ADCORP

THE POWER OF POTENTIAL

Unaudited Group results

For the six months ended 31 August 2016

SALIENT FEATURES

Revenue increased by
3%
to R8,1 billion

Gearing decreased to
38%
from previous level of 43%

Normalised EBITDA decreased by
12%
to R246,8 million

Normalised EBITDA increased by
3%
Excluding unrealised foreign exchange gains and losses (constant currency)

Normalised EPS decreased by
19%
to 128,1 cents per share

Normalised EPS increased by
6%
Excluding unrealised foreign exchange gains and losses (constant currency)

Cash conversion ratio
a creditable 117%

Interim dividend of
20 cents declared

Stability largely returned to SA market

Awarded primary
outsourced customer experience centres contract
by multinational telecommunications group

Statement of consolidated normalised earnings*

for the year six months ended 31 August 2016

	Unaudited Six months to 31 August 2016 R'000	Unaudited Six months to 31 August 2015 R'000	Audited Year to 29 February 2016 R'000	% change
Revenue	**8 065 534**	7 802 561	15 585 751	3%
Cost of sales	**(6 861 899)**	(6 586 178)	(13 069 007)	(4%)
Gross profit	**1 203 635**	1 216 383	2 516 744	(1%)
Other income	**51 920**	45 604	128 325	14%
Administrative, marketing, selling and operating expenses	**(1 104 817)**	(1 053 520)	(2 180 302)	(5%)
Operating profit	**150 738**	208 467	464 767	(28%)
Adjusted for:				
Depreciation	**18 228**	16 766	35 962	9%
Amortisation of intangible assets	**53 433**	46 945	105 831	14%
– acquired in business combination	**43 226**	37 664	77 486	15%
– other than those acquired in a business combination	**10 207**	9 281	28 345	10%
Lease smoothing	**1 325**	(627)	1 781	
Transaction costs*	**23 092**	8 317	13 438	
Normalised EBITDA (excluding lease smoothing and transaction costs)*	**246 816**	279 868	621 779	(12%)
Adjusted for:				
Depreciation	**(18 228)**	(16 766)	(35 962)	(9%)
Amortisation of intangibles other than those acquired in a business combination	**(10 207)**	(9 281)	(28 345)	(10%)
Normalised operating profit	**218 381**	253 821	557 472	(14%)
Net interest paid	**(62 826)**	(58 125)	(110 053)	(8%)
Normalised profit before tax	**155 555**	195 696	447 419	(21%)
Normalised taxation	**(24 556)**	(37 852)	(76 125)	(35%)
Normalised operating profit for the period/year	**130 999**	157 844	371 294	(17%)
Share of profits from associates	**8 670**	12 740	23 078	(32%)
Non-controlling interest	**(870)**	715	862	
Total normalised profit for the period/year	**138 799**	171 299	395 234	(19%)
Weighted average number of shares – 000's	**108 383**	108 905	108 189	
Diluted weighted average number of shares – 000's	**112 201**	112 933	112 008	
Normalised earnings per share (cents)	**128,1**	157,3	365,3	(19%)
Diluted normalised earnings per share (cents)	**123,7**	151,7	352,9	(18%)

* *Normalised earnings is defined as operating profit adjusted for depreciation, amortisation of intangibles, lease smoothing and one-off transaction costs relating to acquisitions. Previously, the Group reported normalised earnings after adjusting for share-based payments and establishment costs relating, inter alia, to the establishment of the Group's international operations.*

Comments

Overview

As reported in the prior financial year, trading volumes in the core South African market were negatively affected following the introduction of substantial changes to South African labour legislation.

In contrast to last year, sales volumes in the South African market have stabilised and have begun to recover during the interim trading period under review. Comparisons with the prior first half trading period are, however, skewed given that the majority of volume lost in the prior financial year impacted revenues and profits mostly in the second half of that year.

Accordingly, Group revenues of R8,1 billion (August 2015: R7,8 billion) increased by a modest 3% compared to the prior period.

Normalised earnings per share of 128.1 cents decreased by 19% compared to the comparative figure of 157,3 cents in the prior period.

The major cause of this decline in earnings is due to a material swing from the prior period's unrealised foreign exchange gain included in earnings of R21,1 million to a loss of R18,9 million included in this year's earnings representing a year-on-year swing of R40 million.

These unrealised foreign exchange gains and losses emanate primarily from the Group's African operations whereby the Group's South African Rand reporting currency has strengthened against many of the underlying currencies of those African countries where the Group has operations.

In the absence of these respective unrealised foreign exchange gains and losses, comparable period on period normalised earnings per share growth of 6% would have been achieved on a constant currency basis which is a better indication and barometer of actual trading conditions.

Normalised earnings before interest, tax, depreciation and amortisation (EBITDA) of R246,8 million were 12% below the prior year's comparable figure of R279,9 million. Excluding unrealised foreign exchange translation gains and losses, normalised EBITDA would have increased by 3% period on period.

Given the distortion of unrealised foreign exchange gains and losses, a detailed analysis of the financial results has been included in the Financial Overview below which provides a realistic overview of the Group's true trading trends.

The Group's cash performance has once again been extremely positive. In this regard, the Group's cash conversion ratio was a creditable 117% compared to the Group's target conversion ratio of 80%.

South Africa

As previously reported, the passing of the new Labour Relations Act (LRA) in 2015 initially led to a high degree of uncertainty in the South African market resulting in volumes being negatively impacted. Hardest hit was the support services or white collar segment of the business.

The impact of these lost volumes predominantly impacted earnings in the second half of the prior financial year. It is pleasing to see a recovery in the profitability of this business in the first half of financial year 2017.

The ambiguity in the new labour laws was clarified in a milestone Labour Court ruling in September 2015 subsequent to which, stability has returned to the Temporary Employment Services (TES) market resulting in a recovery in volumes, albeit not yet to the levels achieved prior to the new legislation.

