adcorp

Connecting Human Potential

Unaudited interim results
for the six months ended 31 August 2023

adcorp
Connecting Human Potential

www.adcorpgroup.com

Contents

Our five core values

Teamwork
We collaborate as a team to achieve excellence and take responsibility for our own deliverables.

Respect
We respect the feelings, wishes, rights and traditions of our workforce, candidates, clients, communities and the environment.

Customer centricity
We strive to anticipate our customers' needs and deliver excellent customer experiences.

Agility
We act with speed and flexibility to ever changing conditions.

Diversity and inclusion
We welcome and embrace a diverse range of people, perspectives and ideas.

Salient features

Revenue
from continuing operations

R6,5 bn

2022:	R5,9 bn	+ 10,2%

Gross profit
from continuing operations

R628 mil

2022:	R627 mil	+ 0,2%

Operating profit
before finance income and finance costs

R60 mil

2022:	R69 mil	-14,0%

Profit after tax
from continuing operations

R35 mil

2022:	R27 mil	+ 31,6%

Total earnings
from continuing operations per share

33,1 cents

2022:	24,6 cents	+ 34,4%

Total headline earnings
from continuing operations per share

33,1 cents

2022:	24,6 cents	+ 34,4%

Net cash position*
reduced to

R82 mil

2022:	R145 mil	- 43,4%

Dividend
declared per share

16,1 cents

2022:	12,2 cents	+ 32,0%

B-BBEE
rating

Level 1

Maintained for South African operations

* *Net cash is a non-IFRS measure defined as unrestricted cash and cash equivalents less interest-bearing debt excluding leases.*

Commentary

Adcorp Holdings Limited ("Adcorp" or "the Company") and its subsidiaries ("Group" or "Adcorp Group") is a workforce solutions provider dedicated to enabling agile, focused and skilled workforces for the future. With a strong presence in both South Africa and Australia, Adcorp Group and its diverse portfolio of brands proudly employ over 1 800 permanent staff members and assign more than 36 000 contingent, contractor and freelance staff daily.

Performance overview

Adcorp Group demonstrated robust revenue growth in both South Africa and Australia, showcasing the resilience and ongoing commitment in implementing the Group's strategic vision amidst adverse macroeconomic conditions and external challenges impacting both economies.

We acknowledge the margin pressure experienced across all sectors, primarily attributable to a decline in permanent placements and subdued demand for higher margin services. We are not only confident that this is a transient phase, but we are actively addressing these challenges. A series of strategic initiatives are underway to optimise our cost structure, enhance operational efficiency, and diversify our revenue streams to fortify our profit margins. Our teams are employing innovative solutions and leveraging data analytics to identify and capitalise on cost-saving and growth opportunities.

Our comprehensive approach to cost containment and effective working capital management is devised to ensure the Group's ongoing stability and profitability. Despite current challenges, the Group's resolute focus on executing its strategy underpins the objectives of securing enduring success. We are well-positioned and equipped to navigate the complexities of the current economic landscape, focusing on enhanced value for our shareholders.

Financial overview

The Group achieved revenue of R6,5 billion, which was an increase of 10,2% compared to the prior period of R5,9 billion. This growth can be primarily attributed to the positive performance of the Contingent Staffing divisions in both South Africa and Australia. Gross profit for the period amounted to R628 million, slightly above the prior period's performance of R627 million. Although the gross profit margin decreased to 9,7% from 10,7% in the prior period, the financial performance remains resilient, given the prevailing economic conditions.

Operating expenses saw a modest increase of 2,8% compared to the results from the prior period. This achievement is noteworthy, considering the rise is below the inflation rates in the geographical areas where we operate. This resulted in an operating profit of R59,5 million (2022: R69,2 million), with the operating profit margin at 0,9% compared to 1,2% in the previous period.

Profit before taxation decreased by 8,8% to R41,4 million (2022: R45,4 million), primarily due to reduced gross margins across many of our brands in the first half of the financial year. Net finance costs decreased to R18,1 million (2022: R23,8 million) due to the improved leverage position of the Group. Earnings per share from continuing operations significantly increased by 34,4% to 33,1 cents (2022: 24,6 cents), aided by the reduced tax expense of R6,0 million (2022: R18,5 million).

The Group's effective tax rate from continuing operations was an encouraging 14,6%, largely attributed to effective tax planning, assessed loss utilisation, and reduced tax exposure to a tax liability in Angola. As of 31 August 2023, total tax losses not recognised amounted to R751 million (2022: R798 million), and those recognised were R174 million (2022: R238 million).

Although cash from operations closed at a utilisation position of R57,7 million compared to the previous period's generation of R89,1 million, this aligns with the Group's strategic focus on organic top-line growth. The Group closed with a net cash position of R82,2 million, lower than the prior period's R144,8 million, primarily due to the payment of a dividend of R111,1 million, including a special dividend of 91,3 cents per share, demonstrating the commitment to delivering value to shareholders.

Contingent Staffing

Contingent Staffing grew in revenue and gross profit, continuing its positive trend. Building upon BLU's longstanding focus on warehousing, distribution, FMCG, general manufacturing, and food manufacturing, there has been a renewed focus on the mining, renewable energy, and hospitality sectors. Despite challenges such as extensive load shedding and prevailing poor macroeconomic conditions impacting our clients' operations, our diverse and robust client base has proven resilient. The PMI integration is progressing well, unlocking synergies and enhancing our service portfolio.

Functional Outsourcing

Functional Outsourcing revenue was lower than in the comparative period, mainly due to the persistent macroeconomic challenges in South Africa. The division has extensive exposure to industries significantly affected by load shedding and infrastructure failures, which reduced demand from clients in FxO and Adfusion. Additionally, the delayed start-up of new contracts, initially expected for the first half, further impacted revenue figures with clients hesitant to expand operations in the current economic climate. However, several of these delayed contracts are now anticipated to commence in the year's second half. Cleaning brand CAPability showed good growth compared to the prior period.

Professional

The Professional division saw revenue growth but faced margin pressures. Strategic initiatives are underway to optimise costs and enhance efficiency to address this. IT brand Paracon produced a solid performance in a difficult market, while nursing brand Charisma declined marginally as the shortage of nurses persisted. talentCRU, which also houses the brands of DAV and Kelly, has seen the largest comparative decline as demand for permanent placements and recruitment placement outsourcing (RPO) solutions fell sharply. The decline in these lines of business, which invariably are at higher margins than temporary and Contingent Staffing offerings, has been a key factor in the division's compressed margins.

Australia

Following placing the non-core aaX brand into voluntary administration in December 2022, the Australia division returned to focus on its core business in H1, demonstrating the strength and resilience of the two staffing brands: Paxus and Labour Solutions Australia (LSA). Paxus revenue was marginally behind the comparative period, on an Australian dollar basis, as permanent placement demand fell and the IT market experienced further softening, but targeted strategies are in place to revitalise growth, ensuring the brand remains robust and competitive. Continuing its strong performance on the back of investment made during FY2023, LSA revenue for H1 was significantly higher than the comparative period.

