

THE POWER OF POTENTIAL

Unaudited Group Results

for the 6 months ended 31 August 2008

- Core headline earnings per share up by 16%
- Normalised operating profit up by 27%
- Headline earnings per share up by 230%
- Cash conversion ratio 97%
- Debtors days at 29 days
- Interim dividend declared of 62 cents per share up 13%

Condensed Income Statement

for the 6 months ended 31 August

	Unaudited	Unaudited	Audited
	6 months	6 months	14 months
	to Aug	to Aug	to Feb
	2008	2007	2008
	R'000	R'000	R'000
Continuing operations			
Revenue	2 285 038	1 789 665	4 430 105
Cost of sales	(1 751 478)	(1 344 022)	(3 349 604)
Gross profit	533 560	445 643	1 080 501
Other income	13 899	5 926	31 620
Administrative expenses	(150 695)	(131 942)	(401 595)
Marketing and selling expenses	(212 132)	(173 741)	(448 173)
Other operating expenses	(78 541)	(146 387)	(153 548)
Operating profit	106 091	(501)	108 805
Interest received	5 160	2 537	7 869
Interest paid	(16 550)	(12 999)	(29 574)
Share of profits from associates	14	175	1 512
Impairment of loans	_	(145)	(145)
Profit/(loss) on sale of property and equipment	331	(49)	409
Profit on disposal of operations and subsidiaries	12	48 878	48 633
Profit before taxation	95 058	37 896	137 509
Taxation	29 482	19 200	40 855
Profit for the period from continuing operations	65 576	18 696	96 654
Discontinued operations			
(Loss)/profit from discontinued operations	-	(14 779)	30 314
Profit for the period	65 576	3 917	126 968
Profit for the period attributable to:			
Ordinary shareholders	65 576	3 920	126 968
Minority shareholders	-	(3)	-
Profit for the period	65 576	3 917	126 968
Earnings per share			
Basic (cents)	127,3	8,0	258,5
Diluted (cents)	126,0	7,9	253,4
Distribution to ordinary shareholders			
Interim dividend (cents)	62	55	55
Final dividend (cents) in respect of the prior year	160	126	126

Calculation of headline earnings and core headline earnings			
Profit for the period	65 576	3 917	126 968
Impairments	_	6 645	11 645
Minority shareholders' share	_	3	_
Loss/(profit) on sale of property and equipment	(239)	36	(290
(Profit)/loss on disposal of discontinued operations	(12)	8 219	(42 233
Headline earnings	65 325	18 820	96 090
Adjusted for:			
Amortisation of intangible assets	25 604	18 232	46 808
Share-based payments	9 807	93 942	101 966
Lease smoothing	411	329	1 399
Profit on disposal of continuing operations	_	(48 878)	(48 633
Tax effects on above	(7 284)	(5 383)	(14 550
Core headline earnings	93 863	77 062	183 080
Headline earnings per share			
Headline earnings per share – cents	126,8	38,4	195,6
Diluted headline earnings per share – cents	125,5	37,7	191,8
Core headline earnings per share			
Core headline earnings per share – cents	182,2	157,1	372,7
Diluted core headline earnings per share – cents	180,3	154,5	365,4
Weighted average number of shares – 000's	51 520	49 068	49 122
Diluted weighted average number of shares – 000's	52 065	49 881	50 109

