**143 760**	152 528	300 671
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.	**479 931**	454 413	786 250
Total			**7 188 251**	7 972 619	15 065 369

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

Notes to the unaudited interim financial statements

continued

for the six months ended 31 August 2019

6. Earnings per share

	Unaudited six months to 31 August 2019 R000	Unaudited six months to 31 August 2018 R000	Audited year to 28 February 2019 R000
Continuing operations			
Basic (loss)/earnings per share (cents)	**(413,3)**	90,5	240,1
Diluted (loss)/earnings per share	**(413,3)**	87,6	234,3
Discontinuing operations			
Basic loss per share (cents)	**–**	(0,3)	(0,16)
Diluted loss per share	**–**	(0,3)	(0,16)
Total basic (loss)/earnings per share (cents)			
Basic (loss)/earnings per share (cents)	**(413,3)**	90,2	240,0
Diluted (loss)/earnings per share	**(413,3)**	87,3	234,1
111 780 486 (2019: 112 642 556) weighted diluted number of shares are determined as follows:			
Reconciliation of diluted number of shares			
Ordinary shares	**108 061**	108 946	109 043
Adcorp employee share schemes – dilution	**3 720**	3 697	2 711 331
Adcorp employee share schemes – anti-dilutive	**–**	–	–
Diluted number of shares	**111 781**	112 643	111 755
Reconciliation of headline earnings/(loss)			
(Loss)/profit for the year	**(446 619)**	98 650	261 850
Profit on sale of property and equipment	**–**	(116)	(803)
Taxation recovered on the sale of property and equipment	**–**	32	–
Impairment of goodwill	**452 160**	–	6 821
Profits from the sale of businesses	**–**	(1 999)	(574)
Headline earnings	**5 541**	96 567	267 294
Headline earnings per share (cents)	**5,1**	88,6	245,1
Diluted headline earnings per share (cents)	**5,0**	85,7	239,2
Reconciliation of headline/(loss) from discontinued operations			
(Loss) for the year	**–**	(351)	(178)
Headline (loss)	**–**	(351)	(178)
Headline (loss) per share (cents)	**–**	(0,3)	(0,16)
Diluted headline (loss) per share (cents)	**–**	(0,3)	(0,2)
Reconciliation of headline earnings from total operations			
(Loss)/profit for the period	**(446 619)**	98 299	261 672
Impairment of goodwill	**452 160**	–	6 821
Profit on sale of property and equipment	**–**	(116)	(803)
Taxation recovered on the sale of property and equipment	**–**	32	–
Profits from the sale of businesses	**–**	(1 999)	(574)
Headline earnings	**5 541**	96 216	267 116
Headline earnings per share (cents)	**5,1**	88,3	245,0
Diluted headline earnings per share (cents)	**5,0**	85,4	239,0

7. Goodwill

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

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Goodwill and other indefinite useful-life intangible assets are assessed annually for impairment.

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

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

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

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

The weighted average cost of capital rate is derived from taking into account market risks as well as the cost of debt. The variables used in the model are established on the basis of management judgement and current market conditions. 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 current year were based on the value in use of the relevant CGUs.

Notes to the unaudited interim financial statements
continued

for the six months ended 31 August 2019

7. Goodwill continued

The cash flow inputs to the DCF were derived from the budgeted financial performance of the CGUs for the next five 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. In certain instances the budgets have been revised to take into account the business risks.

The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate used for the terminal-value calculation. The key assumptions used to determine the recoverable amount for the different 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 periods between three to 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.

The Group performed an assessment for impairment of the goodwill allocated to the CGUs, following the lower than anticipated financial returns generated from the CGUs, in the six months ended 31 August 2019.

Sensitivity analysis

The impairment calculations are most sensitive to the following assumptions:

- Anticipated earnings growth
- Discount rates.

Reconciliation of beginning and ending balance

	Unaudited six months to 31 August 2019 R000	Unaudited six months to 31 August 2018 R000	Audited year to 28 February 2019 R000
Cost			
Opening balance	**1 586 297**	1 576 128	1 552 675
Foreign currency adjustment	**13 698**	36 647	33 622
Closing balance	**1 599 995**	1 612 775	1 586 297
Impairment			
Opening balance	**(397 486)**	(390 665)	(390 665)
Impairment of goodwill during the period	**(452 160)**	–	(6 821)
Closing balance	**(849 646)**	(390 665)	(397 486)
Carrying amount at the end of the period	**750 349**	1 222 110	1 188 811
After recognition of impairment losses, the carrying amount of goodwill is attributable to the following material CGUs:			
Industrial Services	**246 377**	492 239	478 818
South Africa	**83 109**	288 657	288 657
Adcorp BLU, a division of Adcorp Workforce Solutions Proprietary Limited	**83 109**	209 348	209 348
Staff U Need, a division of Adcorp Staffing Solutions Proprietary Limited	**–**	79 309	79 309
Australia	**163 268**	203 582	190 161
Labour Solutions Australia Group of Companies	**163 268**	203 582	190 161
Financial Services	**148 656**	148 656	148 656
FMS, a division of Adcorp Support Services Proprietary Limited	**148 656**	148 656	148 656
Professional Services	**355 316**	581 215	561 337
South Africa	**128 612**	348 331	348 331
Adcorp Workforce Management Solutions Proprietary Limited	**128 612**	341 061	341 061
DAV Professional Placement Group, a division of Adcorp Fulfilment Services Proprietary Limited	**–**	7 270	7 270
Australia	**226 704**	232 884	213 006
Paxus Holdings Pte	**217 739**	217 626	204 041
TalentCru Proprietary Limited	**8 965**	8 965	8 965
Razzbri Proprietary Limited	**–**	6 293	–
Total	**750 349**	1 222 110	1 188 811