Commentary continued

Changes to the Board

There have been no changes to the board of directors or sub-committees for the six months ended 31 August 2023.

Dividend declaration

Shareholders are hereby advised that the board of directors of Adcorp has approved and declared an interim gross dividend of 16,1 cents per ordinary share (2022: 12,2 cents per ordinary share), from income reserves, for the six months ended 31 August 2023.

The dividend is subject to a South African dividend withholding tax rate of 20%, resulting in a net dividend of 12,88 cents per ordinary share (2022: 9,76 cents per ordinary share), unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate of dividend tax in terms of an applicable double-taxation agreement.

As at the date of this announcement, the Company has 109 954 675 ordinary shares of no par value in issue.

The Company's income tax reference number is 9233680710.

Salient dates and times

Shareholders are hereby advised of the following salient dates and times for the payment of the dividend:

Publication of declaration data and finalisation information	Monday, 30 October 2023
Last day to trade *cum* dividend	Tuesday, 16 January 2024
Securities commence trading ex dividend	Wednesday, 17 January 2024
Record date for purposes of determining the registered holders of ordinary shares to participate in the dividend at close of business on	Friday, 19 January 2024
Payment date	Monday, 22 January 2024

Share certificates may not dematerialise or rematerialise between Wednesday, 17 January 2024 and Friday, 19 January 2024, both dates inclusive.

Outlook

The outlook for our South African operations has worsened due to persistent high levels of load shedding, compounded by infrastructure failure, sector-specific impacts and a high inflationary and interest environment. These challenges have soured the business mood, with clients hesitant to expand operations in the current economic climate. GDP growth is expected to be marginal, continuing to impede job creation. We anticipate these factors will lead to lower demand, negatively impacting performance.

While the outlook in Australia has softened due to cost-of-living pressures and rising interest rates, the business environment remains favourable. The labour market has moderated, but sectoral demand variations provide a cushion while inflation continues declining.

Adcorp's challenge lies in investing in profitable growth while controlling costs and preserving robust cash flow. Our management remains steadfast in its commitment to safeguarding investor value and navigating these challenges with strategic agility and resilience.

By order of the Board

30 October 2023

Directors

Dr John Wentzel (chief executive officer)
Noel Prendergast (chief financial officer)
Gloria Serobe* (chairman)
Timothy Olls*
Clive Smith*
Melvyn Lubega**
Ronel van Dijk**
Prof Herman Singh**
Tshidi Mokgabudi**
Dr Phumla Mnganga**
Sam Sithole***

* *Non-executive.*
** *Independent non-executive.*
*** *Alternative non-executive.*

Consolidated statement of financial position

as at 31 August 2023

R'000	Notes	**Unaudited six months to 31 August 2023**	Unaudited six months to 31 August 2022	Audited year to 28 February 2023
Assets				
Non-current assets		**1 186 170**	1 272 447	1 238 869
Property and equipment		**27 740**	34 081	30 811
Right-of-use assets		**269 675**	304 222	291 785
Intangible assets		**115 781**	121 113	123 684
Goodwill		**506 943**	528 092	512 695
Other financial assets – investment at fair value	11.6	**21 706**	20 126	21 074
Deferred taxation		**214 581**	208 641	214 833
Prepayments		**29 744**	56 172	43 987
Current assets		**1 805 394**	1 786 545	1 922 796
Trade receivables		**1 424 231**	1 392 343	1 337 049
Other receivables		**193 593**	104 624	136 242
Taxation prepaid		**35 780**	5 513	33 957
Cash and cash equivalents and restricted cash		**151 790**	284 065	415 548
Non-current assets held for sale	4	**–**	81 222	–
Total assets		**2 991 564**	3 140 214	3 161 665
Equity and liabilities				
Capital and reserves		**1 410 632**	1 474 070	1 534 677
Share capital and share premium		**1 740 858**	1 740 858	1 740 858
Treasury shares		**(93 170)**	(84 170)	(91 170)
Reserves		**(237 056)**	(182 618)	(115 011)
Non-current liabilities		**370 154**	443 417	388 936
Lease liabilities		**317 227**	346 703	331 977
Deferred taxation		**52 927**	96 714	56 959
Current liabilities		**1 210 778**	1 193 644	1 238 052
Interest-bearing borrowings	8	**–**	23 358	–
Lease liabilities		**76 153**	67 213	77 433
Trade and other payables		**860 964**	828 325	898 855
Provisions		**241 837**	225 305	234 889
Taxation		**31 824**	49 443	26 875
Liabilities held for sale	4	**–**	29 083	–
Total equity and liabilities		**2 991 564**	3 140 214	3 161 665

Consolidated statement of profit and loss

for the six months ended 31 August 2023

R'000	Notes	Unaudited six months to 31 August 2023	Unaudited six months to 31 August 2022	Audited year to 28 February 2023
Continuing operations				
Revenue	6	**6 458 108**	5 860 947	12 048 951
Cost of sales		**(5 830 389)**	(5 234 175)	(10 766 543)
Gross profit		**627 719**	626 772	1 282 408
Other income		**9 999**	9 667	19 743
Loss allowance for expected credit losses – trade receivables		**1 169**	8 312	10 585
Impairment of goodwill		**–**	–	(34 463)
Operating expenses		**(579 379)**	(575 546)	(1 114 368)
Operating profit before finance income and finance costs		**59 508**	69 205	163 905
Finance income		**5 850**	3 034	5 589
Finance costs		**(23 964)**	(26 851)	(50 981)
Profit before taxation		**41 394**	45 388	118 513
Taxation		**(6 052)**	(18 525)	2 241
Profit for the period from continuing operations		**35 342**	26 863	120 754
Discontinued operations				
Loss for the period from discontinued operations	4	**–**	(13 663)	(79 980)
Profit for the period		**35 342**	13 200	40 774
Profit attributable to:				
Owners of the parent – continuing operations		**34 135**	25 790	118 562
Owners of the parent – discontinued operations		**–**	(13 663)	(79 980)
Non-controlling interest		**1 207**	1 073	2 192
Continuing operations basic and diluted earnings per share:				
Basic earnings per share – cents	7	**33,1**	24,6	114,7
Diluted earnings per share – cents	7	**31,8**	23,8	110,6
Discontinued operations basic and diluted earnings per share:				
Basic loss per share – cents	7	**–**	(13,0)	(77,4)
Diluted loss per share – cents	7	**–**	(12,6)	(77,4)
Total basic and diluted earnings per share:				
Basic earnings per share – cents	7	**33,1**	11,6	37,3
Diluted earnings per share – cents	7	**31,8**	11,2	36,0

