ADCORP 40 YEARS

THE POWER OF POTENTIAL

CELEBRATING 40 YEARS IN BUSINESS – SINCE 1975

Unaudited Group results

For the six months ended 31 August 2015

SALIENT FEATURES

Revenue increased by **23% to R7,8 billion**

Normalised EBITDA for the period increased by **2% to R304,6 million**

Normalised earnings per share decreased by **6%** to **180,0 cents per share**

Interim dividend of **60 cents** per share declared

Cash conversion ratio at **102%**

Gearing at **31%** (target 30%)

Debtors' days improved **to 43 days** from previous financial year end level of 47 days

Kelly Group integrated

International strategy on track

Dare (Australia) acquisition finalised

New South African **labour law** promulgated

Unaudited statement of consolidated normalised earnings*

for the six months ended 31 August 2015

	Six months to 31 August 2015 R'000	Six months to 31 August 2014 R'000	Year to 28 February 2015 R'000	% change
Revenue	**7 802 561**	6 364 090	13 322 398	23
Cost of Sales	**(6 586 178)**	(5 346 887)	(11 126 945)	(23)
Gross profit	**1 216 383**	1 017 203	2 195 453	20
Other income	**45 604**	34 358	101 895	33
Administrative, marketing, selling and operating expenses	**(1 053 520)**	(825 541)	(1 842 361)	(28)
Operating profit	**208 467**	226 020	454 987	(8)
Adjusted for:				
Depreciation	**16 766**	15 345	32 815	9
Amortisation of intangible assets	**46 945**	37 350	80 815	26
Amortisation of intangible assets – acquired in a business combination	**37 664**	28 495	61 083	32
Amortisation of intangibles – other than those acquired in a business combination	**9 281**	8 855	19 732	5
Share-based payments	**18 755**	15 178	80 724	24
Share-based payment expense	**13 495**	35 283	64 801	–
Revaluation of share-based payment liability	**5 260**	(20 105)	15 923	–
Lease smoothing	**(627)**	661	322	–
Transaction costs	**14 332**	5 172	18 805	–
Normalised EBITDA (excluding Share-based payments, lease smoothing and transaction costs)	**304 638**	299 726	668 468	2
Adjusted for:				
Depreciation	**(16 766)**	(15 345)	(32 815)	(9)
Amortisation of intangibles other than those acquired in a business combination	**(9 281)**	(8 855)	(19 732)	(5)
Normalised operating profit	**278 591**	275 526	615 921	1
Net interest paid	**(58 125)**	(43 546)	(90 816)	(33)
Normalised profit before taxation	**220 466**	231 980	525 105	(5)
Normalised taxation	**(37 852)**	(53 140)	(103 471)	(29)
Normalised profit for the period/year	**182 614**	178 840	421 634	2
Share of profits from associates	**12 740**	12 248	29 778	4
Non controlling interest	**715**	526	342	–
Total normalised profit for the period/year	**196 069**	191 614	451 754	2
Normalised earnings per share (cents)	**180,0**	191,7	436,8	(6)
Diluted normalised earnings per share (cents)	**173,6**	181,3	411,5	(5)
Weighted average no of shares (000's)	**108 905**	99 954	103 415	9
Diluted weighted average no of shares (000's)	**112 933**	105 698	109 788	7

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

Comments

Overview

The interim period ended 31 August 2015 marked the introduction of the long awaited, sweeping changes to South African labour legislation. Of relevance, these new laws impacted volumes negatively in Adcorp's core South African market.

Despite this, Group revenues for the period increased by 23% to R7,8 billion due largely to the inclusion of recent acquisitions, Kelly Group and Dare. Despite the challenges facing the South African business, the Group was able to post normalised earnings before interest, tax, depreciation and amortisation (normalised EBITDA) of R304,6 million which represented a modest 2% increase on the prior year's comparable figure. Normalised earnings per share of 180,0 cents were 6% down on the prior year's figure.

The Group's cash performance has once again been extremely positive. In this regard, the Group's cash conversion ratio was a creditable 102% compared to the Group's target conversion ratio of 85%.

South Africa

The passing of the new Labour Relations Act (LRA) initially led to a high degree of uncertainty in the South African market resulting in a knee jerk reaction from a number of prominent clients.

The resultant negative impact on volumes whereby a significant number of contract staff were either taken on as permanent employees of the client or simply had their contracts of employment terminated, was far higher than was anticipated.

One of the reasons for this is that initially, many prominent labour authorities and practitioners communicated an arguably, incorrect interpretation of the new labour laws on broad platforms which elicited a negative response from employers and clients.

Their interpretation of these laws required that contract workers employed by Temporary Employment Service providers (TES), earning below a certain threshold, were deemed to be the sole and permanent employee of the client of the TES after an initial contracting period of three months.

In an extremely positive development and in contradiction of this interpretation, a recent judgement handed down by the Labour Court has provided clarity with regard to the employment status of contract workers.

The judge in this case ruled that the TES retains the employment contract after three months and that the client becomes a concurrent employer with the TES for the purposes of the LRA. Accordingly, both parties need to ensure compliance with the LRA in a co-employment relationship.

