adcorp

Connecting Human Potential

Summarised audited Group results **for the year ended 28 February 2023,** and cash dividend declaration

Years of resilience

35

Teamwork

Respect

Customer centricity

Agility

Diversity and inclusion

Contents

www.adcorpgroup.com

Salient highlights

REVENUE
from continuing operations

R12,0bn ⇧

2022* R11,3bn 6,5%

GROSS PROFIT
from continuing operations

R1,3bn ⇧

2022* R1,2bn 6,1%

PROFIT AFTER TAX
from continuing operations

R121m ⇧

2022* R105m 14,7%

CASH GENERATED
by operations

R378m ⇧

2022 R260m 45,2%

TOTAL EARNINGS
from continuing operations per share

114,7 cents ⇧

2022* 96,3 cents 19,1%

NET CASH POSITION**
improved to

R312m ⇧

2022 R198m 57,6%

TOTAL HEADLINE EARNINGS
from continuing operations per share

147,8 cents ⇧

2022* 99,7 cents 48,3%

FINAL DIVIDEND DECLARED
per share

16,5 cents

2022 47,0 cents

SPECIAL DIVIDEND DECLARED
per share

91,3 cents

2022 Nil

B-BBEE

Level 1 rating

MAINTAINED FOR SOUTH AFRICAN OPERATIONS

* *Restated – prior year adjusted for discontinued operations.*

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

Commentary

Company profile

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 1 600 permanent staff members and assign more than 43 000 contingent, contractor and freelance staff daily.

Introduction

Throughout the past year, we have successfully navigated various challenges in the South African and Australian markets. Our unwavering commitment to growth, even in the face of adversity, is a testament to the resilience and strength of our brands, service and, most importantly, our exceptional team.

Two years ago, we embarked on an ambitious strategic journey to reposition Adcorp as a premier workforce recruitment and outsourcing business, utilising a customer-centric, brand-focused operating model. Today, as a result of our efforts, we have a strengthened balance sheet, enhanced working capital management, and a more optimised portfolio of brands. Though the journey has taken time, the actions we have taken are beginning to yield results.

Financial overview

The Group's revenue from continuing operations increased by 6,5% from R11,3 billion to R12,0 billion during the year. This marks a significant milestone for the Group, as it is the first year of annual revenue growth since the 2016 financial year. Group EBITDA from continuing operations was resilient in the operating context, registering a small decrease of 3,8% to R284 million (2022: R294 million).

The overall Group performance was impacted by the following:

- Considerable contract losses at allaboutXpert Australia Proprietary Limited (**"aaX"**), a subsidiary of Adcorp Holdings Australia, ultimately held by Adcorp, which required extensive investment to remediate. Shareholders are referred to the announcement of 14 December 2022 whereby aaX was placed in voluntary administration on 12 December 2022. The total operating loss for the year from aaX recognised as a discontinued operation was R90,0 million (including an impairment of trade receivables of R54,1 million) and a net gain on deconsolidation of R9,6 million; and

- Impairment of goodwill of R34,4 million (2022: Rnil) recognised in the Paracon business. The impairment was recognised as a result of increases in the cost of capital and the worsening economic outlook in South Africa, which adversely affects forward-looking forecasts.

Cash generated by operations increased to R378 million from R260 million in 2022; this was due to the continued efficient management of working capital. The Group's days sales outstanding (DSO) improved to 36 days year-on-year (2022: 38 days). The Group's consolidated net cash (excluding restricted cash in Angola) ended at R312 million, an improvement of R114 million from the prior year (2022: R198 million). This is after a share buy-back programme of R20 million was implemented and after payment of dividends of R62 million in line with the Group's capital allocation framework.

The Group's effective tax rate from continuing operations was negative 1,9%, largely driven by a non-recurring deferred taxation liability reversal and the impact of the Group taxation principles applied in Australia. Current year income taxation losses in the aaX business are deductible for tax purposes in the consolidated Australian group. As at 28 February 2023, total tax losses not recognised were R737 million (2022: R776 million) and those recognised were R183 million (2022: R259 million).

Liquidity and cash flow

The South African operation renegotiated a new facility of R250 million plus an accordion feature of R100 million which was effective from 1 September 2022. The facility is expected to mature in three years from the effective date and will be used to fund working capital requirements. The Australian operation's revolving borrowing base facility of AUD20 million matures on 10 March 2024 and renegotiation of this arrangement has commenced. It is anticipated that this will be finalised in the second half of FY24.

Operational review

Contingent Staffing

Despite the challenging macroeconomic landscape in South Africa, our Contingent Staffing division has demonstrated remarkable resilience, displaying tenacity and adaptability in the face of adversity. With considerable exposure to sectors such as FMCG, warehousing, logistics and manufacturing, our customers faced headwinds due to load shedding, infrastructure failures and high inflation. Yet, despite these trials, we have managed to endure and excel.

BLU, our flagship brand within the division, stands as a testament to this narrative, registering a robust 5,0% growth in revenue. This growth rate results from strategic initiatives, such as focused key account management, heightened sales efforts and a significant investment in technology and systems that optimised our business operations.

Commentary continued

These efforts led to an increase in customer satisfaction, driving higher client retention rates and creating a stronger foundation for future growth.

In a further effort to bolster our market presence, *BLU* underwent a brand refresh, amplifying visibility and engagement. While we faced delays from government approvals on new IPP projects, this spurred us on to make strategic decisions. One such decision was the consolidation of the *Cynergy* brand into *BLU*, a move that will streamline our operations and offer even better support to our clients.

Functional Outsourcing

Amidst an economic backdrop punctuated by challenges, our Functional Outsourcing division has shown a commendable level of perseverance, mirroring the tenacity demonstrated by our Contingent Staffing division. Despite sharing significant exposure to the FMCG and manufacturing sectors, both of which were affected by load shedding, our core brands exhibited year-on-year revenue growth.

FunxionO, our specialised brand focusing on FMCG, warehousing and logistics solutions, demonstrated an admirable resilience with a growth of 0,8%, illustrating our ability to adapt and thrive in challenging circumstances. *Capability*, our brand dedicated to HACCP cleaning solutions, truly shone with an impressive 18,6% growth, reflecting a strong customer appetite for our specialised services. *Adfusion* also made significant strides, registering a 5,0% year-on-year revenue increase thanks to expanded volumes and operations.

While the division's overall revenue saw a slight decline, primarily due to the discontinuation of the *CoStars* brand from the prior year, we've made meaningful progress in other areas. Our focus on margin management yielded higher gross margins, while our unwavering commitment to customer satisfaction led to improved client retention.

In line with our ongoing efforts to meet market demands, *FunxionO* underwent a brand refresh. This move was aimed at enhancing client-centric offerings and increasing brand exposure, further cementing our position in the functional outsourcing space.