This ruling is the subject of an appeal process which is likely to be heard early in 2017.

The EBITDA margin achieved in the South African business was 4,3% compared to the 4,0% EBITDA margin achieved in the prior year.

Margins should continue to improve and retrace previous levels as volumes continue to recover.

The integration of the operations of the Kelly Group is complete and, although Kelly's white collar operations were similarly, negatively affected by the recent changes to South African labour laws, the acquisition will benefit the Group going forward.

Rest of Africa, Asia and Australia

Australian IT specialist, Paxus, performed particularly well showing strong earnings growth. Australian blue-collar business, Labour Solutions Australia (LSA) performed satisfactorily and continues to gain new volumes and is well positioned in its market.

Australian oil and gas business, Dare, which was acquired by the Group in May 2015 lost volume due to a sustained, low global oil price. Consequently, whilst still modestly profitable, earnings from this business have declined substantially.

Similarly impacted by a decline in global oil prices has been the Group's African business beyond South Africa's borders which has a high dependency on the oil and gas industry.

This business was also negatively impacted by unrealised foreign exchange losses compared to a sizeable unrealised foreign exchange gain in the prior year which pushed this operation into a loss for the period under review.

The global oil and gas industry remains an important focus area for the Group, offering up much potential, even at the current lower energy prices. Accordingly, the Group has adopted a global approach to acquiring businesses in this industry sector given the advantage the Group has in terms of its extended geographic reach.

Indian associate IT solutions business, Nihilent, in which the Group owns a 35% stake, also experienced a difficult trading period, being negatively impacted by a reduction in business emanating from South Africa and negative currency fluctuations.

The business has indicated its desire to pursue an initial public offer (IPO) in India and, in this regard has registered a prospectus with a view to listing the company towards the middle of 2017 depending on prevailing market conditions at that time.

The Group has been active over the past year in trying to raise capital through its Singapore office in order to fund the Group's international growth strategy focused on emerging markets and the Southern Hemisphere and, in particular, Africa, Asia, Australia and the Middle East.

Negotiations regarding a possible deal in this regard were recently halted given that the proposed funding terms were not considered optimal.

Further consideration will be given to funding the Group's international expansion plans when market conditions are considered more conducive to achieving this objective.

General

Over the recent years, the global workforce management and staffing industry has seen the rapid adoption of innovative, new delivery models, the adoption of potentially disruptive technologies as well as a number of innovative approaches to the client interface. Coupled with this, is the imperative to remain operationally excellent and cost competitive.

In response to these trends, Adcorp has reviewed and revised its strategy to ensure that the business is able to take full advantage of these trends and remains relevant in the markets it serves.

The Group also continues to focus on improving margins, driving efficiencies, reducing costs and freeing up cash.

Financial overview

Earnings per share and headline earnings per share of 78,4 cents and 77,5 cents are 10% and 38% lower respectively than the 87,4 cents and 125,2 cents per share respectively for the comparative prior period. As described, this is primarily due to the negative impact of the unrealised foreign exchange movement of R40 million as well as the impact of one-off transaction costs. The first full period inclusion of the lower than expected contribution from Dare and the underperformance from the group's African operations contributed further to the lower year on year performance.

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 128,1 cents for the period ended 31 August 2016 were 19% lower than the 157,3 cents per share for the comparative period. As above, in the absence of the year on year swing in unrealised foreign accounting exchange gains and losses, the comparable period on period growth in normalised earnings per share growth would have been 6%.

Gross profit margins declined marginally due mainly to changes in business mix.

The Group's Normalised EBITDA margin was 3,1% (August 2015: 4,0%). EBITDA margins in the traditional industrial (blue collar) and support services (white-collar) staffing businesses were affected by the lower volumes while the disappointing performance from the African business placed downward pressure on overall margins. Pleasing to note was the improved performance from the business processing, candidate benefit and training businesses.

The Group's overall normalised effective tax rate reduced to 16% (August 2015: 19%) mainly as a result of increased utilisation of assessed losses emanating from Kelly and other entities within the Group.

Cash management remains a continuous high priority for management. The Group's cash conversion ratio was a creditable 117% (August 2015: 136%). Days settlement outstanding (DSO) totalled 47 days which remained in line with that reported for the previous financial year end. This result was achieved in the context of the continued challenging collections' environment. Despite this, the overall level of gearing of 38% is considered to be manageable and within management's expectations.

During the period under review, the Group incurred an 8% increase in respect of net finance charges, mainly as a result of higher prevailing interest rates and tighter debt collection markets.

Comments continued

While remaining fully compliant with debt covenants, the Board has resolved to declare an interim cash dividend of 20 cents per share (August 2015: 60 cents per share), the details of which appear more fully below.

Analysis

As described, the introduction of the major changes to South African labour laws in 2015 resulted in initial volume losses in the prior financial year. A substantial portion of this lost volume has subsequently been recovered, a trend that has continued into the current financial year. Following this loss of volume, mostly in the latter part of FY 2016, the Group embarked on a major cost reduction programme in order to mitigate the negative profit effect of these lost volumes. Given these sizeable volume and cost shifts, the Group's revenues, costs, profits and margins have effectively rebased over the past 18 months.

Also, given significant currency volatility in emerging markets over the past 12 months, the Group has accounted for sizeable, unrealised foreign exchange gains in FY2016 and losses in the first six months of FY2017. These gains and losses effectively distort the true trading trends within the Group.

As such, the following analysis of Revenue, Normalised EBITDA and Normalised EBITDA margins is useful in understanding the actual trading trajectory of the Group.