Consolidated statement of other comprehensive income

for the six months ended 31 August 2023

R'000	Unaudited six months to 31 August 2023	Unaudited six months to 31 August 2022	Audited year to 28 February 2023
Profit for the period	**35 342**	13 200	40 774
Other comprehensive (loss)/income			
Items that are or may be reclassified subsequently to profit or loss:	**(53 366)**	55 318	100 884
Continuing operations			
Exchange differences on translating foreign operations	**(44 456)**	38 505	25 330
Exchange differences arising on the net investment of a foreign operation	**(8 910)**	17 380	72 281
Discontinued operations			
Exchange differences on translating foreign operations	**–**	(567)	3 273
Other comprehensive (loss)/income for the period, net of tax	**(18 024)**	68 518	141 658
Non-controlling interest	**(26)**	104	309
Total comprehensive (loss)/income for the period	**(18 050)**	68 622	141 967
Total comprehensive (loss)/income attributable to:			
Owners of the parent continuing operations	**(19 231)**	81 675	216 173
Owners of the parent discontinued operations	**–**	(14 230)	(76 707)
Non-controlling interest	**1 181**	1 177	2 501

Consolidated statement of changes in equity

for the six months ended 31 August 2023

R'000	Share capital	Share premium	Treasury shares	Share-based payment reserve
Balance as at 28 February 2022 (audited)	2 749	1 738 109	(72 172)	196 240
Treasury share purchases	–	–	(12 560)	–
Share scheme settlement	–	–	562	(562)
Share-based payments	–	–	–	(5 312)
Profit for the period	–	–	–	–
Other comprehensive income	–	–	–	–
Distributions to shareholders	–	–	–	–
Balance as at 31 August 2022 (unaudited)	2 749	1 738 109	(84 170)	190 366
Balance as at 28 February 2023 (audited)	**2 749**	**1 738 109**	**(91 170)**	**187 681**
Treasury share purchases	**–**	**–**	**(2 000)**	**–**
Share-based payments	**–**	**–**	**–**	**7 125**
Profit for the period	**–**	**–**	**–**	**–**
Other comprehensive income	**–**	**–**	**–**	**–**
Distributions to shareholders	**–**	**–**	**–**	**–**
Balance as at 31 August 2023 (unaudited)	**2 749**	**1 738 109**	**(93 170)**	**194 806**

Foreign currency translation reserve	Accumulated loss	Attributable to equity holders of the parent	Non-controlling interest	Employees' share option scheme reserve	Total
23 658	(412 692)	1 475 892	(3 531)	168	1 472 529
–	–	(12 560)	–	–	(12 560)
–	–	–	–	–	–
–	–	(5 312)	–	–	(5 312)
–	12 127	12 127	1 073	–	13 200
55 318	–	55 318	104	–	55 422
–	(49 209)	(49 209)	–	–	(49 209)
78 976	(449 774)	1 476 256	(2 354)	168	1 474 070
124 542	**(426 372)**	**1 535 539**	**(1 030)**	**168**	**1 534 677**
–	**–**	**(2 000)**	**–**	**–**	**(2 000)**
–	**–**	**7 125**	**–**	**–**	**7 125**
–	**34 135**	**34 135**	**1 207**	**–**	**35 342**
(53 366)	**–**	**(53 366)**	**(26)**	**–**	**(53 392)**
–	**(111 120)**	**(111 120)**	**–**	**–**	**(111 120)**
71 176	**(503 357)**	**1 410 313**	**151**	**168**	**1 410 632**

Consolidated statement of cash flows

for the six months ended 31 August 2023

R'000	Unaudited six months to 31 August 2023	Unaudited six months to 31 August 2022	Audited year to 28 February 2023
Operating activities			
Profit before taxation	**41 394**	25 977	38 533
From continuing operations	**41 394**	45 388	118 513
From discontinued operations	**–**	(19 411)	(79 980)
Adjusted for:			
Depreciation of property and equipment	**5 709**	7 308	14 581
Depreciation of right-of-use assets	**26 852**	27 667	54 534
Impairment of financial asset*	**–**	876	55 000
Amortisation of intangibles	**7 199**	8 491	15 906
Prepayment release – enterprise technology transformation project	**14 273**	13 052	25 472
Impairment of goodwill	**–**	–	34 463
Loss/(gain) on the sale of property and equipment	**2**	6	(290)
Share-based payments	**7 125**	9 792	12 428
Lease liabilities derecognised	**(1 074)**	–	–
Right-of-use assets derecognised	**816**	–	–
Profit on the disposal of businesses	**–**	–	(9 640)
Fair value remeasurement	**(632)**	(528)	(1 477)
Decrease in loss allowances for expected credit losses – trade receivables	**(1 169)**	(8 312)	(10 585)
Finance income	**(5 850)**	(3 034)	(5 589)
Finance costs	**23 964**	26 851	50 981
Cash generated from operations before working capital changes	**118 609**	108 146	274 317
(Increase)/decrease in trade and other receivables	**(152 163)**	(46 289)	31 315
(Decrease)/increase in trade and other payables	**(31 142)**	18 400	54 290
Increase in provisions	**6 948**	8 859	17 749
Cash (utilised)/generated by operations	**(57 748)**	89 116	377 671
Finance income	**5 850**	3 034	5 589
Finance costs	**(2 436)**	(4 609)	(6 891)
Interest expense on finance lease liabilities	**(21 528)**	(22 242)	(44 090)
Taxation paid	**(8 385)**	(14 255)	(72 722)
Net cash (utilised)/generated by operating activities	**(84 247)**	51 044	259 557

* *For the year ended 28 February 2023, R54 million related to the impairment of trade and other receivables in the discontinued operations of aaX.*

R'000	Unaudited six months to 31 August 2023	Unaudited six months to 31 August 2022	Audited year to 28 February 2023
Investing activities			
Additions to property, equipment and intangible assets	**(2 587)**	(5 206)	(8 052)
Proceeds from sale of property and equipment	**–**	–	1 100
Prepayment – enterprise technology transformation project	**(2 056)**	(15 529)	(16 856)
Additions to intangible assets	**–**	–	(7 883)
Net cash utilised by investing activities	**(4 643)**	(20 735)	(31 691)
Financing activities			
Treasury shares acquired	**(2 000)**	(12 561)	(19 560)
Distributions to external shareholders	**(111 120)**	(49 209)	(61 822)
Repayment of borrowings	**(24 600)**	(394 000)	(615 183)
Proceeds from borrowings	**24 600**	283 000	480 190
Capital payment of lease liabilities	**(21 206)**	(18 931)	(38 511)
Net cash utilised by financing activities	**(134 326)**	(191 701)	(254 886)
Net decrease in cash and cash equivalents	**(223 216)**	(161 392)	(27 020)
Cash and cash equivalents at the beginning of the period	**415 548***	420 355	420 355
Restricted cash reclassified from cash and cash equivalents	**(69 669)**	–	(103 856)
Foreign currency adjustments	**(40 420)**	28 606	22 618
Cash and cash equivalents deconsolidated	**–**	–	(405)
Cash and cash equivalents at the end of the period	**82 243**	287 569	311 692