Notes to the unaudited interim financial statements
continued

for the six months ended 31 August 2019

7. Goodwill continued

	Unaudited six months to 31 August 2019 R000	Audited year to 28 February 2019 R000
As a result of the annual impairment review, the Group impaired the goodwill in the following CGUs:		
Industrial Services		
South Africa		
Staff U Need, a division of Adcorp Staffing Solutions Proprietary Limited	**(79 309)**	–
Adcorp BLU, a division of Adcorp Workforce Solutions Proprietary Limited	**(126 239)**	–
Australia		
Labour Solutions Australia	**(26 893)**	–
Razzbri Proprietary Limited	**–**	(6 821)
Support Services		
Adcorp Workforce Solutions Proprietary Limited	**(212 449)**	–
Professional Services		
DAV Professional Placement Group, a division of Adcorp Fulfilment Services Proprietary Limited	**(7 270)**	–
Total	**(452 160)**	(6 821)

8. Deferred taxation

Deferred tax is recognised on the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of the other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of the deferred tax assets is reviewed at the end of each reporting period 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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Deferred tax 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 tax is also dealt with in other comprehensive income.

8. Deferred taxation continued

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Unaudited six months to 31 August 2019 R000	Unaudited six months to 31 August 2018 R000	Audited year to 28 February 2019 R000
The aggregated deferred tax asset/(liability) position is based on a per legal entity basis within the Group.			
Consisting of:			
Aggregate net deferred tax assets	**197 476**	197 459	218 590
Aggregate net deferred tax liabilities	**(94 616)**	(91 878)	(104 077)
Net position	**102 860**	105 581	114 513

Key estimates and judgements

In evaluating our ability to recover our deferred tax assets in the jurisdiction from which they arise, we consider all available evidence, including projected future taxable income, tax efficiencies and results of recent operations.

In projecting the future taxable income used for determining recognition of deferred tax assets, management considered the impact of various optimisation programmes that are underway as well as projected growth in market share and related revenues mainly in our outsourcing and training segments. The assumptions about future taxable income require the use of significant judgement and are consistent with the plans and estimates we are using to manage the underlying businesses. The assumptions take into account historical performance of the Group as well as future expected growth.

Notes to the unaudited interim financial statements
continued

for the six months ended 31 August 2019

9. Interest-bearing liabilities

9.1 Long-term portion

	Interest rate	Maturity	**Unaudited six months to 31 August 2019 R000**	Unaudited six months to 31 August 2018 R000	Audited year to 28 February 2019 R000
Long-term loans – non-current portion		Six equal instalments on the last of each of the five months prior to 30 November	**1 219 516**	892 985	690 466
Amortising term loan	JIBAR +340		**200 000**	200 000	200 000
Amortising revolving loan	JIBAR +340		**590 000**	650 000	450 000
Amortising revolving loan	2,9% – 3,15%	Equal semi-annual instalments due August 2020 and February 2021 monthly instalments	**41 840**	42 985	40 466
Lease liability	Weighted average IBR		**387 676**	–	–

9. Interest-bearing liabilities continued

9.2 Short-term portion

	Interest rate	Maturity	Unaudited six months to 31 August 2019 R000	Unaudited six months to 31 August 2018 R000	Audited year to 28 February 2019 R000
Long-term loans – current portion			**319 216**	338 046	194 836
Amortising revolving loan	3,15%	Equal semi-annual instalments due August 2019 and February 2020	**237 611**	338 046	194 836
Lease liability	Weighted average IBR	Monthly instalments	**81 605**	–	–

Trade receivables are used as security to secure funding relating to the revolving loan facilities.