Professional Services

This year marked a strategic turning point for our Professional Services division. We embraced the challenge of an ever-evolving market landscape, focusing our efforts on segments where we could genuinely differentiate ourselves and add exceptional value. Our steadfast commitment to stabilising core operations after the unprecedented disruption of the past couple of years has started to pay dividends.

Our strategy is already yielding significant outcomes. *Quest*, the RPO business within *talentCRU*, and the Permanent Placements business achieved revenue growth rates of 26,1%, 59,8%, and 25,4%, respectively, reaffirming the potency of our strategic shift.

Of course, this transformation did not come without its hurdles. Economic headwinds led some clients to freeze headcounts and skills shortages continued in certain sectors. Despite these pressures, the division held its ground, maintaining revenue and gross profit levels on par with the previous year.

In response to client demand, we breathed new life into iconic brands like *Kelly* and *DAV*, both of which were recognised as leading brands in their sectors. A customer-centric approach guided our operations, resulting in high satisfaction scores, increased marketing visibility and exciting brand refreshes. A milestone worth highlighting was the strategic acquisition of *Jobvine*, positioning Adcorp as a significant player in the burgeoning gig economy. This acquisition allows us to tap into a market of contractors, gig workers and freelancers, further diversifying our revenue streams.

Training

Our Training Division navigated substantial challenges in FY23, particularly with our *PMI* and *Torque IT* brands. However, our commitment to agility allowed us to adapt swiftly. Changes in government policy necessitated a significant overhaul of *PMI's* iCan product, designed to empower people with disabilities. We have completed this transformation, and we're confident that the impact of our enhancements will be realised in FY24.

At *Torque IT*, we optimised class sizes for improved learning experiences, but it initially led to revenue contraction. However, our quick corrective measures steered us back on course, leading both brands to surpass the previous year's performance in the final quarter.

Training remains a cornerstone of our workforce ecosystem, and as such, we have made strategic decisions to align the *PMI* and *Torque IT* brands more closely with our core workforce recruitment brands. This shift, to be fully realised in the coming financial year, will ensure synergies with our primary brands and enhance client outcomes.

Although we have invested significantly in the *ATT* brand over the past two years, we've decided to wind down this artisan training brand. Despite the country's need for artisans to drive economic growth, a combination of policy inconsistencies and macroeconomic challenges has limited client company investments. This lack of investment by clients in expansion reduced demand for artisans.

Australia

Our Australian division has been a beacon of outstanding growth this year, delivering impressive results. Our unwavering dedication to customer satisfaction, quality and innovation has fuelled our success, enabling us to invest in our workforce nationwide - a testament to our strong performance.

Commentary continued

Paxus, our technology and digital talent brand, navigated a competitive landscape with agility. While the year commenced with solid demand, particularly in permanent recruitment, we did see some slowdown later due to changing market dynamics and a dip in business confidence. However, *Paxus* demonstrated remarkable toughness, maintaining a robust level of demand and consistent performance throughout the year.

In sectors such as data analytics, software development and cybersecurity, *Paxus* flourished, reporting strong growth, particularly in the digital realm. Our strategic victories spanned various sectors, including financial services, retail, federal government, technology services and education. Even with flat revenue growth, *Paxus* delivered an impressive boost in gross profit, underscoring the effectiveness of our strategic focus.

LSA's performance was exceptional, boasting a staggering 101% increase in revenue and a 71% rise in gross profit year-on-year. The relaxation of international travel restrictions at the start of FY23 allowed *LSA* to leverage pent-up demand for Pacific Australia Labour Mobility (PALM) workers, further driving our growth.

Summary

In summary, this year has been a testament to our ability to adapt and thrive amidst adversity. Our strategic focus, commitment to customer satisfaction and resilience have not only allowed us to navigate through challenges but also seize opportunities for growth. As we look ahead, our strategic shift is bearing fruit, showing that even in challenging times, we continue to deliver a robust performance and create value for our shareholders.

Changes to the board of directors

During the year and post year-end, the following changes to the board of directors ("the Board") occurred:

- Appointment of P Mnganga as Lead Independent director effective 26 May 2022.
- Resignation of M Nkosi effective 1 June 2022.
- Appointment of T Olls as non-executive director effective 28 July 2022.
- Resignation of and subsequent appointment of S Sithole as alternate director effective 28 July 2022.
- Resignation of C Maswanganyi effective 28 July 2022.

Final and special dividend declaration

Shareholders are hereby advised that the Board of Adcorp has approved and declared a final gross dividend of 16,5 cents per ordinary share (2022: 47,0 cents per ordinary share) and a special gross dividend of 91,3 cents per ordinary share (2022: Nil), which special dividend is subject to the required South African Reserve Bank (**"SARB"**) approval being obtained for the declaration of same.

The dividends are subject to a South African dividend withholding tax rate of 20%, resulting in a net final dividend of 13,2 cents per ordinary share (2022: 37,6 cents per ordinary share) and net special dividend of 73,04 cents per ordinary share (2022: Nil), 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.

Commentary continued

Salient dates

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

Last day to trade *cum* dividend	Tuesday, 15 August 2023
Securities commence trading *ex* dividend	Wednesday, 16 August 2023
Record date for purposes of determining the registered holders of ordinary shares to participate in the dividend at close of business on	Friday, 18 August 2023
Payment date	Monday, 21 August 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 16 August 2023 and Friday, 18 August 2023, both dates inclusive.

The salient dates for the special dividend will be announced following receipt of the requisite SARB approval for the declaration of the special dividend.

Prospects and outlook

The focus for the year ahead remains on optimising the Group's brand collection and driving superior growth and returns for shareholders. The Board is cognisant of the current outlook in South Africa, however the strength of Adcorp's balance sheet and cash flow positions the Group well to weather any storms and take advantage of any opportunities that arise. The Group is optimistic about the growth achieved in Australia and has identified additional areas to expand into and new services to launch.

By order of the Board
29 May 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.*

Summarised audited consolidated statement of financial position

as at 28 February 2023

	Notes	2023 R'000	2022 R'000
Assets			
Non-current assets		**1 238 869**	1 290 954
Property and equipment		**30 811**	37 171
Right-of-use assets		**291 785**	323 432
Intangible assets		**123 684**	125 773
Goodwill	8	**512 695**	512 723
Other financial assets – investment at fair value		**21 074**	19 597
Deferred taxation		**214 833**	214 187
Prepayments		**43 987**	58 071
Current assets		**1 922 796**	1 909 718
Trade receivables		**1 337 049**	1 336 354
Other receivables		**136 242**	143 562
Taxation prepaid		**33 957**	9 447
Cash and cash equivalents and restricted cash		**415 548**	420 355
Total assets		**3 161 665**	3 200 672
Equity and liabilities			
Total equity		**1 534 677**	1 472 529
Share capital and share premium		**1 740 858**	1 740 858
Treasury shares		**(91 170)**	(72 172)
Reserves		**(115 011)**	(196 157)
Non-current liabilities		**388 936**	438 004
Lease liabilities		**331 977**	348 493
Deferred taxation		**56 959**	89 511
Current liabilities		**1 238 052**	1 290 139
Interest-bearing borrowings	9	**–**	133 336
Lease liabilities		**77 433**	75 472
Trade and other payables		**898 855**	819 610
Provisions		**234 889**	203 930
Taxation payable		**26 875**	57 791
Total equity and liabilities		**3 161 665**	3 200 672