Condensed Balance Sheet

as at 31 August

Assets Non-current assets Property and equipment Goodwill Intangible assets Investment in associates Derivative financial instruments Deferred taxation Current assets	2008 R'000 857 542 63 353 535 739 227 563 284 2 141 28 462 857 871	2007 R'000	2008 R'000 675 449 57 549 402 980 182 270
Non-current assets Property and equipment Goodwill Intangible assets Investment in associates Derivative financial instruments Deferred taxation	63 353 535 739 227 563 284 2 141 28 462	58 455 400 394 199 811 43	57 549 402 980
Non-current assets Property and equipment Goodwill Intangible assets Investment in associates Derivative financial instruments Deferred taxation	63 353 535 739 227 563 284 2 141 28 462	58 455 400 394 199 811 43	57 549 402 980
Property and equipment Goodwill Intangible assets Investment in associates Derivative financial instruments Deferred taxation	63 353 535 739 227 563 284 2 141 28 462	58 455 400 394 199 811 43	57 549 402 980
Goodwill Intangible assets Investment in associates Derivative financial instruments Deferred taxation	535 739 227 563 284 2 141 28 462	400 394 199 811 43	402 980
Intangible assets Investment in associates Derivative financial instruments Deferred taxation	227 563 284 2 141 28 462	199 811 43	
Investment in associates Derivative financial instruments Deferred taxation	284 2 141 28 462	43	
Defirred taxation	2 141 28 462	-	270
			3 141
Current assets	057 071	23 129	29 239
	85/8/1	617 886	714 485
Trade, other receivables and prepayments	664 962	487 379	565 002
Amounts due from vendor	-	750	250
Assets classified as held for sale	11	-	845
Taxation prepaid	262	4 593	564
Cash resources	192 636	125 164	147 824
Total assets	1 715 413	1 299 718	1 389 934
Equity and liabilities			
Capital and reserves	749 729	623 579	668 171
Share capital	1 352	1 270	1 271
Share premium	382 929	282 929	283 070
Treasury shares	(690)	(821)	(701)
Retained earnings	365 934	339 780	384 798
Foreign currency translation reserve	(217)	421	(688)
BEE shareholders' interest	421	421	421
Non-current liabilities	292 464	246 753	191 429
Other non-current liabilities	803	3 203	4 230
Term loan	108 000	-	-
Redeemable preference shares – interest bearing	130 000	190 000	146 195
Obligation under finance lease Deferred tax	5 448 48 213	6 922 46 628	2 464 38 540
Deterred tax	40 213	40 028	36 340
Current liabilities	673 220	429 386	530 334
Non-interest-bearing current liabilities	589 805	279 220	325 940
Trade and other payables	281 443	176 912	243 174
Amount due to vendor	85 000	-	-
Provisions	100 375	87 024	74 785
Liabilities classified as held for sale Shareholders for dividends	348	_	348
Taxation Taxation	93 400 29 239	15 284	7 633
Interest-bearing current liabilities	83 415	150 166	204 394
Current portion of other non-current liabilities	2 838	1 334	2 260
Current portion of term loan	12 000	1 334	2 200
Current portion of redeemable preference shares	20 000	_	3 805
Bank overdraft	48 577	148 832	198 329
Total equity and liabilities	1 715 413	1 299 718	1 389 934
Number of ordinary shares in issue (000's)	54 081	50 795	50 831
Net asset value per share (cents)	1 386	1 228	1 315

Condensed Cash Flow Statement

for the 6 months ended 31 August

	Unaudited	Unaudited	Audited
	6 months	6 months	14 months
	to Aug	to Aug	to Feb
	2008	2007	2008
	R'000	R'000	R'000
Operating activities Cash generated by operations before working capital changes (Decrease)/increase in working capital	154 925	122 793	285 430
	(17 516)	98 284	(22 159)
Cash generated by operations Net interest paid Taxation paid	137 409	221 077	263 271
	(11 390)	(10 087)	(21 617)
	(13 933)	(22 819)	(65 956)
Free cash generated by operations	112 086	188 171	175 698
Net dividend received/(paid)	11	(63 778)	(91 441)
Investing and financing activities Cash inflows from operations Cash outflows from investing activities Cash inflows from financing activities	112 097	124 393	84 257
	(137 608)	(262 238)	(492 905)
	220 075	193 944	376 644
Net increase/(decrease) in cash and cash equivalents Net cash and cash equivalents at the beginning of the period	194 564	56 099	(32 004)
	(50 505)	(79 767)	(18 501)
Net cash and cash equivalents at the end of the period Free cash generated by operations per share (cents)	144 059 217,6	(23 668) 383,5	(50 505)

Foreign currency BEE shareholders

Retained

Condensed Statement of Changes in Equity

for the 6 months ended 31 August

	capital	premium	shares	translation reserve	interest	earnings	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Balance as at 29 February 2008	1 271	283 070	(701)	(841)	421	384 951	668 171
Issue of ordinary shares under employee share option plan	_	153	_	_	_	_	153
Issue of ordinary shares	81	99 706	_	_		_	99 787
Foreign currency translation reserve	_	_	_	624	_	_	624
Fair value adjustment of derivative financial instrument	_	_	_	_	_	(1 000)	(1 000)
Recognition of share-based payments	_	_	_	_	_	9 807	9 807
Dividend distributions	_	_	11	_	_	(93 400)	(93 389)
Profit for the year	_	-	-	_	_	65 576	65 576
Balance as at 31 August 2008	1 352	382 929	(690)	(217)	421	365 934	749 729

