ADCORP

THE POWER OF POTENTIAL

Unaudited Group results

For the six months ended 31 August 2014

SALIENT FEATURES

Revenue for the period increased by 12% to R6,4 billion

Normalised EBITDA margin up from 4,4% to 4,7%

Normalised earnings per share increased by 9% to 191,7 cents per share

Normalised EBITDA for the period increased by 21% to R299,7 million

Headline earnings per share increased by 573% to 150,9 cents per share

Cash conversion ratio up from 48% in the previous financial year to 128%

Debtors' days improved from previous financial year end level of 48 days to 41 days

Cash interim dividend of 60 cents per share declared

Gearing down from previous financial year end level of 37% to 24%

South African operations well prepared for new labour legislation

Strong organic performance from blue-collar segment

Labour Solutions Australia (LSA) integrated and is well positioned for growth

Unaudited statement of consolidated normalised earnings*

for the six months ended 31 August 2014

	Six months to 31 August 2014 R'000	Six months to 31 August 2013 R'000	Year to 28 February 2014 R'000	Six months % change
Revenue	6 364 090	5 671 074	11 802 415	12%
Cost of sales	(5 382 325)	(4 782 663)	(9 891 844)	(13%)
Gross profit	981 765	888 411	1 910 571	11%
Other income	69 796	40 555	81 603	72%
Administrative, marketing, selling and operating expenses	(825 541)	(852 143)	(1 690 301)	3%
Operating profit	226 020	76 823	301 873	194%
Adjusted for:				
Depreciation	15 345	13 494	28 596	14%
Amortisation of intangible assets	37 350	34 563	65 630	8%
Share-based payments	15 178	122 074	143 945	(88%)
Share-based payment expense	35 283	35 269	57 140	–
2013 BBBEE deal – IFRS 2 one-off, non cash flow, share based payment expense	–	86 805	86 805	–
Revaluation of share-based payment liability	(20 105)	–	–	–
Lease smoothing	661	149	561	–
Transaction costs	5 172	–	3 776	–
Normalised EBITDA (excluding share based payments, lease smoothing and transaction costs)	299 726	247 103	544 381	21%
Adjusted for:				
Depreciation	(15 345)	(13 494)	(28 596)	(14%)
Amortisation of intangibles other than those acquired in a business combination	(8 855)	(8 911)	(17 835)	1%
Normalised operating profit	275 526	224 698	497 950	23%
Net interest paid	(43 546)	(36 308)	(68 442)	(20%)
Normalised profit before taxation	231 980	188 390	429 508	23%
Normalised taxation	(53 140)	(42 707)	(107 169)	(24%)
Normalised profit for the period/year	178 840	145 683	322 339	23%
Share of profits from associates	12 248	13 339	33 718	(8%)
Non controlling interest	526	2 131	2 515	–
Total normalised profit for the period/year	191 614	161 153	358 572	19%
Normalised effective tax rate	23%	23%	25%	–
Normalised earnings per share – cents	191,7	176,5	384,3	9%
Diluted normalised earnings per share – cents	181,3	168,5	359,9	8%
Weighted average no of shares – 000's	99 954	91 279	93 299	10%
Diluted weighted average no of shares – 000's	105 698	95 659	99 723	10%

* *Normalised earnings is defined as operating profit adjusted for depreciation, amortisation of intangibles, share-based payments, lease smoothing and one-off transaction costs relating to acquisitions.*

Comments

Overview

The Adcorp Group performed well and in line with managements' expectations during the six month period ended 31 August 2014.

Group revenues increased by 12% to R6,4 billion whilst normalised earnings before interest, tax, depreciation and amortisation (EBITDA) of R299,7 million were 21% ahead of the prior period's comparable figure. Normalised earnings per share of 191,7 cents were 9% ahead of the prior period.

Pleasing to note is that the Group's cash generation performance was substantially better than in the previous financial year. In this regard, the Group's cash conversion ratio increased to an impressive 128% compared to the disappointing conversion ratio of 48% achieved in the prior financial year.

Also encouraging is the Group's margin performance whereby the normalised EBITDA margin increased to 4,7% (2013: 4,4%). This improved margin is in part reflective of the enhanced back office efficiencies achieved by the Group's shared service centre which is starting to deliver cost, efficiency and scale advantage.

South Africa

The Group's blue-collar businesses continued to perform well, delivering strong earnings and margin growth. This despite being affected by strike action which negatively impacted volumes.

The new Labour Relations Act (LRA) has now been signed into law although the implementation date has yet to be gazetted. It is likely that the implementation date will be prior to the end of the 2014 calendar year.

Arguably, these long anticipated new labour laws have and will continue to benefit the Group's blue-collar businesses as employers have tended to favour the larger, more sophisticated and reputable providers such as Adcorp who are better positioned to ensure regulatory and legislative compliance.

The white collar businesses were slightly down compared to the prior period and management's expectations. The independent contracting (professional services) business, although down compared to the prior period due to seasonality, was in line with management's expectations. A stronger performance in the second half should be achieved. The contribution from BPO, training and financial services was lower than in the prior period due largely to the significant, downward price revision of a major contract by FMS as reported last year.