Summarised audited consolidated statement of profit or loss

for the year ended 28 February 2023

	Notes	2023 R'000	*Restated 2022 R'000
Continuing operations			
Revenue	7	**12 048 951**	11 318 048
Cost of sales		**(10 766 543)**	(10 109 805)
Gross profit		**1 282 408**	1 208 243
Other income		**19 743**	19 553
Loss allowance for expected credit losses – trade receivables		**10 585**	15 673
Impairment of goodwill	8	**(34 463)**	–
Operating expenses		**(1 114 368)**	(1 042 494)
Operating profit before finance income and finance costs		**163 905**	200 975
Finance income		**5 589**	5 243
Finance costs		**(50 981)**	(69 015)
Profit before taxation		**118 513**	137 203
Taxation		**2 241**	(31 890)
Profit for the year from continuing operations		**120 754**	105 313
Discontinued operations			
(Loss)/profit for the year from discontinued operations	5	**(79 980)**	13 644
Profit for the year		**40 774**	118 957
Profit attributable to:			
Owners of the parent from continuing operations		**118 562**	102 759
Owners of the parent from discontinued operations		**(79 980)**	13 644
Non-controlling interest		**2 192**	2 554
Continuing operations basic and diluted earnings per share:			
Basic earnings per share – cents	6	**114,7**	96,3
Diluted earnings per share – cents	6	**110,6**	91,1
Discontinued operations basic and diluted earnings per share:			
Basic (loss)/earnings per share – cents	6	**(77,4)**	12,8
Diluted (loss)/earnings per share – cents	6	**(77,4)**	12,1
Total basic earnings per share			
Basic earnings per share – cents	6	**37,3**	109,1
Diluted earnings per share – cents	6	**36,0**	103,2

* *The prior year comparative financial information was restated to reflect the operations of aaX as a discontinued operation in terms of IFRS 5: Non Current Assets Held for Sale and Discontinued Operations due to aaX being deconsolidated in terms of IFRS 10 and classified as discontinued operations (refer to note 5). The published prior year results included aaX as continuing operations.*

Summarised audited consolidated statement of other comprehensive income

for the year ended 28 February 2023

	2023 R'000	*Restated 2022 R'000
Profit for the year	**40 774**	118 957
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:	**100 884**	(5 261)
Continuing operations		
Exchange differences on translating foreign operations	**25 330**	10 726
Exchange differences arising on the net investment of a foreign operation	**72 281**	(15 987)
Discontinued operations		
Exchange differences reclassified to profit or loss on disposal of foreign business	**3 273**	–
Other comprehensive income for the year, net of tax	**141 658**	113 696
Non-controlling interest	**309**	–
Total comprehensive income for the year	**141 967**	113 696
Total comprehensive income attributable to:		
Owners of the parent from continuing operations	**216 173**	96 147
Owners of the parent from discontinued operations	**(76 707)**	13 644
Non-controlling interest	**2 501**	2 554

* *The prior year comparative financial information was restated to reflect the operations of aaX as a discontinued operation in terms of IFRS 5: Non Current Assets Held for Sale and Discontinued Operations due to aaX being deconsolidated in terms of IFRS 10 and classified as discontinued operations (refer to note 5). The published prior year results included aaX as continuing operations.*

Summarised audited consolidated statement of changes in equity

for the year ended 28 February 2023

	Share capital R'000	Share premium R'000	Treasury shares R'000	Share-based payment reserve R'000
Balance as at 28 February 2021	**2 749**	**1 738 109**	**(68 083)**	**179 717**
Share-based payments	–	–	–	17 381
Profit for the year	–	–	–	–
Other comprehensive income	–	–	–	–
Treasury share purchases	–	–	(4 947)	–
Share scheme settlement	–	–	858	(858)
Distributions to shareholders	–	–	–	–
Transactions with non-controlling interests	–	–	–	–
Balance as at 28 February 2022	**2 749**	**1 738 109**	**(72 172)**	**196 240**
Share-based payments	**–**	**–**	**–**	**1 563**
Transfer to retained earnings	**–**	**–**	**–**	**(9 560)**
Profit for the year	**–**	**–**	**–**	**–**
Other comprehensive income	**–**	**–**	**–**	**–**
Treasury share purchases	**–**	**–**	**(19 560)**	**–**
Share scheme settlement	**–**	**–**	**562**	**(562)**
Distributions to shareholders	**–**	**–**	**–**	**–**
Balance as at 28 February 2023	**2 749**	**1 738 109**	**(91 170)**	**187 681**

Foreign currency translation reserve R'000	Accumulated loss R'000	Attributable to equity holders of the parent R'000	Non-controlling interest R'000	Employees' share option scheme reserve R'000	Total R'000
28 782	**(529 095)**	**1352 179**	**(93)**	**168**	**1 352 254**
–	–	17 381	–	–	17 381
–	116 403	116 403	2 554	–	118 957
(5 124)	–	(5 124)	(137)	–	(5 261)
–	–	(4 947)	–	–	(4 947)
–	–	–	–	–	–
–	–	–	(1 991)		(1 991)
–	–	–	(3 864)	–	(3 864)
23 658	**(412 692)**	**1 475 892**	**(3 531)**	**168**	**1 472 529**
–	**–**	**1 563**	**–**	**–**	**1 563**
–	**9 560**	**–**	**–**	**–**	**–**
–	**38 582**	**38 582**	**2 192**	**–**	**40 774**
100 884	**–**	**100 884**	**309**	**–**	**101 193**
–	**–**	**(19 560)**	**–**	**–**	**(19 560)**
–	**–**	**–**	**–**	**–**	**–**
–	**(61 822)**	**(61 822)**	**–**	**–**	**(61 822)**
124 542	**(426 372)**	**1 535 539**	**(1 030)**	**168**	**1 534 677**

