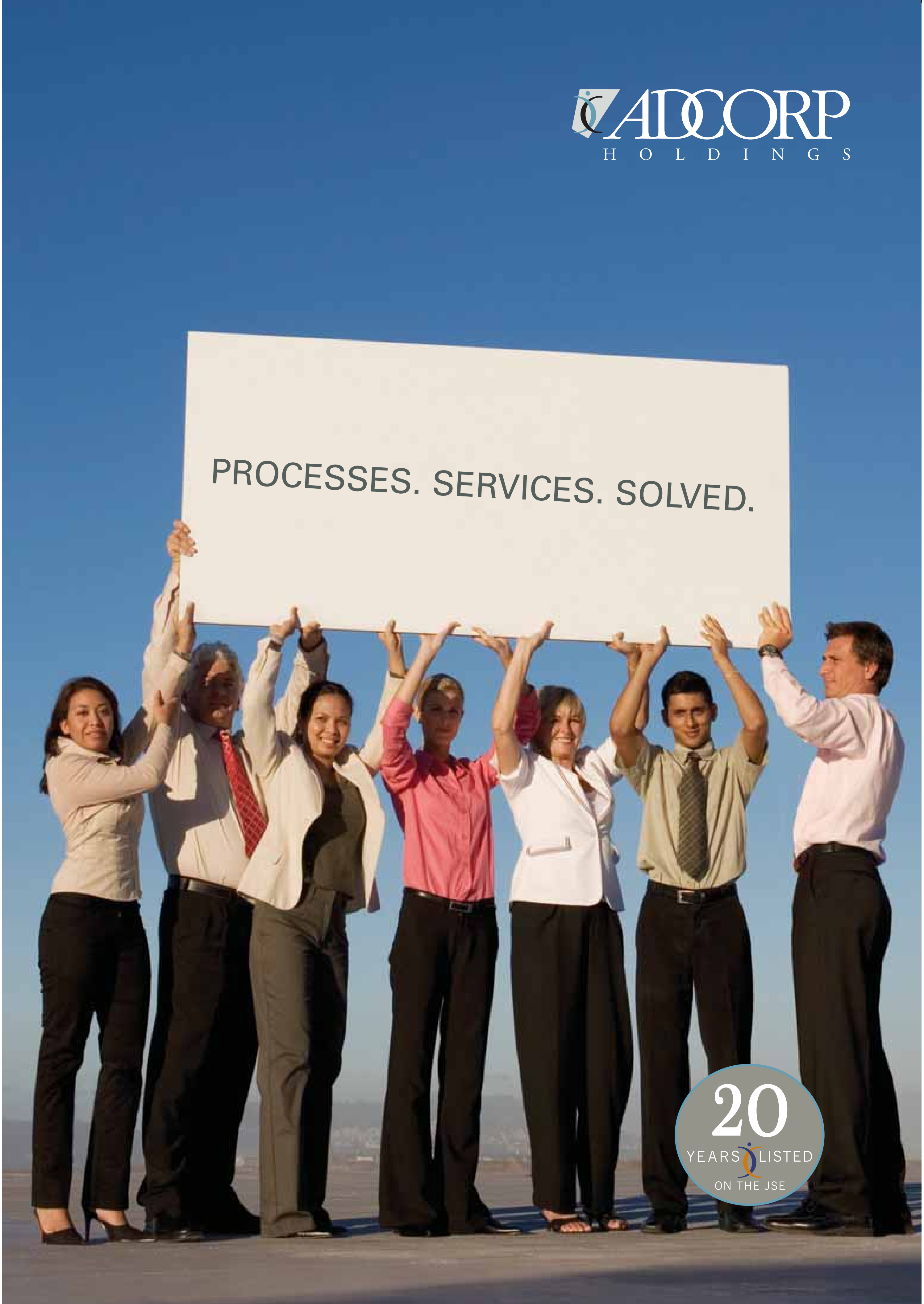
ADCORP HOLDINGS



MISSION STATEMENT

Adcorp's mission is to position the Group as the leading provider of:

- staffing solutions; and
- business process outsourcing services.

CONTENTS

STRATEGIC PRIORITIES

- Organic growth centred around:
  – Cash management; and
  – Margin management.
- Strategic acquisitions that:
  – Entrench Adcorp as a dominant staffing solutions and business process outsourcing player;
  – Further differentiate our product and service offerings;
  – Provide access to disposable income; and
  – Enhance the quality of Group earnings.
- Differentiation
- Broad-based black economic empowerment (BBBEE) and transformation

BRANDS AND SERVICE OFFERINGS

		SERVICE OFFERINGS
PERMANENT RECRUITMENT BRANDS	JobVest; The Oval Office; Adcorp Talent Resourcing; Grey Consulting; Premier Personnel	• Strategic staffing advisory services • Recruitment advertising • Talent search • Executive search • Internet recruitment • Job profiling • Candidate response management • Candidate assessment and selection • Turn key managed staffing solutions
FLEXIBLE STAFFING BRANDS (includes training)	employ rite; CAPACITY outstaffing that works; PMI production management institute of southern africa (pty) ltd; Charisma Healthcare; CAPITAL Outsourcing Group effective staffing solutions *; emmanuels advance; Quest * Subject to Competition Commission approval	Variety of staffing services and solutions in a multiple number of job types and industries, including: • Temporary staffing assignments • Contract staffing solutions • Workforce optimisation • Learnership implementation and administration • Leadership and management development • Customised, strategically aligned, corporate training solutions • Comprehensive offering of business relevant, accredited education and training programmes
BUSINESS PROCESS OUTSOURCING BRANDS	FMS Marketing Solutions	• Added value services to policyholders of insurance companies, including: – Legal support – Health advisory services including HIV/Aids counselling, emergency medical advice, trauma assistance, medical evacuation and hospital transfer – Assistance with funeral arrangements • Added value services to members of affinity groups, including discounts and cash back offers on products such as gym memberships, health related programmes, vitamins and supplements, weight loss programmes, magazine subscriptions, airtime, travel, and advanced driving

ADCORP HOLDINGS

DIFFERENTIATORS	KEY DRIVERS FOR GROWTH
• Uniquely broad range of recruitment services enabling fully outsourced recruitment offerings • Candidate sourcing spanning numerous leading, branded consultancies combining unrivalled knowledge, experience, databases and advertising reach • Job profiling, candidate assessment and selection profiling within a quantifiable, consistent, scientifically verified and legally compliant framework • Intimate client relationships facilitating the development of unique human capital strategies and resource planning	• Growth in the South African economy • In particular, demand for staff in the financial services, retail, engineering, telecommunications and public sectors • Demand for exclusive single supplier, managed staffing solutions
• Productivity enhancing service offerings • Market leaders in differentiated recruitment practices • Learning as an integrated part of a flexible workforce management solution • Sophisticated workforce optimisation technology to unlock optimum client benefits • Database in excess of 250 000 candidates over all levels, skills sets and various industries • Measurable performance against defined service level agreements • Employment equity record of 68% PDI (previously disadvantaged individuals) placements • Credible black economic empowerment profile • Action-based training approach: learn – apply – measure • Fully accredited training offerings • Ability to measure efficiency of training in the working environment • Sustainability of benefits for clients • Ability to customise offerings	• Growth in outsourcing of non-core functions by clients • Desire by organisations to match labour input costs to variable market demand • Rapid expansion of call centres in South Africa • Growth in learnerships established in terms of the Skills Development Act • Growth in the South African economy
• Innovative, niched, essential and practical product and service offerings • Blue chip, contracted client base • Centralised, professional call centre facility • Unique subcontracted provider network	• Growth in the employee benefit industry • Growth in affinity groupings • Access to Adcorp's substantial temporary workforce • Roll-out of new products and services to existing client base

RESTRUCTURING THE GROUP

In 2006 Adcorp embarked on an ambitious strategy to restructure the Group for growth

WHAT WE SOUGHT FROM THE STRATEGIC RESTRUCTURE	THE STRATEGY WE ADOPTED TO ACHIEVE WHAT WE SOUGHT

WHAT WE SOUGHT FROM THE STRATEGIC RESTRUCTURE

- A streamlined business poised for extraordinary growth
- A far greater focus of activities
- Effective value swap of non-core businesses for core human capital businesses with no value dilution
- An effective BBBEE profile
- Further economies of scale for our shared services operation
- A simple operating structure

THE STRATEGY WE ADOPTED TO ACHIEVE WHAT WE SOUGHT

- To focus on the Human Capital Management industry
- To position Adcorp as leaders in
  – Staffing solutions; and
  – Business process outsourcing
- To dispose of the Group's non-core marketing advisory assets and to exit these businesses wisely
- To redeploy the capital realised from these disposals to acquire high growth, core Human Capital Management assets
- To implement a Group-wide BBBEE transaction
- To simplify operational management structures

RESULTANT BENEFITS

of the corporate activity

WHAT WE HAVE ACHIEVED OVER THE PAST YEAR RELATIVE TO THE STRATEGIC RESTRUCTURE

Disposals of non-core businesses
- Simeka TWS (March 2006)
- Graphicor (March 2006)
- Research Surveys (January 2007)
- Career Junction (March 2007)
- Knovation (March 2007)
- Cash unlocked for redeployment – R135 million

Acquisition of core human capital management businesses
- Employrite (R38 million) – profits to be incorporated from 1 December 2006
- FMS Marketing Solutions (R225 million) – profits to be incorporated from 1 January 2007
- Capital Outsourcing Group (R238 million) – profits to be incorporated from June 2007 (conditional)
- Funded through redeployment of cash (R135 million), new shares (R223 million), debt and other cash resources (R143 million)

Broad-based black economic empowerment (BBBEE)
- Implemented new 25% BBBEE empowerment shareholding structure – March 2007
- Unwound Adcorp Communication Solutions empowerment structure – March 2006
- Unwound Adcorp Flexible Staffing Solutions empowerment structure (cost of R22,8 million) – January 2007
- Rated 2nd overall on JSE (1st in sector) in terms of Financial Mail – Top Empowerment Companies 2007

Management structure
- Streamlined, simpler management structure – January 2007
- Restructured, smaller board of directors – March 2007
  – 50% black/40% female/33% black female/ 60% non-executive/20% independent
  – two positions smaller than previous board

THE RESULTANT BENEFITS OF THE STRATEGIC RESTRUCTURE

- The Group now has fewer entities to manage
- The overall profit of the Group has increased substantially
- The quality of Group earnings is greatly enhanced (both margin and annuity base)
- The acquisitions are all cash generative
- The Group is far more focused providing greater opportunities for synergy
- There are fewer boards resulting in fewer meetings
- The Group now has a far simpler, streamlined management structure
- There is now a smaller, more responsive, empowered board of directors
- The Group has achieved a greater compliance with the Broad Based Black Economic Empowerment Codes of Good Practice
- The Adcorp share price is hitting new highs

SALIENT FEATURES AND ACHIEVEMENTS

Earnings per share up 61%	Headline earnings per share up 21%	Quality and quantity of Group earnings greatly enhanced

ACHIEVEMENTS

- Dividends declared to shareholders in respect of 2006 year total 168 cents per share – up 20%
- Gearing level 6%
- Share price increased from R24,00 to R30,00
- Value of the Group increased by R279 million
- Value return to shareholders 33%
- Non-core businesses disposed
- High growth core businesses acquired
- Quality and quantity of Group earnings greatly enhanced
- 25% BBBEE transaction concluded
- Financial Mail Top Empowerment Companies 2006
  – Ranked first in Services Sector of JSE
  – Ranked second overall on JSE
- Empowerdex "BBB" rating achieved
- Two additional social investment projects established
- Listed on the JSE for 20 years

Empowerment – rated second overall on the JSE and first in the Services Sector

AWARDS

Quest

- Winner of the national Productivity Management Review (PMR) HR Diamond Award 2005 and 2006
- Winner "Best recruiter" in Career Junction awards 2005 and 2006 as rated by candidates
- Black Business Quarterly Most Innovative Award 2005
- Black Business Quarterly Business Performance and Productivity Award 2005
- Young Business Achiever Award 2005 awarded to the MD
- KZNonSource Best "Non-technical client solution" in call centres 2006 and finalist in the Cape
- First runners up in the KZN Daily News Best Choice recruitment awards 2005
- Received the KZN PMR HR Diamond Award 2005
- Black Management Forum Most Progressive Company Award 2003

Capacity

- The Chamber of Business, Business Excellence Award – Richards Bay Branch

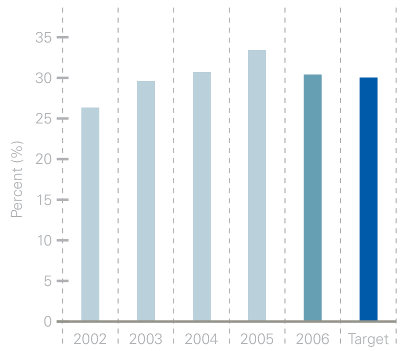
DAV

- Winner of the "Deloitte Best Company to Work For" survey

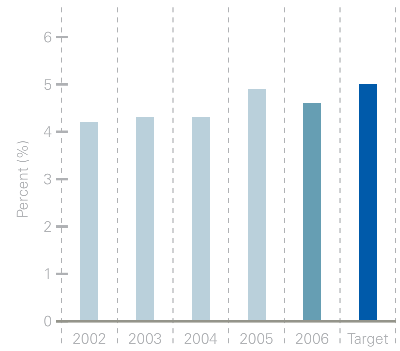
SHAREHOLDERS: WHAT THEY CAN EXPECT

- Total transparency in the conduct of the affairs of the business
- Sound corporate governance
- A primary focus on cash generation (as priority over reported profit)
- A focus on organic growth centred around margin management as well as growth achieved through strategic acquisition
- A return of excess cash resources to shareholders within the confines of maintaining an acceptable level of gearing
- A commitment to broad-based black economic empowerment (BBBEE) and transformation

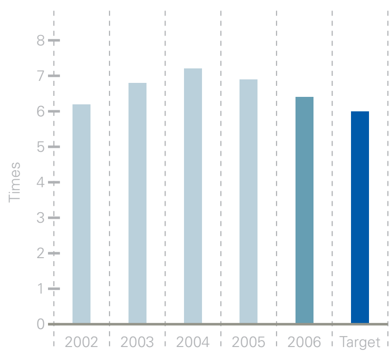
PERFORMANCE AGAINST STATED TARGETS



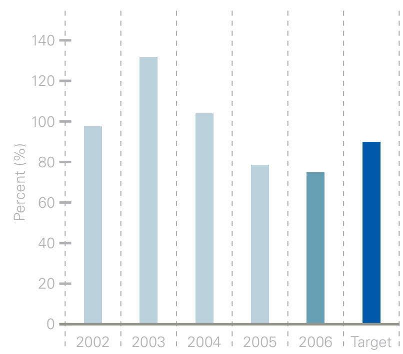
Return on assets managed



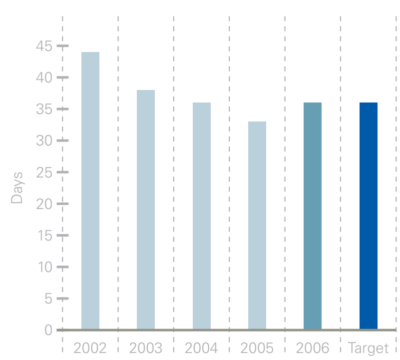
Return on sales



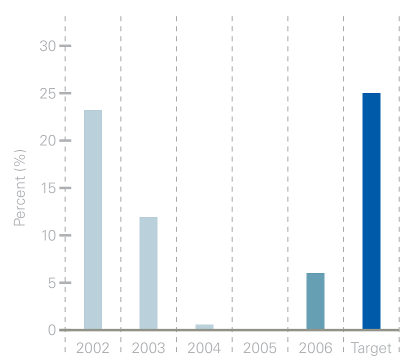
Assets turnover



Cash generated to operating profit



Debtors days



Gearing

OUR BOARD OF DIRECTORS

1. Dr Van Zyl Slabbert (66)
Chairman
Non-Executive Director – Independent
MA, DPhil
Appointed 16 September 1994

Outside directorships held
CTP Caxton – Chairman

Van Zyl graduated from Stellenbosch University. He lectured at Stellenbosch, Rhodes, UCT and Wits from 1964 to 1974. From 1974 to 1986 he was a member of Parliament and leader of the opposition party. In 1986 he formed IDASA with A Boraine to promote internal/external dialogue. Van Zyl received honorary doctorates from Simon Fraser University in Vancouver, Canada, University of Natal and University of Orange Free State. He is currently involved with Soros Philanthropy in southern Africa and nine SADC countries.