* *Includes restricted cash of R103 million that was reclassified as at 28 February 2023.*

Segment report

for the six months ended 31 August 2023

Information reported to the Group's executive committee chief operating decision maker (CODM) for the purposes of making key operating decisions, resource allocation and the assessment of segmental performance is focused on the different service offerings and geographical region of operations. In the current year, the operating segments were reorganised and are grouped into the following categories: contingent staffing, functional outsourcing, professional and business support. The Group's reportable segments under IFRS 8 are as follows:

Contingent Staffing

This operating segment comprises brands that provide industrial contingent staffing solutions offering compliant fixed term employee contracting. A segmental focus within the FMCG, manufacturing, warehousing and logistics, mining and renewable energy industries.

The segment includes a brand that is a training provider to external clients and support to other Adcorp service lines.

Functional Outsourcing

This segment comprises an end-to-end outcomes-based solutions provider and niche industrial and office cleaning company.

The outcomes-based solutions provider offers effective non-core process outsourcing related to productivity, process efficiencies and continuous improvement that is focused in the FMCG and warehousing and logistics sectors.

Professional

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.

Includes a brand that is in the information and communication technologies software training industry and largely a trainer of the Microsoft product suite, delivering in-person and virtual instructor led or demand driven online training.

Business Support

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

Geographical segmentation

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

Segment operating profit or loss before finance income and finance costs represents the profit or loss earned by each segment without allocation of central administration costs. It includes directors' salaries, finance income, finance costs, and income tax expense applicable to the central segment and internal charges between the central and other segments. The finance income and finance costs includes intra-group charges. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance. For the purposes of monitoring segment performance and allocating resources between segments the Group's Chief Executive monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of other financial assets (except for trade and other receivables) and taxation assets. Goodwill has been allocated to reportable segments.

Transactions between segments follow the Group's accounting policies. No single customer contributes more than 10% of the Group's revenues.

Segment report continued

for the six months ended 31 August 2023

R'000	Contingent staffing[1] South Africa	Professional services[2] South Africa	Functional outsourcing South Africa	Business support South Africa	Contingent staffing International	Professional services International
Revenue						
– August 2023	**1 860 192**	**997 903**	**545 632**	**–**	**922 924**	**2 131 457**
– August 2022	1 734 619	980 079	580 498	–	565 919	1 999 832
– February 2023	3 591 607	1 946 941	1 129 795	–	1 408 709	3 971 899
Internal revenue						
– August 2023	**22 118**	**8 307**	**6 591**	**–**	**–**	**–**
– August 2022	19 976	12 590	4 611	–	–	–
– February 2023	45 810	23 314	10 108	–	–	–
COS						
– August 2023	**(1 645 537)**	**(881 689)**	**(503 500)**	**–**	**(843 680)**	**(1 955 983)**
– August 2022	(1 531 228)	(851 818)	(529 438)	–	(507 676)	(1 814 015)
– February 2023	(3 158 981)	(1 686 513)	(1 038 833)	–	(1 280 934)	(3 601 282)
Staff costs						
– August 2023	**(68 364)**	**(55 920)**	**(13 434)**	**(50 364)**	**(46 634)**	**(99 574)**
– August 2022	(66 490)	(55 951)	(12 752)	(55 296)	(15 128)	(104 491)
– February 2023	(127 059)	(107 807)	(23 281)	(110 974)	(71 831)	(197 291)
Loss allowances for expected credit losses and bad debts on trade receivables						
– August 2023	**1 441**	**(299)**	**(72)**	**–**	**–**	**–**
– August 2022	8 093	885	(114)	–	–	(552)
– February 2023	12 787	(369)	(60)	–	–	–
Operating profit (loss)[4]						
– August 2023	**40 844**	**(15 666)**	**1 605**	**10 921**	**17 817**	**34 993**
– August 2022	19 137	(7 159)	13 319	5 062	15 781	41 509
– February 2023	94 648	(25 797)	18 542	5 909	32 233	95 763
Depreciation and amortisation						
– August 2023	**(3 076)**	**(8 791)**	**(469)**	**(15 496)**	**(873)**	**(2 658)**
– August 2022	(3 772)	(8 995)	(291)	(18 652)	(721)	(2 291)
– February 2023	(7 265)	(17 632)	(577)	(36 116)	(1 537)	(4 898)

[1] Includes PMI, which was previously included in the training segment in the 2023 financial year which is now managed in the contingent staffing segment. The comparatives have been restated to include PMI in the contingent staffing segment.

[2] Includes Torque IT, which was previously included in the training segment in the 2023 financial year which is now managed in the professional segment. The comparatives have been restated to include Torque IT in the professional segment.

[3] Relates to the trading performance and financial position of allaboutXpert Australia Proprietary Limited, allaboutXpert NZ Proprietary Limited and allaboutXpert Technologies Proprietary Limited classified as a discontinued operation in the prior financial year and its related assets and liabilities classified as held for sale.

[4] Includes internal charges 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.

[5] Includes impairment of goodwill.

Business support	Group continued operations	Discontinued operations/ held for sale	Discontinued operations/ held for sale[3]	Total Group	Geographical segments	
International		South Africa	International	Total	South Africa	International
–	**6 458 108**	**–**	**–**	**6 458 108**	**3 403 727**	**3 054 381**
	5 860 947	–	97 464	5 958 411	3 295 196	2 663 215
–	12 048 951	–	107 106	12 156 057	6 668 343	5 487 714
–	**37 016**	**–**	**–**	**37 016**	**37 016**	**–**
	37 177	–	–	37 177	37 177	–
–	79 232	–	–	79 232	79 232	–
						–
–	**(5 830 389)**	**–**	**–**	**(5 830 389)**	**(3 030 726)**	**(2 799 663)**
–	(5 234 175)	–	(106 217)	(5 340 392)	(2 912 484)	(2 427 908)
–	(10 766 543)	–	(125 599)	(10 892 142)	(5 884 327)	(5 007 815)
(11 887)	**(346 177)**	**–**	**–**	**(346 177)**	**(188 082)**	**(158 095)**
(9 155)	(319 263)	–	(19 337)	(338 600)	(190 489)	(148 111)
(19 189)	(657 432)	–	(4 190)	(661 622)	(369 121)	(292 501)
99	**1 169**	**–**	**–**	**1 169**	**1 070**	**99**
–	8 312	–	–	8 312	8 864	(552)
(1 773)	10 585	–	(54 124)	(43 539)	12 358	(55 897)
(31 006)	**59 508**	**–**	**–**	**59 508**	**37 704**	**21 804**
(18 444)	69 205	–	(19 411)	49 794	30 359	19 435
(57 393)	163 905	–	(89 620)	74 285	93 302	(19 017)
(8 396)	**(39 759)**	**–**	**–**	**(39 759)**	**(27 832)**	**(11 927)**
(8 743)	(43 465)	–	(74)	(43 539)	(31 710)	(11 829)
(16 996)	(85 021)	–	(110)	(85 131)	(61 590)	(23 541)