This judgement and the clarity it provides have been an extremely important and stabilising factor in the market.

Importantly, it is totally in accordance with Adcorp's original interpretation of these laws.

Subsequent to this judgement, volumes have stabilised albeit at a level approximately 20% lower than prior to the introduction of these revised labour laws.

Another reason for the sizeable decline in contractor volumes is that, in certain sectors, a number of employers have succumbed to intense trade union and political pressure to take contract workers on as permanent employees.

In reaction to these lower volumes, the gross profit impact of which literally flows directly through to the bottom line, management has initiated a number of decisive actions to minimise the profit impact of these volume losses.

This has involved major restructuring, significant cost cutting, intensive consultation with clients as well as offering employers alternative outsourced labour solutions.

These initiatives have significantly limited the bottom line impact of this major loss in gross profits and have resulted in a far better picture than would have been the case had these bold steps not been embarked upon.

The integration of the operations of Kelly Group (Kelly) is now essentially complete.

The white collar operations of Kelly have been similarly negatively affected by these changes to labour laws whilst the rest of the operations have been successfully absorbed into the existing operations of Adcorp.

Rest of Africa, Asia and Australia

The Group's Australian operations have been bolstered by the recent acquisition of Dare in May 2015.

Paxus is performing largely in line with management expectations and has settled into the Group well.

IT contracting business, Paxus, has recently won some sizeable contracts and has seen its contractor headcount grow accordingly.

Agricultural specialist, LSA, has also recently been successful in increasing its contractor headcount and, although behind its half year targets, is currently on track to achieve its full year budget and growth projections.

Oil & Gas specialist, Dare, has been a valuable addition to the Group and, together with the Group's African operations, positions Adcorp as a player of consequence in this important and skills intensive industry vertical.

Whilst contractor volumes have been tracking against budget, gross profits have been offset by margin pressure emanating from a lower oil price.

The Group's African operations which focus predominantly in the areas of mining, oil, gas, exploration and related infrastructure development, have been negatively affected by low commodity prices. Resultant lower volumes have, however, been substantially offset by currency translation gains.

Associate profits from Indian associate IT solutions business, Nihilent, in which the Group owns a 35% stake, were 4% ahead of the prior year.

The business has indicated its intention to seek an Initial Public Offer (IPO) on the National Stock Exchange of India which is planned for the second half of next year.

As previously reported, the Group has established a physical presence in Singapore which now serves as the hub for the Group's international expansion.

Although not yet conclusive, much progress has been made in terms of raising capital in the Singapore entity necessary to fund the Group's international growth strategy with a view to potentially listing the Group's international portfolio assets in three to four years' time.

This strategy should advantage Adcorp's existing shareholders as it has the potential to unlock meaningful value from the Group's non-South African assets. These currently attract a relatively low market rating compared to their significantly higher rated international peer group, possibly the result of the rating's drag associated with uncertainty created by recent changes to labour legislation in South Africa.

This strategy is in line with the Group's intended objective of becoming a player of consequence, focused on emerging markets and the Southern Hemisphere and, in particular, Africa, Asia, Australia and the Middle East.

General

Continued progress has been achieved in developing a cost effective and efficient shared service capability with the ability to service the Group's operations on the same back office platform anywhere in the world.

Whilst still investing in certain aspects of this initiative, the back office architecture has settled down well and is starting to deliver with regard to economies of scale, cost control, operational efficiencies, cash management, procurement, enhanced corporate governance, better accounting and internal controls and now offers the Group a compelling strategic advantage.

Financial overview

Headline earnings per share of 125,2 cents are 17% lower than the 150,9 cents per share for the comparative prior period. As described above, this is primarily due to the negative revenue impact emanating from clients' reactions to the new legislative landscape. The first full period inclusion of the contribution from Kelly and the four month inclusion of the contribution from Dare, coupled with the restructuring and cost cutting initiatives partially offset this negative impact of significantly lower volumes.

Earnings per share of 87,4 cents per share are 43% lower than the 151,3 cents per share for the comparative period. In addition to the negative revenue impact referred to above, this is also attributable to the recognition in profit and loss of an impairment to goodwill and a loss on sale of business.

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

Normalised earnings per share of 180,0 cents for the period ended 31 August 2015 were 6% lower than the 191,7 cents per share for the comparative period. Gross profit margins declined marginally due to the challenging market conditions and changes in business mix.

The Group's Normalised EBITDA margin was 3,9% (2014: 4,7%). Normalised EBITDA margins in the traditional blue and white collar staffing businesses were affected by the lower volumes while a higher expense ratio attributable to Kelly and a disappointing performance from our training division also put downward pressure on margins.

The Group's overall normalised effective tax rate reduced to 17% (2014: 23%) mainly as a result of increased utilisation of assessed losses.

Cash management remains a continuous high priority for management and as such the cash conversion ratio was 102% (2014: 128%). Days settlement outstanding (DSO) totalled 43 days which improved from the 47 days reported for the previous financial year end. This result was achieved in the context of the continued challenging collections' environment. Given the improved working capital management, the overall level of gearing of 31% is considered to be manageable and within management's expectations. During the period under review, the Group incurred a 33% increase in respect of net finance charges, mainly as a result of acquisition related funding, higher prevailing interest rates and tighter credit markets.

