

for the year ended 28 February 2009

# Rated South Africa's top empowered company two years running

- Diluted core headline earnings per share up by 19%
- Final dividend declared of 160 cents per share
- Normalised operating profit up by 28%
- Cash conversion ratio 81%
- EBITDA margin up to 6,7%
- Debtors at 35 days

# Abridged Income Statement

for the year ended 28 February

for the year ended 28 February			
	Reviewed	Unaudited	Audited
	year ended	year ended	14 months to
	28 February	29 February	29 February
	2009	2008	2008
	R'000	R'000	R'000
CONTINUING OPERATIONS			
Revenue	4 837 123	3 938 881	4 430 105
Cost of sales	(3 724 735)	(2 986 575)	(3 349 604)
Gross profit	1 112 388	952 306	1 080 501
Other income	32 695	27 699	31 620
Administrative expenses	(305 615)	(361 027)	(401 595)
Marketing and selling expenses	(451 956)	(391 833)	(448 173)
Other operating expenses	(160 910)	(137 897)	(153 548)
Operating profit	226 602	89 248	108 805
Interest received	19 782	7 088	7 869
Interest paid	(52 914)	(26 419)	(29 574)
Share of profits from associates	18	875	1 512
	16	(145)	(145)
Impairment of loans	-	` ′	
Profit on sale of property and equipment	667	414	409
Profit on disposal of operations and subsidiaries	-	48 236	48 633
Profit before taxation	194 155	119 297	137 509
Taxation	50 082	35 701	40 855
Description of the second of t	144.072	92 506	06 654
Profit for the year/period from continuing operations	144 073	83 596	96 654
DISCONTINUED OPERATIONS			
(Loss)/profit from discontinued operations	-	(15 061)	30 314
Profit for the year/period	144 073	68 535	126 968
Profit for the year/period attributable to ordinary shareholders	144 073	68 535	126 968
Earnings per share			
Basic (cents)	272,8	137,4	258,5
Diluted (cents)	271,8	134,7	253,4
Distribution to shareholders			
	(2)	55	
Interim dividend (cents)	62	55	55
Final dividend (cents) in respect of the prior year	160	126	126
CALCULATION OF HEADLINE EARNINGS AND CORE HEADLINE EARNINGS			
Profit for the year/period	144 073	68 535	126 968
Impairments	_	6 645	11 645
Loss on sale of property and equipment	(480)	(294)	(290)
Loss/(profit) on disposal of discontinued operations		8 132	(42 233)
Headline earnings	143 593	83 018	96 090
Adjusted for:			
Amortisation of intangible assets	55 234	42 864	46 808
Share-based payments	18 316	100 966	101 966
Imputed interest charge	4 282	-	-
Lease smoothing	374	1 315	1 399
Profit on disposal of part of continuing operations	-	(48 236)	(48 633)
Tax effects on above	(15 409)	(13 382)	(14 550)
Core headline earnings	206 390	166 545	183 080
Headline earnings per share			
	271,9	166,5	105 €
Headline earnings per share – cents  Diluted headline earnings per share – cents	271,9	163,2	195,6 191,8
Diluted headline earnings per share – cents	270,9	103,2	191,8
Core headline earnings per share			
	390,8	334,0	277 7
Core headline earnings per share – cents			372,7 365.4
Diluted core headline earnings per share – cents	389,4	327,4	365,4
Weighted average number of charge _ 000%	52 909	40 868	40 122
Weighted average number of shares – 000's  Diluted weighted average number of shares – 000's	52 808 53 000	49 868 50 869	49 122 50 109