Summarised audited consolidated statement of cash flows

for the year ended 28 February 2023

	Notes	2023 R'000	*Restated 2022 R'000
Operating activities			
Profit before taxation		**38 533**	153 977
From continuing operations		**118 573**	137 203
From discontinued operations		**(79 980)**	16 774
Adjusted for:			
Depreciation on property and equipment		**14 581**	18 496
Depreciation on right-of-use assets		**54 534**	53 645
Amortisation of intangibles		**15 906**	16 880
Prepayment released – enterprise technology transformation project		**25 472**	19 844
Impairment of financial asset[1]		**55 000**	–
Impairment of right-of-use assets		**–**	2 770
Impairment of goodwill	8	**34 463**	–
Profit/(loss) on the sale of property and equipment		**(290)**	2 182
Share-based payments		**12 428**	19 709
Profit on the disposal of businesses		**(9 640)**	(13 950)
Fair value adjustment – investment at fair value		**(1 477)**	(626)
Decrease in loss allowances for expected credit losses – trade receivables		**(10 585)**	(15 673)
Finance income		**(5 589)**	(5 243)
Finance costs		**50 981**	69 022
Cash generated from operations before working capital changes		**274 317**	321 033
Decrease/(increase) in trade and other receivables		**31 315**	(13 658)
Increase/(decrease) in trade and other payables		**54 290**	(66 303)
Increase in provisions		**17 749**	18 946
Cash generated by operations		**377 671**	260 018
Finance income		**5 589**	5 243
Finance costs		**(6 891)**	(24 645)
Interest expense on lease liabilities		**(44 090)**	(45 087)
Taxation paid		**(72 722)**	(49 794)
Net cash generated from operating activities		**259 557**	145 735

[1] *R54 million relates to the impairment of financial assets in the discontinued operations of aaX. Refer to note 5.*

* *The prior year comparative financial information was restated to reflect the operations of aaX as a discontinued operation in terms of IFRS 5: Non Current Assets Held for Sale and Discontinued Operations due to aaX being deconsolidated in terms of IFRS 10 and classified as discontinued operations (refer to note 3). The published prior year results included aaX as continuing operations.*

	2023 R'000	*Restated 2022 R'000
Investing activities		
Additions to property and equipment	**(8 052)**	(10 835)
Proceeds from the sale of property and equipment	**1 100**	511
Additions to intangible assets	**(7 883)**	(804)
Prepayment – enterprise technology transformation project	**(16 856)**	(23 798)
Proceeds on disposal of businesses	**–**	163 684
Net cash (outflow)/inflow from investing activities	**(31 691)**	128 758
Financing activities		
Treasury shares acquired	**(19 560)**	(4 089)
Repayment of borrowings	**(615 183)**	(960 000)
Proceeds from borrowings	**480 190**	637 509
Distributions to external shareholders	**(61 822)**	–
Distributions to non-controlling interests	**–**	(1 991)
Cash flow on increases in ownership interests	**–**	(3 864)
Capital payment of lease liabilities	**(38 511)**	(36 217)
Net cash outflow from financing activities	**(254 886)**	(368 652)
Net decrease in cash and cash equivalents	**(27 020)**	(94 159)
Cash and cash equivalents at the beginning of the year	**420 355**	498 356
Foreign currency adjustments	**22 618**	16 158
Restricted cash reclassified from cash and cash equivalents	**(103 856)**	–
Cash and cash equivalents deconsolidated	**(405)**	–
Cash and cash equivalents at the end of the year	**311 692**	420 355

* *The prior year comparative financial information was restated to reflect the operations of aaX as a discontinued operation in terms of IFRS 5: Non Current Assets Held for Sale and Discontinued Operations due to aaX being deconsolidated in terms of IFRS 10 and classified as discontinued operations (refer to note 5). The published prior year results included aaX as continuing operations.*

Segment report

for the year ended 28 February 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. The Group's reportable segments under IFRS 8 are as follows:

Industrial

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

Professional

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

Training

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

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.

Australia

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

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 business support administration costs including directors' salaries, finance income, finance costs and income tax expense applicable to the business support segment, however, includes internal charges between the central and other segments. The finance income and finance costs includes intra-group charges. This is the measure reported to the Group's chief executive officer 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 officer monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of other financial assets (except for trade and other receivables) and taxation assets. Goodwill has been allocated to reportable segments as described in note 8.

Transactions between segments follow the Group's accounting policies.

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

Segment report continued

for the year ended 28 February 2023

	Industrial	Professional	Training	Australia
	South Africa R'000	South Africa R'000	South Africa R'000	International R'000
– Revenue				
– 2023	**4 588 435**	**1 844 874**	**235 034**	**5 380 608**
– 2022	4 709 665	1 854 921	239 764	4 513 698
Internal revenue				
– 2023	**43 135**	**23 314**	**12 783**	**–**
– 2022	59 515	52 995	11 388	–
Cost of sales				
– 2023	**(4 161 051)**	**(1 630 373)**	**(92 903)**	**(4 882 216)**
– 2022	(4 275 402)	(1 639 008)	(72 159)	(4 096 878)
Loss allowances for expected credit losses and bad debts on trade receivables – income/(expense)				
– 2023	**12 690**	**650**	**(982)**	**(1 773)**
– 2022	10 081	4 642	176	774
Staff costs				
– 2023	**(100 556)**	**(74 440)**	**(83 151)**	**(288 311)**
– 2022	(98 426)	(67 161)	(80 312)	(243 044)
Operating profit/(loss) before finance income and finance costs[3]				
– 2023	**115 819**	**(11 935)**	**(16 491)**	**70 603**
– 2022	129 246	23 906	(22 834)	70 834
Depreciation and amortisation				
– 2023	**(2 222)**	**(16 940)**	**(6 312)**	**(23 431)**
– 2022	(2 079)	(17 968)	(7 604)	(23 612)
Finance income				
– 2023	**123**	**246**	**293**	**56**
– 2022	3	12	58	–
Finance costs				
– 2023	**(292)**	**21**	**(846)**	**(5 770)**
– 2022	(276)	(80)	(670)	(5 657)
Impairment expense[4]				
– 2023	**–**	**–**	**–**	**–**
– 2022	–	–	–	–
Taxation (expense)/income				
– 2023	**(18 783)**	**4 699**	**44**	**14 006**
– 2022	(19 340)	(417)	5 118	(19 662)