In light of a strengthened financial position, while remaining fully compliant with debt covenants, the Board has resolved to declare an interim cash dividend of 60 cents per share (2014: 60 cents per share), the details of which appear more fully below.

Acquisition of business

As referred to above, the acquisition of Dare was concluded with effect from 7 May 2015. As such, it has been included in Group profits for four months of this financial period. In terms of IAS 34 *Interim Financial Reporting* requirements, the profit before tax from Dare included in Group net profit before tax for the period ended 31 August 2015 is R9,3 million after taking account of non-cash flow IFRS charges and acquisition related transaction costs. Had the business combination been effective from 1 March 2015, the revenue of the Group would have been R8 billion and net profit after tax would have totalled R97,5 million. The directors of the Group consider these numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

	Unaudited Aug 2015 R'000	Audited Feb 2015 R'000
Total purchase consideration for all business combinations	307 096	250 642
Less: previously held associate	–	(1 019)
Less: Cash and cash equivalents acquired	(9 132)	(69 596)
Net purchase consideration for all business combinations	297 964	180 027
Cash outflow on acquisition of businesses	297 964	180 027
Net proceeds from issue of shares	–	(212 925)
Raising of equity on acquisition	–	(213 421)
Capitalisation of transaction costs	–	496
Cash outflow/(inflow) on acquisition of businesses	297 964	(32 898)

The fair value of the assets and liabilities acquired in respect of the various acquisitions in the year is as follows:

	Aug 2015 DARE R'000	Aug 2015 Other R'000	Aug 2015 Total R'000	Feb 2015 Total R'000
Property and equipment	318	3 524	3 842	10 033
Intangible assets	154 481	–	154 481	142 530
Investment in associate	–	–	–	1 019
Deferred taxation asset	–	11 283	11 283	22 554
Trade and other receivables	135 597	1 949	137 546	287 410
Doubtful debts provisions	–	–	–	(19 463)
Cash and cash equivalents	8 138	994	9 132	69 596
Interest bearing liabilities	–	–	–	(120 746)
Trade and other payables	(130 454)	(3 405)	(133 859)	(158 393)
Provisions	(929)	(346)	(1 275)	(12 000)
Deferred taxation liability	(28 635)	–	(28 635)	–
Taxation	(562)	–	(562)	478
	137 954	13 999	151 953	223 018
Resulting goodwill on acquisition/gain on bargaining purchase	159 142	(3 999)	155 143	27 624
Total consideration	297 096	10 000	307 096	250 642

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.

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

Contingent liabilities and commitments

The bank has guaranteed R8,1 million (2014: R8,2 million) on behalf of the Group to creditors. As at the balance sheet date the Group has outstanding operating lease commitments totalling R145,3 million (2014: R111,4 million) in non-cancellable property leases. The Group has IT capital commitments contracted for of R2,3 million (2014: R2,1 million) relating to the Microsoft Dynamix AX 2012 upgrade.

A client of the South African blue-collar business has indicated that they believe they may not have been billed in accordance with the original client Service Level Agreement over the past three years. The client has indicated that they are currently conducting their own internal investigation into the matter, the outcome of which has not been concluded. As such, the client has not as yet initiated any claim against Adcorp or any of its subsidiaries in this regard. Should such a claim arise, Adcorp will defend the claim.

Changes to the board of Adcorp

There were no changes to the board during the period under review.

Declaration of interim dividend

Notice is hereby given that an interim gross cash dividend of 60 cents per share (2014: 60 cents per share) for the interim period ended 31 August 2015 was declared on Wednesday, 21 October 2015 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 interim cash dividend are as follows:

Last date to trade "cum" dividend	Friday, 27 November 2015
Date trading commences "ex" dividend	Monday, 30 November 2015
Record date	Friday, 4 December 2015
Date of payment	Monday, 7 December 2015

Ordinary share certificates may not be dematerialised or rematerialised between Monday, 30 November 2015 and Friday, 4 December 2015, both days inclusive.

Shareholders who are not exempt from the dividend withholding tax of 15% will therefore receive a net cash dividend of 51 cents per share. The Company has 109 954 675 ordinary shares in issue and its income tax reference number is 9233/68071/06. The source of the dividend shall be from distributable reserves and shall be paid in cash.

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 risk. Ordinary shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday, 7 December 2015.

Events after the reporting date

Subsequent to the closure of the interim financial period ended 31 August 2015 and the date of the approval of these unaudited interim financial statements, namely 21 October 2015, save for the payment of the final dividend in respect of the year ended 28 February 2015 on 7 September 2015, no events or transactions took place subsequent to the reporting date.

Outlook and prospects

In South Africa, a downturn in the commodities cycle, electricity supply constraints, onerous immigration and visa requirements as well as restrictive new labour laws all contribute to an extremely challenging employment environment.

Against this background, stability seems to be creeping back into the TES market and, all things considered, the Group has weathered an extremely difficult storm reasonably well.