Segment report continued

for the six months ended 31 August 2023

R'000	Contingent staffing[1] South Africa	Professional services[2] South Africa	Functional outsourcing South Africa	Business support South Africa	Contingent staffing International	Professional services International
Finance income						
– August 2023	**77**	**260**	**14**	**3 896**	**–**	**–**
– August 2022	36	92	–	2 686	–	–
– February 2023	84	538	40	4 871	–	–
Finance cost						
– August 2023	**(380)**	**(60)**	**(17)**	**(20 640)**	**–**	**–**
– August 2022	(537)	(127)	–	(23 138)	–	–
– February 2023	(941)	(176)	–	(44 094)	–	–
Impairment expense[5]						
– August 2023	**–**	**–**	**–**	**–**	**–**	**–**
– August 2022	–	–	–	–	–	–
– February 2023	–	–	–	(34 463)	–	–
Taxation (expense)/income						
– August 2023	**4 432**	**3 388**	**(525)**	**(6 458)**	**(5 345)**	**(10 496)**
– August 2022	(11 746)	3 372	(3 593)	3 735	(4 734)	(12 629)
– February 2023	(11 925)	4 207	(6 322)	2 275	(10 154)	(28 687)
Total assets						
– August 2023	**804 342**	**421 931**	**116 958**	**409 688**	**201 850**	**622 374**
– August 2022	850 762	480 054	111 694	526 800	155 025	463 242
– February 2023	809 571	415 493	99 514	601 964	163 491	597 176
Total liabilities						
– August 2023	**383 270**	**170 776**	**78 013**	**455 238**	**176 121**	**359 523**
– August 2022	431 483	205 018	91 914	486 025	93 543	354 160
– February 2023	394 311	183 771	104 164	470 688	153 415	358 735
Additions to property and equipment						
– August 2023	**–**	**–**	**–**	**–**	**322**	**2 230**
– August 2022	193	51	16	224	405	4 237
– February 2023	569	52	1 356	225	1 305	4 366
Additions to right-of-use assets						
– August 2023	**2 328**	**–**	**489**	**3 049**	**–**	**–**
– August 2022	1 589	–	–	–	518	4 656
– February 2023	2 285	–	–	–	11 912	4 735
Additions to intangible assets						
– August 2023	**–**	**–**	**–**	**–**	**–**	**–**
– August 2022	–	–	–	–	–	–
– February 2023	1 883	6 000	–	–	–	–

Business support	Group continued operations	Discontinued operations/ held for sale	Discontinued operations/ held for sale[3]	Total Group	Geographical segments	
International		South Africa	International	Total	South Africa	International
1 603	**5 850**	**–**	**–**	**5 850**	**4 247**	**1 603**
220	3 034	–	–	3 034	2 814	220
56	5 589	–	–	5 589	5 533	56
(2 867)	**(23 964)**	**–**	**–**	**(23 964)**	**(21 097)**	**(2 867)**
(3 049)	(26 851)	–	–	(26 851)	(23 802)	(3 049)
(5 770)	(50 981)	–	–	(50 981)	(45 211)	(5 770)
–	**–**	**–**	**–**	**–**	**–**	**–**
–	–	–	–	–	–	–
–	(34 463)	–	–	(34 463)	(34 463)	–
8 952	**(6 052)**	**–**	**–**	**(6 052)**	**837**	**(6 889)**
7 070	(18 525)	–	5 748	(12 777)	(8 232)	(4 545)
52 847	2 241	–	–	2 241	(11 765)	14 006
						–
414 421	**2 991 564**	**–**	**–**	**2 991 564**	**1 752 919**	**1 238 645**
471 415	3 058 992	–	81 222	3 140 214	1 969 310	1 170 904
474 456	3 161 665	–	–	3 161 665	1 926 542	1 235 123
(42 009)	**1 580 932**	**–**	**–**	**1 580 932**	**1 087 297**	**493 635**
(25 082)	1 637 061	–	29 083	1 666 144	1 214 440	451 704
(38 096)	1 626 988	–	–	1 626 988	1 152 934	474 054
35	**2 587**	**–**	**–**	**2 587**	**–**	**2 587**
80	5 206	–	–	5 206	484	4 722
179	8 052	–	–	8 052	2 202	5 850
–	**5 866**	**–**	**–**	**5 866**	**5 866**	**–**
–	6 763	–	–	6 763	1 589	5 174
–	18 932	–	–	18 932	2 285	16 647
–	**–**	**–**	**–**	**–**	**–**	**–**
–	–	–	–	–	–	–
–	7 883	–	–	7 883	7 883	–

Notes to the unaudited interim financial statements

for the six months ended 31 August 2023

1. Basis of preparation

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

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 2023.

The interim financial statements comprise of the consolidated statement of financial position at 31 August 2023, consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended 31 August 2023 and selected explanatory notes.

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 International Accounting Standards Board (IASB) and are consistent with those applied in the preparation of the Group's 2023 consolidated financial statements.

These unaudited and unreviewed consolidated interim financial statements for the six months ended 31 August 2023 were prepared under the supervision of Mr Noel Prendergast CA(SA), in his capacity as Chief Financial Officer.

1.1 Segmental reporting

The industrial reportable segmental results in the 31 August 2022 consolidated results, have been separated into contingent staffing and functional outsourcing reportable segments for the consolidated results at 31 August 2023 as decisions taken by the Chief Operating Decision Maker relate to these segments activities reviewed separately. The comparative segmental results have accordingly been restated.

The two brands, PMI and Torque IT, that were included in the training reportable segment as disclosed in the 31 August 2022 consolidated results, have been separated and included into the contingent staffing and professional segments for the period ended 31 August 2023. This is due to the decisions taken by the Chief Operating Decision Maker relate to the services and activities that are reviewed together with the other entities within those segments. The comparative segmental results have accordingly been restated.

1. Basis of preparation continued

1.1 Segmental reporting continued

The Australian segmental results in the 31 August 2022 consolidated results, disclosed the Australian operations into one whole reportable segment, however the Australian operations have been split and separately disclosed into contingent staffing, professional and business support for the period ended 31 August 2023. This is due to the decisions taken by the Chief Operating Decision Maker relate to the Australian operating business as they have been segmented. The comparative segmental results have accordingly been restated.