2. Richard Pike (45)
Chief Executive Officer
Executive Director
BCom (Hons), CA(SA)
Appointed 18 October 2000

No outside directorships held

After completing articles at Deloitte Haskins & Sells, he joined the Hunt Leuchars & Hepburn Group as group Financial Manager, later being appointed as Financial Director of HL&H Mining Timber. In 1995 he co-founded Morgan University Alliance, a private education and business consulting initiative offering degree and diploma programmes in business management from the University of Warwick in the UK. In 1999, he listed Acumen Holdings Limited, a staffing and training group of companies. Acumen was acquired by Adcorp Holdings Limited in the year 2000 when Richard assumed the position of Deputy Chief Executive Officer. In 2001 he was appointed as Chief Executive Officer of Adcorp Holdings Limited.

3. Campbell Bomela (58)
Executive Director in charge of BBBEE
BCom, MBA
Appointed as a Non-Executive Director
11 March 2004
Appointed as an Executive Director
1 March 2006

Outside directorships held
Matlapeng Resources – Non-Executive Director
Mega Afrika – Non-Executive Director

Campbell Bomela was the MD of Black Management Forum Investments Company (BMFI) until he joined Adcorp on 1 March 2006. He has been a senior business professional for over 15 years and as part of his experience, he was seconded to start up the Department of Economic Affairs for the Eastern Cape Government after the 1994 general elections. Later he was seconded to assist with the amalgamation and rationalisation of the different economic development corporations which operated in the Eastern Cape prior to 1994. On completion, he started and ran his own businesses in this area.

4. Faunce Burd (59)
Chief Financial Officer
Executive Director
Appointed 9 September 2002

No outside directorships held

Faunce first joined the Adcorp Group in 1990 in the capacity of Managing Director of Adcorp Graphics. She then left the Group in 1991 to take up the position of Financial Director of Mono Pumps (part of Murray and Roberts) for a period of five years. Faunce re-joined Adcorp in 1997, heading up the subsidiary Adcorp Management Services and a year later was appointed as Group Financial Director of Adcorp Holdings Limited.

5. Nelis Swart (44)
Head of Flexible Staffing
Executive Director
MCom
Appointed 9 September 2002

Outside directorships held
Dreamworld Investments – Director
Magnolia Ridge Properties 360 – Director

Nelis lectured on the subjects of Strategic and Financial Management at the University of Pretoria. During the same period he was also a co-founder of a consulting and marketing research company. Thereafter he was involved with Deloitte & Touche and Byrne Fleming in a management consulting capacity during which period he gained significant consulting experience in a variety of industries. Prior to his appointment as Managing Director of Quest Flexible Staffing Solutions, he was the commercial director of Beier Industries in KwaZulu-Natal.

6. Faith Khanyile (40)
Non-Executive Director – Independent
BA Economics (Hons), MBA
Appointed 11 September 2002

Outside directorships held
WDB Investment Holdings – Non-Executive Director
Uthingo – Non-Executive Director

Faith started her career in private equity at Brait in 1995. In 1999 Faith was instrumental in the establishment of a women's empowerment company, Women's Development Business Investment Holding Company (WDB Investment Holdings). During the same year, Faith was part of the team in Uthingo that was successful in securing the first National Lottery Licence in South Africa.

Resignations
Bonga Zungu (alternate) – 19 July 2006
Thendo Ratshitanga (alternate) – 5 September 2006
The following directors resigned with effect from 1 March 2007:

Matodzi Liphosa
Sonja Sebotsa
Henry Barenblatt
Rob McGregor
Shepherd Shonhiwa
George Negota

The above directors will be replaced by three non-executive directors once the new BBBEE transaction is finalised. One further non-executive appointment will take place in June 2007.

CHAIRMAN'S REPORT

The 2006 financial year was a phenomenal year for the Adcorp Group. This is not only reflected in the very impressive surge in the Adcorp share price but, particularly in the organisational and strategic changes that have taken place. During the prior year, the company decided to focus fundamentally on the area of Human Capital Management. Consequently, the Group's Marketing Advisory companies which were not aligned to this core focus were disposed of. At the same time, three acquisitions were made of companies more related to our shift in focus namely, Employrite, FMS Marketing Solutions and the Capital Outsourcing Group, this last one still being conditional.

Significant changes were also brought about in our black empowerment structure. A 25% BBBEE deal was concluded with Wiphold, Simeka Consulting Group and an Employee Share Incentive Scheme. The focus of this structure is on delivery and performance and an avoidance of decorative ploys. Adcorp's successes in this area was recognised by it being placed second overall on the JSE by the Financial Mail's "Top Empowerment Companies 2007" and being ranked first in the Support Services Sector.

All of these changes have led to the Adcorp Group being better positioned than ever and has facilitated the streamlining of the Group's management structure and board of directors. We are now a much leaner and tougher corporate machine.

It is common knowledge that the demand for skilled workers is going to increase exponentially and is likely to remain so for some time. We are poised and ready to respond.

But let it not be forgotten: any company is only as efficient and excellent as the people who devote their time and energy to it. Adcorp is blessed with an abundance of concentrated human capital and intelligence. Our CEO, Richard Pike deserves special mention in this regard. He inspires by example. With him and his team Adcorp awaits the challenges of the next year with keen anticipation.

We look forward to an even more successful 2007 which represents a significant year in the history of the Group given that Adcorp will have been listed on the JSE for 20 years having originally listed in 1987.

F Van Zyl Slabbert
Chairman

CHAIRMAN'S AWARDS

Recognising exceptional achievements by individuals and companies in the Adcorp Group

The Adcorp Chairman's Awards were introduced in 2001 to acknowledge the exceptional achievements and extraordinary talent that resides within the Group. As one of South Africa's leading human capital management companies, Adcorp appreciates that employees play a pivotal role in Adcorp's overall performance and success.

INDIVIDUAL AWARDS

Adcorp Chairman's Award	Bruce Carr
Innovation Award	Jaco Boonzaaier
Customer Service Award	Bruce Torien
Team Player Award	Rosemary Earp-Jones
Administration/Support Award	Joan Hefer
Leadership Award	Nikki Hansell
Cash Management Award	Reinette Smit
The Adcorp Special Commendation Award	Loane Sharp

COMPANY AWARDS

Black Economic Empowerment and Transformation	Capacity Outsourcing
Cash and Margin Management	Capacity Outsourcing
Most Improved Profit Contribution	Charisma Healthcare Solutions
Biggest Profit Generator in the Group	Capacity Outsourcing
Best Working Environment	DAV

Chairman's AWARDS

CEO'S REPORT

Adcorp restructures and continues to deliver strong profit growth

OVERVIEW

The Adcorp Group continues to deliver strong profit growth with headline earnings increasing some 25% to R101,4 million (2005: R81,4 million) whilst headline earnings per share of 236,5 cents for the year ended 31 December 2006 (2005: 195,1 cents) increased some 21% compared to last year.

Operating profit from continuing and discontinued operations of R125,2 million was some 7,5% ahead of the R116,4 million operating profit reported last year whilst earnings per share of 251,8 cents compared to the 156,2 cents reported in the prior year. Earnings per share were affected by the net, non-trading impact of a R7,6 million profit on the disposal of a portion of the Group's marketing research division (The Customer Equity Company) which was disposed of with effect from 31 December 2006 as well as the corporate communications division which was disposed of with effect from 1 March 2006.

Also pleasing to note is that there were once again, strong performances with regard to the Group's two key financial imperatives namely, margin management and cash generation.

With regard to margin management, operating margins for the period decreased slightly compared to the prior year level of 4,9% to the current level of 4,6%. This was mainly due to mix resulting from high growth in lower margin blue collar business. The conversion ratio of cash generated by operating activities to operating profit before goodwill was 75% (2005: 80%). R93,8 million cash was generated by operating activities.

In terms of returns to shareholders, 2006 has once again been a year of delivering significant returns and value for shareholders as shown in the table below.

SHAREHOLDER WEALTH CREATION

(R'000)	2006	2005	2004	2003
Market capitalisation (at end of year)	1 301 463	1 022 745	697 264	475 533
Market capitalisation (at beginning of year)	1 022 745	697 264	475 533	253 266
Increase in market capitalisation	278 718	325 481	221 732	222 266
Cash returned to shareholders dividends	62 976	48 242	31 964	18 918
Wealth generated for shareholders	341 694	373 723	253 696	241 184
% one year return for shareholders	33	54	53	95
% dividend yield to shareholders (beginning of year investor)	6,2	6,9	6,8	7,5

Since the beginning of 2003, the internal rate of return to Adcorp investors has been 56%.

STRATEGIC DEVELOPMENTS

During 2006, the decision was taken to focus Adcorp's activities solely in the area of human capital management and to exit the Group's marketing research, public relations and graphic design businesses.

As such, the 2006 financial year was an extremely busy one which involved redefining the Group's span of activities, disposing of non-core businesses and buying replacement, core businesses that will significantly bolster Adcorp in the future.

As a result, Adcorp has positioned itself as a leading provider of both staffing solutions and business process outsourcing whereby our activities are now focused primarily on attracting, retaining and developing appropriate people talent and on optimising our client's business processes and people productivity.

In terms of repositioning the Group accordingly, Adcorp has now successfully disposed of Simeka TWS, Graphicor, Research Surveys and Knovation as well as its 25% minority stake in Career Junction.

In redeploying the approximately R135 million funds realised through the sale of these businesses, the Group has acquired blue collar staffing businesses, Capital Outsourcing Group (subject to Competition Commission approval) and Employrite as well as value added employee benefit solutions business, FMS Marketing Solutions.

The total cost of these acquisitions has been approximately R501 million which will be funded by a combination of cash realised through the sale of non-core businesses, debt and the issue of shares.

The profits of Employrite were included in the Group results from December 2006 while FMS Marketing Solutions' financial results will be included in the Group's results with effect from 1 January 2007. The results of Capital Outsourcing Group will be included with effect from June 2007 subject to approval of the transaction by the Competition Commission.

In addition, Adcorp recently announced a broad-based black economic empowerment (BBBEE) transaction that will significantly bolster the empowerment credentials of the Group and will also create an opportunity for all Adcorp employees to share in the Group's financial fortunes. In terms of this new empowerment initiative, the empowerment shareholding structures of the flexible staffing division and the disposed communications division have been unwound thus consolidating all of the Group's empowerment shareholding in the new structure.

In terms of this BBBEE transaction, a consortium comprising women's grouping, Women Investment Portfolio Holdings Limited ("Wiphold"), will hold 8,75% of the shareholding in Adcorp whilst, a 6,25% share will be held by Simeka Group (Pty) Limited and a 10% share will be held by an Adcorp Employee Share Incentive Trust.

Having redefined the Group as detailed above, the decision has also been taken to significantly streamline the senior executive management structure as well as to downsize the board of Adcorp.

Given this repositioning and restructuring, the future prospects for the Adcorp Group have been significantly bolstered.

The permanent recruitment operations of the Group performed well and continued to enjoy the buoyant recruitment market conditions that were evident in the 2005 financial year. However, a significant, one-off contract delivered in the second half of 2005 has skewed year-on-year comparison.

The recruitment environment in South Africa continues to perform well in line with strong growth of the South African economy. In particular, the demand for staff in the financial services, retail, engineering, telecommunications and public sectors continues to be strong.

The demand for affirmative action candidates is also a major driver in the recruitment industry. As such, the balance in the market has shifted somewhat away from a constraint in new employment positions to a constraint in candidate availability.

The flexible staffing division also had a strong year despite Quest having a difficult start to the year following various management disruptions including the death of their CEO.

Including the new acquisitions, the flexible staffing operations will provide jobs for approximately 50 000 employees at any point in time with its biggest markets being the financial services, telecommunications, retail, office support, call centre, technical and semi-skilled sectors of the job market.

The Group is currently implementing a new Microsoft Dynamics AX ERP system. The upgrade has been necessitated by the rapid growth and changing nature of the flexible staffing businesses, the age and complexity of the existing systems as well as the need for timely, relevant operational information given the strong focus on margin management and the untapped potential that can be achieved by focusing on operational excellence.

The system is expected to be fully commissioned in the second half of 2007 which is slightly behind schedule but the impact of the delay should be negligible.

HUMAN RESOURCES

Being a people intensive business, the need for sound human resource policies and procedures is of paramount importance.

The key focus of this function is around the attraction and retention of top talent into the Group.

In this regard, the group remains committed to upholding a best practice human resource management approach ensuring that the management of human resources is effective, efficient and that there is fair treatment of all employees.

In terms of this best practice approach, particular emphasis is given to the following areas:

- Recruitment practices
- Retention policies and programmes
- Succession planning
- Performance management
- Training and development

- Employment equity and affirmative action
- Labour relations

In addition, the Group human resources function is the custodian of the Group's social investment activities which are primarily focused on the support of vegetable garden projects in disadvantaged communities and the support and care of HIV/Aids sufferers and orphans.

CHANGE IN YEAR-END

Given the significant changes to the Group structure as reported and the fact that the Group's largest activity involves the contracting and administration of a significant number of individuals who are tax assessed according to a tax year that ends in February each year, the decision has been taken to change the company's financial year-end to February.

As such, the financial results presented for the ensuing financial period will be for a 14-month period commencing on 1 January 2007 and ending on 29 February 2008. Interim results for this period will be disclosed for the 8-month period ending 31 August 2007.

OUTLOOK

The ambitious strategy developed and embarked upon by management at the beginning of the 2006 financial year has now been fully implemented. On reflection, the Group could not have wished for or expected a better result.

Given the significant repositioning and restructuring of the Adcorp Group that has taken place over the past 12 months, the focus of management is now to consolidate and integrate the new acquisitions and reporting structure.

Although significantly bigger than before, the Group is now far more focused than ever in a high growth industry with fewer reporting entities and a simpler, streamlined management structure.

The benefits to the Group resulting from the significant corporate activity achieved over the past year can be summarised as follows:

- The Group now has a far more focused strategy;
- Being far more focused, it is now easier for investors to understand the business of Adcorp;
- The new management and operational structures are more effective and simpler;
- The Group can now boast an effective 25% BBBEE structure with reputable partners;
- The earnings of the Group have been significantly bulked as a result of the sizeable acquisitions;
- The visibility of Adcorp has increased;
- The quality of earnings has been enhanced;
- The vulnerability of the Group to cyclical earnings has been reduced;
- There are less businesses to manage;
- Adcorp is now the clear industry leader;
- The Group will now have greater access to innovative management information as a result of the implementation of the Dynamics AX ERP system; and
- Newly acquired people talent will significantly add to the Adcorp strategic debate.

Based on this strong positioning together with the prospect of a far greater BBBEE profile, 2007 should be both a successful and exciting year for the Adcorp Group.

APPRECIATION

As Adcorp's strength has always been its outstanding people, I would like to thank the directors, management and staff of the Adcorp Group for their valued contribution over the past year and look forward to their continued support in the future.