Whilst trading conditions in the core South African market are expected to remain challenging for some time, the South African business has recently been buoyed by a number of positive developments.

The strategy to diversify internationally has certainly paid off as has the Group's decisive cost, efficiency and market response to the reality of lower volumes in the South African TES business.

Despite these headwinds, South Africa remains a key and important market for the Group given the scale advantage it provides, the exportable industry knowledge and competitive know-how generated in this market, the strong position the Group commands in South Africa and the many market opportunities that still exist despite an overall sluggish employment market.

The recent favourable Labour Court ruling with regard to the interpretation of the LRA has also brought much needed clarity and stability to the South African market and has consequently improved the Group's prospects.

The Group's international strategy holds much promise. Significant progress has been made in the establishment and resourcing of this strategy which has the potential to unlock meaningful value for Adcorp's shareholders in future.

Management's attention remains focused on progressing the Group's international strategy, bedding down the Dare acquisition, promoting inter-Group cross-selling opportunities, further enhancing cost and operational efficiencies. Management is also focused on minimising the negative volume impact of the revised South African labour laws, further enhancing cash collections and optimising margin management.

This general forecast has not been reviewed or reported on by the Group's auditors.

By order of the board

MJN Njeke
Chairman

RL Pike
Chief Executive Officer

AM Sher
Chief Financial Officer

21 October 2015

Abridged statement of comprehensive income

for the six months ended 31 August 2015

	Unaudited Six months to 31 August 2015 R'000	Unaudited Six months to 31 August 2014 R'000	Audited Year to 28 February 2015 R'000
Revenue	7 802 561	6 364 090	13 322 398
Cost of sales	(6 586 178)	(5 346 887)	(11 126 945)
Gross profit	1 216 383	1 017 203	2 195 453
Other income	45 604	34 358	101 895
Administrative expenses	(561 912)	(417 854)	(968 366)
Marketing and selling expenses	(354 656)	(311 571)	(664 791)
Other operating expenses	(136 952)	(96 116)	(209 204)
Operating profit	208 467	226 020	454 987
Interest received	12 025	2 831	12 536
Interest paid	(70 150)	(46 377)	(103 352)
Gain on bargaining purchase	3 999	–	–
Impairment of intangible assets and goodwill	(16 253)	–	(65 014)
Impairment of loans	(300)	–	–
Share of profits from associates	12 740	12 248	29 778
Profit on sale of shares	–	371	371
Loss on the sale of business	(28 690)	–	–
Profit on sale of property and equipment	129	615	1 173
Profit before taxation	121 967	195 708	330 479
Taxation	(27 481)	(44 976)	(86 277)
Profit for the period/year	94 486	150 732	244 202
Other comprehensive income*			
Exchange differences on translating foreign operations	25 990	(1 317)	(5 488)
Exchange differences arising on the net investment of a foreign operation	14 539	8 224	(15 122)
Fair value adjustment of derivative financial instrument	(107)	25	(2 366)
Non-controlling interest	715	526	342
Other comprehensive income for the period/year, net of tax	41 137	7 458	(22 634)
Total comprehensive income for the period/year	135 623	158 190	221 568
Profit attributable to:			
Owners of the parent	95 201	151 258	244 544
Non-controlling interest	(715)	(526)	(342)
Total comprehensive income attributable to:			
Owners of the parent	135 623	158 190	221 568
Non-controlling interest	(715)	(526)	(342)
Earnings per share			
Basic (cents)	87,4	151,3	236,5
Diluted (cents)	84,3	143,1	222,7
Approved dividends to shareholders (cents)	148	140	140
Interim dividend (cents)	60	60	60
Final dividend (cents) in respect of prior year	88	80	80

Calculation of headline earnings			
Profit for the period/year	95 201	151 258	244 544
Profit on sale of property and equipment	(129)	(615)	(1 173)
Taxation on property and equipment	36	172	328
Impairment of intangible assets and goodwill	16 253	–	65 014
Gain on bargaining purchase	(3 999)	–	–
Impairment of loans	300	–	–
Loss on the sale of business	28 690	–	–
Headline earnings	136 352	150 815	308 713
Headline earnings per share			
Headline earnings per share (cents)	125,2	150,9	298,5
Diluted headline earnings per share (cents)	120,7	142,7	281,2
Weighted average number of shares (000's)	108 905	99 954	103 415
Diluted weighted average number of shares (000's)	112 933	105 698	109 788