Analysis of Revenue, Normalised EBITDA and Normalised EBITDA margins	Industrial (Blue collar)	Support services (White collar)	Professional services	South Africa	International
Revenue (R000's)					
31 August 2016	**3 727 689**	**1 202 006**	**2 938 442**	**4 723 073**	**3 342 461**
31 August 2015	3 641 704	1 813 797	2 143 355	5 308 556	2 494 005
% change	2%	(34%)	37%	(11%)	34%
Normalised EBITDA as reported (R000's)					
31 August 2016	**152 442**	**35 162**	**98 193**	**201 507**	**45 309**
31 August 2015	181 093	94 045	80 658	210 177	69 691
% change	(16%)	(63%)	22%	(4%)	(35%)
Normalised EBITDA – adjusted for unrealised foreign exchange gains and losses (R000's)					
31 August 2016	**171 377**	**35 162**	**98 193**	**201 507**	**64 244**
31 August 2015	159 976	94 045	80 658	210 177	48 574
% change	7%	(63%)	22%	(4%)	32%
Normalised EBITDA margin (as reported)					
31 August 2016	**4,1%**	**2,9%**	**3,3%**	**4,3%**	**1,4%**
31 August 2015	5,0%	5,2%	3,8%	4,0%	2,8%
Normalised EBITDA margin – adjusted for unrealised foreign exchange gains and losses					
31 August 2016	**4,6%**	**2,9%**	**3,3%**	**4,3%**	**1,9%**
31 August 2015	4,4%	5,2%	3,8%	4,0%	1,9%

Observations and comments:

- Excluding the impact of unrealised foreign exchange gains and losses, the Industrial (blue collar) segment of the Group grew by 7% despite a poor performance from the rest of Africa.
- Excluding the impact of unrealised foreign exchange gains and losses, Industrial (blue collar) margins increased from 4,4% to 4,6% compared to the prior comparative period.
- Support services (white collar) profits were materially impacted by last year's lost volumes in South Africa when compared to the prior comparative period but have recovered well when compared to the last financial year's second half performance as shown in the table below:

Analysis of Support Services (White collar)	Six months 31 Aug 2015	Six months 29 Feb 2016	**Six months 31 Aug 2016**
Normalised EBITDA as reported (R000's)	94 045	4 132	**35 162**

- Support services (white collar) margins have been negatively impacted by lower trading volumes.
- Professional services turned in a solid performance due largely to the excellent performance of Australian subsidiary, Paxus.
- Professional services margins are lower than the prior year due mainly to the strong performance of Paxus which grew faster than the rest of the Professional Services segment but achieves lower margins in Australia.
- South Africa's performance reflects the drag of last year's lost volumes in White Collar.
- Excluding the impact of unrealised foreign exchange gains and losses, International grew by 32% despite poor performances from Dare and the rest of Africa.
- International's growth was bolstered by excellent results from Australian subsidiary Paxus.

Acquisition of business

With effect 30 June 2016, the Group's Australian subsidiary acquired the recruitment processing outsourcing business of WHR Solutions (WHR) for R12,2 million. As such, it has been included in Group profits for two months of this financial period. In terms of IAS 34 Interim Financial Reporting requirements, the profit before tax from WHR Solutions included in Group net profit before tax for the period ended 31 August 2016 is R0,4 million after taking account of non-cash flow IFRS charges and acquisition related transaction costs. Had the business combination been effective from 1 March 2016, the revenue of the Group would have been R8,1 billion and net profit after tax would have totalled R88 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 31 August 2016 R'000	Unaudited 31 August 2015 R'000
Total purchase consideration for all business combinations	**12 198**	307 096
Less: cash and cash equivalents acquired	**-**	(9 132)
Net purchase consideration for all business combinations	**12 198**	297 964
Cash outflow on acquisition of businesses	**12 198**	297 964

The fair value of the assets and liabilities acquired in respect of the acquisition of the WHR Solutions business in the period is as follows:

	August 2016 Total R'000	August 2015 Total R'000
Property and equipment	**-**	3 842
Intangible assets	**-**	154 481
Deferred tax asset	**-**	11 283
Trade and other receivables	**-**	137 546
Cash and cash equivalents	**-**	9 132
Trade and other payables	**(3 170)**	(133 859)
Provisions	**(484)**	(1 275)
Deferred tax liability	**-**	(28 635)
Taxation	**-**	(562)
	(3 654)	151 953
Resulting goodwill on acquisition	**15 852**	155 143
Total consideration	**12 198**	307 096

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 Group Chief Financial Officer, AM Sher (CA(SA), CFA).

Contingent liabilities and commitments

The bank has guaranteed R7,5 million (August 2015: R8,1 million) on behalf of the Group to creditors. As at the balance sheet date the Group has outstanding operating lease commitments totalling R162,1 million (August 2015: R145,3 million) in non-cancellable property leases. The Group has IT capital commitments contracted for of R14,3 million (August 2015: R2,3 million) relating to the Microsoft Dynamix AX 2012 upgrade and other IT related projects.

As previously reported, a client of the South African blue collar business indicated that they believe they may not have been billed in accordance with the original client Service Level Agreement. Adcorp disputes this contention. Accordingly the resolution of this matter is still ongoing. The Board considers the provision made to be adequate to cover any financial loss which may result from this claim.

Changes to the board of Adcorp

As announced on SENS on 23 September 2016, Mr Amitava Guharoy, the CEO of Adcorp International, resigned as an executive director of Adcorp with effect 1 October 2016.

Declaration of interim dividend

Notice is hereby given that an interim gross dividend of 20 cents per share (August 2015: 60 cents per share) for the interim period ended 31 August 2016 was declared on Thursday, 20 October 2016 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	Tuesday, 29 November 2016
Date trading commences "ex" dividend	Wednesday, 30 November 2016
Record date	Friday, 2 December 2016
Date of payment	Monday, 5 December 2016

Ordinary share certificates may not be dematerialised or rematerialised between Wednesday, 30 November 2016 and Friday, 2 December 2016, both days inclusive.