Rest of Africa, Asia and Australia

The Group's African operations which focus predominantly in the areas of mining, oil, gas, exploration and related infrastructure development, continued to show good growth.

Australian independent IT contracting business, Paxus, also achieved solid growth which is reflective of an improving IT employment market in that country.

Indian associate IT solutions business, Nihilent, in which the Group owns a 35% stake, was slightly down on the prior period as a result of the reversal of a provision in the prior period that was no longer required. Excluding the effect of this one-off provision reversal which favoured prior period profits, the business is performing well and achieved real earnings growth at an operational level.

Included in the results for the six month period under review are the results of Labour Solutions Australia (LSA) which was acquired by Adcorp in December 2013. The business is on track to achieve its potential and has integrated well into the Group.

General

As previously announced on SENS, during April 2014, the Group acquired approximately 30% of the issued shares in Kelly Group Limited (Kelly) for a consideration of R73,8 million.

Subsequent to this, Adcorp made an offer to acquire the remaining shares in Kelly that it does not own. The proposed transaction is to be effected by way of a scheme of arrangement between Kelly and its shareholders.

The requisite majority of Kelly shareholders to approve such a scheme have voted in favour of the scheme. The proposed takeover of Kelly is now subject to approval by the South African competition authorities.

Significant effort has been focused on improving operational efficiencies and on controlling costs. In this regard, the Group upgraded its ERP system, created a shared service centre and outsourced many of its back office functions to Indian-based Genpact over the past two years.

It is pleasing to note that this strategy is starting to deliver benefits as evidenced by the Group's increasing margins, as discussed, as well as the expense ratio whereby administrative, marketing, selling and operating expenses as a percentage of revenue improved from 15% in the corresponding reporting period to 13% in this reporting period.

Financial overview

Headline earnings per share of 150,9 cents are 573% higher than the 22,4 cents per share for the comparative prior period.This is as a consequence of the first full period inclusion of the contribution from LSA and the non-repetition of the International Financial Reporting Standards (IFRS) requirement that R87 million be expensed as a once-off, non cash flow share based payment charge to the prior year profits arising from the 2013 BBBEE deal that was finalised, implemented and previously reported with effect 27 August 2013.

Given the above accounting treatment and other IFRS non cash flow charges to profit and loss, the Group has consistently disclosed that its primary measure of performance is normalised earnings. In this regard, shareholders are referred to the statement of consolidated normalised earnings contained in this announcement.

The increase in normalised EBITDA to R299,7 million for the six months ended 31 August 2014 from R247,1 million for the comparative prior period, is partly due to the inclusion of the Australian business LSA, which was, for the first time included for the full period under review.

The Group's improved normalised EBITDA margin of 4,7% was largely attributable to the traditional blue-collar staffing businesses although this was partially offset by the lower margin in the BPO training and financial services segment.

The Group's overall normalised effective tax rate remained constant at 23% (2013: 23%) and is in line with management's expectations. As reported previously, lower levels of tax deductions were claimed in respect of registered learnerships in compliance with the Income Tax Act while Australian related tax is provided for at a rate higher than the South African corporate tax rate of 28%. Cash management remains a high priority for management and as such the cash conversion ratio was 128% (2013: 93%) as mentioned. Days settlement outstanding (DSO) totalled 41 days (2013: 42 days) which improved substantially from the 48 days reported for the previous financial year end. This result was achieved in the context of the continued challenging collections environment especially relating to our African operations.

Cash generated from operations before working capital increased by 33% mainly due to the higher level of profitability year on year. Successful management of working capital resulted in R65 million being generated when compared to the R9 million being consumed in the prior period. This contributed to R353 million of net cash being generated by operations being 69% higher when compared to the R209 million generated for the prior period.

The Group's overall net gearing percentage reduced to 24% (2013: 25%) from 37% reported for the previous financial year end. During the current period, the Group incurred a 20% increase in net interest paid given the inclusion of the LSA related acquisition debt and higher business activity.

Basis of preparation

The Group's unaudited summary consolidated interim financial statements (financial results) are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, the requirements of the Companies Act applicable to summary financial statements, the framework, measurement and recognition requirements of IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the financial results are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the group's previous consolidated interim financial statements, except for the mandatory adoption of new and revised IFRS, none of which are expected to have a material impact on the financial results.

The financial results have been prepared by the Group Financial Manager, A Viljoen (B.Comm Honours) and supervised by the Group Chief Financial Officer, AM Sher (CA(SA), CFA).

Contingent liabilities and commitments

Our bankers have guaranteed R8,2 million (2013: R4,9 million) on behalf of the Group to creditors. As at the balance sheet date the Group has outstanding operating lease commitments totalling R111,4 million (2013: R154,7 million) in non-cancellable property leases. The Group has IT capital commitments contracted for of R2,1 million (2013: R18,5 million) relating to the Microsoft Dynamix AX 2012 upgrade.

Changes to the board of Adcorp

Mr Campbell Bomela retired as an executive director on Monday, 30 June 2014. The board expresses gratitude to him for his services to the Group.