# Abridged Balance Sheet

as at 28 February

	Reviewed 28 February 2009 R'000	Audited 29 February 2008 R'000
ASSETS Non-current assets	845 422	675 449
Property and equipment Goodwill Intangible assets Investment in associates Derivative financial instruments Deferred taxation	59 807 555 208 209 087 100 1 872 19 348	57 549 402 980 182 270 270 3 141 29 239
Current assets	868 178	714 485
Trade, other receivables and prepayments Amounts due from vendor Assets classified as held-for-sale Taxation prepaid Cash resources	685 943 - 845 330 181 060	565 002 250 845 564 147 824
Total assets	1 713 600	1 389 934
EQUITY AND LIABILITIES Capital and reserves	803 902	668 171
Share capital Share premium Treasury shares Retained earnings Foreign currency translation reserve BEE shareholders' interest	1 355 384 594 (592) 418 496 (372) 421	1 271 283 070 (701) 384 798 (688) 421
Non-current liabilities	249 670	191 429
Other non-current liabilities Long-term loan Redeemable preference shares – interest-bearing Obligation under finance lease Deferred taxation	2 700 78 755 130 000 3 165 35 050	4 230 - 146 195 2 464 38 540
Current liabilities	660 028	530 334
Non-interest-bearing current liabilities	388 791	325 940
Trade and other payables Amount due to vendor Provisions Liabilities classified as held-for-sale Taxation	264 587 32 353 77 068 - 14 783	243 174 - 74 785 348 7 633
Interest-bearing current liabilities	271 237	204 394
Current portion of other non-current liabilities Current portion of long-term loan Current portion of redeemable preference shares Bank overdraft	3 138 32 871 3 431 231 797	2 260 - 3 805 198 329
Total equity and liabilities	1 713 600	1 389 934
Number of ordinary shares in issue (000's) Net asset value per share (cents)	54 220 1 483	50 831 1 315

# Abridged Cash Flow Statement

for the year chucu 20 repluary			
	Reviewed	Unaudited	Audited
	year ended	year ended	14 months to
	28 February	29 February	29 February
	2009	2008	2008
	R'000	R'000	R'000
Cash generated by operations before working capital changes (Increase)/decrease in working capital	326 827	257 819	285 430
	(84 542)	71 744	(22 159)
Cash generated by operations Net interest paid Taxation paid	242 285	329 563	263 271
	(28 689)	(19 278)	(21 617)
	(50 713)	(57 518)	(65 956)
Free cash generated by operations	162 883	252 767	175 698
Net dividend paid	(126 637)	(91 441)	(91 441)
Cash inflows from operations Cash outflows from investing activities Cash inflows from financing activities	36 246	161 326	84 257
	(231 892)	(282 706)	(492 905)
	195 414	150 642	376 644
Net (decrease)/increase in cash and cash equivalents Net cash and cash equivalents at the beginning of the year/period	(232)	29 262	(32 004)
	(50 505)	(79 767)	(18 501)
Net cash and cash equivalents at the end of the year/period	(50 737)	(50 505)	(50 505)
Frag coch gangroted by operations per chara cents	308.4	506.0	357.7