2. Auditor's responsibility

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

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. Discontinued operations

For the period ended 31 August 2022, the requirements of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations had been met for allaboutXpert Australia Proprietary Limited, together with its wholly owned subsidiaries allaboutXpert NZ Limited and allaboutXpert Technologies Proprietary Limited (aaX). The assets of these companies were therefore accounted for as assets held for sale and the results of these operations were disclosed separately in the statement of profit or loss.

On 13 December 2022, the Group voluntarily initiated an administration process for allaboutXpert Technologies Proprietary Limited and allaboutXpert Australia Proprietary Limited whereby the independent registered administrator assumed control of these entities. As a result, the Group also lost control over allaboutXpert NZ limited, a subsidiary of allaboutXpert Australia Proprietary Limited and were deconsolidated.

Notes to the unaudited interim financial statements continued

for the six months ended 31 August 2023

4. Discontinued operations continued

The prior year financial performance presented below relates to aaX.

R'000	Unaudited six months to 31 August 2022	Audited 28 February 2023
Profit or loss		
Revenue	97 464	107 106
Cost of sales	(106 217)	(125 599)
Gross loss	(8 753)	(18 493)
Loss allowance for expected credit losses – trade receivables	–	(54 124)
Operating expenses	(10 584)	(17 003)
Operating loss before finance income, finance costs, taxation expense and loss on disposal of discontinued operations	(19 377)	(89 620)
Interest expense	(74)	–
Loss before taxation	(19 411)	(89 620)
Taxation	5 748	–
Loss after taxation	(13 663)	(89 620)
Profit on disposal of discontinued operations	–	9 640
Loss for the period from discontinued operations	(13 663)	(79 980)
Attributable to:		
South Africa	–	–
International	(13 663)	(79 980)
	(13 663)	(79 980)
Other comprehensive income		
Exchange differences reclassified to profit or loss on disposal of foreign subsidiary in aaX	(736)	3 273
Total comprehensive income for the year	(14 399)	(76 707)

4. **Discontinued operations** continued

The assets and liabilities of the disposal group of aaX as at 31 August 2022 in the prior year, is presented as follows:

R'000	Unaudited six months to 31 August 2022
Assets	
Non-current assets	2 845
Property and equipment	215
Deferred taxation	2 630
Current assets	78 377
Trade and other receivables	73 008
Taxation prepaid	1 865
Cash and cash equivalents	3 504
Total assets	81 222
Liabilities	
Current liabilities	29 083
Trade and other payables	27 336
Provisions	1 747
Total liabilities	29 083

The cash flows presented below relate to aaX classified as discontinued operations in the prior year:

Cash flows from discontinued operations

R'000	Unaudited six months to 31 August 2022
Cash flow from discontinued operations:	
Net cash outflow from operating activities	(19 668)
Net cash outflow from investing activities	(41)
Net cash inflow from financing activities	22 928
Net cash inflow from discontinued operations	3 219
Cash and cash equivalents at the beginning of the period	285
Cash and cash equivalents at the end of the period	3 504

Notes to the unaudited interim financial statements continued

for the six months ended 31 August 2023

5. Change in non-controlling interest

There were no transactions with minority shareholders in the current financial period.

6. Revenue

The Group is in the business of providing services to clients which include permanent placements, temporary placements to flexible staffing sectors, professional IT services, as well as the provision of business process outsourcing and training. Revenue is recognised at the point of delivery for permanent placement and outsourced based solutions, and over a period of time for temporary placement and training services. In certain cases the Group makes use of output-based methods to determine when the revenue for performance obligations is recognised over time.

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

Performance obligation	Description	Timing	**Unaudited six months to 31 August 2023**	Unaudited six months to 31 August 2022	Audited year to 28 February 2023
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 at the point in time when placed candidates begin employment.	**29 818**	44 821	79 911

6. Revenue continued

Performance obligation	Description	Timing	Unaudited six months to 31 August 2023	Unaudited six months to 31 August 2022	Audited year to 28 February 2023
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 over time as the services are rendered.	**5 422 036**	4 785 523	9 968 012
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 over time as the training is provided.	**125 852**	113 859	235 034
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 at the point of time the solution has been delivered to the customer.	**880 402**	916 744	1 765 994
Total			**6 458 108**	5 860 947	12 048 951

Notes to the unaudited interim financial statements continued

for the six months ended 31 August 2023

6. Revenue continued

Disaggregation of revenue by geographical region

Region	Segment	Performance obligation	Unaudited six months to 31 August 2023 R'000	Unaudited six months to 31 August 2022 R'000	Audited year to 28 February 2023 R'000
South Africa			**3 403 727**	3 295 196	6 668 343
	Contingent Services		**1860 192**	1 734 619	3 591 607
		Temporary placement	**1 788 652**	1 667 002	3 458 596
		Permanent placement	**–**	–	44
		Training	**71 534**	67 617	132 967
		Outsourced-based solutions	**6**	–	–
	Functional outsourcing		**545 632**	580 498	1 129 795
		Temporary placement	**105 286**	80 379	182 352
		Outsourced based-solutions	**440 346**	500 119	947 443
	Professional		**997 903**	980 079	1 946 941
		Temporary placement	**488 495**	498 590	986 335
		Permanent placement	**15 040**	18 622	39 988
		Training	**54 318**	46 242	102 067
		Outsourced-based solutions	**440 050**	416 625	818 551
International			**3 054 381**	2 565 751	5 380 608
	Contingent services		**922 924**	565 919	1 408 709
		Temporary placement	**922 924**	565 919	1 408 709
	Professional services		**2 131 457**	1 999 832	3 971 899
		Temporary placement	**2 116 679**	1 973 633	3 932 020
		Permanent placement	**14 778**	26 199	39 879
Total revenue			**6 458 108**	5 860 947	12 048 951
The timing of revenue recognition is as follows:					
Over time			**5 547 888**	4 899 382	10 203 046
At a point in time			**910 220**	961 565	1 845 905
Total revenue			**6 458 108**	5 860 947	12 048 951

7. 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 R34,1 million (2022: R25,8 million), discontinued loss of nil (2022: discontinued loss of R13,7 million), and ordinary shares of 107 184 164 (2022: 108 227 303) being the weighted number of shares relative to the above earnings.