Shareholders who are not exempt from the dividend withholding tax of 15% will therefore receive a net dividend of 17 cents per share. The Company has 109 954 675 ordinary shares in issue and its income tax reference number is 9233/68071/0. The source of the dividend shall be from distributable reserves and shall be paid in cash.

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 risk. Ordinary shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday, 5 December 2016.

Events after the reporting date

Subsequent to the closure of the interim financial period ended 31 August 2016 and the date of the approval of these unaudited interim financial statements, namely 20 October 2016, the following events or transactions took place subsequent to the reporting date.

- The payment of the final dividend in respect of the year ended 29 February 2016 took place on 5 September 2016.
- Adcorp has been named as the preferred partner to manage a multi-national telecommunications Group's outsourced customer experience centres. This follows an announcement made last month that the client will be adopting a hybrid call centre model which entails retaining some of its call centre facilities in-house, while it outsources some of them to an experienced third party vendor.

Outlook and prospects

Stability has largely returned to the South African market following the significant changes to labour laws in 2015 as described in what has been a challenging and turbulent time for the Group over the past 18 months.

Whilst the sales base was negatively impacted by these laws, the South African business continues to grow and recover off this lower base.

Australian business Paxus has performed well in the period under review and is expected to continue on this positive trajectory.

The good sales performance of LSA in the period under review is expected to continue into the second half of the year. While the growth in profitability was not commensurate, it is expected to track the growth of sales in the second half of the year.

Operationally, the primary trading challenge currently faced by the Group relates to depressed global oil and gas prices which have negatively affected the business of Dare and those businesses operating in the rest of Africa outside of the core South Africa market.

Whilst considerable effort has been focused on cutting costs and recovering lost volumes in those businesses, their future fortunes are largely dependent on a recovery in the oil price.

A further impact on earnings has been the swing in the sizeable unrealised foreign exchange gains of the previous year which compare with a sizeable unrealised foreign exchange loss in the current year due to currency volatility and fluctuations.

The general trends described above are largely expected to continue for the remainder of the financial year.

This financial year is the year in which the full impact of lost volumes relating to the changes in South African labour laws will be felt. However, a significant portion of the resultant downside impact on earnings has been offset by way of substantial cost cutting exercises as well as by increased sales volumes off this lower base.

As described, the Group has focused on refining its strategy to ensure that the business is able to take full advantage of changing market and technological trends and that it remains relevant in the markets it serves.

Whilst the performances of the oil price dependent African businesses and the Australian subsidiary Dare, are far from optimal, the rest of the Group has recovered well and is likely to continue its upward march, retracing lost ground.

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*

20 October 2016

Abridged statement of comprehensive income

for the six months ended 31 August 2016

	Unaudited Six months to 31 August 2016 R'000	Unaudited Six months to 31 August 2015 R'000	Audited Year to 29 February 2016 R'000
Revenue	**8 065 534**	7 802 561	15 585 751
Cost of sales	**(6 861 899)**	(6 586 178)	(13 069 007)
Gross profit	**1 203 635**	1 216 383	2 516 744
Other income	**51 920**	45 604	128 325
Administration expenses	**(612 689)**	(561 912)	(1 233 713)
Marketing and selling expenses	**(355 041)**	(354 656)	(685 545)
Other operating expenses	**(137 087)**	(136 952)	(261 044)
Operating profit	**150 738**	208 467	464 767
Interest received	**8 560**	12 025	23 669
Interest paid	**(71 386)**	(70 150)	(133 722)
Gain on bargain purchase	**–**	3 999	3 999
Impairment of intangible assets and goodwill	**(139)**	(16 253)	(34 721)
Impairment of loans	**–**	(300)	–
Impairment of investment – available-for-sale	**–**	–	(54 922)
Share of profits from associates	**8 670**	12 740	23 078
Loss on sale of business	**–**	(28 690)	(30 056)
Loss on the sale of shares	**–**	–	(361)
Profit/(loss) on the sale of property and equipment	**1 480**	129	(991)
Profit before taxation	**97 923**	121 967	260 740
Taxation	**(12 082)**	(27 481)	(53 930)
Profit for the year	**85 841**	94 486	206 810
Other comprehensive income*			
Exchange differences on translating foreign operations	**(55 796)**	25 990	106 445
Realised foreign exchange gains realised through profit and loss on disposal of business	**–**	–	7 734
Exchange differences arising on the net investment of a foreign operation	**(9 461)**	14 539	63 456
Fair value adjustment of derivative financial instrument	**81**	(107)	(580)
Non-controlling interest	**(870)**	715	862
Other comprehensive (loss)/income for the period/year, net of tax	**(66 046)**	41 137	177 917
Total comprehensive income for the period/year	**19 795**	135 623	384 727
Profit attributable to:			
Owners of the parent	**84 971**	95 201	207 672
Non-controlling interest	**870**	(715)	(862)
Total comprehensive income attributable to:			
Owners of the parent	**19 795**	135 623	384 727
Non-controlling interest	**870**	(715)	(862)
Earnings per share			
Basic (cents)	**78,4**	87,4	192,0
Diluted (cents)	**75,7**	84,3	185,4
Approved dividends to shareholders	**95**	148	135
Interim dividend (cents)	**20**	60	60
Final dividend (cents) in respect of prior year	**75**	88	75

CALCULATION OF HEADLINE EARNINGS			
Profit for the year	**84 971**	95 201	207 672
(Profit)/loss on the sale of property and equipment	**(1 480)**	(129)	991
Taxation	**414**	36	(277)
Impairment of intangible assets and goodwill	**139**	16 253	34 721
Impairment of loans	**–**	300	–
Gain on bargaining purchase	**–**	(3 999)	(3 999)
Impairment of investments available-for-sale	**–**	–	54 922
Loss on sale of business	**–**	28 690	30 056
Headline earnings	**84 044**	136 352	324 086
HEADLINE EARNINGS PER SHARE			
Headline earnings per share – cents	**77,5**	125,2	299,6
Diluted headline earnings per share – cents	**74,9**	120,7	289,3
Weighted average number of shares – 000's	**108 383**	108 905	108 189
Diluted weighted average number of shares – 000's	**112 201**	112 933	112 008