Richard Pike
Chief Executive Officer

SIX-YEAR REVIEW

	IFRS*			SA GAAP*		
	2006	2005	2004	2003	2002	2001
INCOME STATEMENT						
Revenue (R'000)	2 700 216	2 359 652	1 980 116	1 667 235	1 523 381	1 211 287
Operating profit before depreciation and amortisation (R'000)	144 381	131 655	99 323	85 735	79 466	90 061
Operating profit before amortisation of goodwill (R'000)	125 165	116 407	85 493	72 433	64 500	74 035
Operating profit (R'000)	125 165	116 407	85 493	67 942	59 258	67 432
Profit/(loss) before taxation (R'000)	136 460	102 139	78 465	17 016	(20 246)	69 398
Tax rate (%)	24,8	30,5	23,0	39,2	32,4	32,1
Profit/(loss) for the year (R'000)	105 620	67 129	59 333	(9 089)	(38 387)	50 487
Profit/(loss) attributable to ordinary shareholders	107 994	65 185	56 917	(8 802)	(38 577)	49 205
BALANCE SHEET						
Fixed and other non-current assets (R'000)	138 372	119 723	141 541	132 791	175 871	205 805
Current assets (R'000)	511 496	438 307	349 035	294 081	262 035	261 423
Total assets	649 868	558 030	490 576	426 872	437 906	467 228
Ordinary shareholders' interest (R'000)	310 703	249 706	215 945	186 707	214 309	261 510
Minority and BEE shareholders' interest (R'000)	82	2 456	3 070	788	394	1 281
Non-interest-bearing non-current liabilities (R'000)	1 586	5 541	6 887	–	1 002	1 137
Deferred taxation (R'000)	3 424	1 777	–	–	–	–
Current liabilities (R'000)	334 073	298 550	264 674	239 377	222 201	203 300
Total equity and liabilities (R'000)	649 868	558 030	490 576	426 872	437 906	467 228
PROFITABILITY						
Return on assets managed (%)	30,4	33,4	30,7	29,6	26,3	30,5
Return on equity (%)	37,5	28,5	29,2	(4,5)	(16,1)	20,5
Return on sales (operating margin) (%)	4,6	4,9	4,3	4,3	4,2	6,1
EBITDA/revenue (%)	5,3	5,6	5,0	5,1	5,2	7,4
Number of employees	1 810	1 569	1 658	1 611	1 594	1 649
LIQUIDITY						
Cash generated by operations to operating profit (%)	74,9	79,4	102,9	131,9	97,6	96,0
Current ratio	1,5	1,5	1,3	1,2	1,2	1,3
Gearing (%)	6,0	–	0,6	11,9	23,2	4,4
Debtors days	36	33	36	38	44	49
STATISTICS						
Weighted average number of shares in issue ('000)	42 882	41 730	40 302	40 031	39 936	40 481
Headline earnings per share (cents)	236,5	195,1	158,2	96,4	106,6	137,7
Earnings/(loss) per share (cents)	251,8	156,2	141,2	(22,0)	(96,6)	121,6
Total capital distribution/annual dividend per share (cents)	168	140	105	64	37	28
Dividend/capital distribution cover (times) based on HEPS	1,4	1,4	1,5	1,5	2,9	4,9
Net asset value per share (cents)	716	592	531	466	535	652

* Note: The 2005 and 2006 year results have been prepared in accordance with International Financial Reporting Standards (IFRS). The transition date to IFRS was 1 January 2004 resulting in the 2004 figures being restated to reflect IFRS adjustments. Figures prior to 2004 have been prepared in accordance with South African statements of Generally Accepted Accounting Practice (SA GAAP, which was effective at 31 December 2004).

DEFINITIONS

CASH GENERATED BY OPERATING ACTIVITIES TO OPERATING PROFIT
Cash generated by operations as a percentage of operating profit.

CURRENT RATIO
Total current assets divided by total current liabilities.

DEBTORS DAYS
Debtors days are calculated using the peel back method, whereby the trade debtors balance is reduced by monthly sales (including VAT), until the balance is exhausted.

DIVIDEND/CAPITAL DISTRIBUTION COVER
Headline earnings divided by the annual dividend/capital distribution.

EBITDA/TURNOVER
Operating profit before depreciation and amortisation as a percentage of revenue.

EARNINGS PER SHARE
Profit attributable to ordinary shareholders, divided by the weighted average number of shares in issue.

GEARING
Total interest-bearing debt divided by total ordinary shareholders' interest.

NET ASSET VALUE PER SHARE
Ordinary shareholders' interest, divided by the number of shares in issue at the year-end.

RETURN ON ASSETS MANAGED
Operating profit (before goodwill amortisation prior to 2004) divided by the total of property and equipment, trade and other receivables.

RETURN ON EQUITY
Profit for the year divided by average equity of shareholders.

RETURN ON SALES (OPERATING MARGIN)
Operating profit (before goodwill amortisation prior to 2004) divided by revenue.

The board of directors is fully committed to effective corporate governance

COMPLIANCE WITH THE CODE OF CORPORATE PRACTICES AND CONDUCT

The board of directors is fully committed to effective corporate governance and the need for integrity and high ethical standards in the conduct of its business. Adcorp fully supports the Code of Corporate Practices and Conduct and endorses the need to conduct its business in accordance with the highest standards of corporate practice. The directors have applied the recommendations as contained in the Code of Corporate Practices and Conduct set out in the King II report.

BOARD OF DIRECTORS

The board of directors as set out on pages 10 and 11 of the annual report consists of four executive directors and two non-executive directors. Three additional non-executive directors and one alternate director will be appointed once the recently announced BBBEE deal is approved by shareholders. A further professional financial person will be appointed as a non-executive director – June 2007 which will bring the total number of board members to ten, two positions less than previously.

The non-executive directors provide the board with independent judgement based on their significant range of skills and commercial experience. Six board members are black and three are women. The functions of Chairman and CEO are not performed by the same person.

The board meets quarterly and on an ad hoc basis if considered necessary. The main function of the board is to determine strategy and direction and to lead the Group in this direction with integrity and judgement. In addition it is responsible for the overall sustainability of the Group including areas such as risk management, protection of Group assets, monitoring key performance indicators as well as the adequacy of policies and systems. It is further required to ensure compliance with all legal and statutory requirements.

Certain functions have been delegated to sub-committees, which currently consist of the audit committee, risk committee, transformation committee and the remuneration and nominations committee. The functions of these committees are described more fully under each of the relevant sub-headings in this report.

All new directors are given a presentation on the Group's strategy as well as a document outlining the duties and responsibilities of directors. Presentations covering director responsibilities and fiduciary duties are also arranged for board directors from time to time.

Executive directors do not have service contracts, and employment is subject to a maximum of three months' notice with the exception of the CEO where the notice period is six months. Restraint agreements have been signed and all executive directors hold either shares or share options or both.

A declaration of interests is submitted by all directors annually in order to determine any conflict of interests. No conflicts of interest exist at present but if this were to occur it would be resolved by the board. All board directors have access to the advice of the company secretary and are at liberty to obtain external advice at the company's cost if necessary.

BOARD MEETINGS

Board meetings were held quarterly and all board members attended these meetings with the following exceptions. Apologies were received from:

1st quarter:	None
2nd quarter:	S Shonhiwa
3rd quarter:	H Barenblatt
	F Khanyile
4th quarter:	G Negota

EXECUTIVE COMMITTEE

The Adcorp executive committee is the most senior executive decision-making body in the Group. The committee is chaired by the Chief Executive Officer and comprises the Group financial director, human resources director, transformation director and divisional directors responsible for the Flexible Staffing, Permanent Staffing and Recruitment, Communications and Marketing Research divisions. In addition the Group Chairman, while not directly involved in the day-to-day operational issues of the Group, also attends the executive committee meetings which are held on a monthly basis.

The executive committee is responsible for inter alia the following:

- Strategic planning, monitoring of market trends and competitive activity.
- Structuring of the Group's portfolio of assets.
- Shaping and approving operational strategies, budgets and forecasts.
- Measuring, monitoring and taking proactive action on company performances.
- Monitoring and managing cash, cash collections and margins.
- Shaping and approving succession plans and senior management appointments.
- Group BEE structures, initiatives and transformation.
- Group reporting and reporting to shareholders.

AUDIT COMMITTEE

The audit committee consists of:

NON-EXECUTIVE

S Sebotsa (Chairperson)	Appointed 2 October 2002 Resigned as Chairperson 9 May 2006
F Khanyile	Appointed 2 October 2002
VZ Slabbert	Replaced S Sebotsa as chairperson. Appointed 9 May 2006

EXECUTIVE (BY INVITATION)

F Burd (Group Financial Director)	Appointed 9 September 2002
L Warwick (Group Financial Manager)	Appointed 25 November 2004

INTERNAL AUDITORS (BY INVITATION)

Sizwe Ntsaluba vsp	Appointed 28 October 2005

EXTERNAL AUDITORS (BY INVITATION)

Deloitte & Touche	Appointed 2002
Charter Financial & Auditing Inc	Appointed 1987

Apologies were received from S Sebotsa in respect of the March 2006 meeting and from VZ Slabbert in respect of the 27 October 2006 meeting. The remaining members attended all meetings.

The audit committee has a charter setting out its functions and responsibilities and is chaired by a non-executive director. The committee met four times during the year with management as well as the external and internal auditors to review the Group's financial systems and reports. The audit committee works from a written checklist including the following areas which are reviewed on an ongoing basis:

- Appropriate accounting policies have been adopted and consistently applied.
- Evaluation of critical risk areas and how these are being addressed.
- Review of internal and external audit reports.
- Assessment of control mechanisms and correctness of financial data.
- Level and competency of company and group management, particularly in the financial area.
- Disaster recovery procedures.

The auditors are appointed annually based on the recommendation of the audit committee. Currently the Group auditors are Deloitte & Touche.

The audit committee may authorise the engagement of non-audit services with the appointed external auditors or any

CORPORATE GOVERNANCE CONTINUED

other practising firm of auditors, after consideration of the following:

- the nature of the work being performed will not affect the independence of the appointed external auditors in undertaking the normal audit assignments;
- the work being done may not conflict with any independence requirements or principles of good corporate governance;
- the company will not appoint a firm of auditors to improve systems or processes where such firm of auditors will later be required to express a view as to the functionality or effectiveness of such systems of processes;
- the company will not appoint a firm of auditors to provide services where such a firm of auditors will later be required to express a view on the fair representation of information as a result of these services to the company;
- the total fee earned by an audit firm for non-audit services in any financial year of the company, expressed as a percentage of the total fee for audit services, may not exceed 50% without the approval of the board, with the exception of tax services; and
- a firm of auditors will not be engaged to perform any management functions (eg acting as curator) without the express prior approval of the board. A firm of auditors may be engaged to perform operational functions, including that of bookkeeping, when such firm of auditors are not the appointed external auditors of the company and work is being performed under management supervision.

Relevant issues discussed by this committee are reported to the Adcorp board and the board is kept fully informed as to the workings of the committee.

RISK COMMITTEE

The risk committee consists of:

NON-EXECUTIVE

G Negota (Chairman)	Appointed 1 April 2004 Resigned 1 March 2007
F Khanyile	Appointed 1 April 2004
S Shonhiwa	Appointed 1 April 2004 Resigned 1 March 2007

EXECUTIVE

F Burd	Appointed 1 April 2004
L Warwick	Appointed 25 November 2004

The risk committee met once on 28 May 2006 and all committee members attended.

The risk committee was established in 2004 and has a charter which defines its duties and responsibilities. The committee is responsible for the evaluation of external and internal risks to the Group as well as reviewing the philosophy and strategy, policies and processes in order to ensure that risk management is embedded in the culture of the Group. The risk committee also monitors management action in dealing with and minimising risks to the Group.

TRANSFORMATION COMMITTEE

The transformation committee was established in 2004 and consists of:

NON-EXECUTIVE

C Bomela (Chairman)	Appointed 1 April 2004
Dr VZ Slabbert	Appointed 1 April 2004
M Liphosa	Appointed 1 April 2004 Resigned 1 March 2007

EXECUTIVE

A Ramsden (ex officio)	Appointed 1 April 2004
W Smith (ex officio)	Appointed 1 June 2006
J Boonzaaier (ex officio)	Appointed 1 June 2006

This committee met three times during 2006 and all committee members attended these meetings. Transformation is an ongoing Group focus and is discussed at all Adcorp board meetings as well as at all executive committee meetings.

The transformation committee is responsible for monitoring transformation at all levels within the Group as well as assisting with formulation of Group transformation policy and reviewing the implementation of these policies. In addition the committee reviews progress on employment equity and skills development as well as corporate social investment. Adcorp has recently been awarded second place overall and first in its category in the "Financial Mail's Top 200 Most Empowered Companies in South Africa."

REMUNERATION AND NOMINATIONS COMMITTEE

This committee met once during the year and consists of:

NON-EXECUTIVE

S Shonhiwa (Chairman)	Appointed 2 October 2002 Resigned 1 March 2007
Dr VZ Slabbert	Appointed 20 November 1995

Executive
F Burd (ex officio)
R Pike (ex officio)

The remuneration committee is responsible for approving the remuneration of all board directors as well as the allocation of share options to employees. Independent external consultants and market comparisons are used to ensure that remuneration is market related and is linked to both individual and company performance. Directors' remuneration is fully disclosed on page 63.

INTERNAL CONTROL

The directors report that the company's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of its assets. Such controls are based on established written policies and procedures and are implemented by trained personnel with an appropriate segregation of duties. These policies and procedures are reviewed continually and updated as necessary. The internal audit division conducts ongoing audits on all Group companies and written reports are compiled. All items raised in these reports are addressed promptly. The risk committee evaluates external risks to the businesses and matters of concern are addressed on an ongoing basis by management. The Group has a documented and tested business continuity plan which should enable it to recover from a disastrous incident. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

GOING CONCERN

The directors are of the opinion that the business will be a going concern for the foreseeable future and accordingly, the financial statements have been prepared on a going concern basis.

SOCIAL INVESTMENT

Adcorp established a formal Social Investment Programme in January 2001. The achievements of this programme as well as its purpose and future direction are covered more fully under the section on "Corporate Social Responsibility" on page 26.

NON-FINANCIAL MATTERS

All directors and employees are required to maintain the highest ethical standards in ensuring that the Group's business practices are conducted in a manner which in all reasonable circumstances is beyond reproach. There is a documented code of conduct which is signed by all employees.

Adcorp is committed to educating and supporting employees in the fight against HIV/Aids and has produced a booklet and posters on HIV/Aids awareness. The Group has a formal HIV/Aids policy and has done assessments on the effect HIV/Aids could have in the workplace.

Adcorp is concerned about employee safety and while employees mainly work in an office environment, reasonable steps are taken to ensure their safety. Capacity, which is involved in the contracting of "blue collar" workers, has a National Health and Safety Manager who is responsible for the safety of all employees.

The Group places significant importance on the use of empowered suppliers

Adcorp is environmentally responsible and aware and ensures that at all times the Group in no way negatively impacts on the environment.

STAKEHOLDER COMMUNICATION

The board strives to present a balanced and understandable assessment of the Group's position, addressing material matters of significant interest and concern to stakeholders. At all times, a balance is sought in presenting the positive and negative aspects of activities of the Group.

The Group reports under IFRS and accordingly, the results for the year ended 31 December 2006 have been prepared in accordance with the Group's accounting policies, which comply with International Financial Reporting Standards (IFRS). Details of the Group's accounting policies are set out more fully in the financial statements.

CHANGE OF YEAR-END

Adcorp will be changing its year-end from December to February so that the next year-end will be 29 February 2008. The interim results will cover the eight-month period to end August 2007 and the annual results will be for the 14-month period to end February 2008. This decision was taken based on the fact that the recent acquisitions are all February year-end companies and that a February year-end is logical as it is coterminous with the employee tax year. Including the new acquisition: Adcorp will be paying approximately 50 000 temporary employees per week.

USE OF EMPOWERED SUPPLIERS

The Group places significant importance on the use of empowered suppliers and sourcing of services and supplies from empowered companies is encouraged and maintained.

CLOSED TRADING PERIOD

Directors and managerial staff are precluded from trading in Adcorp shares from end February (new financial year-end) until the announcement of the annual results and again from 31 August until the announcement of the interim results.