Declaration of interim dividend

Notice is hereby given that an interim gross dividend of 60 cents per share (2013: 60 cents per share) for the interim period ended 31 August 2014 was declared on Wednesday, 22 October 2014 payable to shareholders recorded in the share register of the Company at the close of business on the record date appearing below. The salient dates pertaining to the final dividend are as follows:

Last date to trade "cum" dividend	Friday, 28 November 2014
Date trading commences "ex" dividend	Monday, 1 December 2014
Record date	Friday, 5 December 2014
Date of payment	Monday, 8 December 2014

Ordinary share certificates may not be dematerialised or rematerialised between Monday, 1 December 2014 and Friday, 5 December 2014, both days inclusive.

In determining the dividends tax (DT) of 15% to withhold in terms of the Income Tax Act for those shareholders who are not exempt from the DT, no secondary tax on companies (STC) credits have been utilised. Shareholders who are not exempt from the DT will therefore receive a net dividend of 51 cents per share. The Company has 104 626 678 ordinary shares in issue and its income tax reference number is 9233/68071/0.

All times provided in this announcement are South African local times. The above dates are subject to change. Any changes will be released on SENS and published in the South African press.

Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on the payment date. In the absence of specific mandates, dividend cheques will be posted to shareholders at their own risk. Ordinary shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday, 8 December 2014.

Events after the reporting date

Subsequent to the closure of the interim financial period ended 31 August 2014 and the date of the approval of these unaudited interim financial statements, namely 22 October 2014, the Group undertook the event mentioned below.

As detailed in the announcement on SENS dated Monday, 1 September 2014, 76% of shareholders elected to receive fully paid ordinary shares as a scrip distribution while 24% of shareholders elected to receive a cash dividend.

Accordingly on Monday, 1 September 2014 share certificates or dividend cheques, where applicable, were posted to certificated shareholders and in the case of dematerialised shareholders, their CSDP or broker accounts were credited on the same date.

Outlook and prospects

The Group's South African operations are well prepared for the impending changes to labour legislation.

Whilst the full practical implications of these legislative changes are yet to unfold, it is unlikely that they will have any meaningful, negative impact on the Group's overall financial performance.

Consolidation in the South African industry and the tendency of employers to favour the larger, more reputable suppliers such as Adcorp, all bodes well for the Group's future prospects.

In addition, the Group continues to strengthen its presence and to seek out opportunities across Africa and the Asia Pacific region where it is growing its footprint and is developing a reputation as a player of consequence in these markets.

The potential to deliver work assignments across these various geographies is now a reality. In this regard, the Group has been successful in pursuing a number of cross border opportunities which, given its relatively recent expanded geographic reach, it is uniquely positioned to service. It is anticipated that many more of these cross border opportunities will be in the offing.

Operationally, the focus on costs and operational efficiencies is also paying off.

Given the ongoing consolidation in the South African staffing industry, certainty with regard to South African labour legislation, the Group's focus on the buoyant African and Asia Pacific staffing markets, its strong cash flow generation coupled with the cost and efficiency initiatives mentioned which are now starting to deliver, the Group is well positioned for the future.

These interim results and any forward looking statements have not been reviewed or reported on by the Group's auditors.

By order of the board

MJN Njeke	**RL Pike**	**AM Sher**
Chairman	*Chief Executive Officer*	*Chief Financial Officer*

22 October 2014

Abridged statement of comprehensive income

for the six months ended 31 August 2014

	Unaudited Six months to 31 August 2014 R'000	Unaudited Six months to 31 August 2013 R'000	Audited Year to 28 February 2014 R'000
Revenue	6 364 090	5 671 074	11 802 415
Cost of sales	(5 382 325)	(4 782 663)	(9 891 844)
Gross profit	981 765	888 411	1 910 571
Other income	69 796	40 555	81 603
Administrative expenses	(417 854)	(467 344)	(888 352)
Marketing and selling expenses	(311 571)	(286 819)	(616 566)
Other operating expenses	(96 116)	(97 980)	(185 383)
Operating profit	226 020	76 823	301 873
Interest received	2 831	5 079	9 881
Interest paid	(46 377)	(41 387)	(78 324)
Impairment of intangible assets and goodwill	–	–	(10 718)
Share of profits from associates	12 248	13 339	33 718
Profit on sale of shares	371	–	–
Profit/(loss) on sale of property and equipment	615	(170)	(297)
Profit before taxation	195 708	53 684	256 133
Taxation	(44 976)	(35 483)	(93 629)
Profit for the period/year	150 732	18 201	162 504
Other comprehensive income*			
Exchange differences on translating foreign operations	(1 317)	10 723	6 301
Exchange differences arising on the net investment of a foreign operation	8 224	(5 540)	2 107
Fair value adjustment of derivative financial instrument	25	373	545
Non-controlling interest	526	2 131	2 515
Other comprehensive income for the period/year, net of tax	7 458	7 687	11 468
Total comprehensive income for the period/year	158 190	25 888	173 972
Profit attributable to:			
Owners of the parent	151 258	20 332	165 019
Non-controlling interest	(526)	(2 131)	(2 515)
Total comprehensive income attributable to:			
Owners of the parent	158 190	25 888	173 972
Non-controlling interest	(526)	(2 131)	(2 515)
Earnings per share			
Basic (cents)	151,3	22,3	176,9
Diluted (cents)	143,1	21,3	165,5
Approved dividends to shareholders	140	140	140
Interim dividend (cents)	60	60	60
Final dividend (cents) in respect of prior year	80	80	80