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

Abridged statement of financial position

as at 31 August 2016

	Unaudited Six months to 31 August 2016 R'000	Unaudited Six months to 31 August 2015 R'000	Audited Year to 29 February 2016 R'000
Assets			
Non-current assets	**2 620 957**	2 638 660	2 636 416
Property and equipment	**130 055**	120 924	137 796
Intangible assets	**705 762**	748 588	753 170
Goodwill	**1 513 191**	1 452 469	1 513 633
Investments	**10 000**	–	10 000
Other financial assets	**–**	45 292	–
Investment in associates	**133 918**	114 911	125 249
Deferred taxation	**128 031**	156 476	96 568
Current assets	**3 637 744**	3 492 707	3 741 744
Trade, other receivables and prepayments	**2 766 300**	2 578 878	2 795 262
Other financial assets	**16 922**	–	29 728
Taxation prepaid	**36 077**	43 952	70 690
Cash resources	**818 445**	869 877	846 064
Total assets	**6 258 701**	6 131 367	6 378 160
Equity and liabilities			
Capital and reserves	**2 708 943**	2 621 760	2 685 301
Share capital	**2 749**	2 749	2 749
Share premium	**1 738 109**	1 738 109	1 738 109
Treasury shares	**(36 963)**	(12 990)	(36 963)
Share-based payment reserve	**125 390**	118 184	121 787
Foreign currency translation reserve	**54 941**	22 548	110 737
Cash flow hedging reserve	**(2 890)**	(2 498)	(2 971)
Accumulated profit	**832 873**	760 546	757 363
Equity attributable to equity holders of the parent	**2 714 209**	2 626 648	2 690 811
Non-controlling interest	**(5 942)**	(5 809)	(6 186)
BEE shareholders' interest	**676**	921	676
Non-current liabilities	**1 482 994**	1 394 251	1 507 324
Other non-current liabilities – interest-bearing	**–**	791	650
Long-term loan – interest-bearing	**1 319 829**	1 138 773	1 349 502
Derivative financial instruments	**4 129**	3 569	4 245
Share-based payment liability	**44 221**	92 147	38 625
Obligation under finance lease	**4 388**	4 107	668
Deferred taxation	**110 427**	154 864	113 634
Current liabilities	**2 066 764**	2 115 356	2 185 535
Non-interest-bearing current liabilities	**1 535 508**	1 574 189	1 527 822
Trade and other payables	**1 250 227**	1 207 589	1 188 716
Provisions	**238 571**	280 876	281 186
Other vendor payables	**14 292**	51 828	26 078
Taxation	**32 418**	33 896	31 842
Interest-bearing current liabilities	**531 256**	541 167	657 713
Current portion of other non-current liabilities	**15 392**	8 756	15 170
Short-term loans	**49 635**	353 977	274 382
Bank overdraft	**466 229**	178 434	368 161
Total equity and liabilities	**6 258 701**	6 131 367	6 378 160
Number of ordinary shares in issue (R'000)	**109 955**	109 955	109 371
Net asset value per share (cents)	**2 464**	2 384	2 455

Abridged statement of cash flows

for the six months ended 31 August 2016

	Unaudited Six months to 31 August 2016 R'000	Unaudited Six months to 31 August 2015 R'000	Audited Year to 29 February 2016 R'000
Operating activities			
Profit before taxation	**97 923**	121 967	260 740
Adjusted for:			
Depreciation	**18 228**	16 766	35 962
Gain on bargain purchase	**–**	–	(3 999)
Impairment of intangible assets and goodwill	**139**	16 553	34 721
Loss on sale of business	**–**	–	30 056
Impairment of investment – available-for-sale	**–**	–	54 922
Share of profits from associates*	**(8 670)**	(12 740)	(23 078)
Loss on repurchase of "A" shares	**–**	–	361
Amortisation of intangibles	**53 433**	46 945	105 831
Amortisation of intangibles – acquired in a business combination	**43 226**	37 664	77 486
Amortisation of intangibles – other than those acquired in a business combination	**10 207**	9 281	28 345
(Profit)/loss on disposal of property and equipment	**(1 480)**	(129)	991
Share-based payments	**9 199**	18 755	(31 164)
Share-based payment expense	**22 002**	13 495	43 514
Revaluation of share-based payment liability	**(12 803)**	5 260	(74 678)
Unrealised foreign exchange loss/(gain)	**18 036**	–	(11 859)
Revaluation of foreign exchange denominated intercompany loan	**–**	14 539	–
Non-cash portion of operating lease rentals	**1 325**	(627)	1 781
Exchange differences on translating foreign operations	**–**	25 990	–
Foreign currency adjustment to goodwill	**–**	(9 410)	–
Interest received	**(8 560)**	(12 025)	(23 669)
Interest paid	**71 386**	70 150	133 722
Cash generated from operations before working capital changes	**250 959**	296 734	565 318
Increase in trade and other receivables and prepayments	**(23 007)**	(115 121)	(343 661)
Decrease/(increase) in bad debt provision	**216**	(10 398)	(1 861)
Decrease/(increase) in other financials assets	**12 806**	–	(29 728)
Increase in trade and other payables	**58 340**	140 607	126 090
(Decrease)/increase in provisions	**(43 098)**	34 288	37 148
Cash generated by operations	**256 216**	346 110	353 306
Interest received	**8 560**	12 025	23 669
Interest paid	**(71 386)**	(70 150)	(133 722)
Cash settlement of share options exercised	**–**	(74 678)	(74 678)
Taxation paid	**(11 564)**	(39 770)	(110 296)
Dividend paid	**–**	–	(164 571)
Net cash generated/(utilised) by operating activities	**181 826**	173 537	(106 292)