HUMAN RESOURCES

The board of directors has formalised a transformation programme whereby measurable objectives for the Adcorp Group have been set in four areas:

- Best practices in human resources
- Affirmative action
- Organisational culture
- Black economic empowerment

The transformation framework has followed the strategic business plan of the Group and its operating companies and is focused primarily on building capacity through focused development and skills transfer. This is aimed at achieving sustained growth and profitability both now and in the future. In order to achieve strategic business objectives, the above transformation process is supported with a performance measurement system focused on measuring key objectives at all levels throughout the Group. The system facilitates effective planning, implementation and monitoring at board level and reflects the individual and collective commitment of all directors and senior managers to the process. A table setting out the number of employees and the employment equity status of the Group appears on page 25. In addition to 1 810 permanent employees the Group will have approximately 50 000 contract and temporary employees including Capital Outsourcing which is still subject to Competition Commission approval. These temporary employees are placed in employment across a wide spectrum of businesses. Adcorp has a large number of learnerships which also form part of the Group's training initiatives.

EMPLOYMENT EQUITY – PERMANENT STAFF

	2006	2005
Total workforce	1 810	1 568
Total employees with disabilities	22	1
Workforce profile		
Racial and gender profile		
Non-designated Group	187	156
White females	643	618
Black males	270	214
Black females	710	581
Occupational level profile		
Management (top management, senior management, middle management, junior management)*	1 218	429
Non-management	592	1 140
Management profile by gender (top management, senior management, middle management, junior management)		
Females	957	302
Males	261	127
Management profile by race		
Black	538	118
White	680	311
Non-management profile by gender		
Females	420	897
Males	172	243
Non-management profile by race		
Black	467	677
White	125	463
Disability profile		
Management	14	–
Non-management	8	1
People with disabilities by gender		
Females	14	1
Males	8	–
Total employees before reporting cycle	1 568	1 658
Add: Recruitments	693	819
Less: Resignations	(218)	(32)
Non-renewal of contracts (contract employees)	(109)	(820)
Dismissals	(33)	(22)
Retirements	–	–
Other, deceased, transferred	(83)	(7)
Retrenchments	(8)	(28)
Total employees as on reporting date of the reporting cycle	1 810	1 568

Adcorp Holdings complies fully with the provisions of Chapter 3 of the Employment Equity Act. Employment equity is viewed as an integral part of the broad-based black economic empowerment strategy and is continuously monitored across the Group.

* In 2005 junior management were incorrectly included in non-management

CORPORATE SOCIAL RESPONSIBILITY

Adcorp annually commits 1% of its profit to corporate social investment projects

Adcorp annually commits an amount equivalent to 1% of its annual profits to corporate social investment (CSI) projects. In this regard, the Group has selected the implementation and support of agricultural projects, specifically vegetable gardens in disadvantaged communities as its preferred vehicle for community support.

The vegetable garden projects are predominantly situated in disadvantaged schools and community centres. They support the schools feeding schemes and are also used by these schools for educational purposes. They also feed disabled people and people affected by HIV/Aids.

The approach of Adcorp in terms of these projects is to help unskilled and semi-skilled, unemployed people in these disadvantaged communities. Where practical preference in the transfer of skills is given to women.

Each project requires a committed champion and all participants receive basic skills training on growing vegetables.

Nine vegetable gardens are in full production and two are in progress

Adcorp also provides the necessary infrastructure, equipment, seeds and fertilisers and assists with the set up of a governing structure for the project and the establishment of a project bank account.

The projects are designed to be self-sustaining within two years of establishment, operating as individual micro-enterprises.

Additional benefits of these projects are that they provide nutrition to people in participating schools and the surrounding communities including orphanages and clinics.

Nine such projects have been established to date and participants sell vegetables in the informal retail markets in their respective communities and have also recently begun to extend their sales efforts to formal, open vegetable markets.

To date projects have been established at the following sites:

- Eluthandweni Maternity Clinic, Vosloorus
- Ikusasa Secondary School, Thembisa
- T-SHAD (Thembisa Self Help Association for the Disabled), Thembisa
- Banareng Primary School, Atteridgeville, Tshwane
- Sonqoba Primary School, Katlehong
- Tshedimosho Primary School, Mofolo, Soweto
- Thembile Primary School, Kagiso, Krugersdorp
- Humana People to People Centre, Doornkop, Soweto
- Ekukhanyeni Primary School, Wattville, Benoni

Two new vegetable garden projects are being established in Ethekwini and Cape Town.

In addition, the Adcorp Corporate Social Investment Programme has in the past supported a number of rural projects in Limpopo, focusing on skills development in pottery, vegetable and chicken farming.

SHAREHOLDER ANALYSIS AND DIARY

	Number of shareholders	% of total shareholders	Number of shares	% of shares
1. PORTFOLIO SIZE				
Range				
1 – 1 000	857	46,20	371 663	0,86
1 001 – 10 000	775	41,78	2 622 587	6,05
10 001 – 100 000	143	7,71	4 668 565	10,76
100 001 – 1 000 000	73	3,94	22 581 335	52,05
1 000 001 – and above	7	0,38	13 137 945	30,28
Totals	**1 855**	**100,00**	**43 382 095**	**100,00**

	Number of shareholders	% of total shareholders	Number of shares	% of shares
Banks	9	0,49	1 996 821	4,60
Close corporations	10	0,54	112 300	0,26
Individuals	1 503	81,02	3 551 442	8,19
Insurance companies	36	1,94	7 954 855	18,34
Collective investment schemes and mutual funds	85	4,58	17 710 650	40,82
Nominees and trusts	97	5,23	2 117 051	4,88
Pension funds and medical schemes	99	5,34	9 194 534	21,19
Private companies	14	0,75	651 152	1,50
Adcorp share trust	1	0,05	19 288	0,04
The company	1	0,05	74 002	0,17
Totals	**1 855**	**100,00**	**43 382 095**	**100,00**

	Number of shareholders	% of total shareholders	Number of shares	% of shares
Non-public	4	0,21	326 708	0,75
Share trust	1	0,05	74 002	0,17
Directors	3	0,16	252 706	0,58
Public	1 851	99,79	43 055 387	99,25
Totals	**1 855**	**100,00**	**43 382 095**	**100,00**

	Number of shares	% of shares
Investec Asset Management	7 732 634	17,82
Sanlam Asset Management	4 667 270	10,76
Old Mutual Asset Management	4 411 583	10,17
Allan Gray Asset Management	4 060 721	9,36

SHAREHOLDERS' DIARY FOR 2007

Financial year-end	February
Annual general meeting	09:00 Thursday, 28 June 2007

Reports

Interim results	October
Reviewed annual results	May
Audited annual financial statements	August

FINAL DIVIDEND

Final dividend of 126 cents per share (2005: 105 cents per share) was declared on 7 March 2007 payable to shareholders 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:

Last day to trade cum final dividend	Friday, 6 July 2007
First day to trade ex final dividend	Monday, 9 July 2007
Record date	Friday, 13 July 2007
Payment date	Monday, 16 July 2007

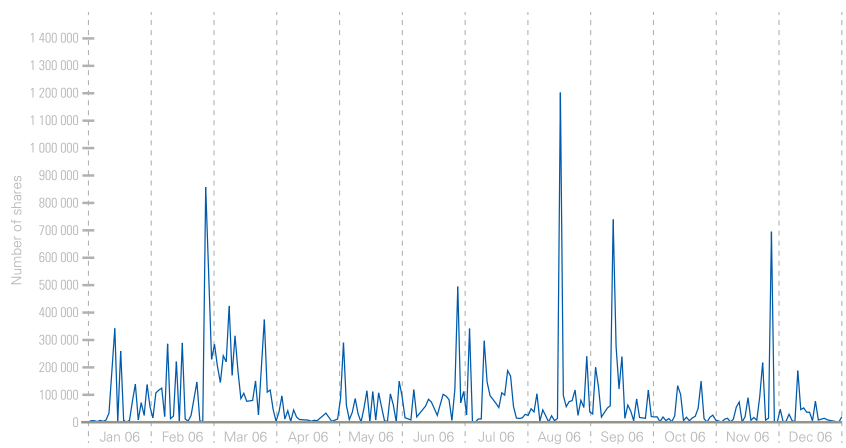
No share certificates may be dematerialised or rematerialised between Monday, 9 July and Friday, 13 July 2007 both days inclusive.

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 Central Securities Depository Participant or broker credited on the payment date.

ADCORP HOLDINGS

ADCORP SHARE DATA

Adcorp price chart – daily closing price



Adcorp volume chart – daily volume traded – 2006

Adcorp Holdings stats from 2 January 2006 to 29 December 2006

	2006	2005
Closing price of Adcorp Holdings (at 31 December) (cents)	3 000	2 400
Total number of trades (million)	19,6	16,2
Total value traded (rands)	477 645 403	339 138 484
Price of shares traded – highest (cents)	3 000	2 400
Price of shares traded – lowest (cents)	2 100	1 675
Total value traded as % of year-end market cap	36,72	33,16
Total value traded as % of average market cap	44,90	40,46

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2006

TO THE MEMBERS OF ADCORP HOLDINGS LIMITED

The directors of the company are responsible for the preparation, integrity, objectivity and fair presentation of the annual financial statements and related financial information presented in this report.

The directors are also responsible for the systems of internal control. These are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The company and Group financial statements are prepared in accordance with the provisions of the South African Companies Act and comply with International Financial Reporting Standards and incorporate full and reasonable disclosure in line with the accounting policies of the Group.

The directors are of the opinion that the business will be a going concern for the foreseeable future, and accordingly the financial statements continue to be prepared on a going concern basis.

It is the responsibility of the independent auditors to report on the annual financial statements. Their response to the members is set out on page 31.

The annual financial statements set out on pages 32 to 69 were approved by the board of directors on 16 May 2007 and are signed on its behalf by:

RL Pike
Chief Executive Officer

FD Burd
Chief Financial Officer

Johannesburg
16 May 2007

CERTIFICATION BY COMPANY SECRETARY

for the year ended 31 December 2006

In accordance with section 268G(d) of the Companies Act, 61 of 1973 as amended, I certify that the company has lodged with the Registrar all such returns as are required by a public company in terms of the Act and that all such returns are true, correct and up to date.

LJ Sudbury
Company secretary

28 Sloane Street
Bryanston
2021

Appointed 8 March 2006

Johannesburg
16 May 2007

REPORT OF THE INDEPENDENT AUDITORS

for the year ended 31 December 2006

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADCORP HOLDINGS LIMITED

We have audited the annual financial statements and Group annual financial statements of Adcorp Holdings Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 31 December 2006, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity and cash flow statement and the consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 32 to 69.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the Group as at 31 December 2006, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Deloitte & Touche

Deloitte & Touche
Registered Auditors

R Campbell
Partner

16 May 2007

Buildings 1 and 2
Deloitte Place
The Woodlands Office Park
Woodlands Drive
Sandton
2052

National executive: GG Gelink – Chief Executive, AE Swiegers – Chief Operating Officer, GM Pinnock – Audit, DL Kennedy – Tax, L Geeringh – Consulting, MG Crisp – Financial Advisory, L Bam – Strategy, CR Beukman – Finance, TJ Brown – Clients and Markets, SJC Sibisi – Public Sector and Corporate Social Responsibility, NT Mtoba – Chairman of the Board, J Rhynes – Deputy Chairman of the Board.

A full list of partners and directors is available on request.

DIRECTORS' REPORT

for the year ended 31 December 2006

The directors have pleasure in submitting their report and financial statements for the year ended 31 December 2006.

NATURE OF BUSINESS

Adcorp Holdings Limited is an investment holding company whose subsidiaries and associates carry on business mainly in South Africa, in the permanent recruitment and flexible staffing sectors as well as business process outsourcing.

OVERVIEW

The Adcorp Group continues to deliver strong profit growth with headline earnings increasing some 25% to R101,4 million (2005: R81,4 million) whilst headline earnings per share of 236,5 cents for the year ended 31 December 2006 (2005: 195,1 cents) increased some 21,2% compared to last year.

Operating profit from continuing and discontinued operations of R125,2 million was some 7,5% ahead of the R116,4 million operating profit reported last year whilst earnings per share of 251,8 cents compared to the 156,2 cents reported in the prior year. Earnings per share were affected by the net, non-trading impact of a R7,6 million profit on the disposal of portion of the Group's Marketing Research division (The Customer Equity Company), which was disposed of with effect from 31 December 2006 as well as the Corporate Communications division which was disposed of with effect from 1 March 2006.

Also pleasing to note is that there were once again, strong performances with regard to the Group's two key financial imperatives namely, margin management and cash generation.

With regard to margin management, operating margins for the period decreased slightly compared to the prior year level of 4,9% to the current level of 4,6%. This was mainly due to mix resulting from high growth in lower margin blue collar business. The conversion ratio of cash generated by operating activities to operating profit was 74,9% (2005: 79,6%). R93,8 million cash was generated by operating activities.

During 2006, the decision was taken to focus Adcorp's activities solely in the area of human capital management and to exit the Group's marketing research, public relations and graphic design businesses.

As such, the 2006 financial year was an extremely busy one which involved redefining the Group's span of activities, disposing of non-core businesses and buying replacement, core businesses that will significantly bolster Adcorp in the future.

As a result, Adcorp has positioned itself as a leading provider of both staffing solutions and business process outsourcing whereby our activities are now focused primarily on attracting, retaining and developing appropriate people talent and on optimising our client's business processes and people productivity.

In terms of repositioning the Group accordingly, Adcorp has now successfully disposed of Simeka TWS, Graphicor and Research Surveys, as well as its 25% minority stake in Career Junction. In redeploying the approximately R135 million funds realised through the sale of these businesses, the Group has acquired blue collar staffing businesses, Capital Outsourcing Group (subject to the Competition Commission and shareholders' approval) and Employ-Rite as well as value-added employee benefit solutions business, FMS Marketing Solutions.

The total cost of these acquisitions has been approximately R501 million which will be funded by a combination of cash realised through the sale of non-core businesses, debt and the issue of shares.

The profits of Employ-Rite were included in the Group results from December 2006, while FMS Marketing Solutions will be included in the results with effect from 1 January 2007. The results of Capital Outsourcing Group will be included with effect from June 2007 subject to approval of the transaction by the Competition Commission as well as approval by shareholders to issue additional Adcorp shares.

In addition, Adcorp recently announced a broad-based black economic empowerment (BBBEE) transaction that will significantly bolster the empowerment credentials of the Group and will also create an opportunity for all Adcorp employees to share in the Group's financial fortunes. In terms of this new empowerment initiative, the empowerment shareholding structures of the Flexible Staffing division and the disposed Communications division have been unwound thus consolidating all of the Group's empowerment shareholding in the new structure.

Having redefined the Group as detailed above, the decision has also been taken to significantly streamline the senior executive management structure as well as to downsize the board of Adcorp.

Given this repositioning and restructuring, the future prospects for the Adcorp Group have been significantly enhanced.

The permanent recruitment operations of the Group performed well, other than for a significant one-off contract in 2005, which was not repeated in 2006 and has skewed year-on-year comparison.

The recruitment environment in South Africa continues to perform well in line with strong growth of the South African economy. In particular, the demand for staff in the financial services, retail, engineering, telecommunications and public sectors continues to be strong.

The demand for affirmative action candidates is also a major driver in the recruitment industry. As such, the balance in the market has shifted somewhat away from a constraint in new employment positions to a constraint in candidate availability.

The Flexible Staffing operations also had a strong year despite Quest having a difficult start to the year following various management disruptions including the death of their CEO.

The division now provides jobs for approximately 50 000 employees at any point in time with its biggest markets being the financial services, telecommunications, retail, office support, call centre, technical and semi-skilled sectors of the job market. As nearly all of the Group companies contain both permanent and flexible elements it has been decided to combine these divisions for future reporting. In addition, under the new structure both permanent and flexible staffing will report to the same director.

The Group is currently developing a new Microsoft Dynamics AX ERP system which will be implemented during 2007. The upgrade has been necessitated by the rapid growth and changing nature of the Flexible Staffing businesses, the age and complexity of the existing systems as well as the need for timely, relevant operational information given the strong focus on margin management and the untapped potential that can be achieved by focusing on operational excellence.

ACCOUNTING POLICIES

Adcorp prepares its accounts in accordance with International Financial Reporting Standards. The accounting policies are consistent with the prior year annual financial statements with the exception of the capitalisation of borrowing costs. Borrowing costs of R1,6 million related to the Dynamics AX ERP system were capitalised in the current year. No borrowing costs were incurred in 2005 that qualified for capitalisation.