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

Abridged statement of financial position

as at 31 August 2015

	Unaudited Six months to 31 August 2015 R'000	Unaudited Six months to 31 August 2014 R'000	Audited Year to 28 February 2015 R'000
Assets			
Non-current assets	**2 638 660**	2 241 020	2 326 188
Property and equipment	**120 924**	82 649	112 425
Goodwill	**1 452 469**	1 335 166	1 304 170
Intangible assets	**748 588**	543 707	611 752
Investments	**–**	77 330	7 800
Other financial assets	**45 292**	–	42 288
Investment in associates	**114 911**	92 165	102 171
Deferred taxation	**156 476**	110 003	145 582
Current assets	**3 492 707**	2 535 546	3 018 440
Trade, other receivables and prepayments	**2 578 878**	1 921 163	2 315 813
Taxation prepaid	**43 952**	20 006	22 526
Cash resources	**869 877**	594 377	680 101
Total assets	**6 131 367**	4 776 566	5 344 628
Equity and liabilities			
Capital and reserves	**2 621 760**	2 340 693	2 465 032
Share capital	**2 748**	2 563	2 733
Share premium	**1 738 110**	1 569 254	1 718 856
Treasury shares	**(12 990)**	(12 990)	(12 990)
Share-based payment reserve	**118 184**	110 978	114 581
Foreign currency translation reserve	**22 548**	729	(3 442)
Cash flow hedging reserve	**(2 498)**	–	(2 391)
Retained earnings	**760 546**	673 026	650 806
Equity attributable to equity holders of the parent	**2 626 648**	2 343 560	2 468 153
Non-controlling interest	**(5 809)**	(3 788)	(4 042)
BEE shareholders' interest	**921**	921	921
Non-current liabilities	**1 394 251**	1 087 249	1 150 262
Other non-current liabilities – interest bearing	**791**	1 395	1 210
Long-term loan – interest bearing	**1 138 773**	852 775	859 417
Derivative financial instruments	**3 569**	–	3 416
Share-based payment liability	**92 147**	134 064	151 672
Obligation under finance lease	**4 107**	3 014	2 448
Deferred taxation	**154 864**	96 001	132 099
Current liabilities	**2 115 356**	1 348 624	1 729 334
Non-interest-bearing current liabilities	**1 574 189**	1 061 174	1 209 818
Trade and other payables	**1 207 589**	768 933	933 123
Provisions	**280 876**	222 793	245 313
Other vendor payables	**51 828**	21 905	12 619
Taxation	**33 896**	47 543	18 763
Interest-bearing current liabilities	**541 167**	287 450	519 516
Current portion of other non-current liabilities	**8 756**	7 789	12 077
Short term loans	**353 977**	221 665	398 463
Bank overdraft	**178 434**	57 996	108 976
Total equity and liabilities	**6 131 367**	4 776 566	5 344 628
Number of ordinary shares in issue (000's)	**109 955**	102 585	109 371
Net asset value per share (cents)	**2 384**	2 282	2 254

Abridged statement of cash flows

for the six months ended 31 August 2015

	Unaudited Six months to 31 August 2015 R'000	Unaudited Six months to 31 August 2014 R'000	Audited Year to 28 February 2015 R'000
Operating activities			
Profit before taxation and dividends	121 967	195 708	330 479
Adjustment for:			
Depreciation	16 766	15 345	32 815
Impairment of investments, intangible assets, goodwill and loans	16 553	–	65 014
Amortisation of intangibles	46 945	37 350	80 815
Amortisation of intangibles – acquired in a business combination	37 664	28 495	61 083
Amortisation of intangibles – other than those acquired in a business combination	9 281	8 855	19 732
Profit on disposal of property and equipment	(129)	(615)	(1 173)
Share-based payments	18 755	15 178	80 724
Share-based payment expense	13 495	35 283	64 801
Revaluation of share-based payment liability	5 260	(20 105)	15 923
Cash settlement of share options exercised	(74 678)	(25 548)	(69 883)
Revaluation of foreign exchange denominated inter company loan	14 539	8 224	(15 122)
Non-cash portion of operating lease rentals	(627)	661	322
Exchange differences on translating foreign operations	25 990	(1 317)	(5 488)
Foreign currency adjustment to goodwill	(9 410)	–	15 389
Other movement in distributable reserves	–	–	(1 404)
Interest received	(12 025)	(2 831)	(12 536)
Interest paid	70 150	46 377	103 352
Cash generated from operations before working capital changes	234 796	288 532	603 304
(Increase)/decrease in trade and other receivables and prepayments	(115 121)	123 559	38 764
Decrease in bad debt provision	(10 398)	(3 653)	(45 561)
Increase/(decrease) in trade and other payables and provisions	140 607	(64 030)	(58 233)
Increase in provisions	34 288	8 851	19 372
Cash generated from operations	284 172	353 259	557 646
Interest received	12 025	2 831	12 536
Interest paid	(70 150)	(46 377)	(103 352)
Taxation paid	(39 770)	(41 624)	(90 678)
Dividend paid	–	–	(87 971)
Net cash generated by operating activities	186 277	268 089	288 181
Investing activities			
Additions to property, equipment and intangible assets	(54 253)	(38 582)	(69 390)
Proceeds on the sale of property and equipment	3 362	469	3 852
Acquisition of businesses	(297 964)	–	(180 027)
Acquisition of investment	–	(73 803)	(4 270)
Conversion of investment to subsidiary	7 800	–	–
Investment in associates	(12 740)	(12 248)	(29 778)
Deferred tax on financial derivatives	–	–	1 025
Dividends received from associates	–	7 037	14 561
Non controlling interest	(1 052)	(246)	(684)
Investment available for sale	–	–	(42 288)
Foreign currency adjustment to investment available-for-sale	(3 004)	–	–
Net cash utilised from investing activities	(357 851)	(117 373)	(306 999)
Financing activities			
Issue of shares under employee share option scheme	19 269	8 504	19 038
Issue of shares pursuant to acquisitions	–	73 687	212 925
Equity due to change in control	–	–	(2 783)
Long term loans raised	279 356	129 019	135 662
Long term loans repaid	–	(40 000)	–
Short term loan raised	–	190 920	66 130
Short term loan repaid	(47 184)	(243 090)	(97 117)
Other non-current liabilities – interest bearing	1 242	592	(657)
Increase/(decrease) in other payables	39 209	(4 894)	(14 182)
Net cash generated by financing activities	291 892	114 738	319 016
Net increase in cash and cash equivalents	120 318	265 454	300 198
Cash and cash equivalents at the beginning of period/year	571 125	270 927	270 927
Cash and cash equivalents at the end of the period/year	691 443	536 381	571 125