	Unaudited Six months to 31 August 2016 R'000	Unaudited Six months to 31 August 2015 R'000	Audited Year to 29 February 2016 R'000
Investing activities			
Additions to property, equipment and intangible assets	**(32 239)**	(54 253)	(102 331)
Proceeds from sale of property and equipment	**1 787**	3 362	13 821
Acquisition of businesses	**(12 198)**	(297 964)	(267 214)
Net proceeds on the sale of business	**–**	–	6 953
Acquisition of investment	**–**	–	(10 000)
Conversion of investment to subsidiary	**–**	7 800	–
Minority interest	**(626)**	(1 052)	(1 282)
Foreign currency adjustment to investment available for sale	**–**	(3 004)	–
Net cash utilised from investing activities	**(43 276)**	(345 111)	(360 053)
Financing activities			
Issue of shares under employee share option scheme	**–**	19 269	19 269
Treasury shares acquired	**–**	–	(23 973)
Net proceeds on repurchase of "A" shares	**–**	–	(607)
Long-term loans raised	**–**	279 356	490 085
Long-term loans repaid	**(29 673)**	–	–
Short-term loan repaid	**(225 850)**	(47 184)	(122 768)
Other non-current liabilities – interest-bearing	**3 071**	1 242	(2 341)
(Decrease)/increase in other payables	**(11 785)**	39 209	13 458
Net cash (utilised)/generated by financing activities	**(264 237)**	291 892	373 123
Net (decrease)/increase in cash and cash equivalents	**(125 687)**	120 318	(93 222)
Cash and cash equivalents at the beginning of period/year	**477 903**	571 125	571 125
Cash and cash equivalents at the end of the period/year	**352 216**	691 443	477 903

* *Prior period/year amount has been reclassified from investing activities to operating activities.*

Total interest-bearing liabilities of the Group

as at 31 August 2016

	Unaudited Six months to 31 August 2016 R'000	Unaudited Six months to 31 August 2015 R'000	Audited Year to 28 February 2016 R'000
Net gearing (%)	**38%**	31%	43%
Net bank balances	**(352 216)**	(691 443)	(477 903)
Other non-current liabilities	**–**	791	650
Long-term loans	**1 319 829**	1 138 773	1 349 502
Long-term loans – South Africa	**870 653**	706 860	857 322
Long-term loans – Australia	**449 176**	431 913	492 180
Obligations under finance lease	**4 388**	4 107	668
Current portion of other non-current liabilities	**15 392**	8 756	15 170
Short loans	**49 635**	353 977	274 382
Short-term loans – South Africa	**10**	311 082	223 361
Short-term loans – Australia	**49 625**	42 895	51 021
Total interest-bearing liabilities	**1 389 246**	1 506 404	1 640 372
Total net interest-bearing liabilities	**1 037 028**	814 961	1 162 469
Total long-term debt (%)	**95%**	76%	82%
Total short-term debt (%)	**5%**	24%	18%
Total	**100%**	100%	100%

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	Unaudited Six months to 31 August 2016 R'000	Unaudited Six months to 31 August 2015 R'000	Audited Year to 28 February 2016 R'000	Fair value hierarchy
Investment – available-for-sale	**–**	45 292	–	Level 3
Investment	**10 000**	–	10 000	Level 3
Trade and other receivables	**2 766 300**	2 578 878	2 795 262	Level 3
Other financial assets	**16 922**	45 292	29 728	Level 3
Cash resources	**818 445**	869 877	846 064	Level 2
Other non-current liabilities – interest bearing	**–**	791	650	Level 2
Long term loan – interest bearing	**1 319 829**	1 138 773	1 349 502	Level 2
Derivative financial instrument	**4 129**	3 569	4 245	Level 2
Share-based payment liability	**44 221**	92 147	38 625	Level 2
Obligation under finance lease	**4 388**	4 107	668	Level 3
Trade and other payables (excluding VAT)	**1 139 600**	974 896	1 037 189	Level 3
Other vendor payables	**14 292**	51 828	26 078	Level 2
Current portion of other non-current liabilities	**15 392**	8 756	15 170	Level 2
Short-term loans	**49 635**	353 977	274 382	Level 3
Bank overdraft	**466 229**	178 434	368 161	Level 3

Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Fair value – Directors' valuation	n/a	n/a
Fair value – Directors' valuation	n/a	n/a
Face value less specific-related provision	n/a	n/a
Fair value – Directors' valuation	n/a	n/a
Face value	n/a	n/a
Amortised cost plus accrued interest	n/a	n/a
Amortised cost plus accrued interest	n/a	n/a
Fair value – 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
Fair value – Standard present value model	n/a	n/a
Amortised cost plus accrued interest	n/a	n/a
Expected settlement value	n/a	n/a
Fair value – Standard present value model	n/a	n/a
Amortised cost plus accrued interest	n/a	n/a
Amortised cost plus accrued interest	n/a	n/a
Face value	n/a	n/a