Calculation of headline earnings			
Profit for the period/year	151 258	20 332	165 019
(Profit)/loss on sale of property and equipment	(615)	170	297
Taxation	172	(48)	(83)
Impairment of intangible assets and goodwill	–	–	10 718
Headline earnings	150 815	20 453	175 951
Headline earnings per share			
Headline earnings per share – cents	150,9	22,4	188,6
Diluted headline earnings per share – cents	142,7	21,4	176,4
Weighted average no of shares – 000's	99 954	91 279	93 299
Diluted weighted average no of shares – 000's	105 698	95 659	99 723

* *All items below will be reclassified to profit and loss upon derecognition.*

Abridged statement of financial position

as at 31 August 2014

	Unaudited Six months to 31 August 2014 R'000	Unaudited Six months to 31 August 2013 R'000	Audited Year to 28 February 2014 R'000
Assets			
Non-current assets	**2 241 020**	1 871 352	2 164 262
Property and equipment	**82 649**	71 794	80 794
Goodwill	**1 335 166**	1 152 762	1 335 266
Intangible assets	**543 707**	486 428	559 522
Investments	**77 330**	–	3 530
Investment in associates	**92 165**	66 575	86 954
Deferred taxation	**110 003**	93 793	98 196
Current assets	**2 535 546**	2 235 909	2 527 794
Trade, other receivables and prepayments	**1 921 163**	1 678 741	2 041 069
Taxation prepaid	**20 006**	13 209	15 154
Cash resources	**594 377**	543 959	471 571
Total assets	**4 776 566**	4 107 261	4 692 056
Equity and liabilities			
Capital and reserves	**2 340 693**	1 959 563	2 097 580
Share capital	**2 563**	2 299	2 502
Share premium	**1 569 254**	1 232 483	1 487 124
Treasury shares	**(12 990)**	(12 891)	(12 891)
Accumulated profit	**673 026**	474 735	513 544
Share based payment reserve	**110 978**	258 128	107 375
Cash flow hedging reserve	**–**	(197)	(25)
Foreign currency translation reserve	**729**	6 468	2 046
Equity attributable to equity holders of the parent	**2 343 560**	1 961 025	2 099 675
Non controlling interest	**(3 788)**	(2 383)	(3 016)
BEE shareholders' interest	**921**	921	921
Non-current liabilities	**1 087 249**	882 375	1 013 242
Other non-current liabilities – interest bearing	**1 395**	2 408	2 106
Long-term loan – interest bearing	**852 775**	740 347	723 754
Redeemable preference shares – interest bearing	**–**	55 000	40 000
Derivative financial instruments	**–**	197	25
Share based payment liability	**134 064**	–	148 037
Obligation under finance lease	**3 014**	3 126	1 709
Operating lease liability	**–**	379	–
Deferred taxation	**96 001**	80 918	97 611
Current liabilities	**1 348 624**	1 265 323	1 581 234
Non-interest-bearing current liabilities	**1 061 174**	1 036 370	1 099 630
Trade and other payables	**768 933**	735 653	832 964
Provisions	**222 793**	244 091	213 941
Other vendor payables	**21 905**	36 836	26 801
Taxation	**47 543**	19 790	25 924
Interest-bearing current liabilities	**287 450**	228 953	481 604
Current portion of other non-current liabilities	**7 789**	13 011	10 635
Short term loans	**221 665**	101 229	231 588
Current portion of redeemable preference shares	**–**	25 000	30 403
Current portion of long term loans	**–**	29 508	8 334
Bank overdraft	**57 996**	60 205	200 644
Total equity and liabilities	**4 776 566**	4 107 261	4 692 056
Number of ordinary shares in issue – 000's	**102 585**	91 992	100 092
Net asset value per share – cents	**2 282**	2 130	2 096