# Abridged Statement of Changes in Equity

for the year ended 28 February

for the year ended 28 February

TOTAL

Abridged Segment Report

4 837 123

3 938 881

4 430 105

226 602

89 167

108 723

326 048

	Share	Share	Treasury	Foreign currency	Minority	BEE shareholders	Retained	
	capital	premium	shares	translation reserve	interest	interest	earnings	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Balance as at 1 January 2007	1 085	57 630	(1 010)	-	5	77	252 998	310 785
Issue of ordinary shares under employee share option plan	11	2 615	-	-	-	-	-	2 626
Acquisition of BEE shareholders and minority interest	_	-	-	_	(5)	(77)	3	(79)
Issue of ordinary shares for the acquisition of subsidiaries	175	222 825	-	-	-	-	-	223 000
Issue of "A" ordinary shares in terms of BBBEE transaction	_	-	(168)	_	-	421	-	253
Foreign currency translation reserve	_	-	-	(688)	-	-	-	(688)
Fair value adjustment of derivative financial instrument	_	-	-	-	-	-	1 332	1 332
Treasury shares sold	_	-	388	-	-	-	60	448
Recognition of share-based payments	_	-	-	_	-	-	95 268	95 268
Dividend distributions	_	-	89	_	-	-	(91 831)	(91 742)
Profit for the period	-	-	-	-	-	-	126 968	126 968
Balance as at 29 February 2008	1 271	283 070	(701)	(688)	-	421	384 798	668 171
Issue of ordinary shares under employee share option plan	3	1 818	_	_	_	_	-	1 821
Issue of ordinary shares for the acquisition of subsidiaries	81	99 706	-	-	-	-	-	99 787
Foreign currency translation reserve	_	-	-	316	-	-	-	316
Fair value adjustment of derivative financial instrument	_	-	-	-	-	-	(1756)	(1 756)
Recognition of staff and BBBEE share-based payments	_	-	-	-	-	-	18 316	18 316
Dividend distributions	_	-	109	-	-	-	(126 935)	(126 826)
Profit for the year	-	_	_	_	_	_	144 073	144 073
Balance as at 28 February 2009	1 355	384 594	(592)	(372)	_	421	418 496	803 902

## Comments

NORMALISED EARNINGS

ents have significantly impacted the reported results. The table below sets out the normalised earnings for the year ended

R'000	28 February 2009	29 February 2008	change
Revenue	4 837 123	3 938 881	23
Cost of sales	(3 724 735)	(2 986 575)	25
Gross profit Other income Administrative, marketing, selling and operating expenses	1 112 388	952 306	17
	32 695	27 699	18
	(844 557)	(745 693)	13
Operating profit Net interest paid Share of profits from associates	300 526	234 312	28
	(28 850)	(19 331)	49
	18	875	-
Profit before taxation	271 694	215 856	26
Taxation	(65 304)	(49 311)	32
Profit for the year	206 390	166 545	24
Core headline earnings per share – cents	390,8	334,0	17
Diluted core headline earnings per share – cents	389,4	327,4	19

The Adcorp Group once again produced a solid financial performance for the year ended 28 February 2009, despite tougher overall trading

In this regard, diluted core headline earnings for the year of 389,4 cents per share (2008: 327,4 cents per share) were some 19% ahead of diluted core headline earnings per share for the comparable prior year.

This result has been achieved due to the relatively strong positioning of the Group with regard to the relevance of its product and service offerings as well as the efficiency of its operations in relatively challenging economic times.

The strong blue collar bias of the flexible staffing operations, the ongoing skills shortage, the sustainably differentiating value-adding product and service offerings, the blue-chip client base, selective industry exposure, proactive leadership focused on continuous productivity and efficiency improvement initiatives coupled with certain recent quality acquisitions, have all contributed to a financial performance that has been far more robust than general South African economic and employment data would suggest.

In this regard, the blue collar flexible staffing, permanent recruitment and business process outsourcing (BPO) operations of the Group continued to perform well and to deliver strong earnings growth. The financial performance of the white collar flexible staffing

businesses, however, was negatively affected by sustained volume and margin pressure emanating principally from the retail banking sector. In response, these businesses implemented timely downsizing and cost cutting initiatives in order to limit the negative impact on Group profitability

The EBITDA margin improved to an average 6,7% compared to the prior year average of 6,5%. This has been achieved by way of a sustained focus on improving operating margins as well as an improved mix of business, despite the adverse margin impact of the white collar flexible staffing businesses.

Debtors days outstanding slipped to an average 35 days outstanding compared to the previous year end level of 30 days outstanding due primarily to late payment by three large public sector clients which skewed the result. The collectability of these balances is not considered to be at risk but rather, is the result of inefficiencies and processing problems on the client side. Were these debtors to be excluded from the calculation, average debtor days outstanding would have been 32 days. generally indicating a healthy collections pattern within the Group.

As reported to shareholders earlier in the year, the acquisition of Staff-U-Need became unconditional at the end of July 2008. Given the specific focus of the business on the power generation and engineering the future. The business has integrated well into the Adcorp Group and is performing in line with expectations.