Abridged statement of changes in equity

for the six months ended 31 August 2016

	Share capital R'000	Share premium R'000	Treasury shares R'000	Share-based payment reserve R'000
Balance as at 1 March 2015 (audited)	**2 733**	**1 718 856**	**(12 990)**	**114 581**
Issue of ordinary shares under employee share option plan	16	19 253	–	–
Recognition of BBBEE and staff share-based payments	–	–	–	3 603
Profit for the year	–	–	–	–
Other comprehensive income/(loss) for the period	–	–	–	–
Minority interest	–	–	–	–
Balance as at 31 August 2015 (unaudited)	**2 749**	**1 738 109**	**(12 990)**	**118 184**
Dividend distributions	**–**	**–**	**–**	**–**
Recognition of BBBEE and staff share-based payments	**–**	**–**	**–**	**3 603**
Treasury shares acquired during the year	**–**	**–**	**(23 973)**	**–**
Movement in BEE shareholders' interest	**–**	**–**	**–**	**–**
Profit for the year	**–**	**–**	**–**	**–**
Other comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**
Realised foreign exchange gains realised through profit and loss on disposal of business	**–**	**–**	**–**	**–**
Minority interest	**–**	**–**	**–**	**–**
Balance as at 29 February 2016 (audited)	**2 749**	**1 738 109**	**(36 963)**	**121 787**
Movement in BEE shareholders' interest	**–**	**–**	**–**	**3 603**
Profit for the period	**–**	**–**	**–**	**–**
Other comprehensive (loss)/income for the period	**–**	**–**	**–**	**–**
Minority interest	**–**	**–**	**–**	**–**
Balance as at 31 August 2016 (unaudited)	**2 749**	**1 738 109**	**(36 963)**	**125 390**

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
(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**
–	–	(164 571)	(164 571)	–	–	(164 571)
–	–	–	3 603	–	–	3 603
–	–	–	(23 973)	–	–	(23 973)
–	–	–	–	–	(245)	(245)
–	–	112 471	112 471	(147)	–	112 324
80 455	(473)	48 917	128 899	–	–	128 899
7 734	–	–	7 734	–	–	7 734
–	–	–	–	(230)	–	(230)
110 737	(2 971)	757 363	2 690 811	(6 186)	676	2 685 301
–	–	–	3 603	–	–	3 603
–	–	84 971	84 971	870	–	85 841
(55 796)	81	(9 461)	(65 176)	–	–	(65 176)
–	–	–	–	(626)	–	(626)
54 941	(2 890)	832 873	2 714 209	(5 942)	676	2 708 943

Abridged segment report (unaudited)

for the six months ended 31 August 2016

	Industrial (Blue collar)	Support Services (White collar)	Professional services	BPO, training and candidate benefits
Revenue				
31 August 2016	**3 727 689**	**1 202 006**	**2 938 442**	**197 388**
31 August 2015****	3 641 704	1 813 797	2 143 355	183 014
29 February 2016	8 074 971	2 382 548	4 785 485	340 757
Internal revenue				
31 August 2016	**31 308**	**48 401**	**30**	**12 554**
31 August 2015****	29 854	16 433	–	17 933
29 February 2016	71 354	90 038	–	68 459
Operating profit/(loss)				
31 August 2016	**124 752**	**18 494**	**71 604**	**26 656**
31 August 2015****	170 255	80 907	46 538	8 428
29 February 2016	385 618	79 775	113 454	54 969
Normalised* EBITDA excluding lease-smoothing and transaction costs				
31 August 2016	**152 442**	**35 162**	**98 193**	**30 366**
31 August 2015****	181 093	94 045	80 658	12 302
29 February 2016	416 839	98 177	160 834	61 470
Normalised* EBITDA margin excluding lease-smoothing and transaction costs				
31 August 2016	**4,1**	**2,9**	**3,3**	**15,4**
31 August 2015****	5,0	5,2	3,8	6,7
29 February 2016	5,2	4,1	3,4	18,0
Normalised* EBITDA excluding lease-smoothing and transaction costs, contribution % to Group normalised* EBITDA				
31 August 2016	**61,8**	**14,2**	**39,8**	**12,3**
31 August 2015****	64,7	33,6	28,8	4,4
29 February 2016	67,0	15,8	25,9	9,9
Depreciation and amortisation				
31 August 2016	**22 419**	**17 650**	**25 766**	**3 380**
31 August 2015****	18 574	19 786	20 653	3 474
29 February 2016	43 322	27 238	47 381	8 193
Interest income				
31 August 2016	**19 267**	**8 137**	**2 364**	**9 066**
31 August 2015****	10 912	21 748	1 264	7 504
29 February 2016	40 808	8 980	2 486	15 791
Interest expense				
31 August 2016	**(24 000)**	**(4 640)**	**(27 865)**	**(3 805)**
31 August 2015****	(24 569)	(23 685)	(5 236)	(3 623)
29 February 2016	(53 044)	(1 366)	(17 795)	(7 946)

Emergent business***	Sub-total	Central costs	Shared services	Total	International**	South Africa	Total
–	**8 065 525**	**–**	**9**	**8 065 534**	**3 342 461**	**4 723 073**	**8 065 534**
19 421	7 801 291	–	1 270	7 802 561	2 494 005	5 308 556	7 802 561
64	15 583 825	1 007	919	15 585 751	5 778 324	9 807 427	15 585 751
–	**92 293**	**–**	**–**	**92 293**	**–**	**92 293**	**92 293**
–	64 220	–	–	64 220	–	64 220	64 220
–	229 851	–	1 777	231 628	–	231 628	231 628
(249)	**241 257**	**(54 946)**	**(35 573)**	**150 738**	**3 116**	**147 622**	**150 738**
(4 315)	301 813	(75 735)	(17 611)	208 467	43 658	164 809	208 467
(5 031)	628 785	(147 802)	(16 216)	464 767	90 794	373 973	464 767
(234)	**315 929**	**(44 365)**	**(24 748)**	**246 816**	**45 309**	**201 507**	**246 816**
(4 147)	363 951	(66 069)	(18 014)	279 868	69 691	210 177	279 868
(5 000)	732 320	(118 303)	7 762	621 779	153 591	468 188	621 779
–	**3,9**	**–**	**–**	**3,1**	**1,4**	**4,3**	**3,1**
–	4,7	–	–	3,6	2,8	4,0	3,6
–	4,7	–	–	4,0	2,7	4,8	4,0
(0,1)	**128,0**	**(18,0)**	**(10,0)**	**100,0**	**18,4**	**81,6**	**100,0**
(1,5)	130,0	(23,6)	(6,4)	100,0	24,9	75,1	100,0
(0,8)	117,8	(19,0)	1,2	100,0	24,7	75,3	100,0
235	**69 450**	**2 211**	**–**	**71 661**	**36 211**	**35 450**	**71 661**
167	62 654	1 057	–	63 711	26 033	37 678	63 711
108	126 242	15 551	–	141 793	62 797	78 996	141 793
14	**38 848**	**(30 292)**	**4**	**8 560**	**1 814**	**6 746**	**8 560**
20	41 448	(29 426)	3	12 025	1 504	10 521	12 025
24	68 089	(44 426)	6	23 669	19 422	4 247	23 669
–	**(60 310)**	**(3 006)**	**(8 070)**	**(71 386)**	**(24 777)**	**(46 609)**	**(71 386)**
(4 472)	(61 585)	(1 669)	(6 896)	(70 150)	(10 954)	(59 196)	(70 150)
–	(80 151)	(39 977)	(13 594)	(133 722)	(25 157)	(108 565)	(133 722)