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

- All About Project Management Proprietary Limited
- 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
- Paracon SA Proprietary Limited
- Mondial IT Solutions Proprietary Limited
- Production Management Institute of Southern Africa Proprietary Limited
- Adcorp Workforce Solutions Proprietary Limited
- Adcorp Workforce Management Solutions Proprietary Limited
- Comsel Eighteen Proprietary Limited
- Talentcru Proprietary Limited
- Tiger Tail Digital Proprietary Limited
- Torque Technical Computer Training Proprietary Limited
- Adcorp Contracting Proprietary Limited
- Adcorp Technical Training Proprietary Limited
- Adfusion Contract Management Services Proprietary Limited
- Adcorp Advantage Proprietary Limited
- M Squared Consulting MSP Proprietary Limited

Notes to the unaudited interim financial statements
continued

for the six months ended 31 August 2019

10. Financial instruments

10.1 Categories for financial instruments

	Unaudited six months to 31 August 2019 R000	Unaudited six months to 31 August 2018 R000	Audited year to 28 February 2019 R000
Financial assets			
Investments – fair value through profit or loss	**16 907**	13 670	15 247
Receivables (excluding cash resources) – amortised cost	**2 045 496**	2 170 205	2 086 490
Cash	**402 310**	599 370	366 857
Investment – amortised cost	**3 097**	10 361	2 992
Financial liabilities			
Amortised cost (excluding bank overdraft)	**2 166 686**	2 473 889	2 003 195
Bank overdraft	**1 457**	726	227
The following details the Group's remaining contractual maturity for its financial liabilities:			
Within one year	**1 334 846**	1 580 904	1 312 729
More than one year and not later than five years	**831 840**	892 985	690 466

10. Financial instruments continued

10.2 Financial instruments

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

Financial assets/ financial liabilities	**Unaudited six months to 31 August 2019 R000**	Unaudited six months to 31 August 2018 R000	Audited year to 28 February 2019 R000	Valuation technique(s) and key inputs	Fair value hierarchy	Significant observable input(s)	Relationship of unobservable inputs to fair value
Investment – fair value through profit or loss	**16 907**	13 670	15 247	Fair value – market valuation	Level 2	Aggregated publicly traded unit trusts at fair market value	A significant increase in the fair value of invested unit trusts would result in a significant increase in fair value
Investment – amortised cost	**3 097**	10 361	2 992	Bond – fair value – market valuation	Level 2	Foreign currency exchange rates	Change in the foreign currency exchange rate will lead to a change in the fair value of the investment

Notes to the unaudited interim financial statements
continued

for the six months ended 31 August 2019

11. Contingent liabilities

The bank has guaranteed R27,8 million (August 2018: R5,5 million) on behalf of the Group, to creditors.

12. Subsequent events

No material transactions or events subsequent to the six months financial year ended 31 August 2019 and prior to the approval of these condensed consolidated financial statements took place.

13. Dividends paid

A final dividend of 96,1 cents per share (relating to the financial year ended 28 February 2019) has been paid to all shareholders on 19 August 2019. No dividend has been declared for the six-month period ended 31 August 2019 (2018: Nil).

14. Related parties

No other related parties than those disclosed in the segment report were identified.

Corporate information

Adcorp Holdings Limited
Registration number 1974/001804/06
Listed 1987
Share code: ADR
ISIN: ZAE000000139
Website: www.adcorpgroup.com

Registered office
Adcorp Holdings Limited
Adcorp Place
102 Western Service Road
Gallo Manor Ext 6, 2191
PO Box 70635, Bryanston, 2021
Tel: 010 800 0000
Email: info@adcorpgroup.com

Company Secretary
FluidRock Co Sec Proprietary Limited
Adcorp Place
102 Western Service Road
Gallo Manor Ext 6, 2191
PO Box 70635, Bryanston, 2021
Tel: 010 800 0000
Direct: 011 800 0507
Email: sihle.ncube@adcorpgroup.com

Investor relations
Nomonde Xulu
Tel: 011 800 0000
Direct: 010 800 0209
Email: nomonde.xulu@adcorpgroup.com

Auditor
Deloitte & Touche
The Woodlands, 20 Woodlands Drive
Woodmead, Sandton, 2146
Private Bag X6, Gallo Manor, 2052
Tel: 011 806 5000
Fax: 011 806 5111

Legal advisers
Eversheds Sutherland SA
3rd Floor, 54 Melrose Boulevard
Melrose Arch, Melrose North
Johannesburg, 2196
PO Box 782244, Sandton City, 2146
Tel: 087 358 9857

Transfer secretaries
4 Africa Exchange Registry Proprietary Limited
Cedar Woods House
Ballywoods Office Park
33 Ballyclare Drive
Bryanston, 2191
Tel: 011 100 8352
Email: admin@4aregistry.co.za

Sponsors
Nedbank Corporate and Investment Banking,
a division of Nedbank Limited
3rd Floor, Block F
135 Rivonia Road
Sandown, Sandton
2196
Tel: 011 2958525
Email: doristh@nedbank.co.za