R'000	**Unaudited six months to 31 August 2023**	Unaudited six months to 31 August 2022	Audited year to 28 February 2023
Continuing operations			
Basic earnings per share – cents	**33,1**	24,6	114,7
Diluted earnings per share – cents	**31,8**	23,8	110,6
Discontinuing operations			
Basic (loss)/earnings per share – cents	**–**	(13,0)	(77,4)
Diluted (loss)/earnings per share – cents	**–**	(12,6)	(77,4)
Total basic earnings per share			
Basic earnings per share – cents	**33,1**	11,6	37,3
Diluted earnings per share – cents	**31,8**	11,2	36,0
Weighted average number of ordinary shares outstanding during the period:	**103 079 520**	104 699 539	103 387 640
Reconciliation of weighted average number of ordinary shares outstanding to the weighted average diluted number of shares outstanding during the period:			
Ordinary shares	**103 079 520**	104 699 539	103 387 640
Adcorp employee share schemes – potential dilution[1]	**8 209 288**	7 055 529	7 587 746
Adcorp employee share schemes – anti-dilutive	**(4 104 644)**	(3 527 765)	(3 793 873)
Diluted weighted number of ordinary shares outstanding during the period	**107 184 164**	108 227 303	107 181 513
Reconciliation of headline earnings from continuing operations[2]			
Profit for the period	**34 135**	25 790	118 562
Loss/(profit) on sale of property and equipment	**2**	6	(290)
Taxation recovered on the sale of property and equipment	**(1)**	(2)	81
Impairment of goodwill	**–**	–	34 463
Headline earnings from continuing operations	**34 136**	25 794	152 816
Headline earnings per share – cents	**33,1**	24,6	147,8
Diluted headline earnings per share – cents	**31,8**	23,8	142,6

7. Earnings per share continued

R'000	Unaudited six months to 31 August 2023	Unaudited six months to 31 August 2022	Audited year to 28 February 2023
Reconciliation of headline earnings from discontinued operations[2]			
Loss for the period	**–**	(13 663)	(79 980)
Profit from the disposal of businesses	**–**	–	(9 640)
Headline (loss)/earnings from discontinued operations	**–**	(13 663)	(89 620)
Headline loss per share – cents	**–**	(13,0)	(86,7)
Diluted headline loss per share – cents	**–**	(12,6)	(86,7)
Reconciliation of headline earnings from total operations[2]			
Profit for the period	**34 135**	12 127	38 582
Loss/(profit) on sale of property and equipment	**2**	6	(290)
Taxation recovered on the sale of property and equipment	**(1)**	(2)	81
Impairment of goodwill	**–**	–	34 463
Profit from the disposal of businesses	**–**	–	(9 640)
Headline earnings from total operations	**34 136**	12 131	63 196
Headline earnings per share – cents	**33,1**	11,6	61,1
Diluted headline earnings per share – cents	**31,8**	11,2	59,0

[1] *The dilution of shares results from the potential exercise of share awards in the employee share scheme. The potential exercise of share awards considered to be anti-dilutive is excluded.*

[2] *Headline earnings per share is based on the earnings adjusted for the profit on the sale of assets, impairment of goodwill, net of tax.*

8. Interest-bearing liabilities

R'000	Interest rate	Maturity	Unaudited six months to 31 August 2023	Unaudited six months to 31 August 2022	Audited year to 28 February 2023
8.1 Non-current interest-bearing liabilities			**317 227**	346 703	331 977
Lease liability	Incremental Borrowing Rate (IBR)[2]		**317 227**	346 703	331 977
8.2 Current interest-bearing liabilities			**76 153**	90 571	77 433
AUD borrowing base facility	Base rate[1] + margin	10 March 2024	**–**	23 358	–
Lease liability	IBR[2]		**76 153**	67 213	77 433
Total			**393 380**	437 274	409 410

[1] The base rate is determined with reference to the Australian Reserve Bank rates at the time of drawdown. The rate ranges between 1,0% and 1,6% on the Australian borrowing base facility.
[2] The incremental borrowing rates range from 1,9% – 12,4%

The South African facilities include a revolving credit facility of R150 million (ZAR Revolving credit facility), an overdraft facility of R100 million and an accordion facility of R100 million which was effective from 1 September 2022 and matures in three years from the effective 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 month.

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

The Australian borrowing base facility consists of a revolving borrowing base facility of AUD20 million with a maturity date until 10 March 2024 at a margin of 1,6%.

As security for the South Africa and Australia loan facilities granted to the Group, a shared security agreement was entered into that holds a cession over the trade receivables between specified operating subsidiaries of the Adcorp Group.

9. 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 8, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Group's investment committee has considered the cost of capital and the risks associated with each class of capital. The committee believes that the appropriate leverage ratio for the nature of the business is the gross debt-to-EBITDA ratio and has a target of 1.0x. This is reviewed on an ongoing basis as the strategic transformation of the Group progresses. The leverage 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 Group is unleveraged at the reporting date.

10. Categories of financial instruments

R'000	**Unaudited six months to 31 August 2023**	Unaudited six months to 31 August 2022	Audited year to 28 February 2023
Financial assets			
Investments – fair value through profit and loss	**21 706**	20 126	21 074
Trade receivables – amortised cost	**1 424 231**	1 392 343	1 337 049
Cash and cash equivalents – amortised cost	**151 790**	284 065	415 548
Other receivables – amortised cost	**115 706**	73 598	71 582
Financial liabilities			
Interest-bearing borrowings – amortised cost	**–**	23 358	–
Lease liabilities – amortised cost	**393 380**	413 916	409 410
Trade and other payables – amortised cost	**268 862**	272 270	305 980
The following table details the Group's remaining contractual maturity for its financial liabilities (including interest):			
Within one year	**347 387**	379 279	424 579
More than one year	**495 472**	607 092	524 202

11. Financial risk management

11.1 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. These include the effects of changes in debt and equity markets, foreign currency exchange rates and interest rates. The Group's executive and head office treasury function provides services to the business, co-ordinates access to domestic financial markets, and monitors and manages the financial risks relating to the operations of the Group. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The head office treasury function reports quarterly to the Board, which monitors risks and policies implemented to mitigate risk exposures.

Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmark is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). As at 31 August 2023, the Group's IBOR exposure is indexed to JIBAR and the Australian base rate, based on the ZAR revolving credit facility and AUD borrowing base facility respectively. The South African Reserve Bank (SARB) has indicated its intention to move away from JIBAR and to create an alternative reference rate for South Africa; however, there is currently no indication of when the designated successor rate will be made available and the Group continues to make use of JIBAR. Management continues to stay abreast of the changes and will assess impacts once the changes have been finalised.

11.2 Foreign currency management

As the Group operates in various countries and undertakes transactions denominated in foreign currencies, exposures to foreign currency fluctuations arise. The Group does not hold foreign exchange contracts in respect of foreign borrowings, as its intention is to repay these from its foreign income stream or subsequent divestment of its interest in the operation. Foreign exchange differences relating to investments, net of their related borrowings, are reported as translation differences in the Group's net other comprehensive income until the disposal of the net investment, at which time exchange differences are recycled through profit or loss.

11. Financial risk management continued

11.2 Foreign currency management continued

Foreign currency sensitivity

At 31 August 2023, in respect of the cash and cash equivalents denominated in Angolan kwanza, if the South Africa Rand had weakened/strengthened 5% against the Angolan kwanza, with all other variables held constant, profit or loss for the year would have increased/decreased by R3,5 million (2022: R5,8 million).