Business support	Group continued operations	Discontinued operations[1]	Discontinued operations[2]	Total Group	Geographical segments	
South Africa R'000	R'000	South Africa R'000	International R'000	Total R'000	South Africa R'000	International R'000
–	**12 048 951**	**–**	**107 106**	**12 156 057**	**6 668 343**	**5 487 714**
–	11 318 048	11 024	194 900	11 523 972	6 815 374	4 708 598
–	**79 232**	**–**	**–**	**79 232**	**79 232**	**–**
–	123 898	–	–	123 898	123 898	–
–	**(10 766 543)**	**–**	**(125 599)**	**(10 892 142)**	**(5 884 327)**	**(5 007 815)**
(26 358)	(10 109 805)	(4 197)	(181 091)	(10 295 091)	(6 017 126)	(4 277 969)
–	**10 585**	**–**	**(54 124)**	**(43 539)**	**12 358**	**(55 897)**
–	15 673	–	–	15 673	14 899	774
(110 974)	**(657 432)**	**–**	**(4 190)**	**(661 622)**	**(369 121)**	**(292 501)**
(98 356)	(587 299)	(1 715)	(9 538)	(598 552)	(345 970)	(252 582)
5 909	**163 905**	**–**	**(89 620)**	**74 285**	**93 302**	**(19 017)**
(117)	200 975	4 627	(1 834)	203 768	134 768	69 000
(36 116)	**(85 021)**	**–**	**(110)**	**(85 131)**	**(61 590)**	**(23 541)**
(37 622)	(88 734)	(146)	(151)	(89 031)	(65 419)	(23 612)
4 871	**5 589**	**–**	**–**	**5 589**	**5 533**	**56**
5 170	5 243	31	–	5 274	5 274	–
(44 094)	**(50 981)**	**–**	**–**	**(50 981)**	**(45 211)**	**(5 770)**
(62 332)	(69 015)	–	(7)	(69 022)	(63 658)	(5 664)
(34 463)	**(34 463)**	**–**	**–**	**(34 463)**	**(34 463)**	**–**
(2 770)	(2 770)	–	–	(2 770)	(2 770)	–
2 275	**2 241**	**–**	**–**	**2 241**	**(11 765)**	**14 006**
2 411	(31 890)	(1 242)	(1 888)	(35 020)	(13 470)	(21 550)

Segment report continued

for the year ended 28 February 2023

	Industrial	Professional	Training	Australia
	South Africa R'000	**South Africa R'000**	**South Africa R'000**	**International R'000**
Total assets				
– 2023	**864 447**	**384 899**	**75 232**	**1 235 123**
– 2022	839 565	448 313	100 096	1 146 197
Total liabilities				
– 2023	**385 015**	**157 398**	**139 833**	**474 054**
– 2022	372 681	159 618	138 677	471 515
Additions to property and equipment				
– 2023	**1 745**	**52**	**180**	**5 850**
– 2022	997	147	760	8 306
Additions to right-of-use assets				
– 2023	**2 285**	**–**	**–**	**16 647**
– 2022	1 289	243	11 266	5 203
Additions to intangible assets				
– 2023	**–**	**6 000**	**1 883**	**–**
– 2022	–	–	804	–

1 *Relates to the trading performance and financial position of Adcorp Support Services Proprietary Limited classified as a discontinued operation in the 2022 financial year and its related asset and liabilities classified as held for sale.*

2 *The prior year comparative financial information was restated to reflect the operations of aaX as a discontinued operation in terms of IFRS 5: Non Current Assets Held for Sale and Discontinued Operations due to aaX being deconsolidated in terms of IFRS 10 and classified as discontinued operations (refer to note 5). The published prior year results included aaX as continuing operations.*

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

4 *Includes impairment on goodwill (note 8), 2022 includes impairment on right-of-use asset.*

Business support	Group continued operations	Discontinued operations[2]	Discontinued operations[3]	Total Group	Geographical segments	
South Africa R'000	R'000	South Africa R'000	International R'000	Total R'000	South Africa R'000	International R'000
601 964	**3 161 665**	**–**	**–**	**3 161 665**	**1 926 542**	**1 235 123**
666 501	3 200 672	–	–	3 200 672	2 054 475	1 146 197
470 688	**1 626 988**	**–**	**–**	**1 626 988**	**1 152 934**	**474 054**
585 652	1 728 143	–	–	1 728 143	1 256 628	471 515
225	**8 052**	**–**	**–**	**8 052**	**2 202**	**5 850**
625	10 835	–	–	10 835	2 529	8 306
–	**18 932**	**–**	**–**	**18 932**	**2 285**	**16 647**
–	18 001	–	–	18 001	12 798	5 203
–	**7 883**	**–**	**–**	**7 883**	**7 883**	**–**
–	804	–	–	804	804	–

Notes to the summarised audited consolidated financial statements

for the year ended 28 February 2023

1. Independent audit

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

This summarised report is extracted from audited information, but is not itself audited. The consolidated financial statements were audited by KPMG Inc., who expressed an unmodified opinion thereon. The auditor's report does not necessarily report on all the information contained in the announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying consolidated financial statements from the Company's registered office.

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

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

2. General information

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

3. Basis of preparation

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

The accounting policies applied in the consolidated financial statements from which the summary consolidated financial statements were derived, are in accordance with IFRS and are consistent with those accounting policies applied in the preparation of the consolidated audited financial statements for the year ended 28 February 2022 unless otherwise stated.

The summary consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 28 February 2023, which have been prepared in accordance with IFRS and the Companies Act, No 71 of 2008 of South Africa. A copy of the full set of the audited consolidated financial statements is available for inspection from the Company Secretary or can be downloaded from the website: www.adcorpgroup.com/investors/financials.

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

4. Going concern

The directors are responsible for evaluating the Group's ability to continue as a going concern and as a consequence the appropriateness of the going concern assumption in the preparation of the financial statements. The directors have assessed the economic environment, current financial position, and the Group's expected cash flows for the next 12 months through to the end of May 2024.

Solvency

On 28 February 2023, the total assets of the Group exceeded the total liabilities by R1 535 million and the current ratio as at 28 February 2023 was 1,6. There are no events anticipated in the year ahead that indicate any risk to the Group's solvency position.

Notes to the summarised audited consolidated financial statements continued

for the year ended 28 February 2023

4. Going concern (continued)

Liquidity

In assessing the liquidity position, cash flow forecasts were prepared, covering the period up until the end of May 2024. Based on the short and long term forecasts (as per the budget approved by the Group's Board), the Group is expected to be able to meet all its short-term obligations through a combination of the cash generated by operations and the utilisation of the current facilities available to the Group. The cash position is monitored daily by management and the Group is comfortable with its liquidity levels.

Going concern conclusion

The directors are of the view that there are no known material uncertainties that cast doubt on the Group's ability to operate into the foreseeable future. The directors are also satisfied that the Group has sufficient resources, or access to resources, to continue with all operating activities for the foreseeable future. Based on this assessment, the directors have no reason to believe that the Group will not be a going concern for the foreseeable future.

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

5. Discontinued operations

As at 31 August 2022 the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations had been met and allaboutXpert Australia Proprietary Limited, together with its wholly owned subsidiaries, allaboutXpert NZ Limited and allaboutXpert Technologies Proprietary Limited ("aaX"), have been disclosed as discontinued operations. The Group voluntarily initiated an administration process for allaboutXpert Australia Proprietary Limited and allaboutXpert Technologies Proprietary Limited, whereby the independent registered administrator assumed control of these entities on 13 December 2022.

The administration of allaboutXpert Australia Proprietary Limited and its subsidiaries has the following implications and was considered fully by management:

- The accounting as a discontinued operation prior to administration and restating the prior year comparative results; and
- Assessing the impact of the loss of control in terms of IFRS 10 where the Group holds 100% interest in the subsidiaries.