Total interest bearing liabilities of the Group

as at 31 August 2015

	Unaudited Six months to 31 August 2015 R'000	Unaudited Six months to 31 August 2014 R'000	Audited Year to 28 February 2015 R'000
Net gearing	**31%**	24%	28%
Net bank balances	**(691 443)**	(536 381)	(571 125)
Other long term loans	**791**	1 395	1 210
Long term loan	**1 138 773**	852 775	859 417
Obligations under finance lease	**4 107**	3 014	2 448
Current portion of other non-current liabilities	**8 756**	7 789	12 077
Short term loans	**353 977**	221 665	398 463
Total interest bearing liabilities (gross of net cash set off)	**1 506 404**	1 086 638	1 273 615
Total long term debt	**76%**	79%	68%
Total short term debt	**24%**	21%	32%
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 2015 R'000**	Fair value as at 31 August 2014 R'000	Fair value as at 28 February 2015 R'000	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Investment available-for-sale	**45 292**	–	42 288	Level 3	Face value – owing to recency of investment	n/a	n/a
Trade and other receivables	**2 578 878**	1 921 163	2 315 813	Level 3	Face value less specific related provision	n/a	n/a
Derivative financial instrument	**3 569**	–	3 416	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	**92 147**	134 064	151 672	Level 2	Black-Scholes pricing model	n/a	n/a
Trade and other payables (excluding VAT)	**974 896**	635 993	793 834	Level 3	Expected settlement value	n/a	n/a
Short-term loans	**353 977**	221 665	398 463	Level 2	Amortised cost plus accrued interest	n/a	n/a

Abridged statement of changes in equity

for the six months ended 31 August 2015

	Share capital R'000	Share premium R'000	Treasury shares R'000	Share-based payment reserve R'000
Balance as at 1 March 2014 (audited)	2 502	1 487 124	(12 891)	107 375
Issue of ordinary shares pursuant to acquisition	55	73 632	–	–
Issue of ordinary shares under employee share option plan	6	8 498	–	–
Recognition of BBBEE and staff share-based payments	–	–	–	3 603
Adcorp Empowerment Share Incentive Trust shares 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
Issue of ordinary shares pursuant to acquisition	111	139 623	–	–
Capitalisation of transaction costs	–	(496)	–	–
Issue of ordinary shares under employee share option plan	8	10 526	–	–
Dividend distributions	–	–	–	–
Scrip distribution	51	(51)	–	–
Recognition of BBBEE and staff share-based payments	–	–	–	3 603
Profit for the year	–	–	–	–
Other movement in distributable reserves	–	–	–	–
Other comprehensive income for the period	–	–	–	–
Minority distribution	–	–	–	–
Equity due to change in control	–	–	–	–
Balance as at 28 February 2015 (audited)	**2 733**	**1 718 856**	**(12 990)**	**114 581**
Issue of ordinary shares under employee share option plan	**15**	**19 254**	**–**	**–**
Recognition of BBBEE and staff share-based payments	**–**	**–**	**–**	**3 603**
Profit for the period	**–**	**–**	**–**	**–**
Other comprehensive income for the period	**–**	**–**	**–**	**–**
Minority distribution	**–**	**–**	**–**	**–**
Balance as at 31 August 2015 (unaudited)	**2 748**	**1 738 110**	**(12 990)**	**118 184**

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
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
–	–	–	139 734	–	–	139 734
–	–	–	(496)	–	–	(496)
–	–	–	10 534	–	–	10 534
–	–	(87 973)	(87 973)	–	–	(87 973)
–	–	–	–	–	–	–
–	–	–	3 603	–	–	3 603
–	–	93 286	93 286	–	–	93 286
–	–	(1 404)	(1 404)	–	–	(1 404)
(4 171)	(2 391)	(23 346)	(29 908)	184	–	(29 724)
–	–	–	–	(438)	–	(438)
–	–	(2 783)	(2 783)	–	–	(2 783)
(3 442)	**(2 391)**	**650 806**	**2 468 153**	**(4 042)**	**921**	**2 465 032**
–	**–**	**–**	**19 269**	**–**	**–**	**19 269**
–	**–**	**–**	**3 603**	**–**	**–**	**3 603**
–	**–**	**95 201**	**95 201**	**–**	**–**	**95 201**
25 990	**(107)**	**14 539**	**40 422**	**(715)**	**–**	**39 707**
–	**–**	**–**	**–**	**(1 052)**	**–**	**(1 052)**
22 548	**(2 498)**	**760 546**	**2 626 648**	**(5 809)**	**921**	**2 621 760**