FINANCIAL OVERVIEW

The Group performed well with headline earnings per share up 21,2% compared with the same period last year. Earnings per share of 251,8 cents (2005: 156,2 cents) increased by 61,2% which was primarily the result of impairments in 2006 being R18,0 million lower than in 2005. Added to this was the profit on disposal of businesses in the current year amounting to R7,6 million.

The operating margin percentage decreased from 4,9% in 2005 to 4,6% in the current year which was largely due to an increase of R3,45 million in non-cash flow IFRS adjustments. If these adjustments were excluded the margin would have been 4,8% which is very much in line with 2005 and is a good result given that the growth experienced in 2006 was spearheaded by the blue collar market sector which typically carries lower margins.

In the balance sheet the assets and liabilities shown as being held for sale are in respect of Research Surveys, as the sale of this business is only effective in 2007, although it's associate, The Customer Equity Company was sold in December 2006. The increase in intangible assets to R44,2 million (2005: R13,7 million) was mainly attributable to capital expenditure on the new Dynamics AX ERP system as well as intangibles identified in the Employrite acquisition.

During the 2006 year the Group utilised net cash resources totalling R37,2 million driven mainly by the cash payment for the Employrite acquisition amounting to R28 million. Debtors days moved out to 36 days (2005: 33 days) which has contributed to the increase in working capital of R56,6 million. The collection of debtors remains very much an area of focus.

CHANGE IN YEAR-END

Given the significant changes to the Group structure as reported and given the fact that the Group's largest activity involves the contracting and administration of a significant number of individuals who are tax assessed according to a tax year that ends in February each year, the decision has been taken to change the company's financial year-end to February.

As such, the financial results presented for the ensuing financial period will be for a 14-month period commencing on 1 January 2007 and ending on 29 February 2008. Interim results for this period will be disclosed for the eight-month period ending 31 August 2007.

POST-BALANCE SHEET EVENTS

Various events have taken place since 31 December 2006 a summary of which appears below:

- Acquisition of FMS Marketing Solutions (Pty) Limited for R225 million – effective from 1 January 2007
- The 25% empowerment shareholding in Adcorp Flexible Staffing Solutions previously owned by a consortium comprising the Black Management Forum Investment Company Limited, Zungu Investment Company (Pty) Limited and Vunani Capital Holdings (Pty) Limited was re-acquired by Adcorp in January 2007 for an amount of R22,8 million.
- Conditional purchase of Capital Outsourcing Group (Pty) Limited for R238 million
- Disposal of Research Surveys for R57,6 million – effective from 1 January 2007
- Disposal of Adcorp's 25% shareholding in Career Junction (Pty) Limited for R53,8 million
- New BBBEE shareholding transaction approved on 4 May 2007
- Restructuring of Adcorp's board of directors following the new proposed BBBEE transaction
- Disposal of Knovation (Pty) Limited for R1,2 million

LITIGATION

Kelly Group (SA) (Pty) Limited ("Kelly") has served a joint summons on Adcorp and other parties amounting to R40,5 million following the acquisition by Adcorp of FMS Marketing Solutions (Pty) Limited. The summons relates to Kelly's lack of success in pursuing the same acquisition opportunity. Adcorp has obtained a legal opinion on the matter which suggests that Kelly's claim is without any substance. As such Adcorp and the other parties are defending the action.

OUTLOOK

Given the significant repositioning and restructuring of the Adcorp Group that has taken place over the past 12 months, the focus of management is now to consolidate and integrate the new acquisitions and reporting structure.

Although significantly bigger than before, the Group is now far more focused than ever in a high growth industry with fewer reporting entities and a simpler, streamlined management structure.

Based on this strong positioning together with the prospect of a far greater BBBEE profile, 2007 should be both a successful and exciting year for the Adcorp Group.

SHARE CAPITAL

	Number 000's	R'000
Opening balance 1 January 2005		
Issued shares	41 258	1 031
Employee share scheme (ordinary shares created) 1 356 123 shares at 2,5 cents	1 356	34
Opening balance 1 January 2006		
Issued shares	42 614	1 065
Employee share scheme (ordinary shares created) 767 720 shares at 2,5 cents	768	20
Closing balance 31 December 2006	43 382	1 085

SHARE PREMIUM

Movements in share premium during the year are shown below:

	2006 R'000	2005 R'000
Opening balance 1 January	48 679	34 694
Employee combined option/deferred payment scheme 767 720 (2005: 1 356 123) ordinary shares created as shown below:		
Employee combined option/deferred payment scheme 1 400 (2005: 5 000) ordinary shares created at a premium of R3,225 per share	4	16
Employee combined option/deferred payment scheme 85 000 (2005: 296 000) ordinary shares created at a premium of R6,325 per share	537	1 872
Employee combined option/deferred payment scheme – (2005: 2 500) ordinary shares created at a premium of R6,775 per share	–	17
Employee combined option/deferred payment scheme – (2005: 14 500) ordinary shares created at a premium of R7,975 per share	–	116
Employee combined option/deferred payment scheme 65 000 (2005: 150 000) ordinary shares created at a premium of R8,825 per share	574	1 324
Employee combined option/deferred payment scheme – (2005: 5 000) ordinary shares created at a premium of R9,975 per share	–	50
Employee combined option/deferred payment scheme – (2005: 18 750) ordinary shares created at a premium of R10,375 per share	–	195
Employee combined option/deferred payment scheme – (2005: 3 600) ordinary shares created at a premium of R11,475 per share	–	41
Employee combined option/deferred payment scheme 36 837 (2005: 4 890) ordinary shares created at a premium of R11,875 per share	437	58
Employee combined option/deferred payment scheme 142 733 (2005: 826 883) ordinary shares created at a premium of R11,975 per share	1 709	9 902
Employee combined option/deferred payment scheme 40 670 (2005: 1 000) ordinary shares created at a premium of R12,975 per share	5 278	13
Employee combined option/deferred payment scheme – (2005: 12 000) ordinary shares created at a premium of R13,475 per share	–	162
Employee combined option/deferred payment scheme 30 000 (2005: 16 000) ordinary shares created at a premium of R13,725 per share	412	219
Closing balance 31 December	57 630	48 679

DIVIDEND

On 7 March 2007, the board declared a dividend of 126 cents (2005: 105 cents) per share which, together with the interim dividend of 42 cents per share, results in a total distribution in respect of the 2006 financial year of 168 cents per share.

The dividend of 126 cents per share will be paid on 16 July 2007.

STRATE

Adcorp dematerialised its issued shares with effect from 9 July 2001 since time settlement of any trade on or outside of the JSE can only be done in electronic format. All shareholders were circulated with a brochure at the time giving details of how to go about dematerialising their shares. Despite this, a number of shares remain in certificate format and will have to be dematerialised before they can be traded. Adcorp's company secretary may be contacted should a shareholder require advice on the dematerialisation of their share certificates.

ADCORP EMPLOYEE SHARE OPTION SCHEME

The old Adcorp Employee Share Option Scheme was introduced in 1987 and expanded during 1989 to include a share purchase scheme and again in 1994 to allow for the creation of a combined option/deferred payment scheme.

Under this scheme options to purchase shares have been granted on 636 055 shares as at 31 December 2006. These options have already vested and may therefore be paid for and converted into shares at any time at the option of the relevant employees.

As this share scheme had become expensive when considering the cost to shareholders versus the benefit to employees, Adcorp introduced a new share scheme which was approved by shareholders in 2006.

Movements for the year in the old Adcorp Employee Share Option Scheme appear below:

Opening balance 2006			Current year movement 2006						Closing balance 2006		
Quantity	Price (R)	Value (R)	Date option granted	Quantity transferred to SARs scheme	Adjustment – prior year	Quantity forfeited	Quantity (exercised)	Value (R)	Quantity	Price (R)	Value (R)
4 600	3,25	14 950	01/03/96	–	–	–	(1 400)	(4 550)	3 200	3,25	10 400
118 000	6,35	749 300	20/01/03	–	–	–	(85 000)	(539 750)	33 000	6,35	209 550
115 000	8,85	1 017 750	02/05/02	–	–	–	(65 000)	(575 250)	50 000	8,85	442 500
1 500	10,40	15 600	02/01/97	–	–	–	–	–	1 500	10,40	15 600
76 692	11,90	912 635	04/05/01	–	–	–	(36 837)	(438 360)	39 855	11,90	474 275
412 400	12,00	4 948 800	23/11/00	–	10 000	27 833	(142 733)	(1 378 800)	307 500	12,00	3 570 000
652 750	13,00	8 485 750	24/06/04	–	(10 000)	(35 000)	(406 750)	(5 742 750)	201 000	13,00	2 743 000
30 000	13,75	412 500	15/09/98	–	–	–	(30 000)	(412 500)	–	13,75	–
760 000	18,15	13 794 000	22/11/05	(760 000)	–	–	–	(13 794 000)	–	18,15	–
2 170 942		30 351 285		(760 000)	–	(7 167)	(767 720)	(22 885 960)	636 055		7 465 325

NEW ADCORP EMPLOYEE SHARE SCHEME

Under the new Adcorp Employee Share Scheme eligible employees received conditional allocations of Share Appreciation Rights ("SARs").

The Share Appreciation Rights ("SARs") provide employees, at the date the rights vest, with the right to receive shares equal to the appreciation in the share price since grant date. The share appreciation rights all vest two years after the grant date. The vesting of the options is subject to various non-market related performance criteria. Such performance criteria vary between option holders. All SARs expire after six years from grant date.

As previously advised, in 2005 it was decided not to issue options under the old Adcorp Employee Share Option Scheme as developments in the tax, accounting and regulatory treatment of share-based incentives had rendered this scheme sub-optimal. As a result a total of 680 500 options were granted to employees on a cash settled basis and it was decided to convert these to the new Adcorp Employee Share Scheme which was done during 2006.

Movements for the year in the Adcorp Share Appreciation Rights Scheme appear below:

Opening balance 2006		Current year movement 2006					Closing balance 2006	
Quantity	Price	Date option granted	Latest expiry date	Quantity issued	Quantity transferred	Quantity (forfeited)	Quantity	Price
–	–	22/11/05	31/05/11	–	760 000	(79 500)	680 500	18,15
–	–	30/04/06	31/05/12	1 900 000	–	–	1 900 000	26,31
–				1 900 000	760 000	(79 500)	2 580 500	

There is no amount payable by participants on exercise. They will receive shares equal in value to the increase in the share price between the grant date and the exercise date.

ADCORP EMPOWERMENT SHARE TRUST

The above trust owns 74 002 Adcorp shares of which 28 302 shares were unallocated as at 31 December 2006 as a result of employees leaving the Group. These will be re-allocated during 2007 and no further shares will be made available under this scheme. The earliest years at which these options can be paid for and the shares transferred into the employee's name are as follows:

2004	5 000
2005	20 700
2006	–
2007	20 000
Unallocated*	28 302
Total	74 002

* Unallocated as at 31 December 2006.

Movements for the year in the Adcorp Empowerment Share Trust:

PDI opening balance 2006			Current year movement 2006						PDI closing balance 2006		
Quantity	Price (R)	Value (R)	Date option granted	Adjustment – prior years	Quantity forfeited	Quantity (exer-cised)	Price (R)	Value (R)	Quantity	Price (R)	Value (R)
10 000	6,35	63 500	20/01/03	5 000	–	(10 000)	6,35	(31 750)	5 000	6,35	31 750
29 868	8,85	264 332	02/05/02	14 500	(5 000)	(18 668)	8,85	(81 137)	20 700	8,85	183 195
46 750	13,00	607 750	24/06/04	–	(7 500)	(39 250)	13,00	(607 750)	–	13,00	–
10 000	18,00	180 000	22/11/05	–	–	–	–	–	10 000	18,00	180 000
10 000	18,15	181 500	22/11/05	–	–	–	–	–	10 000	18,15	181 500
106 618		1 297 082		19 500	(12 500)	(67 918)		(720 637)	45 700		576 445
35 302		–		–	–	–		–	28 302		–
141 920		1 297 082		19 500	(12 500)	(67 918)		(720 637)	74 002		576 445

SUBSIDIARIES AND ASSOCIATES

Details of the company's operating subsidiaries and associates are set out in Annexure A on page 68.

The summarised attributable interest of the company in the profits and losses of its subsidiary companies is as follows:

	2006 R'000	2005 R'000
Total profit after taxation	138 657	101 237
Total losses after taxation	(30 919)	(19 428)
	107 738	81 809

SIGNIFICANT SHAREHOLDERS

Details of significant shareholders are included on page 28.

SPECIAL RESOLUTIONS

No special resolutions were passed during 2006.

STATUTORY INFORMATION

The company was incorporated in the Republic of South Africa on 16 July 1974. The registration number is 1974/001804/06. For details of the registered office, company secretary and auditors refer to inside back cover.

DIRECTORS' REMUNERATION AND INTEREST

Details of directors' remuneration and interests appear in notes 41 and 42 on pages 63 and 64 of the annual financial statements.

DIRECTORATE AND SECRETARY

The names of the directors and company secretary are set out on pages 10 to 11 and 30 respectively. There were no changes to the directorate during 2006, however, subsequent to year-end several directors resigned ahead of the finalisation of the Group's new BBBEE agreement which will result in the addition of three new non-executive members joining the board. There will also be a further appointment in June 2007 of a professional finance person as a non-executive director.

BALANCE SHEETS

at 31 December 2006

	Notes	GROUP 2006 R'000	GROUP 2005 R'000	COMPANY 2006 R'000	COMPANY 2005 R'000
ASSETS					
Non-current assets		138 372	119 723	408 679	385 264
Property and equipment	4	32 775	34 667	1 004	1 455
Intangible assets	5	44 218	13 708	–	–
Goodwill	6	41 525	42 015	–	–
Investment in subsidiaries	7	–	–	404 507	379 473
Investment in associates	8	3 189	4 092	1 528	1 528
Other financial assets	9	–	–	1 640	2 569
Deferred taxation	10	16 665	25 241	–	239
Current assets		511 496	438 307	156 777	139 811
Trade and other receivables and prepayments	11	402 404	354 562	11 725	4 728
Amounts due by subsidiary companies	12	–	–	139 601	131 566
Taxation prepaid		3 755	8 302	514	3 516
Cash resources		74 929	75 443	4 937	1
Non-current assets classified as held for sale	13	30 408	–	–	–
Total assets		649 868	558 030	565 456	525 075
EQUITY AND LIABILITIES					
Capital and reserves		310 785	252 162	177 154	218 230
Share capital	14	1 085	1 065	1 085	1 065
Share premium	15	57 630	48 679	57 630	48 679
Treasury shares	16	(1 010)	(2 127)	–	–
Non-distributable reserve	17	–	–	119 918	119 918
Accumulated profit		252 998	202 089	(1 479)	48 568
Equity attributable to equity holders of the parent		310 703	249 706	177 154	218 230
Minority shareholders' interest		5	2 379	–	–
BEE shareholders' interest	18	77	77	–	–
Non-current liabilities		5 010	7 318	–	581
Non-interest-bearing non-current liabilities	19	1 586	5 541	–	581
Deferred taxation	10	3 424	1 777	–	–
Current liabilities		334 073	298 550	388 302	306 264
Non-interest-bearing current liabilities		238 211	241 837	292 440	250 683
Trade and other payables	20	144 328	169 513	22 317	17 559
Amounts due to subsidiary companies	12	–	–	233 481	225 525
Amounts due to vendor	21	709	2 187	–	–
Provisions	22	51 944	58 523	36 642	6 599
Taxation		6 111	11 614	–	1 000
Liabilities directly associated with non-current assets classified as held for sale	13	35 119	–	–	–
Interest-bearing current liabilities		95 862	56 713	95 862	55 581
Bank overdrafts		95 862	56 713	95 862	55 581
Total equity and liabilities		649 868	558 030	565 456	525 075