As a result of this assessment and taking into account the fact that trading has ceased, management has assessed a loss of control from the date that the administrator was appointed and has therefore classified the subsidiaries as discontinued operations up to the date of administration, thereafter the subsidiaries have been deconsolidated. The fair value of the consideration receivable is deemed to be zero as a return on administration is unlikely. The administration process has not been completed at year-end.

	2023 R'000
Fair value of consideration receivable	–
Net asset value (NAV)	(16 090)
Foreign currency movements	509
Gain on NAV derecognised	(15 580)
Costs expensed for the disposal	2 667
Foreign currency translation reserve reclassified to profit or loss	3 273
Total profit on deconsolidation of subsidiary	**(9 640)**

Notes to the summarised audited consolidated financial statements continued

for the year ended 28 February 2023

The financial performance presented below relates to aaX:

	2023 R'000	2022 R'000
Profit or loss		
Revenue	**107 106**	194 900
Cost of sales	**(125 599)**	(181 091)
Gross (loss)/profit	**(18 493)**	13 089
Loss allowance for expected credit losses – trade receivables	**(54 124)**	–
Operating expenses	**(17 003)**	(15 636)
Operating loss before finance income, finance costs, taxation expense and profit on disposal of discontinued operations	**(89 620)**	(1 827)
Finance costs	**–**	(7)
Loss before taxation	**(89 620)**	(1 834)
Taxation expense	**–**	(1 888)
Loss after taxation	**(89 620)**	(3 722)
Profit on disposal of discontinued operations	**9 640**	–
Total loss for the year from discontinued operations	**(79 980)**	(3 722)
Attributable to:		
South Africa	**–**	–
International	**(79 980)**	(3 722)
	(79 980)	(3 722)
Other comprehensive income		
Exchange differences reclassified to profit or loss on disposal of foreign subsidiary	**3 273**	–
Total comprehensive loss for the year	**(76 707)**	(3 722)

The cash flows presented below for the current year relate to aaX deconsolidation.

	2023 R'000
Cash flow from discontinued operations:	
Net cash inflow from operating activities	3 553
Net cash outflow from investing activities	(46)
Net cash outflow from financing activities	(3 387)
Net cash inflow from discontinued operations	120
Cash and cash equivalents at the beginning of the period	285
Cash and cash equivalents at the end of the period	405

Notes to the summarised audited consolidated financial statements continued

for the year ended 28 February 2023

6. Earnings per share

The calculation of earnings per share from continuing operations attributable to the ordinary equity holders of the parent is based on profits of R118,6 million (2022: R102,8 million), loss from discontinued operations of R80,0 million (2022: profit R13,6 million), and ordinary shares of 103 387 640 (2022: 106 692 859), being the weighted average number of shares relative to the above earnings.

	2023 R'000	*Restated 2022 R'000
Continuing operations:		
Basic earnings per share (cents)	**114,7**	96,3
Diluted earnings per share (cents)	**110,6**	91,1
Discontinued operations:		
Basic (loss)/earnings per share (cents)	**(77,4)**	12,8
Diluted (loss)/earnings per share (cents) – anti-dilutive	**(77,4)**	12,1
Total basic earnings per share		
Basic earnings per share (cents)	**37,3**	109,1
Diluted earnings per share (cents)	**36,0**	103,2
Weighted average number of ordinary shares outstanding during the period		
Reconciliation of weighted average number of ordinary shares outstanding to the weighted average diluted number of shares outstanding during the period		
Weighted average number of ordinary shares outstanding during the period	**103 387 640**	106 692 859
Adcorp employee share schemes – dilution[1]	**7 587 746**	12 204 416
Adcorp employee share schemes – anti-dilutive shares excluded[1]	**(3 793 873)**	(6 102 208)
Diluted weighted number of ordinary shares outstanding during the period	**107 181 513**	112 795 067

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

* *The prior year comparative financial information was restated to reflect the operations of aaX as a discontinued operation in terms of IFRS 5: Non Current Assets Held for Sale and Discontinued Operations due to aaX being deconsolidated in terms of IFRS 10 and classified as discontinued operations (refer to note 5). The published prior year results included aaX as continuing operations.*

6. Earnings per share (continued)

	2023 R'000	*Restated 2022 R'000
Reconciliation of headline earnings from continuing operations[2]		
Profit for the year	**118 562**	102 759
(Profit)/loss on sale of property and equipment	**(290)**	2 182
Taxation recovered on the sale of property and equipment	**81**	(611)
Impairment of right-of-use assets	**–**	2 770
Taxation on impairment of right-of-use assets	**–**	(776)
Impairment of goodwill	**34 463**	–
Headline earnings from continuing operations	**152 816**	106 324
Headline earnings per share (cents)	**147,8**	99,7
Diluted headline earnings per share (cents)	**142,6**	94,3
Reconciliation of headline earnings from discontinued operations[2]		
(Loss)/profit for the year	**(79 980)**	13 644
Profit from the disposal of businesses	**(9 640)**	(13 950)
Headline loss from discontinued operations	**(89 620)**	(306)
Headline loss per share (cents)	**(86,7)**	(0,3)
Diluted headline loss per share (cents)	**(86,7)**	(0,3)
Reconciliation of headline earnings from total operations		
Profit for the year attributable to ordinary shareholders	**38 582**	116 403
(Profit)/loss on sale of property and equipment	**(290)**	2 182
Taxation recovered on the sale of property and equipment	**81**	(611)
Impairment of right-of-use assets	**–**	2 770
Taxation on impairment of right-of-use assets	**–**	(776)
Impairment of goodwill	**34 463**	–
Profit from the disposal of businesses	**(9 640)**	(13 950)
Headline earnings	**63 196**	106 018
Headline earnings per share (cents)	**61,1**	99,4
Diluted headline earnings per share (cents)	**59,0**	94,0

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

* *The prior year comparative financial information was restated to reflect the operations of aaX as a discontinued operation in terms of IFRS 5: Non Current Assets Held for Sale and Discontinued Operations due to aaX being deconsolidated in terms of IFRS 10 and classified as discontinued operations (refer to note 5). The published prior year results included aaX as continuing operations.*

Notes to the summarised audited consolidated financial statements continued

for the year ended 28 February 2023

7. Revenue

Performance obligation	Description	Timing	2023 R'000	*Restated 2022 R'000
Permanent placement	Permanent placement involves placing candidates in full-time employment with prospective employers. Once candidates are placed, the Group has no further obligations to the customer.	Revenue is recognised at the point in time when placed candidates begin employment.	**79 911**	73 006
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.	**9 968 012**	9 192 923
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.	**235 034**	239 764
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.	**1 765 994**	1 812 355
Total revenue from continuing operations			**12 048 951**	11 318 048