Abridged statement of cash flows

for the six months ended 31 August 2014

	Unaudited Six months to 31 August 2014 R'000	Unaudited Six months to 31 August 2013 R'000	Audited Year to 28 February 2014 R'000
Operating activities			
Profit before taxation and dividends	195 708	53 684	256 133
Adjustment for:			
Depreciation	15 345	13 494	28 596
Impairment of investments, intangible assets, goodwill and loans	–	–	10 718
Amortisation of intangibles	37 350	34 563	65 630
Amortisation of intangibles – acquired in a business combination	28 495	25 652	47 795
Amortisation of intangibles – other than those acquired in a business combination	8 855	8 911	17 835
(Profit)/loss on disposal of property and equipment	(615)	170	297
Share-based payments	15 178	115 098	136 969
Share-based payment expense	35 283	35 269	57 140
2013 BBBEE deal – IFRS 2 one-off, non cash flow, share based payment expense	–	86 805	86 805
Share-based payment – adjusted to fair value	–	(6 976)	(6 976)
Revaluation of share-based payment liability	(20 105)	–	–
Cash settlement of share options exercised	(25 548)	(40 886)	(40 884)
Revaluation of foreign exchange denominated inter company loan	8 224	(5 539)	2 926
Non-cash portion of operating lease rentals	661	149	561
Foreign currency translation reserve	(1 317)	10 723	6 301
Interest received	(2 831)	(5 079)	(9 881)
Interest paid	46 377	41 387	78 324
Cash generated from operations before working capital changes	288 532	217 764	535 690
Decrease/(increase) in trade and other receivables and prepayments	119 906	(39 931)	(368 303)
(Decrease)/increase in trade and other payables and provisions	(55 179)	31 284	70 135
Cash generated from operations	353 259	209 117	237 522
Interest received	2 831	5 079	9 881
Interest paid	(46 377)	(41 387)	(78 324)
Taxation paid	(41 624)	(63 273)	(125 790)
Dividend paid	–	–	(132 868)
Net cash generated/(utilised) by operating activities	268 089	109 536	(89 579)
Investing activities			
Additions to property, equipment and intangible assets	(38 582)	(29 872)	(78 119)
Proceeds on the sale of property and equipment	469	470	1 976
Additions to goodwill	–	–	(5 717)
Acquisition of businesses	–	–	(258 681)
Acquisition of investment	(73 803)	–	(3 530)
Investment in associates	(12 248)	(13 339)	(33 718)
Dividends received from associates	7 037	–	–
Non controlling interest	(246)	(39 342)	(40 926)
Net cash utilised from investing activities	(117 373)	(82 083)	(418 715)
Financing activities			
Issue of shares under employee share option scheme	8 504	5 274	5 274
Issue of shares pursuant to acquisitions	73 687	–	254 844
Long term loans raised	129 019	732 013	723 754
Long term loans repaid	(40 000)	(15 000)	(38 333)
Short term loan raised	190 920	106 377	231 588
Short term loan repaid	(243 090)	(575 587)	(588 999)
Other non-current liabilities – interest bearing	592	(1 063)	(3 159)
Decrease in other payables	–	(85 320)	(85 320)
(Decrease)/increase in other payables	(4 894)	36 836	26 801
Net cash generated by financing activities	114 738	203 530	526 450
Net increase in cash and cash equivalents	265 454	230 983	18 156
Cash and cash equivalents at the beginning of period/year	270 927	252 771	252 771
Cash and cash equivalents at the end of the period/year	536 381	483 754	270 927
Free cash generated by operations per share – cents	268,2	120,0	46,4

Total interest bearing liabilities of the group

as at 31 August 2014

	Unaudited Six months to 31 August 2014 R'000	Unaudited Six months to 31 August 2013 R'000	Audited Year to 28 February 2014 R'000
Net gearing	24%	25%	37%
Net bank balances	(536 381)	(483 754)	(270 927)
Other long term loans	1 395	2 408	2 106
Long term loan	852 775	740 347	723 754
Redeemable preference share	–	55 000	40 000
Obligations under finance lease	3 014	3 126	1 709
Operating lease liability	–	379	–
Current portion of other non-current liabilities	7 789	13 011	10 635
Current portion of long term loans	–	29 508	8 334
Current portion of redeemable preference shares	–	25 000	30 403
Short term loans	221 665	101 229	231 588
Total interest bearing liabilities	550 257	486 254	777 602
Mix of debt gross of cash			
Total long term debt	79%	83%	73%
Total short term debt	21%	17%	27%
Total	100%	100%	100%

Fair values of financial instruments

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

Financial assets/ financial liabilities	Fair value as at 31 August 2014 R'000	Fair value as at 31 August 2013 R'000	Fair value as at 28 February 2014 R'000	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Trade and other receivables	1 921 163	1 678 741	2 041 069	Level 3	Face value less specific related provision	n/a	n/a
Redeemable preference shares (including current portion)	–	84 508	70 403	Level 2	Discounted cash flow at a coupon rate of 82,5% of prime that reflects the issuer's current borrowing rate at the end of the reporting period	n/a	n/a
Derivative financial instrument	–	197	25	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of the counterparty	n/a	n/a
Share based payment liability	134 064	–	148 037	Level 2	Black-Scholes pricing model	n/a	n/a
Trade and other payables (excluding VAT)	635 993	632 688	728 918	Level 3	Expected settlement value	n/a	n/a
Short-term loans	221 665	101 229	231 588	Level 2	Amortised cost plus accrued interest	n/a	n/a