ADCORP HOLDINGS

INCOME STATEMENTS

for the year ended 31 December 2006

	Notes	GROUP 2006 R'000	GROUP 2005 R'000	COMPANY 2006 R'000	COMPANY 2005 R'000
CONTINUING OPERATIONS					
Revenue	23	2 586 280	2 176 543	78	–
Cost of sales	25	(1 938 874)	(1 578 798)	–	–
Gross profit		647 406	597 745	78	–
Other income	26	31 100	20 479	28 019	23 036
Administration expenses		(205 404)	(200 731)	(27 164)	(26 782)
Marketing and selling expenses		(290 689)	(250 452)	(2 459)	(2 033)
Other operating expenses		(64 690)	(61 114)	(2 808)	(1 034)
Operating profit/(loss)	27	117 723	105 927	(4 334)	(6 813)
Interest received	28	4 073	2 310	8 695	8 819
Interest paid	29	(4 932)	(4 011)	(6 431)	(6 891)
Dividends received		–	–	70 659	96 867
Share of profits from associates		2 278	1 097	–	–
Impairment of goodwill and investments		(1 155)	(19 112)	(35 902)	(19 410)
(Loss)/profit on disposal of property and equipment		(109)	3 248	(85)	–
Profit/(loss) on disposal of operations and subsidiaries		7 568	(333)	(17 639)	(1 048)
Profit before taxation		125 446	89 126	14 963	71 524
Taxation	30	(27 730)	(29 336)	(8 113)	(6 792)
Profit for the year from continuing operations		97 716	59 790	6 850	64 732
DISCONTINUED OPERATIONS					
Profit for the year from discontinued operations	31	7 904	7 339	–	–
Profit for the year		105 620	67 129	6 850	64 732
Profit/(loss) for the year					
Attributable to:					
Ordinary shareholders		107 994	65 185	6 850	64 732
Minority shareholders		(2 374)	1 012	–	–
BEE shareholders		–	932	–	–
Profit for the year		105 620	67 129	6 850	64 732
EARNINGS PER SHARE					
Basic (cents)	32	251,8	156,2	–	–
Diluted (cents)	32	248,6	154,8	–	–
DISTRIBUTION TO SHAREHOLDERS DURING THE YEAR		147	115	–	–
Interim dividend (cents)		42	35	–	–
Final dividend (cents) in respect of prior year		105	80	–	–

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2006

	Share capital R'000	Share premium R'000	Treasury shares R'000	Non-distri-butable reserve R'000	Accumu-lated profit R'000	Attributable to equity holders of the parent R'000	Minority share-holders' interest R'000	BEE share-holders' interest R'000	Total R'000
GROUP									
Balance as at 1 January 2005	1 031	34 694	(4 205)	–	184 425	215 945	1 367	1 703	219 015
Issue of ordinary shares under employee share option scheme	34	13 985	–	–	–	14 019	–	–	14 019
Treasury shares sold	–	–	1 800	–	(782)	1 018	–	–	1 018
Dividend distributions	–	–	278	–	(48 242)	(47 964)	–	(2 186)	(50 150)
Minority shareholders' share of profits	–	–	–	–	(1 012)	(1 012)	1 012	–	–
BEE share of super profits	–	–	–	–	(932)	(932)	–	932	–
Payments made to BEE shareholders	–	–	–	–	–	–	–	(372)	(372)
Share-based payments	–	–	–	–	1 503	1 503	–	–	1 503
Profit for the year	–	–	–	–	67 129	67 129	–	–	67 129
Balance at 31 December 2005	1 065	48 679	(2 127)	–	202 089	249 706	2 379	77	252 162
Issue of ordinary shares under employee share option scheme	20	8 951	–	–	–	8 971	–	–	8 971
Treasury shares sold	–	–	927	–	(188)	739	–	–	739
Dividend distributions	–	–	190	–	(62 976)	(62 786)	–	–	(62 786)
Minority shareholders' share of profits	–	–	–	–	2 374	2 374	(2 374)	–	–
Share-based payments	–	–	–	–	6 079	6 079	–	–	6 079
Profit for the year	–	–	–	–	105 620	105 620	–	–	105 620
Balance as at 31 December 2006	**1 085**	**57 630**	**(1 010)**	**–**	**252 998**	**310 703**	**5**	**77**	**310 785**
COMPANY									
Balance as at 1 January 2005	1 031	34 694	–	119 918	30 575	186 218	–	–	186 218
Issue of ordinary shares under employee share option scheme	34	13 985	–	–	–	14 019	–	–	14 019
Share-based payments	–	–	–	–	1 503	1 503	–	–	1 503
Dividend distributions	–	–	–	–	(48 242)	(48 242)	–	–	(48 242)
Profit for the year	–	–	–	–	64 732	64 732	–	–	64 732
Balance at 31 December 2005	1 065	48 679	–	119 918	48 568	218 230	–	–	218 230
Issue of ordinary shares under employee share option scheme	20	8 951	–	–	–	8 971	–	–	8 971
Share-based payments	–	–	–	–	6 079	6 079	–	–	6 079
Dividend distributions	–	–	–	–	(62 976)	(62 976)	–	–	(62 976)
Profit for the year	–	–	–	–	6 850	6 850	–	–	6 850
Balance as at 31 December 2006	**1 085**	**57 630**	**–**	**119 918**	**(1 479)**	**177 154**	**–**	**–**	**177 154**

Disclosure change

During the current year the share-based payments reserve, separately disclosed in the prior year, has been combined with accumulated profit.

CASH FLOW STATEMENTS

for the year ended 31 December 2006

	Notes	GROUP 2006 R'000	GROUP 2005 R'000	COMPANY 2006 R'000	COMPANY 2005 R'000
OPERATING ACTIVITIES					
Profit before taxation and dividends		136 460	102 139	14 963	71 524
Adjusted for:					
Dividends received		–	–	(70 659)	(96 867)
Depreciation		17 492	15 248	462	313
Impairment of goodwill and investments		1 256	19 112	35 902	19 410
Amortisation of intangible assets		1 724	–	–	–
(Profit)/loss on disposal of businesses		(7 568)	333	17 639	(1 048)
(Profit)/loss on disposal of property and equipment		(357)	(3 322)	85	–
Fair value adjustments		(78)	162	–	–
Share of profits from associates		(5 478)	(3 294)	–	–
Share-based payments expense		6 080	1 503	3 076	660
Non-cash portion of operating lease rentals		679	1 656	391	148
Interest paid		4 940	4 026	6 431	6 891
Interest received		(4 088)	(2 587)	(8 695)	(8 819)
Cash generated/(utilised) by operating activities before working capital changes		151 062	134 976	(405)	(7 788)
Increase in trade and other receivables and prepayments		(53 351)	(96 349)	(6 997)	(1 715)
(Decrease)/increase in trade and other payables and provisions		(6 891)	54 252	942	5 046
Net movement in holding and fellow subsidiaries account		2 942	–	(4 322)	(23 517)
Cash generated/(utilised) by operations		93 762	92 879	(10 782)	(27 974)
Interest paid		(4 940)	(4 026)	(6 431)	(6 891)
Interest received		4 088	2 587	8 695	8 819
Taxation paid	43	(34 670)	(26 210)	(5 872)	(6 449)
Dividend paid	44	(58 717)	(46 996)	7 683	48 625
Net cash (utilised)/generated by operating activities		(477)	18 234	(6 707)	16 130
INVESTING ACTIVITIES					
Additions to property, equipment and intangible assets	45	(40 940)	(29 086)	(101)	(1 255)
Proceeds from sale of property and equipment		1 545	21 425	5	–
Inflow/(outflow) on disposal of businesses	46	22 752	(333)	–	–
Acquisition of business	47	(28 153)	(325)	(38 442)	–
Purchase/increase in investments		(651)	(33)	–	(2 384)
Vendor loan repayments		(1 400)	(3 500)	–	–
Net movement in loans and advances		383	(370)	–	–
Net cash utilised by investing activities		(46 464)	(12 222)	(38 538)	(3 639)
FINANCING ACTIVITIES					
Issue of shares		9 710	15 039	9 900	15 315
Decrease in non-current interest-bearing liabilities		–	(977)	–	–
Net cash generated by financing activities		9 710	14 062	9 900	15 315
Net (decrease)/increase in cash and cash equivalents		(37 231)	20 074	(35 345)	27 806
Net cash and cash equivalents at the beginning of the year		18 730	(1 344)	(55 580)	(83 386)
Net cash and cash equivalents at the end of the year	48	(18 501)	18 730	(90 925)	(55 580)

SEGMENT REPORT

for the year ended 31 December 2006

	Central costs	Staffing	Discontinued	Total
REVENUE				
– 2006 (R'000)	–	2 586 280	113 936	2 700 216
– 2005 (R'000)	–	2 176 543	183 109	2 359 652
Operating profit/(loss)				
– 2006 (R'000)	(24 890)	142 613	7 442	125 165
– 2005 (R'000)	(20 834)	126 761	10 480	116 407
Operating profit margin				
– 2006 (%)	–	5,5	6,5	4,6
– 2005 (%)	–	5,8	5,7	4,9
Contribution to group profit				
– 2006 (%)	(19,9)	114,0	5,9	100,0
– 2005 (%)	(17,9)	108,9	9,0	100,0
Asset carrying value				
– 2006 (R'000)	318 577	307 610	23 681	649 868
– 2005 (R'000)	282 232	249 124	26 674	558 030
Liabilities carrying value				
– 2006 (R'000)	123 377	180 587	35 119	339 083
– 2005 (R'000)	81 012	175 332	49 524	305 868
Depreciation				
– 2006 (R'000)	1 531	13 799	2 162	17 492
– 2005 (R'000)	1 214	11 506	2 528	15 248
Additions to property and equipment				
– 2006 (R'000)	106	14 779	1 706	16 591
– 2005 (R'000)	1 413	13 586	3 519	18 518

Note

No segmental information is provided in respect of geographical analysis as the group operates mainly in South Africa. Refer note 24 for further details regarding business segments.

Revenue shown above is external revenue.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2006

1. ACCOUNTING FRAMEWORK

The group applies all applicable International Financial Reporting Standards (IFRS) in preparation of the financial statements. Consequently, all IFRS statements that were effective at 31 December 2006 and are relevant to its operations have been applied.

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements, were in issue but not yet effective:

New standards

IFRS 7 Financial Instruments: Disclosures
IFRS 8 Operating Segments

New interpretations

IFRIC 7 Applying the Restatement approach under IAS 29
IFRIC 8 Scope of IFRS 2
IFRIC 9 Reassessment of Embedded Derivatives
IFRIC 10 Interim Financial Reporting and Impairment
IFRIC 11 IFRS 2 – Group and Treasury Share Transactions
IFRIC 12 Service Concession Arrangements

The impact of the adoption of these standards still need to be considered but is not expected to have a material impact on financial results.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and incorporate the following principal accounting policies. In all material respects, these policies have been followed by all companies in the group.

The accounting policies are consistent with the prior year except for the adoption of a new policy in respect of capitalised borrowing costs.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intergroup transactions, balances, income and expenses have been eliminated upon consolidation.

All shares and investments are held at fair value and are reviewed annually to determine any impairment.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as is appropriate.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the fair value of identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's portion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Investment in associates

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is defined as the ability to participate in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

Where a group enterprise transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of the other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of the deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is charged so as to write off the cost or valuation of the asset over their estimated useful lives to its residual value, using the straight-line method, on the following basis:

Computers and office equipment	20% – 33%
Furniture and fittings	10% – 16,7%
Buildings owned and occupied	2,86%
Land is not depreciated	

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in income.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses,on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at a cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is recognised as an asset and tested for impairment on an annual basis. The valuation of goodwill is done on a discounted cash flow basis and compared to the carrying value on an annual basis. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Impairment of assets (excluding goodwill)

The carrying amounts of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated.

The recoverable amount is the higher of its net selling price and its value in use. An impairment loss is recognised whenever the carrying amount of the asset exceeds its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in the prior years.

Revenue recognition

Revenue comprises mainly of the invoice value of services rendered to customers, as well as commission received and training course income. Revenue excludes value added tax.

Revenue is recognised at the date the services are rendered.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Dividend income

Dividend revenue from investment is recognised when the shareholder's right to receive payment has been established.

Investment income

Investment income is recognised on the accrual basis by reference to the principal outstanding and the effective interest rates applicable.

Cost of sales

Cost of sales consists of direct costs of temporary assignees, advertising costs incurred in recruitment and direct expenditure in respect of public relations, research and training courses.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis, after allowing for fixed escalations, over the term of the relevant lease.

Foreign currency transactions

Transactions in foreign currencies are accounted for at the rates of exchange ruling on the date of the transactions. Gains and losses arising from the settlement of such transactions are recognised in the income statement.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants towards staff training costs are recognised in profit or loss over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

Employee benefits

The company's contributions to defined contribution plans (either provident or pension funds) in a particular period are recognised as an expense in that period.

Contributions to the medical aid are recognised as an expense in the period during which the related services are rendered.

All employee benefits cease on termination of employment, except for Research Surveys (Pty) Limited that provides a post-employment subsidy of healthcare benefits to certain employees. The post-employment liability is calculated in terms of IAS 19 (Employee Benefits) and the expense is recognised in profit or loss.

Provisions

Provisions are recognised when the group has a present obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be reliably estimated.

Share-based payments

The group has complied with the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied retrospectively to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005 and to all liabilities for share-based transactions existing at 1 January 2005. The standard therefore applies to share options granted in 2004 and 2005 as well as those granted in 2006.

The group has issued equity-settled share based payments to certain employees. Equity-settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest.

Fair value is measured by use of the Black-Scholes model. The expected life used in this model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Financial instruments

Financial assets and financial liabilities are recognised in the group's balance sheet when the group has become party to contractual provisions of the instrument.

Proceeds from disposals which are not due within one year have been discounted to net present value.

Trade and other receivables

Trade and other receivables do not carry any interest and are stated at their nominal value. Trade and other receivables are reduced by appropriate allowances for estimated irrecoverable amounts.

Trade and other payables
Trade and other payables do not carry any interest and are stated at their nominal value.

Investments
Investments in securities are recognised on a trade date basis and are initially measured at cost. Investments are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the balance sheet date. Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For available-for-sale investments, unrealised gains or losses are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period. Proceeds from disposals which are not due within one year have been discounted to net present value.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Bank borrowings
Interest-bearing bank loans and overdrafts are recorded as the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Equity instruments
Equity instruments are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting
Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in equity. Amounts deferred in equity are recognised in the income statement in the same period in which the hedged firm commitment or forecast transaction affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the group's accounting policies
In the process of applying the group's accounting policies, which are described in note 2, management has made the following judgements that have a significant effect on the amounts recognised in the financial statements:

Allowance for bad debts
The allowance was measured at the Group's best estimate of future unrecoverable trade receivables, taking into account circumstances prevailing at year-end. Details of the allowance are provided in note 11.

Provision for leave pay
In making its judgement, the provision for leave pay was measured at the group's best estimate of the expenditure required to settle the obligation at balance sheet date in accordance with the Basic Conditions of Employment Act. Details of the provision for leave pay are provided in note 22.

Revenue recognition
Judgement is involved in determining an appropriate revenue recognition policy and ensuring that this is compliant with IAS 18 Revenue.

Recoverable amounts from government
The group exercised judgement in determining whether these amounts are recoverable from government as well as when these amounts are recoverable. Details of these learnerships are detailed in note 11.

Purchase price allocation relating to acquisitions
The group has exercised judgement in determining the purchase price allocation, intangible assets and resulting goodwill relating to the acquisition of Employ-Rite (Pty) Limited. The free cash flow method was used and the key estimates involved were growth rates, discount rate, as well as return on the contracts or key customer relationships.

Recognition of deferred tax assets
The group has exercised judgement in determining whether deferred tax assets should be recognised. Judgement is involved in determining the extent to which it is probable that taxable profit in the various subsidiaries will be available against which the deferred tax assets will be utilised. Details of these deferred tax assets are provided in note 10.