7. Revenue (continued)

Disaggregation of revenue by geographical region

Region	Segment	Performance obligation	2023 R'000	*Restated 2022 R'000
South Africa			**6 668 343**	6 804 350
	Industrial		**4 588 435**	4 709 665
		Temporary placement	**3 640 948**	3 728 716
		Permanent placement	**44**	–
		Outsourced-based solutions	**947 443**	980 949
	Professional		**1 844 874**	1 854 921
		Temporary placement	**986 335**	994 237
		Permanent placement	**39 988**	29 280
		Outsourced-based solutions	**818 551**	831 404
	Training	Training	**235 034**	239 764
Australia			**5 380 608**	4 513 698
	Australia		**5 380 608**	4 513 698
		Temporary placement	**5 340 729**	4 469 972
		Permanent placement	**39 879**	43 726
Total revenue from continuing operations			**12 048 951**	11 318 048

The timing of revenue recognition is as follows:

	2023 R'000	*Restated 2022 R'000
Over time	**10 203 046**	9 432 689
At a point in time	**1 845 905**	1 885 359
Total revenue from continuing operations	**12 048 951**	11 318 048

* *The prior year comparative financial information was restated to reflect the operations of aaX as a discontinued operation in terms of IFRS 5: Non Current Assets Held for Sale and Discontinued Operations due to aaX being deconsolidated in terms of IFRS 10 and classified as discontinued operations (refer to note 5). The published prior year results included aaX as continuing operations.*

In certain cases, the Group uses output-based methods to determine when the revenue for performance obligations is recognised over time.

Notes to the summarised audited consolidated financial statements continued

for the year ended 28 February 2023

8. Goodwill

An annual impairment test was performed on 28 February 2023 for all CGUs. An impairment of R34 million relating to the Paracon CGU was recognised in the current financial year (2022: Rnil).

Reconciliation of beginning and ending balance

	2023 R'000	2022 R'000
Cost		
Opening balance at the beginning of the year	1 468 290	1 482 783
Foreign currency movement	34 435	(14 493)
Closing balance at the end of the year	1 502 725	1 468 290
Impairments		
Opening balance at the beginning of the year	(955 567)	(955 567)
Impairment of goodwill during the year	(34 463)	–
Closing balance at the end of the year	(990 030)	(955 567)
Carrying amount at the end of the year	512 695	512 723
After recognition of impairment losses, the carrying amount of goodwill is attributable to the following CGUs:		
Industrial Services	83 109	83 109
Adcorp BLU, a division of Adcorp Workforce Solutions Proprietary Limited	83 109	83 109
Professional Services	94 149	128 612
Paracon, a division of Fortress Administration Proprietary Limited	94 149	128 612
Australia	335 437	301 002
Paxus Australia	252 774	226 820
Labour Solutions Australia	72 138	64 737
Talentcru Australia	10 525	9 445
Total	512 695	512 723

The table below illustrates the pre-tax discount rate, growth rates and terminal growth rate used in the valuation calculation to determine the headroom for each CGU.

Segmental CGU	Pre-tax discount rate		Growth rates range		Terminal growth rate		Headroom	
	2023 %	2022 %	**2023 %**	2022 %	**2023 %**	2022 %	**2023 R'000**	2022 R'000
Industrial								
BLU	**27,9**	24,4	**1 – 8**	5 – 9	**2,5**	2,5	**122 005**	122 000
Professional								
Paracon	**26,2**	24,2	**5 –21**	5 – 12	**2,5**	2,5	**–**	45 000
Australia								
Paxus	**17,1**	17,1	**6 – 9**	2 – 12	**2**	2	**337 898**	347 000
TalentCru	**20,0**	20,0	**10 –111**	2 – 10	**2**	2	**2 627**	66 000
Labour Solutions	**20,0**	17,1	**10 –25**	2 – 10	**2**	2	**362 129**	45 000

Sensitivity analysis

The impairment calculations are most sensitive to the following assumptions:

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

Appropriate sensitivity analyses were performed on all CGUs, which included fluctuations in growth rates applied to revenue and EBITDA in the cash flow forecast, terminal growth rates and discount rates.

Notes to the summarised audited consolidated financial statements continued

for the year ended 28 February 2023

8. Goodwill (continued)

Industrial Services segment CGUs

BLU

A change of 10% in growth rates applied to revenue and EBITDA in the cashflow forecast would result in a valuation difference of R68 million (2022: R64 million), which would not result in an impairment if the deviation in earnings is negative (2022: Rnil).

A change of 1% on the discount rate would result in a R14 million (2022: R28 million) difference in the valuation, which would not result in an impairment if the rate increased by 1% (2022: Rnil).

A change of 1% on the terminal growth rate would result in a R16 million (2022: R18 million) difference in the valuation, which would not result in an impairment if the rate decreased by 1% (2022: Rnil).

Professional Services segment CGUs

Paracon a division of Fortress Administration Proprietary Limited

A change of 10% in growth rates applied to revenue and EBITDA in the cashflow forecast would result in a valuation difference of R23 million (2022: R37 million), which would result in a further impairment if the deviation in earnings is negative (2022: Rnil).

A change of 1% on the discount rate would result in a R6 million (2022: R20 million) difference in the valuation, which would result in a further impairment if the rate increased by 1% (2022: Rnil).

A change of 1% on the terminal growth rate would result in a R7 million (2022: R13 million) difference in the valuation, which would result in a further impairment if the rate decreased by 1% (2022: Rnil).

Australia segment CGUs

Paxus Australia

A change of 10% in growth rates applied to revenue and EBITDA in the cashflow forecast would result in a valuation difference of R102 million (2022: R133 million) which would not result in an impairment if the deviation in earnings is negative (2022: Rnil).

A change of 1% on the discount rate would result in a R87 million (2022: R74 million) difference in the valuation, which would not result in an impairment if the rate increased by 1% (2022: Rnil).

A change of 1% on the terminal growth rate would result in a R48 million (2022: R44 million) difference in the valuation, which would not result in an impairment if the rate decreased by 1% (2022: Rnil).

TalentCru Proprietary Limited in Australia

A change of 10% in growth rates applied to revenue and EBITDA in the cashflow forecast would result in a valuation difference of R1 million (2022: R12 million) which would not result in an impairment if the deviation in earnings is negative (2022: Rnil).

A change of 1% on the discount rate would result in a R1 million (2022: R7 million) difference in the valuation, which would not result in an impairment if the rate increased by 1% (2022: Rnil).

A change of 1% on the terminal growth rate would result in a R1 million (2022: R5 million) difference in the valuation, which would not result in an impairment if the rate decreased by 1% (2022: Rnil).

Labour Solutions Australia

A change of 10% in growth rates applied to revenue and EBITDA in the cashflow forecast would result in a valuation difference of R61 million (2022: R24 million), which would not result in an impairment if the deviation in earnings was negative (2022: Rnil).

A change of 1% on the discount rate would result in a R53 million (2022: R19 million) difference in the valuation, which would not result in an impairment if the rate increased by 1% (2022: Rnil).

A change of 1% on the terminal growth rate would result in a R63 million (2022: R9 million) difference in the valuation, which would not result in an impairment if the rate decreased by 1% (2022: Rnil).