Other relatively recent acquisitions of the past two years, namely Capital Outsourcing Group and FMS Marketing Solutions are performing well and according to expectations. Employrite, which focuses on the automotive industry, had a difficult year due to the severe downturn in that industry. The impact of this on the Group was, however, limited due to its relatively small contribution to Group

The implementation of the new Microsoft Dynamics AX ERP system has been successful with the majority of Group companies having now gone live on the system. The system will contribute positively to the quality, extent and relevance of management information as well as to operating efficiencies.

There has been much public debate recently, emanating principally from the trade union movement, with regard to the prospect of further

The debate has primarily focused on the need to eradicate certain exploitative labour broking practices carried on by various operatives within the industry as well as the entrenchment of the principle of "decent work" as defined by the International Labour Organisation (ILO).

regulation governing the a-typical or contract labour market.

Adcorp has taken an active role in these deliberations and is generally supportive of certain of the recommendations which, if dealt w appropriately, could be positive for the staffing industry as a whole. The industry plays a leading role in the South African economy in

terms of job creation by way of introducing a significant number of first-time job seekers into the formal job market as well as by playing a leading role in the up-skilling of thousands of employees through the formal learnership process Given a scarcity of reliable employment data, Adcorp, in conjunction

with the Sunday Times, recently initiated an "Employment Index" which was first published in March 2009. It is the intention to publish this index on a quarterly basis thus facilitating a better, holistic understanding of the complex South African employment For the second year running the Adcorp Group was recently

most empowered company listed on the JSE in terms of the Financial Mail Top Empowerment Company Survey for 2009. In terms of this survey, Adcorp was the only company ranked as a Level 2 contributor.

### FINANCIAL OVERVIEW

International Financial Reporting Standards ("IFRS") adjustments have had a significant impact on the figures presented for the year ended February 2009 mainly due to the non-cash flow amortisation of intangibles arising from acquisitions made during the past two years The comparative year ending 29 February 2008 has been similarly affected but, in addition, non-cash flow share based payments arising from the BBBEE deal concluded in May 2007 further impacted these profits. In order to make the figures comparable, non-cash flow IFRS adjustments have been eliminated in "Core headline earnings" for the current year as well as the prior financial year and period.

For the year ended 28 February 2009 diluted core headline earnings amounted to 389,4 cents per share which equates to a 19% increase year on year compared with 327,4 cents per share for the comparative year. Core headline earnings for the current year were 390,8 cents per share which is a 17% increase compared with the 334,0 cents per share for the prior year. Headline earnings per share at 271,9 cents represents an increase of 63% over the 166,5 cents for the previous year, however this percentage has been impacted by IFRS adjustments

The reduction in cash generated by operations of R242,3 million compared with R329,6 million for the prior year was largely due to non-payment by three large public sector clients as mentioned above. The resultant cash conversion ratio was 81%. Group borrowings, including the preference share loan, as at 28 February 2009 of R302,1 million compared with R205,2 million for the previous year, resulted in an increase in the Group's gearing from 31% to 38%. Staff-U-Need ("SUN") was acquired with effect from 27 July 2008

and, as previously advised, was funded by a combination of borrowings and shares issued. As at 28 February 2009, R35 million is owing to the SUN vendors and this amount will be paid in September 2009 dependent on certain hurdles being met. In terms of IAS 34 requirements the profit from this entity included in Group profits for the year ended February 2009 is R21,0 million. This profit has been arrived at after deduction of the interest attributable to the borrowings required to fund the cash portion of the purchase price as well as the amortisation charges arising from the valuation of the intangible assets acquired. Had SUN been acquired with effect from 1 March 2008 on the same basis as above, the amount of profit that would have been included in Group profits for the year would have been R23,7 million.