Abridged statement of changes in equity

for the six months ended 31 August 2014

	Share capital R'000	Share premium R'000	Treasury shares R'000	Share based payment reserve R'000
Balance as at 1 March 2013 (audited)	2 295	1 227 213	(12 891)	183 914
Issue of ordinary shares under employee share option plan	4	5 270	–	–
Recognition of BBBEE and staff share-based payments	–	–	–	115 098
Share options exercised during the period	–	–	–	(40 884)
Share options cash settled	–	–	–	–
Profit for the period	–	–	–	–
Other comprehensive income for the period	–	–	–	–
Acquisition of minority interest	–	–	–	–
Balance as at 31 August 2013 (unaudited)	2 299	1 232 483	(12 891)	258 128
Issue of ordinary shares pursuant to acquisition	203	255 838	–	–
Capitalisation of transaction costs	–	(1 197)	–	–
Dividend distributions	–	–	–	–
Recognition of BBBEE and staff share-based payments	–	–	–	21 871
Revaluation of share based payments	–	–	–	(24 587)
Transfer of share-based payment reserve share-based payment liability	–	–	–	(148 037)
Profit for the period	–	–	–	–
Other comprehensive income for the period	–	–	–	–
Reserves acquired	–	–	–	–
Balance as at 28 February 2014 (audited)	**2 502**	**1 487 124**	**(12 891)**	**107 375**
Issue of ordinary shares pursuant to acquisition	**55**	**73 632**	**–**	**–**
Issue of ordinary share under employee share option plan	**6**	**8 498**	**–**	**–**
Recognition of BBBEE and staff share-based payments	**–**	**–**	**–**	**3 603**
Adcorp Empowerment Share Incentive Trust investment written off	**–**	**–**	**(99)**	**–**
Profit for the period	**–**	**–**	**–**	**–**
Other comprehensive income for the period	**–**	**–**	**–**	**–**
Minority distribution	**–**	**–**	**–**	**–**
Balance as at 31 August 2014 (unaudited)	**2 563**	**1 569 254**	**(12 990)**	**110 978**

Foreign currency translation reserve R'000	Cash flow hedging reserve R'000	Retained earnings R'000	Attributable to equity holders of the parent R'000	Non-controlling interest R'000	BEE shareholders' interest R'000	Total R'000
(4 255)	(570)	492 946	1 888 652	6 088	921	1 895 661
–	–	–	5 274	–	–	5 274
–	–	–	115 098	–	–	115 098
–	–	40 884	–	–	–	–
–	–	(40 884)	(40 884)	–		(40 884)
–	–	20 332	20 332	–	–	20 332
10 723	373	(5 540)	5 556	(2 131)	–	3 425
–	–	(33 003)	(33 003)	(6 340)	–	(39 343)
6 468	(197)	474 735	1 961 025	(2 383)	921	1 959 563
–	–	–	256 041	–	–	256 041
–	–	–	(1 197)	–	–	(1 197)
–	–	(132 868)	(132 868)	–	–	(132 868)
–	–	–	21 871	–	–	21 871
–	–	20 926	(3 661)	–	–	(3 661)
–	–	–	(148 037)	–	–	(148 037)
–	–	144 687	144 687	–	–	144 687
(4 422)	172	7 647	3 397	(384)	–	3 013
–	–	(1 583)	(1 583)	(249)	–	(1 832)
2 046	**(25)**	**513 544**	**2 099 675**	**(3 016)**	**921**	**2 097 580**
–	**–**	**–**	**73 687**	**–**	**–**	**73 687**
–	**–**	**–**	**8 504**	**–**	**–**	**8 504**
–	**–**	**–**	**3 603**	**–**	**–**	**3 603**
–	**–**	**–**	**(99)**	**–**	**–**	**(99)**
–	**–**	**151 258**	**151 258**	**–**	**–**	**151 258**
(1 317)	**25**	**8 224**	**6 932**	**(526)**	**–**	**6 406**
–	**–**	**–**	**–**	**(246)**	**–**	**(246)**
729	**–**	**673 026**	**2 343 560**	**(3 788)**	**921**	**2 340 693**

Abridged segment report (unaudited)**

for the six months ended 31 August 2014

	Staffing			
	Blue collar	White collar	Independent contracting***	BPO, Training and Financial services
Revenue				
31 August 2014 (R'000)	**3 497 726**	**672 359**	**2 036 025**	**139 403**
31 August 2013 (R'000)	2 906 186	670 364	1 949 030	138 762
28 February 2014 (R'000)	6 258 270	1 314 015	3 892 860	317 586
Internal revenue				
31 August 2014 (R'000)	**4 976**	**16 556**	**–**	**13 124**
31 August 2013 (R'000)	6 221	5 290	–	7 918
28 February 2014 (R'000)	11 352	40 617	197	23 747
Operating profit/(loss)				
31 August 2014 (R'000)	**197 683**	**30 891**	**50 674**	**19 274**
31 August 2013 (R'000)	141 510	22 037	56 845	23 796
28 February 2014 (R'000)	326 073	57 268	109 318	42 555
Normalised* EBITDA excluding share-based payments lease smoothing and transaction costs				
31 August 2014 (R'000)	**218 525**	**27 731**	**73 279**	**24 507**
31 August 2013 (R'000)	154 016	28 612	79 277	30 565
28 February 2014 (R'000)	358 231	68 523	154 434	52 070
Normalised* EBITDA margin excluding share-based payments lease smoothing and transaction costs				
31 August 2014 (%)	**6,2%**	**4,1%**	**3,6%**	**17,6%**
31 August 2013 (%)	5,3%	4,3%	4,1%	22,0%
28 February 2014 (%)	5,7%	5,2%	4,0%	16,4%
Normalised* EBITDA excluding share-based payments lease smoothing and transaction costs contribution % to Group EBITDA				
31 August 2014 (%)	**72,9%**	**9,3%**	**24,4%**	**8,2%**
31 August 2013 (%)	62,3%	11,6%	32,1%	12,4%
28 February 2014 (%)	65,8%	12,6%	28,4%	9,6%
Depreciation and amortisation				
31 August 2014 (R'000)	**20 580**	**4 638**	**21 560**	**3 254**
31 August 2013 (R'000)	9 909	10 510	21 181	5 201
28 February 2014 (R'000)	24 379	10 760	42 556	7 986
Interest income				
31 August 2014 (R'000)	**6 644**	**6 314**	**2 999**	**6 200**
31 August 2013 (R'000)	12 195	5 496	4 569	6 494
28 February 2014 (R'000)	28 444	10 159	12 586	12 423