Abridged segment report (unaudited)

for the six months ended 31 August 2015

	Staffing			
	Blue collar	White collar	Professional services	BPO, Training and Financial services
Revenue				
31 August 2015 (R'000)	**3 641 704**	**1 813 797**	**2 143 355**	**183 014**
31 August 2014 (R'000)	3 497 726	672 359	2 036 025	139 403
28 February 2015 (R'000)	7 230 582	1 723 567	4 026 745	307 674
Internal revenue				
31 August 2015 (R'000)	**29 854**	**16 433**	**–**	**17 933**
31 August 2014 (R'000)	4 976	16 556	–	13 124
28 February 2015 (R'000)	38 624	38 614	–	38 684
Operating profit/(loss)				
31 August 2015 (R'000)	**170 255**	**80 907**	**46 538**	**8 428**
31 August 2014 (R'000)	197 683	30 891	50 674	19 274
28 February 2015 (R'000)	407 156	90 346	102 760	49 966
Normalised* EBITDA excluding share-based payments lease smoothing, establishment and transaction costs				
31 August 2015 (R'000)	**179 341**	**95 628**	**82 269**	**14 562**
31 August 2014 (R'000)	218 525	27 731	73 279	24 507
28 February 2015 (R'000)	455 478	99 430	150 493	59 324
Normalised* EBITDA margin excluding share-based payments lease smoothing, establishment and transaction costs				
31 August 2015 (R'000)	**4,9%**	**5,3%**	**3,8%**	**8,0%**
31 August 2014 (%)	6,2%	4,1%	3,6%	17,6%
28 February 2015 (R'000)	6,3%	5,8%	3,7%	19,3%
Normalised* EBITDA excluding share-based payments lease smoothing, establishment and transaction costs, contribution % to Group normalised* EBITDA				
31 August 2015 (R'000)	**58,9%**	**31,4%**	**27,0%**	**4,8%**
31 August 2014 (%)	72,9%	9,3%	24,4%	8,2%
28 February 2015 (R'000)	68,1%	14,9%	22,5%	8,9%
Depreciation and amortisation				
31 August 2015 (R'000)	**18 574**	**19 786**	**20 653**	**3 474**
31 August 2014 (R'000)	20 580	4 638	21 560	3 254
28 February 2015 (R'000)	41 625	16 391	43 023	6 676
Interest income				
31 August 2015 (R'000)	**10 912**	**21 748**	**1 264**	**7 504**
31 August 2014 (R'000)	6 644	6 314	2 999	6 200
28 February 2015 (R'000)	15 246	25 398	3 333	13 148
Interest expense				
31 August 2015 (R'000)	**(24 569)**	**(23 685)**	**(5 236)**	**(3 623)**
31 August 2014 (R'000)	(22 339)	(2 749)	(8 280)	(3 937)
28 February 2015 (R'000)	(41 815)	(22 257)	(12 622)	(6 043)

		Group Central					
Emergent business***	Sub total	Central costs	Shared services	Total	International**	South Africa	Total
19 421	**7 801 291**	**–**	**1 270**	**7 802 561**	**2 494 005**	**5 308 556**	**7 802 561**
11 603	6 357 116	6 974	–	6 364 090	1 984 616	4 379 474	6 364 090
29 950	13 318 518	4 090	(210)	13 322 398	3 986 797	9 335 601	13 322 398
–	**64 220**	**–**	**–**	**64 220**	**–**	**64 220**	**64 220**
3 709	38 365	–	–	38 365	–	38 365	38 365
3 737	119 659	–	378	120 037	–	120 037	120 037
(4 315)	**301 813**	**(75 735)**	**(17 611)**	**208 467**	**43 658**	**164 809**	**208 467**
(3 743)	294 779	(56 276)	(12 483)	226 020	58 186	167 834	226 020
(12 374)	637 854	(163 767)	(19 100)	454 987	117 265	337 722	454 987
(4 000)	**367 800**	**(46 117)**	**(17 045)**	**304 638**	**65 283**	**239 355**	**304 638**
(2 456)	341 586	(33 478)	(8 382)	299 726	81 812	217 914	299 726
(8 320)	756 405	(81 386)	(6 551)	668 468	160 348	508 120	668 468
–	**4,7%**	**–**	**–**	**3,9%**	**2,6%**	**4,5%**	**3,9%**
–	5,4%	–	–	4,7%	4,1%	5,0%	4,7%
–	5,7%	–	–	5,0%	4,0%	5,4%	5,0%
(1,3%)	**120,8%**	**(15,1%)**	**(5,6%)**	**100%**	**21,4%**	**78,6%**	**100%**
(0,8%)	114,0%	(11,2%)	(2,8%)	100%	27,3%	72,7%	100%
(1,2%)	113,2%	(12,2%)	(1,0%)	100%	24,0%	76,0%	100%
167	**62 654**	**1 057**	**–**	**63 711**	**26 033**	**37 678**	**63 711**
1 525	51 557	1 138	–	52 695	21 879	30 816	52 695
3 651	111 366	2 264	–	113 630	43 083	70 547	113 630
20	**41 448**	**(29 426)**	**3**	**12 025**	**1 504**	**10 521**	**12 025**
18	22 175	(19 419)	75	2 831	2 158	673	2 831
37	57 162	(44 775)	149	12 536	2 655	9 881	12 536
(4 472)	**(61 585)**	**(1 669)**	**(6 896)**	**(70 150)**	**(10 954)**	**(59 196)**	**(70 150)**
(4 993)	(42 298)	644	(4 723)	(46 377)	(7 502)	(38 875)	(46 377)
(8 372)	(91 109)	(3 729)	(8 514)	(103 352)	(17 840)	(85 512)	(103 352)