Abridged segment report (unaudited)

for the six months ended 31 August 2016

	Industrial (Blue collar)	Support Services (White collar)	Professional services	BPO, training and candidate benefits
Taxation expense/(income)				
31 August 2016	**20 497**	**(221)**	**5 740**	**2 718**
31 August 2015****	8 036	14 795	2 127	6 640
29 February 2016	38 292	(8 573)	2 247	9 215
Net asset values				
31 August 2016	**1 974 851**	**229 048**	**325 067**	**280 031**
31 August 2015****	1 763 162	761 111	1 450 690	262 026
29 February 2016	1 763 959	246 797	701 166	251 003
Asset carrying value				
31 August 2016	**2 191 306**	**430 660**	**1 027 743**	**359 248**
31 August 2015****	2 438 766	1 188 567	1 858 236	334 340
29 February 2016	2 371 555	512 595	1 123 355	331 116
Liabilities carrying value				
31 August 2016	**216 455**	**201 612**	**702 676**	**79 217**
31 August 2015****	675 604	427 456	407 546	72 314
29 February 2016	607 596	265 798	422 189	80 113
Additions to property and equipment				
31 August 2016	**5 961**	**99**	**2 485**	**1 363**
31 August 2015****	8 665	3 988	4 391	1 924
29 February 2016	26 688	4 731	14 766	2 961
Property and equipment				
31 August 2016	**65 054**	**9 554**	**25 202**	**9 808**
31 August 2015****	68 696	22 035	10 228	9 681
29 February 2016	76 666	11 065	21 070	5 702

* *Normalised earnings is defined as operating profit adjusted for depreciation, amortisation of intangibles, lease-smoothing, and one-off transaction costs relating to acquisitions. Previously, the Group reported normalised earnings after adjusting for share based payments and establishment costs relating, inter alia, to the establishment of the Group's international operations.*

** *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.*

**** *31 August 2015 values for Kelly Group Limited (KGL) was included in support services (white collar) in totality as the business was managed in that segment. After 31 August 2015, KGL was split up and allocated to the various other segments.*

Emergent business***	Sub-total	Central costs	Shared services	Total	International**	South Africa	Total
(50)	**28 684**	**(16 602)**	**–**	**12 082**	**21 876**	**(9 794)**	**12 082**
(51)	31 547	(4 066)	–	27 481	9 449	18 032	27 481
43	41 224	12 706	–	53 930	41 275	12 655	53 930
1 655	**2 810 652**	**(147 136)**	**45 427**	**2 708 943**	**1 374 981**	**1 333 962**	**2 708 943**
2 521	4 239 510	(1 580 360)	(37 390)	2 621 760	921 843	1 699 917	2 621 760
1 456	2 964 381	(322 048)	42 968	2 685 301	1 137 044	1 548 257	2 685 301
816	**4 009 773**	**2 121 802**	**127 126**	**6 258 701**	**2 593 590**	**3 665 111**	**6 258 701**
10 808	5 830 717	280 479	20 171	6 131 367	2 154 068	3 977 299	6 131 367
828	4 339 449	1 941 375	97 336	6 378 160	2 412 658	3 965 502	6 378 160
(839)	**1 199 121**	**2 268 938**	**81 699**	**3 549 758**	**1 218 609**	**2 331 149**	**3 549 758**
8 287	1 591 207	1 860 839	57 561	3 509 607	1 232 225	2 277 382	3 509 607
(628)	1 375 068	2 263 423	54 368	3 692 859	1 275 614	2 417 245	3 692 859
–	**9 908**	**122**	**–**	**10 030**	**4 635**	**5 394**	**10 030**
5	18 973	–	5 682	24 655	2 827	21 828	24 655
–	49 146	20 194	6 838	76 178	27 872	48 306	76 178
47	**109 665**	**16 640**	**3 750**	**130 055**	**53 491**	**76 564**	**130 055**
642	111 282	3 593	6 049	120 924	30 120	90 804	120 924
62	114 565	18 087	5 144	137 796	42 410	95 386	137 796

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, MR Ramaite, NS Ndhlazi

Independent non-executive directors

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

Alternate non-executive directors

C Maswanganyi

Physical address

Adcorp Office Park
Nicolway Bryanston
Cnr William Nicol Drive and Wedgewood Link
Bryanston, 2021
PO Box 70635, Bryanston, 2021
Tel: 011 244 5300
Fax: 011 244 5310
Email: cfo@adcorp.co.za
Website: www.adcorp.co.za
Registration number 1974/001804/06

Company secretary

KH Fihrer

Transfer secretaries

Link Market Services SA (Pty) Ltd
Rennie House
13th Floor
19 Ameshoff Street
Braamfontein

Sponsor

Deloitte & Touche Sponsor Services (Pty) Ltd
Building 8, Deloitte Place
The Woodlands
20 Woodlands Drive
Woodmead, Sandton
2196

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