			Group Central					
	Emergent Business	Sub total	Central costs	Shared services	Total	Rest of the world*	South Africa	Total
	11 603	**6 357 116**	**6 974**	**–**	**6 364 090**	**1 984 616**	**4 379 474**	**6 364 090**
	6 497	5 670 839	(48)	283	5 671 074	1 650 987	4 020 087	5 671 074
	14 173	11 796 904	5 459	52	11 802 415	3 470 309	8 332 106	11 802 415
	3 709	**38 365**	**–**	**–**	**38 365**	**–**	**38 365**	**38 365**
	4	19 433	–	–	19 433	–	19 433	19 433
	6 580	82 493	–	–	82 493	–	82 493	82 493
	(3 743)	**294 779**	**(56 276)**	**(12 483)**	**226 020**	**58 186**	**167 834**	**226 020**
	(12 661)	231 527	(150 173)	(4 531)	76 823	38 582	38 241	76 823
	(19 070)	516 144	(219 056)	4 785	301 873	111 808	190 065	301 873
	(2 456)	**341 586**	**(33 478)**	**(8 382)**	**299 726**	**81 812**	**217 914**	**299 726**
	(11 541)	280 929	(29 046)	(4 780)	247 103	50 974	196 129	247 103
	(19 130)	614 128	(75 666)	5 919	544 381	141 746	402 635	544 381
	–	**5,4%**	**–**	**–**	**4,7%**	**4,1%**	**5,0%**	**4,7%**
	–	5,0%	–	–	4,4%	3,1%	4,9%	4,4%
	–	5,2%	–	–	4,6%	4,1%	4,8%	4,6%
	(0,8%)	**114,0%**	**(11,2%)**	**(2,8%)**	**100,0%**	**27,3%**	**72,7%**	**100,0%**
	(4,7%)	113,7%	(11,8%)	(1,9%)	100,0%	20,6%	79,4%	100,0%
	(3,5%)	112,8%	(13,9%)	1,1%	100,0%	26,0%	74,0%	100,0%
	1 525	**51 557**	**1 138**	**–**	**52 695**	**21 879**	**30 816**	**52 695**
	505	47 306	751	–	48 057	14 212	33 845	48 057
	1 513	87 194	7 032	–	94 226	14 203	80 023	94 226
	18	**22 175**	**(19 419)**	**75**	**2 831**	**2 158**	**673**	**2 831**
	7	28 761	(23 782)	100	5 079	1 650	3 429	5 079
	20	63 632	(53 926)	175	9 881	11 107	(1 226)	9 881

Abridged segment report (unaudited)** continued

for the six months ended 31 August 2014

	Staffing			
	Blue collar	White collar	Independent contracting***	BPO, Training and Financial services
Interest expense				
31 August 2014 (R'000)	**(22 339)**	**(2 749)**	**(8 280)**	**(3 937)**
31 August 2013 (R'000)	(12 750)	(119)	(8 251)	(431)
28 February 2014 (R'000)	(29 704)	(866)	(21 465)	(3 258)
Taxation expense/(income)				
31 August 2014 (R'000)	**19 998**	**503**	**7 759**	**3 658**
31 August 2013 (R'000)	13 363	1 824	14 352	847
28 February 2014 (R'000)	36 494	5 769	27 773	3 544
Net asset values				
31 August 2014 (R'000)	**1 625 502**	**140 268**	**959 883**	**238 491**
31 August 2013 (R'000)	1 076 725	177 980	977 192	236 990
28 February 2014 (R'000)	1 549 260	212 910	948 002	256 314
Asset carrying value				
31 August 2014 (R'000)	**2 196 002**	**264 938**	**1 648 324**	**271 553**
31 August 2013 (R'000)	1 571 106	318 992	1 637 384	254 611
28 February 2014 (R'000)	2 125 074	366 947	1 625 317	304 049
Liabilities carrying value				
31 August 2014 (R'000)	**570 500**	**124 670**	**688 441**	**33 062**
31 August 2013 (R'000)	494 381	141 012	660 192	17 621
28 February 2014 (R'000)	575 814	154 037	677 315	47 735
Additions to property and equipment				
31 August 2014 (R'000)	**8 265**	**555**	**2 930**	**3 192**
31 August 2013 (R'000)	6 484	3 281	1 453	649
28 February 2014 (R'000)	14 140	13 350	252	1 490
Tangible assets				
31 August 2014 (R'000)	**39 716**	**9 892**	**12 930**	**6 390**
31 August 2013 (R'000)	33 726	10 699	8 222	5 493
28 February 2014 (R'000)	34 800	10 939	14 620	4 753