Key sources of estimation uncertainty
Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill is allocated. The value in use calculation requires the entity to estimate future cash flows expected to arise from the cash-generating unit and to determine a suitable discount rate in order to calculate present value. Details of the impairment of goodwill are provided in note 6.

Share-based payments
Determining the value of share-based payments to be expensed requires an estimation using the Black-Scholes pricing model. The model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural consideration. Details of share-based payments and assumptions used are provided in note 39.

Residual values and useful lives of assets
The group exercised judgement in determining the useful lives of all assets and determining the residual values of these assets.

	Land, buildings and leasehold improvements 2006 R'000	Computer and office equipment, furniture and fittings 2006 R'000	Total 2006 R'000	Total 2005 R'000
4. PROPERTY AND EQUIPMENT				
GROUP				
Balance at the beginning of the year	1 600	33 067	34 667	49 501
Assets at cost	1 638	87 579	89 217	94 653
Accumulated depreciation	(38)	(54 512)	(54 550)	(45 152)
Current year movements				
Additions	6 114	14 737	20 851	17 982
Improvements	–	–	–	536
Acquisitions through business combinations	–	1 323	1 323	–
Cost	–	3 050	3 050	–
Accumulated depreciation	–	(1 727)	(1 727)	–
Reclassified as held for sale	–	(4 081)	(4 081)	–
Cost	–	(11 937)	(11 937)	–
Accumulated depreciation	–	7 856	7 856	–
Disposals	(615)	(1 878)	(2 493)	(18 104)
Cost	(632)	(13 574)	(14 206)	(23 954)
Accumulated depreciation	17	11 696	11 713	5 850
Depreciation	(1 673)	(15 819)	(17 492)	(15 248)
Net book value at the end of the year	5 426	27 349	32 775	34 667
Represented by:				
Assets at cost	7 120	79 855	86 975	89 217
Accumulated depreciation	(1 694)	(52 506)	(54 200)	(54 550)
Net book value at the end of the year	5 426	27 349	32 775	34 667
COMPANY				
Balance at the beginning of the year	376	1 079	1 455	513
Assets at cost	403	3 770	4 173	2 918
Accumulated depreciation	(27)	(2 691)	(2 718)	(2 405)
Current year movements				
Additions	19	82	101	1 255
Depreciation	(85)	(377)	(462)	(313)
Disposals	–	(90)	(90)	–
Cost	–	(243)	(243)	–
Accumulated depreciation	–	153	153	–
Net book value at the end of the year	310	694	1 004	1 455
Represented by:				
Assets at cost	422	3 609	4 031	4 173
Accumulated depreciation	(112)	(2 915)	(3 027)	(2 718)
Net book value at the end of the year	310	694	1 004	1 455

The registers of land and building are open for inspection at the registered office of the company and its subsidiaries.

5. INTANGIBLE ASSETS

	Capitalised development 2006 R'000	Trademarks 2006 R'000	Accreditation of programmes 2006 R'000	Customer base 2006 R'000	Other 2006 R'000	Total 2006 R'000	Total 2005 R'000
GROUP							
Balance at the beginning of the year	10 568	–	–	–	3 140	13 708	3 140
Assets at cost	10 568	–	–	–	3 140	13 708	3 140
Accumulated amortisation	–	–	–	–	–	–	–
Additions	–	5 000	354	202	–	5 556	–
Additions from internal developments	14 338	–	195	–	–	14 533	10 568
Acquisitions through business combinations	–	–	–	12 145	–	12 145	–
Cost	–	–	–	12 145	–	12 145	–
Accumulated amortisation	–	–	–	–	–	–	–
Amortisation expense	–	–	(86)	(382)	(1 256)	(1 724)	–
Net book value at the end of the year	24 906	5 000	463	11 965	1 884	44 218	13 708
Represented by:							
Assets at cost	24 906	5 000	549	12 347	3 140	45 942	13 708
Accumulated amortisation	–	–	(86)	(382)	(1 256)	(1 724)	–
Net book value at the end of the year	24 906	5 000	463	11 965	1 884	44 218	13 708

The capitalised development represents costs incurred to date on the development of the Dynamix AX ERP System. The system is currently in the process of development and is not available for use. No amortisation has been recorded for the current year. Once the asset is available for use, it is intended to amortise the software over its estimated useful life of eight years.

Trademarks represent costs incurred in purchasing the Simeka TWS and Graphicor trademarks. These trademarks are to be sold at the full amount in the long term and no amortisation has been recorded.

Accreditation of programmes represent costs incurred to date on accrediting training programmes with the relevant training authorities. Once the asset is available for use, it is amortised over its estimated useful life of four years. Included in accreditation of programmes is an amount of R195 000 which is accreditation in progress and will be amortised upon completion.

Customer base represents the customer base purchased on acquisition of businesses. The customer base is amortised over its estimated useful life of three years.

Other intangible assets are recognised on the acquisition of Margie Middleton and Associates being learning programmes, NQF accreditations, methodologies and tool development. The asset is amortised over its estimated useful life of five years.

Amortisation of intangible assets is disclosed in operating profit (refer note 27).

	GROUP		COMPANY	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
6. GOODWILL				
Cost				
Opening balance	66 941	66 616	–	–
Additional amounts recognised from business combinations during the year	13 749	325		
Derecognised on disposal of subsidiaries	(13 084)	–		
Closing balance	67 606	66 941	–	–
Impairment				
Opening balance	(24 926)	(5 814)	–	–
Impairment of goodwill during the year	(1 155)	(19 112)	–	–
Closing balance	(26 081)	(24 926)	–	–
Carrying amount				
At the end of the year	41 525	42 015	–	–

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. After recognition of impairment losses, the carrying amount of goodwill is attributable to the following material CGUs.

	GROUP	
	2006 R'000	2005 R'000
Flexible Staffing – staffing	18 199	5 980
Flexible Staffing – training	629	2 209
Permanent Recruitment	21 633	19 678
Marketing Research	1 064	1 064
Corporate Communications	–	13 084
	41 525	42 015

The group tests goodwill annually for impairment.

The recoverable amounts of the CGUs are determined based on the value in use calculation which uses the cash flow projections based on financial budgets approved by management covering a five-year period assuming a growth of 10% per annum. The key assumptions for the discounted cash flow valuation method are those regarding the discount rate, growth rate and expected changes to selling prices and direct costs during the period.

The group prepares cash flow forecasts derived from the most recent financial budgets approved by management. The rate used to discount the forecast cash flows is 12,57% (2005: 11,97%).

At 1 December 2006 Adcorp acquired its interest in Employ-Rite (Pty) Limited. As a result of this acquisition an amount of R13,098 million was recognised as goodwill. This goodwill was allocated to the Flexible Staffing – staffing CGU.

At 31 December 2006, before impairment testing, goodwill of R2,209 million was allocated to the Flexible Staffing – Training CGU. Due to a revised strategy and forecast outlook for 2007, the goodwill in this CGU has been reduced to its recoverable amount through a recognition of an impairment loss against goodwill of R1,580 million.

During the year the company disposed of it's Corporate Communication CGU. As a result of this, the goodwill relating to this CGU, amounting to R13,084 million was also disposed.

	GROUP 2006 R'000	GROUP 2005 R'000	COMPANY 2006 R'000	COMPANY 2005 R'000
7. INVESTMENT IN SUBSIDIARIES				
(for details refer Annexure A)				
Shares at cost less amounts written off	–	–	404 507	379 473
Directors' valuation	–	–	404 507	379 473
8. INVESTMENT IN ASSOCIATES				
(for details of the Group refer Annexure A)				
Carrying values at beginning of year	4 092	3 550	1 528	1 528
Increase in investment	–	33	–	–
Impairment	(101)	–	–	–
Included in non-current assets classified as held for sale	51	–	–	–
Share of current year earnings (net of dividends received)	1 409	139	–	–
Investment disposed	(1 879)	–	–	–
	3 572	3 722	1 528	1 528
Decrease in loans from associates	(383)	370	–	–
Total investment in associates	3 189	4 092	1 528	1 528
Directors' valuation	3 189	4 092	1 528	1 528
9. OTHER FINANCIAL ASSETS				
PDI (Previously Disadvantaged Individuals) Share Trust	–	–	1 640	2 569
Adcorp shares				
74 002 shares at R7,965 (2005: 141 920 shares at R7,965)	–	–	589	1 130
Loan to PDI Share Trust	–	–	3 388	3 776
Impairment provision	–	–	(2 337)	(2 337)

	As at 31 December 2005 R'000	Allocation of deferred tax disposed of R'000	Total R'000	Charged to the income statement R'000	Arising on business combination R'000	As at 31 December 2006 R'000
10. DEFERRED TAXATION						
GROUP						
Tax effect of:						
Deferred tax raised on provisions	7 732	(578)	7 154	8	–	7 162
Excess tax allowances and depreciation charge	28	(74)	(46)	–	–	(46)
Expenditure incurred but not allowable for tax purposes in the year in which it is incurred	4 324	(4 139)	185	(88)	–	97
Rate change adjustment	(752)	241	(511)	198	–	(313)
Operating lease timing adjustments	805	(86)	719	(142)	–	577
Computed losses	11 853	(8 259)	3 594	(1 014)	–	2 580
Purchase of intangible assets	–	–	–	–	(3 519)	(3 519)
Other	1 925	10 444	12 369	(3 572)	–	8 797
	25 915	(2 451)	23 464	(4 610)	(3 519)	15 335
Deferred tax disposed of	(2 451)	2 451	–	–	–	–
	23 464	–	23 464	(4 610)	(3 519)	15 335

Analysed as:	31 December 2006	31 December 2005
Deferred tax liabilities	(3 424)	(1 777)
Deferred tax assets	16 665	25 241
Deferred tax asset held for sale	2 094	–
	15 335	23 464

	GROUP 2006 R'000	GROUP 2005 R'000	COMPANY 2006 R'000	COMPANY 2005 R'000
11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS	402 404	354 562	11 725	4 728
Trade debtors	352 411	305 082	–	50
Allowance for bad debts	(3 763)	(7 954)	–	–
Deposits and staff loans	1 867	2 104	47	64
Prepaid expenses	–	7 984	–	155
Other	51 889	47 346	11 678	4 459
The group partakes in learnerships that are registered with the Services Seta and receives government grants in order to develop its employees.				
During the current year the group incurred training expenses of R1 245 028 (2005: R15 211 878) that have been claimed from the Services Seta.				
Included in other receivables are amounts due from the Services Seta in respect of learnerships that the group has engaged in:	9 797	14 735	–	–
Opening balance	14 735	9 114	–	–
Claims submitted	1 245	15 212	–	–
Grants received	(6 183)	(9 591)	–	–
12. AMOUNTS DUE TO/(BY) SUBSIDIARY COMPANIES	–	–	(93 880)	(93 959)
(for details refer Annexure A)				
Amounts due by subsidiary companies	–	–	139 601	131 566
Amounts due to subsidiary companies	–	–	(233 481)	(225 525)
13. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE				
Assets related to marketing business	30 408	–	–	–
Liabilities associated with non-current asset held for sale	35 119	–	–	–
As described in note 31, the group disposed of its marketing business on 1 January 2007. The major classes of assets and liabilities comprising the operations classified as held for sale at the balance sheet date were as follows: Assets of marketing business classified as held for sale:	30 408	–	–	–
Property and equipment	4 081	–	–	–
Loan to associate	(51)	–	–	–
Deferred taxation	2 094	–	–	–
Trade and other receivables and prepayments	16 465	–	–	–
Taxation	5 387	–	–	–
Cash resources	2 432	–	–	–
Liabilities of marketing business associated with assets classified as held for sale:	35 119	–	–	–
Trade and other payables	31 160	–	–	–
Provisions	3 959	–	–	–
Net liabilities of marketing business classified as held for sale	(4 711)	–	–	–

	GROUP		COMPANY	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
14. SHARE CAPITAL				
Authorised 100 000 000 ordinary shares of 2,5 cents each (2005: 100 000 000)	2 500	2 500	2 500	2 500
Issued 43 382 095 ordinary shares of 2,5 cents each (2005: 42 614 375) The unissued shares are under the control of the directors until the next annual general meeting subject to limitations.	1 085	1 065	1 085	1 065
Number of shares ('000)				
Opening balance	42 614	41 258	42 614	41 258
Shares issued	768	1 356	768	1 356
Shares in issue	43 382	42 614	43 382	42 614
Share Trust consolidated	(74)	(142)	–	–
Closing balance	43 308	42 472	43 382	42 614
15. SHARE PREMIUM	57 630	48 679	57 630	48 679
Balance at 1 January 2006	48 679	34 694	48 679	34 694
Arising from the issue of 767 720 shares (2005: 1 356 123)	8 951	13 985	8 951	13 985
16. TREASURY SHARES	(1 010)	(2 127)	–	–
Adcorp Empowerment Share Trust consolidated 74 002 shares (2005: 141 920 shares)	(2 127)	(4 205)	–	–
Dividends on treasury shares	190	278	–	–
67 918 shares redeemed (2005: 120 132)	927	1 800	–	–
17. NON-DISTRIBUTABLE RESERVE	–	–	119 918	119 918
Unrealised profit arising on sale of BEE companies into new entity during 2004	–	–	119 918	119 918

18. BEE SHAREHOLDERS' INTEREST

Adcorp previously had two empowerment shareholding structures at operational levels in its Adcorp Communication Solutions (Pty) Limited ("ACS") subsidiary and in its Adcorp Flexible Staffing Solutions (Pty) Limited ("AFSS") subsidiary. The operations of ACS were disposed of in March 2006. The 25% empowerment shareholding in AFSS previously owned by a consortium comprising of the Black Management Forum Investment Company Limited, Zungu Investments Company (Pty) Limited and Vunani Capital Holdings (Pty) Limited was re-acquired by Adcorp in January 2007 for an amount of R22,8 million. As such, the direct empowerment shareholding in AFSS is no longer in existence. For 2006 there was no super profits attributable to BEE shareholders. The group has now effectively consolidated its empowerment ownership into the new proposed structure at holding company level.

	GROUP		COMPANY	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
19. NON-INTEREST-BEARING NON-CURRENT LIABILITIES				
Operating lease timing adjustment	1 586	5 541	–	581
20. TRADE AND OTHER PAYABLES	144 328	169 513	22 317	17 559
Trade creditors	20 722	31 728	15 062	15 357
VAT	29 586	24 738	2 510	(137)
Accruals	41 804	55 299	2 143	510
Other	52 216	57 748	2 602	1 829

	Maximum payments		Fair value of maximum payments	
21. AMOUNTS DUE TO VENDOR				
GROUP				
Amounts payable:				
Within one year	850	1 400	850	1 400
In the second to fifth year inclusive	–	850	–	850
	850	2 250	850	2 250
Fair value adjustments	–	–	(141)	(63)
Fair value of maximum payments	850	2 250	709	2 187
Analysed as:				
Non-interest-bearing current liabilities	–	–	709	2 187

The above represents the estimated payments that are expected to be made in respect of Margie Middleton and Associates. The purchase price will be determined over the period 2004 to 2007 on an earn out basis.

22. PROVISIONS

	As at 31 December 2005 R'000	Provisions raised 2006 R'000	Provisions utilised 2006 R'000	Provisions acquired 2006 R'000	Provisions held for sale 2006 R'000	As at 31 December 2006 R'000
GROUP						
Leave pay	31 596	66 230	(68 998)	3 898	(1 950)	30 776
Bonuses	23 786	48 976	(57 408)	3 389	–	18 743
Other	3 141	75 225	(74 794)	862	(2 009)	2 425
Total	58 523	190 431	(201 200)	8 149	(3 959)	51 944
COMPANY						
Leave pay	241	–	(15)	–	–	226
Bonuses	6 352	2 898	(5 721)	–	–	3 529
Other	6	32 888	(7)	–	–	32 887
Total	6 599	35 786	(5 743)	–	–	36 642

Leave pay

Leave pay is provided based on leave days due to employees at balance sheet date, at rates prevailing at that date.

Bonuses

Bonuses are provided to employees based on operating entity performance management criteria and are in respect of the current year earnings.

Other

Included in company other provisions is a provision for the impairment of inter-company loans amounting R32 887 762.