Notes to the summarised audited consolidated financial statements continued

for the year ended 28 February 2023

9. Interest-bearing liabilities

	Interest rate	Maturity	2023 R'000	2022 R'000
Non-current interest-bearing liabilities			**331 977**	348 493
Lease liabilities	Incremental borrowing rate (IBR)		**331 977**	348 493
Current interest-bearing liabilities			**77 433**	208 808
ZAR revolving credit facility	JIBAR + agreed margin[1]	31 August 2025	**–**	100 000
AUD borrowing base facility	Base rate[2] + margin	10 March 2024	**–**	33 336
Lease liabilities	IBR[3]		**77 433**	75 472
Total			**409 410**	557 301

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

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

[3] *The incremental borrowing rates range from 1,9% – 12,4%.*

The South African revolving credit facility of R400 million matured on 31 August 2022 and the Group renegotiated its facilities to 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 became effective on 1 September 2022 maturing in three years.

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 AUD borrowing base facility consists of a revolving borrowing base facility of AUD20 million that was expected to mature on 30 June 2023. The lenders of the Australian operations interest-bearing borrowings agreed to extend the Revolving Borrowing Base facility maturity date until 10 March 2024 at a revised 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.

10. Management of capital

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

The Group's investment committee has considered the cost of capital and the risks associated with each class of capital. The Group's favourable leverage ratio is 19,5% (2022: 19,5%). The gearing ratio is determined as net debt (being interest-bearing borrowings less unrestricted cash and cash equivalents) excluding finance leases as a percentage of total equity. The investment 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.

11. Financial instruments by category

	Amortised cost R'000	Fair value through profit or loss R'000	Total R'000
As at 28 February 2023			
Investments at fair value	**–**	**21 074**	**21 074**
Trade receivables	**1 337 049**	**–**	**1 337 049**
Other receivables	**71 582**	**–**	**71 582**
Cash and cash equivalents and restricted cash	**415 548**	**–**	**415 548**
	1 824 179	**21 074**	**1 845 253**
As at 28 February 2022			
Investments at fair value	–	19 597	19 597
Trade receivables	1 336 354	–	1 336 354
Other receivables	82 355	–	82 355
Cash and cash equivalents and restricted cash	420 355	–	420 355
	1 839 064	19 597	1 858 661

Notes to the summarised audited consolidated financial statements continued

for the year ended 28 February 2023

11. Financial instruments by category (continued)

Financial liabilities by category

	Amortised cost R'000	Total R'000
As at 28 February 2023		
Lease liabilities (note 9)	**409 410**	**409 410**
Trade and other payables	**305 980**	**305 980**
	715 380	**715 380**
As at 28 February 2022		
Lease liabilities (note 9)	423 965	423 965
Interest-bearing borrowings (note 9)	133 336	133 336
Trade and other payables	317 441	317 441
	874 742	874 742

12. Financial risk management

12.1 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 28 February 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 their intention to move away from JIBAR and to create an alternative reference rate for South Africa; however, there is currently no indication of when the designated successor rate will be made available 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.

Notes to the summarised audited consolidated financial statements continued

for the year ended 28 February 2023

12. Financial risk management (continued)

12.2 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.

Foreign currency sensitivity

At 28 February 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 R5 million (2022: R4 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	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Impact on revenue				
AUD	**548 771**	470 861	**(548 771)**	(470 861)
Impact on profit/(loss) after tax				
AUD	**6 525**	4 179	**(6 525)**	(4 179)
Impact on assets/liabilities				
AUD	**10 295**	83 014	**(10 295)**	(83 014)

12.3 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 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 (note 9) that attract interest at a floating rate.

At 28 February 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 R1 million (2022: decreased/increased by 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 year.

12.4 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 36 days (2022: 38 days) and no interest is charged on the trade receivables.

The carrying value approximates the fair value.

Notes to the summarised audited consolidated financial statements continued

for the year ended 28 February 2023

12.4 **Credit risk management** continued

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 defines 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.

12.5 **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 R698 million (2022: R661 million). The Group's liquidity exposure is represented by the aggregate balance of financial liabilities as indicated in the categorisation table in note 11. Cash and cash equivalents and restricted cash as at 28 February 2023 is R416 million (2022: R420 million). Restricted cash relates to cash held in Angola of R104 million (2022: R89 million).

12.6 Maturity analysis of non–derivative financial liabilities (including interest)

The following tables detail the group's remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group will be required to pay. The table includes both interest and principal cash flows.

	2023 R'000	2022 R'000
Trade and other payables	**305 980**	317 441
Interest–bearing borrowings (note 9)	**–**	133 336
Lease liabilities	**118 599**	80 396
Total due within one year	**424 579**	531 173
After one year but within two years	**68 349**	75 002
After two years but within three years	**56 639**	68 959
After three years but within four years	**57 376**	62 037
After four years but within five years	**55 609**	62 797
After five years	**286 229**	352 679
Total due after one year	**524 202**	621 474
Total debt	**948 781**	1 152 647

12.7 Financial instruments measured at fair value

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The 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):

Financial assets	2023 R'000	2022 R'000	Valuation technique(s) and key inputs	Fair value hierarchy	Relationship of unobservable inputs to fair value
Investment	**21 074**	19 597	Fair value – market valuation	Level 3	The fair value is determined based on the net asset value of the insurance cell captive at the reporting date. The net asset value is determined from financial information received from the insurer

Notes to the summarised audited consolidated financial statements continued

for the year ended 28 February 2023

13. Contingent liabilities and commitments

The bank has issued guarantees of R44 million (2022: R46 million) on behalf of the Group, to creditors.

14. Events after the reporting period

No event which is material to the understanding of this report has occurred between year-end and the date of the annual financial statements, other than the cash dividend declaration. Refer to note 15.2.

15. Dividends

15.1 Dividend paid

The prior year final gross dividend of 47,0 cents and the declared interim dividend of 12,2 cents was paid in the current financial year (2022: Rnil).

15.2 Dividend declared

Shareholders are hereby advised that the Board of Adcorp has approved and declared a final gross dividend of 16,5 cents per ordinary share (2022: 47,0 cents per share), and a special gross dividend of 91,3 cents per ordinary share (2022: Rnil), which special dividend is subject to the required SARB approval being obtained for the declaration of same.

The dividends are subject to a South African dividend withholding tax rate of 20%, resulting in a net dividend of 13,2 cents per ordinary share and net special dividend of 73,04 per ordinary share (2022: Rnil), 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

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

Last day to trade *cum* dividend	Tuesday, 15 August 2023
Securities commence trading *ex* dividend	Wednesday, 16 August 2023
Record date for purposes of determining the registered holders of ordinary shares to participate in the dividend at close of business on	Friday, 18 August 2023
Payment date	Monday, 21 August 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 16 August 2023 and Friday, 18 August 2023, both dates inclusive.

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