Abridged segment report (unaudited) continued

for the six months ended 31 August 2015

	Staffing			
	Blue collar	White collar	Professional services	BPO, Training and Financial services
Taxation expense/(income)				
31 August 2015 (R'000)	**8 036**	**14 795**	**2 127**	**6 640**
31 August 2014 (R'000)	19 998	503	7 759	3 658
28 February 2015 (R'000)	37 475	2 496	8 626	9 051
Net asset values				
31 August 2015 (R'000)	**1 763 162**	**802 261**	**1 450 690**	**262 026**
31 August 2014 (R'000)	1 625 502	140 268	959 883	238 491
28 February 2015 (R'000)	1 721 199	387 531	952 499	238 773
Asset carrying value				
31 August 2015 (R'000)	**2 438 766**	**1 229 717**	**1 858 236**	**334 340**
31 August 2014 (R'000)	2 196 002	264 938	1 648 324	271 553
28 February 2015 (R'000)	2 286 243	812 812	1 578 078	282 880
Liabilities carrying value				
31 August 2015 (R'000)	**675 604**	**427 456**	**407 546**	**72 314**
31 August 2014 (R'000)	570 500	124 670	688 441	33 062
28 February 2015 (R'000)	565 044	425 281	625 579	44 107
Additions to property and equipment				
31 August 2015 (R'000)	**8 665**	**3 988**	**4 391**	**1 924**
31 August 2014 (R'000)	8 265	555	2 930	3 192
28 February 2015 (R'000)	43 128	2 738	4 571	3 858
Property and equipment				
31 August 2015 (R'000)	**68 696**	**22 035**	**10 228**	**9 681**
31 August 2014 (R'000)	39 716	9 892	12 930	6 390
28 February 2015 (R'000)	65 828	19 069	11 310	5 540

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

** *International represents operations in Africa, Australia and Asia Pacific regions.*

*** *Relate to businesses being developed in order to address changing global trends and the Group's strategic objectives (example: ADfusion).*

		Group Central					
Emergent business***	Sub total	Central costs	Shared services	Total	International**	South Africa	Total
(51)	**31 547**	**(4 066)**	**–**	**27 481**	**9 449**	**18 032**	**27 481**
(8 582)	23 336	21 640	–	44 976	6 710	38 266	44 976
295	57 943	28 334	–	86 277	6 673	79 604	86 277
2 521	**4 280 660**	**(1 621 510)**	**(37 390)**	**2 621 760**	**921 843**	**1 699 917**	**2 621 760**
24 472	2 988 616	(623 273)	(24 650)	2 340 693	736 542	1 604 151	2 340 693
8 659	3 308 661	(811 200)	(32 429)	2 465 032	704 235	1 760 797	2 465 032
10 808	**5 871 867**	**239 329**	**20 171**	**6 131 367**	**2 154 068**	**3 977 299**	**6 131 367**
30 733	4 411 550	346 032	18 984	4 776 566	1 358 801	3 417 765	4 776 566
14 934	4 974 947	364 092	5 589	5 344 628	1 631 538	3 713 090	5 344 628
8 287	**1 591 207**	**1 860 839**	**57 561**	**3 509 607**	**1 232 225**	**2 277 382**	**3 509 607**
6 261	1 422 934	969 305	43 634	2 435 873	622 259	1 813 614	2 435 873
6 275	1 666 286	1 175 292	38 018	2 879 596	927 303	1 952 293	2 879 596
5	**18 973**	**–**	**5 682**	**24 655**	**2 827**	**21 828**	**24 655**
1 274	16 216	664	168	17 048	3 907	13 141	17 048
1 361	55 656	760	530	56 946	7 126	49 820	56 946
642	**111 282**	**3 593**	**6 049**	**120 924**	**30 120**	**90 804**	**120 924**
4 834	73 762	5 405	3 482	82 649	19 412	63 237	82 649
3 775	105 522	4 545	2 358	112 425	17 532	94 893	112 425

Notes

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

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

Non-executive directors

GP Dingaan, NS Ndhlazi, MR Ramaite

Independent non-executive directors

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

Alternate non-executive directors

C Maswanganyi, N Sihlangu

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