### OUTLOOK

The extent and duration of the recent, extreme turbulence in the world's major economies and its likely impact on the South African economy remains unclear. The strategy of the Group during these uncertain times is to protect top

line business as far as possible, realise the full potential of a number of promising internal productivity and efficiency initiatives, focus on cash generation, retain our top people talent, positively influence industry regulation and seek out quality acquisitions

Despite a troubled global and local economic outlook for the foreseeable future, certain mitigating factors should position the Group relatively well to weather the storm.

The defensive nature of the Group portfolio with its overweight exposure to blue collar flexible staffing, the sizeable ongoing infrastructural spend in the country which consumes these worker persistent skills shortage, internal productivity projects and certain potentially lucrative market opportunities should all combine to stand the Adcorp Group in relatively good stead.

In addition, these conditions provide a unique opportunity to build a more robust, sustainable, market leading and dominant business model positioned advantageously for an economic upswing.

### BASIS OF PREPARATION Adcorp prepares its accounts in

JSE Listings Requirements. The accounting policies are consiste with the prior year annual financial statements. This report is prepared in accordance with IAS 34. CONTINGENT LIABILITIES AND COMMITMENTS

Financial Reporting Standards, South African Companies Act and the

creditors. As at the balance sheet date the Group has outstanding nts totalling R65 million in non cancellable property leases. DECLARATION OF FINAL DIVIDEND

### The board of directors has decided to hold the final dividend at the

same level as for the previous year resulting in a total dividend increase for the 2009 year of 3%. The board has further decided to explore the opportunity of buying back shares considering the relatively attractive values currently available in the market. Notice is hereby given that a final dividend of 160 cents per share

(2008: 160 cents per share) was declared on 6 May 2009 payable to shareholders recorded in the register of the compa smarenomers recorded in the 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: Friday, 24 July 2009 Monday, 27 July 2009 Last day to trade cum final dividend

Record date Friday, 31 July 2009 Monday, 3 August 2009

Monday, 27 July 2009 and Friday, 31 July 2009 both days inclusive. Dividend cheques will be posted and electronic payments made, where applicable, to certificated shareholders on the payment date. Dematerialised shareholders will have their account with their Central

Securities Depository Participant or broker credited on the payment date.

The results have been reviewed by the independent auditors, Deloitte & Touche. A copy of their unmodified review report is available for inspection at the registered office of the company, 28 Sloane Street,

By order of the board

Dr F van Zyl Slabbert RL Pike FD Burd Chief Executive Officer Chief Financial Office

27 562

72 411

34 766

37 489

Executive directors
Independent non-executive directors
Non-executive directors
Alternate non-executive director
Company secretary
Transfer secretaries
Sponsor

1 389 934

909 698

721 763

80 756

65 569

RL Pike, C Bomela, FD Burd, PC Swart Dr F van Zyl Slabbert, LM Mojela, MR Ramaite, T Ramano GP Duda L Sudbury Link Market Services SA (Pty) Ltd, 11 Diagonal Street, Johannesburg, 2001 Deloitte & Touche Sponsor Services (Pty) Ltd

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

### EBITDA excluding EBITDA excluding IFRS share-based payments and Operating IFRS share-based ents and lease smoothing value carrying value carrying value Depreciation and amortisation Additions to property and equip year ended Feb 2008 2008 2008 2008 2008 2008 2009 2008 2009 2008 2009 2008 2008 R'000 (29 528) $(22\ 245)$ (20 855) (217 388) (192 602) 8 092 225 480 201 947 Central costs (113462)(24 935 (8,2)(8,8) 4 604 249 3 735 814 4 191 683 236 479 183 234 295 715 228 885 843 653 784 286 1 335 722 1 075 825 492 069 51 048 38 149 40 632 16 557 21 564 29 327 13 452 4 837 123 803 902 909 698 80 756 34 766 37 489 3 938 881 4 430 105 226 602 89 248 108 805 326 048 257 099 284 581 100,0 100,0 661 793 1 713 600 1 383 208 721 415 65 569 72 411 27 562 Subtotal

6,4

100,0

100,0

100,0

803 902

668 171

1 713 600

284 499

6,7

6,5

257 018