Condensed Segment Report

for the 6 months ended 31 August

	Aug 2008 R'000	Revenue Aug 2007 R'000	Feb 2008 R'000	Aug 2008 R'000	Operating pro Aug 2007 R'000	ofit Feb 2008 R'000		EBITDA exclu IFRS share-bi nts and lease Aug 2007 R'000	ased	IFF F	TDA excludings share-base sayments and ase smoothing Aug 2007 %	ĺ	IF. payment	TDA excludir RS share-bases and lease smo oution to Grou Aug 2007 %	oothing	Aug 2008 R'000	Net asset va Aug 2007 R'000	Feb 2008 R'000	Aug 2008 R'000	ssets carrying v Aug 2007 R'000	value Feb 2008 R'000	Lia Aug 2008 R'000	ability carrying Aug 2007 R'000	g value Feb 2008 R'000	Deprece Aug 2008 R'000	iation and am of intangible Aug 2007 R'000		proj Aug 2008 R'000	Additions to perty and equi Aug 2007 R'000	
Central costs Staffing Business process outsourcing	2 171 638 113 400	1 682 139 107 526	4 191 683 238 422	(16 905) 108 845 14 151	90 884	(118 188) 205 112 21 881	(12 804) 136 479 30 220	(9 913) 109 762 22 679	(24 935) 253 734 55 782	- 6,3 26,6	- 6,5 21,1	6,1 23,4	(8,3) 88,7 19,6	(8,1) 89,6 18,5	(8,8) 89,2 19,6	(248 362) 864 748 126 954	(128 038) 530 706 213 743		4 863 1 352 307 351 506		9 345 1 075 825 298 038	133 225 607 559 224 552	134 583 472 477 69 514	201 947 291 539 227 929	210 23 373 14 003	202 15 337 13 218	469 40 632 31 310	24 9 076 7 382	66 12 366 5 176	362 23 675 13 452
Subtotal Discontinued	2 285 038	1 789 665	4 430 105	106 091 -	(501) (81)	108 805 (82)	153 895	122 528 (81)	284 581 (82)	6,7 -	6,8	6,4	100,0	100,1 (0,1)	100,0	743 340 6 389	616 411 6 747	661 793 6 378	1 708 676 6 737	1 292 985 6 733	1 383 208 6 726	965 336 348	676 574 (14)	721 415 348	37 586 -	28 757 –	72 411 -	16 482 -	17 608 1 706	37 489 -
TOTAL	2 285 038	1 789 665	4 430 105	106 091	(582)	108 723	153 895	122 447	284 499	6,7	6,8	6,4	100,0	100,0	100,0	749 729	623 158	668 171	1 715 413	1 299 718	1 389 934	965 684	676 560	721 763	37 586	28 757	72 411	16 482	19 314	37 489

Comments

Reporting period

Aug

As a result of the change in Adcorps' year-end, Adcorp published results for the two months to 28 February 2007 as well as for the eight months to 31 August 2007.

Adcorp is now back to a 12-month reporting cycle and these interim results are for the six months to 31 August 2008. The comparative period has been arrived at by deducting the published two months' results to 28 February 2007 from the eight months to 31 August 2007.

Normalised earnings

The table below sets out the normalised earnings for the 6 months to 31 August 2008 as well as the comparative period. IFRS non-cash flow adjustments have significantly impacted both periods and these adjustments have been eliminated below for ease

	to Aug 2008 R'000	to Aug 2007 R'000	% Change
Revenue Cost of sales	2 285 038 (1 751 478)	1 789 665 (1 344 022)	28 30
Gross profit Other income Admin, marketing and operating expenses	533 560 13 899 (405 546)	445 643 5 926 (339 546)	20 135 19
Operating profit Net interest paid Share of profits from associates	141 913 (11 390) 14	112 023 (10 462) 175	27 9
Profit before taxation Taxation	130 537 (36 674)	101 736 (24 596)	28 49
Profit for the period from continuing operations Loss for the period from discontinued operations	93 863	77 140 (81)	22
Profit for the period Minority shareholders' share	93 863	77 059 3	22
Profit for the period attributable to ordinary shareholders	93 863	77 062	22
Core headline earnings per share	182,2	157,1	16

The Adcorp Group, once again, produced a solid financial performance for the six-month interim period ended 31 August 2008.

In this regard, core headline earnings for the period of 182,2 cents per share (2007: 157,1 cents per share) were some 16% ahead of core headline earnings for the same period last year.

While trading conditions have tightened since the commencement of the year, the blue collar flexible staffing, permanent recruitment and business process outsourcing (BPO) operations of the Group have continued to perform well and to deliver strong earnings growth. The financial performance of the white collar flexible staffing businesses, however, has been negatively affected by sustained

margin and volume pressure emanating principally from the retail banking sector which traditionally contributes around 15% of Group turnover. In response, these businesses have implemented downsizing and cost-cutting initiatives in order to limit the negative impact on Group profitability.

The "cash-to-cash cycle" of the business has once again been well managed over the first six months and debtors days outstanding were contained to well within target levels. The conversion ratio of cash generated by operating activities to operating profit was 97% while debtors days outstanding as at 31 August 2008 were 29 days (31 August 2007: 33 days). The EBITDA margin averaged 6,7% compared to the prior period average of 6,8%. This has been achieved by way of a sustained focus on improving operating margins as well as an improved mix of business emanating from the restructured Group, despite the adverse margin impact of the white collar flexible staffing businesses.