* *Rest of the world represents operations in Africa and Australia.*

** *The allocation basis of the various segments has been updated to better reflect the manner in which the Group's activities are currently managed.*

*** *Also known as professional services.*

		Group Central					
Emergent Business	Sub total	Central costs	Shared services	Total	Rest of the world*	South Africa	Total
(4 993)	**(42 298)**	**644**	**(4 723)**	**(46 377)**	**(7 502)**	**(38 875)**	**(46 377)**
(2 671)	(24 222)	(16 006)	(1 159)	(41 387)	(4 198)	(37 189)	(41 387)
(6 498)	(61 791)	(13 471)	(3 062)	(78 324)	(22 584)	(55 740)	(78 324)
(8 582)	**23 336**	**21 640**	**–**	**44 976**	**6 710**	**38 266**	**44 976**
(4 164)	26 222	9 261	–	35 483	4 645	30 838	35 483
(855)	72 725	20 904	–	93 629	(2 730)	96 359	93 629
24 472	**2 988 616**	**(623 273)**	**(24 650)**	**2 340 693**	**736 542**	**1 604 151**	**2 340 693**
10 671	2 479 558	(503 976)	(16 019)	1 959 563	434 953	1 524 610	1 959 563
10 548	2 977 034	(847 185)	(32 269)	2 097 580	695 431	1 402 149	2 097 580
30 733	**4 411 550**	**346 032**	**18 984**	**4 776 566**	**1 358 801**	**3 417 765**	**4 776 566**
14 415	3 796 508	293 606	17 147	4 107 261	1 113 311	2 993 950	4 107 261
18 270	4 439 657	243 562	8 837	4 692 056	1 430 496	3 261 560	4 692 056
6 261	**1 422 934**	**969 305**	**43 634**	**2 435 873**	**622 259**	**1 813 614**	**2 435 873**
3 744	1 316 950	797 582	33 166	2 147 698	678 358	1 469 340	2 147 698
7 722	1 462 623	1 090 747	41 106	2 594 476	735 065	1 859 411	2 594 476
1 274	**16 216**	**664**	**168**	**17 048**	**3 907**	**13 141**	**17 048**
2 620	14 487	1 439	3 422	19 348	2 189	17 159	19 348
5 478	34 710	4 478	3 926	43 114	2 678	40 436	43 114
4 834	**73 762**	**5 405**	**3 482**	**82 649**	**19 412**	**63 237**	**82 649**
2 502	60 642	3 970	7 182	71 794	13 529	58 265	71 794
4 649	69 761	5 719	5 314	80 794	7 494	73 300	80 794

Summary features

- Revenue increased by 12% to R6,36 billion
- Normalised EBITDA for the period increased by 21% to R299,73 million
- Normalised EBITDA margin up from 4,4% to 4,7%
- Normalised earnings per share increased by 9% to 192 cents per share
- Interim dividend of 60 cents per share declared
- Normalised effective tax rate stable year on year at 23%
- Headline earnings per share increased by 573% to 150,9 cents per share
- Cash conversion ratio up from 93% to 128%
- Gearing down from previous financial year end level of 37% to 24%
- Debtors' days improved from previous financial year end level of 48 days to 41 days
- Net asset value per share increased by 7% to 2 282 cents per share
- Strong organic performance from blue-collar segment
- Labour Solutions Australia (LSA) integrated and is well positioned for growth
- BPO and Training businesses continued to experience difficult trading conditions
- MSP/RPO assignments gaining momentum within existing client base
- African operations continued to perform well with good growth prospects
- The new Labour Relations Act signed into law. Implementation date yet to be gazetted
- South African operations well prepared for new labour legislation
- Uncertain labour market favours contracting workforce due to complexity of compliance
- Asia Pacific expansion plans well advanced and hold much promise
- International alliances also extend the Group's geographic reach and global presence
- Focus is on delivering value for clients and increasing the level of sophistication and technology advancement
- Group's shared service centre delivering cost efficiency and scale advantage
- Strong and robust balance sheet provides strategic advantage
- Recognised by Integrated Reporting and Assurance Services – highest sector score Sustainability Data Transparency Index – Services and other

Corporate information

Adcorp Holdings Limited

("Adcorp" or "Adcorp Group" or "the Group")
Registration number 1974/001804/06
Share code: ADR
ISIN number: ZAE000000139

Executive directors

BE Bulunga, RL Pike (Chief Executive Officer), AM Sher, PC Swart

Non-executive directors

GP Dingaan, NS Ndhlazi, MR Ramaite

Independent non-executive directors

MJN Njeke (Chairman), ME Mthunzi,TDA Ross, SN Mabaso-Koyana, M Spicer

Alternate non-executive directors

C Maswanganyi, L Mojela

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Acting Company Secretary

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Transfer secretaries

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