

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

Condensed Income Statement for the 6 months ended 31 August

	Unaudited 6 months to Aug 2008 R'000	Unaudited 6 months to Aug 2007 R'000	Audited 14 months to Feb 2008 R'000
Continuing operations			
Revenue	2 285 038	1 789 665	4 430 105
Cost of sales	(1 751 478)	(1 344 022)	(3 349 604)
Gross profit	533 560	445 643	1 080 501
Other income	13 899	5 926	31 620
Administrative expenses	(150 695)	(131 942)	(401 595)
Marketing and selling expenses	(212 132)	(173 741)	(448 173)
Other operating expenses	(78 541)	(146 387)	(153 548)
Operating profit	106 091	(501)	108 805
Interest received	5 160	2 537	7 869
Interest paid	(16 550)	(12 999)	(29 574)
Share of profits from associates	14	175	1 512
Impairment of loans	-	(145)	(145)
Profit/(loss) on sale of property and equipment	331	(49)	409
Profit on disposal of operations and subsidiaries	12	48 878	48 633
Profit before taxation	95 058	37 896	137 509
Taxation	29 482	19 200	40 855
Profit for the period from continuing operations	65 576	18 696	96 654
Discontinued operations			
(Loss)/profit from discontinued operations	-	(14 779)	30 314
Profit for the period	65 576	3 917	126 968
Profit for the period attributable to:			
Ordinary shareholders	65 576	3 920	126 968
Minority shareholders	-	(3)	-
Profit for the period	65 576	3 917	126 968
Earnings per share			
Basic (cents)	127.3	8.0	258.5
Diluted (cents)	126.0	7.9	253.4
Distribution to ordinary shareholders			
Interim dividend (cents)	62	55	55
Final dividend (cents) in respect of the prior year	160	126	126

	Unaudited 6 months to Aug 2008 R'000	Unaudited 6 months to Aug 2007 R'000	Audited 14 months to Feb 2008 R'000
Calculation of headline earnings and core headline earnings			
Profit for the period	65 576	3 917	126 968
Impairments	-	6 645	11 645
Minority shareholders' share	-	3	-
Loss/(profit) on sale of property and equipment	(239)	36	(290)
(Profit)/loss on disposal of discontinued operations	(12)	8 219	(42 233)
Headline earnings	65 325	18 820	96 090
Adjusted for:			
Amortisation of intangible assets	25 604	18 232	46 808
Share-based payments	9 807	93 942	101 966
Lease smoothing	411	329	1 399
Profit on disposal of continuing operations	-	(48 878)	(48 633)
Tax effects on above	(7 284)	(5 383)	(14 550)
Core headline earnings	93 863	77 062	183 080
Headline earnings per share			
Headline earnings per share – cents	126.8	38.4	195.6
Diluted headline earnings per share – cents	125.5	37.7	191.8
Core headline earnings per share			
Core headline earnings per share – cents	182.2	157.1	372.7
Diluted core headline earnings per share – cents	180.3	154.5	365.4
Weighted average number of shares – 000's	51 520	49 068	49 122
Diluted weighted average number of shares – 000's	52 065	49 881	50 109

Condensed Balance Sheet as at 31 August

	Unaudited Aug 2008 R'000	Unaudited Aug 2007 R'000	Audited Feb 2008 R'000
Assets			
Non-current assets	857 542	681 832	675 449
Property and equipment	63 353	58 455	57 549
Goodwill	535 739	400 394	402 980
Intangible assets	227 563	199 811	182 270
Investment in associates	284	43	270
Derivative financial instruments	2 141	-	3 141
Deferred taxation	28 462	23 129	29 239
Current assets	857 871	617 886	714 485
Trade, other receivables and prepayments	664 962	487 379	565 002
Amounts due from vendor	-	750	250
Assets classified as held for sale	11	-	845
Taxation prepaid	262	4 593	564
Cash resources	192 636	125 164	147 824
Total assets	1 715 413	1 299 718	1 389 934
Equity and liabilities			
Capital and reserves	749 729	623 579	668 171
Share capital	1 352	1 270	1 271
Treasury shares	(382 929)	282 929	283 070
Retained earnings	(690)	(821)	(701)
Foreign currency translation reserve	365 934	339 780	384 798
BEE shareholders' interest	(217)	-	(688)
	421	421	421
Non-current liabilities	292 464	246 753	191 429
Other non-current liabilities	803	3 203	4 230
Term loan	108 000	-	-
Redeemable preference shares – interest bearing	130 000	190 000	146 195
Obligation under finance lease	5 448	6 922	2 464
Deferred tax	48 213	46 628	38 540
Current liabilities	673 220	429 386	530 334
Non-interest-bearing current liabilities	589 805	279 220	325 940
Trade and other payables	281 443	176 912	243 174
Amount due to vendor	85 000	-	-
Provisions	100 375	87 024	74 785
Liabilities classified as held for sale	348	-	348
Shareholders for dividends	93 400	-	-
Taxation	29 239	15 284	7 633
Interest-bearing current liabilities	83 415	150 166	204 394
Current portion of other non-current liabilities	2 838	1 334	2 260
Current portion of term loan	12 000	-	-
Current portion of redeemable preference shares	20 000	-	3 805
Bank overdraft	48 577	148 832	198 329
Total equity and liabilities	1 715 413	1 299 718	1 389 934
Number of ordinary shares in issue (000's)	54 081	50 795	50 831
Net asset value per share (cents)	1 386	1 228	1 315