As reported to shareholders earlier in the year, the acquisition of Staff-U-Need became unconditional in August 2008. Given the specific focus of the business on the power generation and engineering industries, it is expected to be an important contributor to the Group in the future. Although a relatively recent acquisition, the business has integrated well into the Adcorp

Other relatively recent acquisitions made in the past 18 months, namely Capital Outsourcing Group, FMS Marketing Solution and Employrite are all performing well and according to expectations.

The implementation of the new Microsoft Dynamics AX ERP system continues to roll out according to a systematic plan with a number of Group operations having now gone live on the system. It is anticipated that the entire Group will be live on the system by the end of the first quarter of the next financial year. However, the system should be finally commissioned by the end of February 2009. The new ERP system will contribute positively to the quality, extent and relevance of management information as well as to operating efficiencies.

Financial overview

Headline earnings per share at 126,8 cents is 230% above that for the comparative period. This has been positively impacted as a result of non-cash flow IFRS adjustments arising mainly from share-based payments which flowed from the BBBEE deal concluded in 2007 as well as the amortisation of intangibles from acquisitions made during 2007 and 2008. If these are eliminated, core headline earnings per share is 182,2 cents (2007: 157,1 cents) which is 16% above that for the same period

Cash flow for the Group was pleasing with a decrease in debtors days from 33 last year to 29 in the current year. The net increase in cash and cash equivalents was R195 million for the six months of which R112 million was generated by operations. Capital raising activities over and above payments for acquisitions made, resulted in a net inflow of R83 million in the period. Subsequent to the end of the period dividend payments and investing activities resulted in an outflow of R143 million.

The acquisition of Staff-U-Need was finalised during the period. Adcorp placed 3,2 million shares in the market and borrowed R120 million to fund this acquisition. As at 31 August 2008 there was still R85 million owing to the vendors of which R50 million was paid in September 2008, the balance being due in September 2009. A preliminary allocation of the purchase consideration has been done and this will be finalised prior to year-end. Staff-U-Need was purchased with effect from 30 July 2008. In terms of IAS 34 requirements, the profit from this entity included

in Group profit for the month of August 2008 is R3,4 million. This profit has been arrived at after deduction of the interest attributable to the borrowings required to fund the cash portion of the purchase price as well as the estimated amortisation charges arising from the valuation of the intangible assets acquired. Had Staff-U-Need been acquired with effect from 1 March 2008 on the same basis as above, the amount of profit that would have been included in Group profits would have been R13,8 million. Accounting policies

The financial report is prepared in accordance with IAS 34 Interim Financial Reporting. Adcorp prepares its accounts in accordance with International Financial Reporting Standards. The accounting policies applied are consistent with the prior year Capital commitments

The Group is committed to expenditure of R6,7 million for the implementation of software. Subsequent events

There have been no material subsequent events since 31 August 2008. Outlook

From a macro-economic perspective, the recent, extreme turbulence in the world's major capital markets is likely to impact negatively on both local and global economic growth. As such, trading conditions could potentially get tougher over the next six to 12 months. However, even within this testing economic environment, there are still potentially lucrative pockets of opportunity which the Group will continue to explore. The defensive nature of the Group's portfolio with its overweight exposure to blue collar flexible staffing, the sizeable ongoing

infrastructural spend in the country which consumes these workers, the persistent skills shortage, internal productivity project and certain potentially lucrative market opportunities should all combine to stand the Adcorp Group in relatively good stead. As such, the positive core headline earnings growth trend of the interim period is expected to continue for the remainder of the

Declaration of dividend

Sponsor

Notice is hereby given that an interim dividend of 62 cents per share (2007: 55 cents per share) was declared on 22 October 2008 payable to shareholders recorded in the register of the company at the close of business on the record date appearing below. The salient dates pertaining to the interim dividend are as follows:

Last day to trade cum interim dividend First day to trade ex interim dividend Monday, 8 December 2008 Payment date

No share certificates may be dematerialised or rematerialised between Monday, 1 December 2008 and Friday, 5 December 2008, both days inclusiv

Dividend cheques will be posted and electronic payments made, where applicable, to certificated shareholders on the payment date. Dematerialised shareholders will have their account with their Central Securities Depository Participant or broker credited on the payment date.

By order of the board Dr F van Zvl Slabbert RL Pike Chief Executive Officer Chief Financial Officer 22 October 2008

Executive directors Independent non-executive directors Non-executive directors RL Pike, C Bomela, FD Burd, PC Swart Dr F van Zyl Slabbert, PK Ward LM Mojela, MR Ramaite, T Ramano GP Duda Company secretary

Transfer secretaries Link Market Services SA (Pty) Limited, 11 Diagonal Street, Johannesburg, 2001 Deloitte & Touche Sponsor Services (Pty) Limited

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