The table below analyses the impact on the Group's revenue, post-tax profit and assets/liabilities. The analysis is based on the assumption that the ZAR had strengthened/weakened by 10% against the foreign currency with all variables held constant.

	Rand weakened		Rand strengthened	
R'000	2024	2023	2024	2023
Impact on revenue				
AUD	(305 438)	(256 575)	305 438	256 575
Impact on profit/(loss) after tax				
AUD	(2 054)	(1 668)	2 054	1 668
Impact on assets/ liabilities				
AUD	49 930	10 295	(49 930)	(10 295)

11.3 Interest risk management

Interest rate risk results from the cash flow and financial performance uncertainty arising from interest rate fluctuations. Financial assets and liabilities affected by interest rate fluctuations include bank and cash deposits as well as bank borrowings.

At the reporting date, the Group cash deposits were accessible immediately or had maturity dates of up to six months. The interest rates earned on these deposits closely approximate the market rates prevailing.

The Group is exposed to interest rate risk because it has interest-bearing borrowings that attract interest at a floating rate. At 31 August 2023, 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 R0,2 million (2022: R1 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 period.

11. Financial risk management continued

11.4 Credit risk management

Credit risk arises from the risk that a counterparty may default or not meet its obligations timeously. The maximum exposure to credit risk is represented by the carrying amount of trade receivables and short-term cash and cash equivalents.

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 35 days (2022: 36 days) and no interest is charged on the trade receivables. The carrying value approximates the fair value.

Before accepting any new customer, the South African operations make use of an external credit bureau to assess the potential customer's credit quality and define credit limits by customer, whereas Australia only makes use of an external credit bureau when vetting customers that trade outside of professional sectors. Customers that trade within professional services are usually government, tier 1 agencies or well-known and established entities within our geography, as such, they are subject to contract review only and not credit sign off.

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.

11.5 Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's objective when managing liquidity is to ensure sufficient cash and availability of funding through adequate credit facilities and monitoring forecast cash flows, to enable the Group to meet its liabilities when they are due.

The Group has undrawn variable rate facilities of R693 million (2022: R698 million). The Group's liquidity exposure is represented by the aggregate balance of financial liabilities as indicated in the categorisation table in note 10. Cash and cash equivalents and restricted cash as at 31 August 2023 is R152 million (2022: R416 million). Restricted cash relates to cash held in Angola of R70 million (2022: R104 million).

Notes to the unaudited interim financial statements continued

for the six months ended 31 August 2023

11. Financial risk management continued

11.6 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 primary valuation models utilised by the Group for valuing unlisted portfolio investments are market-related net asset value of investments. The market-related net asset value used is dependent on independent third party valuations. The following table gives information about how the fair value of these financial assets are determined (in particular, the valuation technique(s) and inputs used):

R'000	**Unaudited six months to 31 August 2023**	Unaudited six months to 31 August 2022	Audited year to 28 February 2023
Investment – fair value	**21 706**	20 126	21 074

Valuation technique(s) and key inputs: Fair value – market valuation

Fair value hierarchy: Level 3

Relationships of unobservable inputs to fair value: 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.

12. Contingent liabilities

The bank has issued guarantees of R41 million (2022*: R41 million) on behalf of the Group to creditors.

* *Restated to include Australia's guarantees*

13. Events after the reporting period

No event which is material to the understanding of the consolidated financial statements has occurred between year-end and the date of the annual financial statements other than:

The board of directors has approved and declared a final gross dividend of 16,1 cents per ordinary share (2022: 12,2 cents per share), from income reserves, for the period ended 31 August 2023.

14. Dividend declaration

Shareholders are hereby advised that the board of directors of Adcorp has approved and declared an interim gross dividend of 16,1 cents per ordinary share (2022: 12,2 cents per ordinary share), from income reserves, for the six months ended 31 August 2023.

The dividend is subject to a South African dividend withholding tax rate of 20%, resulting in a net dividend of 12,88 cents per ordinary share (2022: 9,76 cents per ordinary share), unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate of dividend tax in terms of an applicable double-taxation agreement.

As at the date of this announcement, the Company has 109 954 675 ordinary shares of no par value in issue.

The Company's income tax reference number is 9233680710.

Salient dates and times

Shareholders are hereby advised of the following salient dates and times for the payment of the dividend:

Publication of declaration data and finalisation information	Monday, 30 October 2023
Last day to trade *cum* dividend	Tuesday, 16 January 2024
Securities commence trading ex dividend	Wednesday, 17 January 2024
Record date for purposes of determining the registered holders of ordinary shares to participate in the dividend at close of business on	Friday, 19 January 2024
Payment date	Monday, 22 January 2024

Share certificates may not dematerialise or rematerialise between Wednesday, 17 January 2024 and Friday, 19 January 2024, both dates inclusive.

15. Related parties

The Group entered into various related party transactions in the ordinary course of business. There have been no significant changes in related party transactions and balances since the previous reporting period.

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
Johannesburg, South Africa, 2191
PO Box 70635, Bryanston
Johannesburg, South Africa, 2021
Tel: +27 (0) 10 800 0000
Email: info@adcorpgroup.com

Directors

Executive

Dr John Wentzel (Chief Executive Officer)
Noel Prendergast (Chief Financial Officer)

Non-executive

Gloria Serobe (Chairman)
Clive Smith
Timothy Olls

Independent non-executive

Melvyn Lubega
Dr Phumla Mnganga (Lead Independent)
Tshidi Mokgabudi
Prof Herman Singh
Ronel van Dijk

Alternative non-executive

Sam Sithole

Company Secretary

Lisa Laporte
Adcorp Place
102 Western Service Road
Gallo Manor Ext 6
Johannesburg, South Africa, 2191
PO Box 70635, Bryanston
Johannesburg, South Africa, 2021
Tel: +27 (0) 10 800 0000
Direct: +27 (0) 10 800 0786
Email: lisa.laporte@adcorpgroup.com

Investor relations

Singular Systems
Michèle Mackey
25 Scott Street
Waverly, Johannesburg, 2090
Tel: +27(0) 10 003 0661
Email: michele@singular.co.za

External Auditor

KPMG
58 Empire Road,
Parktown
Johannesburg, 2193
Tel: +27(0) 11 647 7111

Transfer secretaries

4 Africa Exchange Registry Proprietary Limited
Hill On Empire, 4th Floor, Building A,
16 Empire Road, Parktown,
Johannesburg, South Africa, 2193
Tel: +27 (0) 11 100 8352
Email: adcorp@4axregistry.co.za

JSE Sponsor

Valeo Capital Proprietary Limited
Unit 12, Paardevlei Specialist Centre
Somerset West, 7130
Tel: +27 (0) 21 851 0091
Email: info@valeocapital.co.za

www.adcorpgroup.com