Condensed Cash Flow Statement for the 6 months ended 31 August

	Unaudited 6 months to Aug 2008 R'000	Unaudited 6 months to Aug 2007 R'000	Audited 14 months to Feb 2008 R'000
Operating activities			
Cash generated by operations before working capital changes	154 925	122 793	285 430
(Decrease)/increase in working capital	(17 516)	98 284	(22 159)
Cash generated by operations	137 409	221 077	263 271
Net interest paid	(11 390)	(10 087)	(21 617)
Taxation paid	(13 933)	(22 819)	(65 956)
Free cash generated by operations	112 086	188 171	175 698
Net dividend received/(paid)	11	(63 778)	(91 441)
Investing and financing activities			
Cash inflows from operations	112 097	124 393	84 257
Cash outflows from investing activities	(137 608)	(262 238)	(492 905)
Cash inflows from financing activities	220 075	193 944	376 644
Net increase/(decrease) in cash and cash equivalents	194 564	56 099	(32 004)
Net cash and cash equivalents at the beginning of the period	(50 505)	(79 767)	(18 501)
Net cash and cash equivalents at the end of the period	144 059	(23 668)	(50 505)
Free cash generated by operations per share (cents)	217.6	383.5	357.7

Condensed Statement of Changes in Equity for the 6 months ended 31 August

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

Condensed Segment Report for the 6 months ended 31 August

	Revenue			Operating profit			EBITDA excluding IFRS share-based payments and lease smoothing			EBITDA excluding IFRS share-based payments and lease smoothing % contribution to Group profit			Net asset value			Assets carrying value			Liability carrying value			Depreciation and amortisation of intangibles			Additions to property and equipment		
	Aug 2008 R'000	Aug 2007 R'000	Feb 2008 R'000	Aug 2008 R'000	Aug 2007 R'000	Feb 2008 R'000	Aug 2008 R'000	Aug 2007 R'000	Feb 2008 R'000	Aug 2008 %	Aug 2007 %	Feb 2008 %	Aug 2008 R'000	Aug 2007 R'000	Feb 2008 R'000	Aug 2008 R'000	Aug 2007 R'000	Feb 2008 R'000	Aug 2008 R'000	Aug 2007 R'000	Feb 2008 R'000	Aug 2008 R'000	Aug 2007 R'000	Feb 2008 R'000	Aug 2008 R'000	Aug 2007 R'000	Feb 2008 R'000
Central costs	-	-	-	(16 905)	(99 597)	(118 188)	(12 804)	(9 913)	(24 935)	(8.3)	(8.1)	(8.8)	(248 362)	(128 038)	(192 602)	4 863	6 545	9 345	133 225	134 583	201 947	210	202	469	24	66	362
Staffing	2 171 638	1 682 139	4 191 683	108 845	90 884	205 112	136 479	109 762	253 734	6.3	6.5	6.1	864 748	530 706	784 286	1 382 307	1 003 183	1 075 825	607 589	472 477	291 539	23 573	15 337	40 632	9 076	12 366	25 675
Business process outsourcing	113 400	107 526	238 422	14 151	8 212	21 881	30 220	22 679	55 782	26.6	21.1	23.4	126 954	213 743	70 109	351 506	283 257	298 038	224 552	69 514	227 929	14 903	13 218	31 310	7 382	5 176	13 452
Subtotal	2 285 038	1 789 665	4 430 105	106 091	(501)	108 805	153 895	122 528	284 581	6.7	6.8	6.4	1 708 676	1 292 985	1 383 208	1 708 676	616 411	661 793	965 336	676 574	721 415	37 586	28 757	72 411	16 482	17 608	37 489
Discontinued	-	-	-	-	(81)	(82)	-	(81)	(82)	-	(0.1)	-	6 389	6 747	6 378	6 737	6 733	6 726	348	(14)	348	-	-	-	-	1 706	-
TOTAL	2 285 038	1 789 665	4 430 105	106 091	(582)	108 723	153 895	122 447	284 499	6.7	6.8	6.4	749 729	623 158	668 171	1 715 413	1 299 718	1 389 934	965 684	676 560	721 763	37 586	28 757	72 411	16 482	19 314	37 489

Comments

Reporting period

As a result of the change in Adcorp's year-end, Adcorp published results for the two months to 28 February 2007 as well as for the eight months to 31 August 2007. Adcorp is now back to a 12-month reporting cycle and these interim results are for the six months to 31 August 2008. The comparative period has been arrived at by deducting the published two months' results to 28 February 2007 from the eight months to 31 August 2007.

Normalised earnings

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

	6 months to Aug 2008 R'000	6 months to Aug 2007 R'000	% Change
Revenue	2 285 038	1 789 665	28
Cost of sales	(1 751 478)	(1 344 022)	30
Gross profit	533 560	445 643	20
Other income	13 899	5 926	135
Admin, marketing and operating expenses	(405 546)	(339 546)	19
Operating profit	141 913	112 023	27
Net interest paid	(11 390)	(10 462)	9
Share of profits from associates	14	175	-
Profit before taxation	130 537	101 736	28
Taxation	(26 674)	(24 596)	49
Profit for the period from continuing operations	93 863	77 140	22
Loss for the period from discontinued operations	-	(81)	-
Profit for the period	93 863	77 059	22
Minority shareholders' share	-	3	-
Profit for the period attributable to ordinary shareholders	93 863	77 062	22
Core headline earnings per share	182.2	157.1	16

Overview

The Adcorp Group, once again, produced a solid financial performance for the six-month interim period ended 31 August 2