23. REVENUE

	GROUP 2006 R'000	GROUP 2005 R'000	COMPANY 2006 R'000	COMPANY 2005 R'000
Continuing operations				
Revenue from the rendering of services	2 586 280	2 176 543	78	–
Discontinued operations				
Revenue from the rendering of services	113 936	183 109	–	–
	2 700 216	2 359 652	78	–

24. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the group is currently organised into three operating divisions – central costs staffing and discontinued operations. These divisions are the basis on which the group reports its primary segment information. The principal activities are as follows:

Central costs – Holding company and head office function including group research and tendering services, as well as human resources.

Staffing – Recruitment, selection and placement of staff into temporary assignments and contract work advertising, response handling, selection and placement of staff into permanent positions.

Discontinued operations consists of the communication and marketing businesses.

No segmental information is provided in respect of geographical analysis as the group operates primarily in South Africa.

	GROUP		COMPANY	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
25. COST OF SALES				
The analysis of cost of sales is as follows:	(1 973 819)	(1 650 708)	–	–
Cost of buyouts	(2 440)	(6 970)	–	–
Course material	(1 281)	(1 418)	–	–
Lecturing	(6 091)	(7 099)	–	–
Criminal and credit checks	(6 606)	–	–	–
Media	(92 637)	(132 209)	–	–
Placements	(1 713)	(7 293)	–	–
Production	(2 213)	(34 320)	–	–
Project costs	(15 857)	(13 488)	–	–
Protective clothing	(5 488)	(4 727)	–	–
Royalties	(3 030)	(2 637)	–	–
Temporary employee costs	(1 826 798)	(1 440 547)	–	–
Other	(9 665)	–	–	–
Attributable to:	(1 973 819)	(1 650 708)	–	–
Continuing operations	(1 938 874)	(1 578 798)	–	–
Discontinued operation	(34 945)	(71 910)	–	–
26. OTHER INCOME	31 390	20 358	28 019	23 036
Corporate management fee	–	–	21 000	19 000
Bad debts recovered	437	355	435	–
Media rebates and commissions received	3 154	2 778	3 154	2 778
Licence fee	–	3 894	–	–
Royalties received	3 199	–	–	–
Training levies recorded	10 380	5 154	161	–
Other	14 220	8 177	3 269	1 258
Attributable to:	31 390	20 358	28 019	23 036
Continuing operations	31 100	20 479	28 019	23 036
Discontinued operation	290	(121)	–	–

	GROUP 2006 R'000	GROUP 2005 R'000	COMPANY 2006 R'000	COMPANY 2005 R'000
27. OPERATING PROFIT/(LOSS)				
Operating profit/(loss) is determined after allowing for the following items requiring separate disclosure:				
Amortisation (refer note 5)	(1 724)	–	–	–
Auditors' remuneration	(5 513)	(4 193)	(2 204)	(1 673)
– fee for audit	(3 416)	(3 413)	(800)	(1 094)
– fee for audit (prior year underprovision)	(1 161)	–	(567)	–
– fee for other services	(936)	(780)	(837)	(579)
Consulting fees	(26 514)	(17 738)	(818)	(412)
Depreciation (refer note 4)	(17 492)	(15 248)	(462)	(313)
Foreign exchange gains	791	249	–	–
Government grants in respect of learnerships	1 245	15 212	–	–
Directors' emoluments – executive directors	(15 618)	(27 549)	(8 610)	(16 170)
– non-executive directors	(1 981)	(2 787)	(1 981)	(2 787)
Leasing and rentals – properties and premises	(27 397)	(23 030)	(2 170)	(1 209)
– office furniture and equipment	(7 930)	(5 258)	(126)	–
– motor vehicles	(298)	(548)	–	–
Staff costs	(406 566)	(357 117)	(6 200)	(913)
Share-based payments expense*	(6 080)	(1 503)	(3 076)	(660)
28. INTEREST RECEIVED	4 088	2 587	8 695	8 819
Group loans	–	–	8 419	8 814
Bank deposits	2 816	2 238	–	5
Other	1 195	349	276	–
Fair value adjustments	77	–	–	–
Attributable to:	4 088	2 587	8 695	8 819
Continuing operations	4 073	2 310	8 695	8 819
Discontinued operation	15	277	–	–
29. INTEREST PAID	(4 940)	(4 026)	(6 431)	(6 891)
Group loans	–	–	–	(3 132)
Bank overdrafts	(4 940)	(3 850)	(6 431)	(3 759)
Other	–	(14)	–	–
Fair value adjustments	–	(162)	–	–
Attributable to:	(4 940)	(4 026)	(6 431)	(6 891)
Continuing operations	(4 932)	(4 011)	(6 431)	(6 891)
Discontinued operation	(8)	(15)	–	–

* The share-based payments expense recorded in the company is net of amounts charged to subsidiaries.

30. TAXATION

	GROUP 2006 R'000	GROUP 2005 R'000	COMPANY 2006 R'000	COMPANY 2005 R'000
SA normal tax – current	18 161	27 780	–	1 000
– (over)/underprovision prior year	(228)	4	5	–
Deferred taxation	4 610	1 084	239	(239)
Secondary tax on companies	7 869	6 031	7 869	6 031
Capital gains tax	428	111	–	–
	30 840	35 010	8 113	6 792
Attributable to:				
Continuing operations	27 730	29 336	8 113	6 792
Discontinued operation	3 110	5 674	–	–
	30 840	35 010	8 113	6 792
Standard tax rate (%)	29	29	29	29
Normal tax at standard rate	39 574	29 620	4 339	6 753
Adjustment for the tax effect at the standard rate of the following items:				
Exempt income:				
Dividends received	–	(96)	(20 491)	(14 101)
Capital profit on disposal of property and equipment	(6 896)	(1 352)	–	–
Associated company profit already subject to tax	(940)	(955)	–	–
Non-deductible items charged against income:				
Capital losses	(8 286)	325	1 251	293
Impairment of assets and investments	4 232	5 542	4 738	5 542
Special allowances claimed:				
Learnerships	(14 534)	(9 062)	–	–
Tax losses not recognised	39	1 292	(393)	–
Capital gains tax	428	111	–	–
Prior year adjustment	–	4	–	–
Other permanent differences	9 354	2 798	10 800	2 274
Rate change adjustment	–	752	–	–
Secondary tax on companies	7 869	6 031	7 869	6 031
Actual tax charge for the year	30 840	35 010	8 113	6 792
Reconciliation of estimated tax losses available in the group:				
Estimated losses at beginning of year	62 307	69 781	–	–
Tax losses raised – current year	358	9 175	–	–
– prior year	5 673	4 375	–	–
Net tax losses utilised	(14 059)	(21 024)	–	–
Tax loss disposed	(4 807)	–	–	–
Tax loss revised on assessment	(2 710)	–	–	–
	46 762	62 307	–	–
Which consists of:				
Losses recognised	8 897	40 872	–	–
Losses not recognised	37 865	21 435	–	–
	46 762	62 307	–	–

	GROUP		COMPANY	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000

31. DISCONTINUED OPERATIONS

Disposal of communications business

In January 2006, the board of directors announced its plan to dispose of the group's communication business.

The board of directors entered into a sale agreement to dispose of the group's communication business. The disposal of the communication business is in line with the decision taken to focus Adcorp's activities solely in the area of human capital management and to exit the group's public relations and graphic design businesses. The disposal was completed on 1 March 2006, on which the date of control of the communications business passed to the acquirer. Details of the assets and liabilities disposed of are disclosed in note 46.

Plan to dispose of the marketing business

On 27 January 2006, the board of directors announced its plan to dispose of the group's marketing and research business. The disposal is in line with the decision taken to focus Adcorp's activities solely in the area of human capital management and to exit the marketing business. The group disposed of the marketing business on 1 January 2007.

The combined results of the discontinued operations (communication and marketing businesses) included in the income statements are set out below.

	GROUP 2006 R'000	GROUP 2005 R'000	COMPANY 2006 R'000	COMPANY 2005 R'000
Revenue	113 936	183 109	–	–
Cost of sales	(34 945)	(71 910)	–	–
Gross profit	78 991	111 199	–	–
Other income	290	(121)	–	–
Expenses	(68 267)	(98 065)	–	–
Profit before taxation	11 014	13 013	–	–
Taxation	(3 110)	(5 674)	–	–
Profit for the year from discontinued operations	7 904	7 339	–	–
Cash flows from discontinued operations				
Net cash flows from operating activities	(7 799)	(9 269)	–	–
Net cash flows from investing activities	5 424	(3 286)	–	–
Net cash flows from financing activities	–	–	–	–
Net cash flows	(2 375)	(12 555)	–	–

	GROUP		COMPANY	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
32. EARNINGS PER SHARE				
The calculation of earnings per share is based on earnings of R107 993 969 (2005: R65 185 960) and ordinary shares of 42 882 085 (2005: 41 730 144) being the weighted average number of shares relative to the above earnings.				
Profit per share	251,8	156,2	–	–
Continuing operations	233,4	138,6	–	–
Discontinued operations	18,4	17,6	–	–
Diluted earnings per share is based on 43 444 179 (2005: 42 102 860) weighted diluted number of shares				
Profit per share	248,6	154,8	–	–
Continuing operations	230,4	137,4	–	–
Discontinued operations	18,2	17,4	–	–
RECONCILIATION OF DILUTED NUMBER OF SHARES				
Ordinary shares	42 882 085	41 730 144	–	–
Adcorp Employee Share Scheme – shares matured	562 094	354 835	–	–
Adcorp Empowerment Share Trust – shares matured	–	17 881	–	–
Diluted number of shares	43 444 179	42 102 860	–	–
RECONCILIATION OF HEADLINE EARNINGS				
Continuing operations				
Profit for the year	97 716	59 790	–	–
Impairment of goodwill and investments	1 155	19 112	–	–
Minority shareholders' share of profits	2 374	(1 012)	–	–
BEE shareholders' share of profits	–	(932)	–	–
Loss/(profit) on sale of property and equipment (net of taxation)	78	(3 158)	–	–
(Profit)/loss on disposal of operations and subsidiaries	(7 568)	333	–	–
Discontinued operations				
Profit for the year	7 904	7 339	–	–
Impairment of investment	101	–	–	–
Profit on sale of property and equipment (net of taxation)	(332)	(52)	–	–
Headline earnings	101 428	81 420	–	–
Headline earnings per share – cents	236,5	195,1	–	–
Diluted headline earnings per share – cents	233,5	193,4	–	–

Note:
– The dilution of shares results from the exercise of options in the employee share scheme and empowerment share trust which are below the year-end market price.
– Headline earnings per share is based on earnings adjusted for impairment costs, loss on sale of asset, and loss on disposal of operations.
– Subsequent to year-end, 2 790 689 shares were issued in order to part purchase FMS Marketing Solutions (Pty) Limited.

33. CONTINGENT LIABILITIES – GROUP AND COMPANY

33.1 The bank has guaranteed payment to creditors on behalf of the company amounting to R991 735 (2005: R1 068 194).
33.2 The bank has guaranteed payments to creditors on behalf of the group amounting to R2 177 700 (2005: R1 797 963).
33.3 The company has a contingent liability for secondary tax on companies (STC) in respect of undistributed accumulated profit of R nil (2005: R5,083 million).
33.4 The group has a contingent liability for STC in respect of undistributed accumulated profit of R28,111 million (2005: R22,14 million).

	GROUP 2006 R'000	GROUP 2005 R'000	COMPANY 2006 R'000	COMPANY 2005 R'000
34. COMMITMENTS				
Commitments for the acquisition of computer software (refer note 5)	16 000	11 535	–	–
The commitment will be funded out of group resources.				
35. RETIREMENT BENEFITS				
The group makes contributions on behalf of all permanent employees to defined contribution schemes which are governed by the Pensions Fund Act of 1956 on behalf of its employees. These costs are charged to the income statement as they occur.				
Total contribution by the group for the year	23 203	16 712	1 776	1 383
36. OPERATING LEASE ARRANGEMENTS				
The group as lessee Minimum lease payments under operating leases recognised as an expense in the year	30 834	28 836	2 023	1 209
At the balance sheet date, the group has outstanding commitments under non-cancellable operating leases which fall due as follows:	94 574	85 905	13 213	1 662
Within one year	29 032	27 909	2 263	485
In the second to fifth years inclusive	63 858	57 628	9 266	1 177
After five years	1 684	368	1 684	–
Average lease terms (months)	37	48	88	60

37. FINANCIAL RISK MANAGEMENT

Liquidity risk

This is the risk of not being able to generate sufficient cash to meet commitments to borrowers, depositors and other creditors at any point in time.

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Borrowing facilities are reflected in note 49.

Credit risk

The group maintains cash, cash equivalents and short-term investments with various financial institutions. The group's policy is designed to limit exposure with any one institution and ensure a high credit standing for the financial institution with which such transactions are executed.

Credit risk with respect to trade accounts receivable is limited due to the blue chip nature of the group's client base. Credit assessments are done and continually updated on all the group's clients.

Other financial assets/liabilities

The directors consider that the carrying amount of trade and other receivables and payables approximates their fair value.

	GROUP 2006 R'000	GROUP 2005 R'000	COMPANY 2006 R'000	COMPANY 2005 R'000
38. DIVIDEND PAID				
An interim dividend of 35 cents per share was paid in October 2005	–	14 894	–	14 894
A final dividend of 105 cents per share was declared on 8 March 2006 and was paid to shareholders on 10 April 2006	–	44 797	–	44 797
An interim dividend of 42 cents per share was declared on 16 August 2006 and was paid to shareholders on 16 October 2006	18 341	–	18 341	–
A final dividend of 126 cents per share was declared on 7 March 2007 and will be paid to shareholders on 16 July 2007	58 275	–	58 275	–
(Dividend paid based on 46 249 793 shares in issue at 31 March 2007)				

39. SHARE-BASED PAYMENTS

Employee share option plan

The group operates three employee share option plans of which two have been discontinued and are in the process of winding down.

The original employee share schemes were replaced by a new share scheme in 2006 as changes in tax, accounting and regulatory treatment of share-based payments has rendered the old schemes suboptimal.

1. Adcorp original employee share option scheme and Adcorp empowerment trust
   The group has two equity-settled share option schemes for employees of the group. Options are exercisable at a price equal to the average quoted market price of the company's shares on the date of grant. The vesting period is two years. If the options remain unexercised after a period of ten years from the date of grant, the options will expire. Options are forfeited if the employee leaves the group before the options vest.

2. New Adcorp employee share scheme
   Under the new scheme, eligible employees receive conditional allocations of share appreciation rights (SARs). The SARs provide employees, at the date the right vests, with the right to receive shares equal to the appreciation in the share price since grant date. The share appreciation rights all vest two years after the grant date. The vesting of the options is subject to various non-market related performance criteria and may vary between option holders. All SARs expire after six years from grant date.

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

Options series	Number	Grant date	Expiry date	Exercise price (R)	Fair value at grant date
Issued 31 May 2003	128 000	20/01/03	31/05/13	6,35	1,89
Issued 31 May 2004	699 500	24/06/04	31/05/14	13,00	3,28
Issued 31 May 2005 a	760 000*	22/11/05	31/05/11	18,15	6,78
Issued 31 May 2005 b	10 000	22/11/05	31/05/15	18,00	6,78
Issued 31 May 2005 c	10 000	22/11/05	31/05/15	18,15	6,78
Issued 31 May 2006	1 900 000*	30/04/05	31/05/12	26,31	4,30

* Share appreciation rights option

This fair value was calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	2006	2005
Weighted average share price (R)	26,70	24
Weighted average exercise price (R)	26,31	18,15
Expected volatility (%)	25,06	26,6
Expected life (years)	3,005	4,447
Risk-free rate (%)	7,16	7,54
Expected dividend yield (%)	6,00	6,00

Expected volatility was determined by calculating the historical volatility of the company's share price on the expected life of the option.

The following reconciles the outstanding share options granted under the employee share schemes at the beginning and end of the financial year:

	2006		2005	
Adcorp employee share option scheme	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	770 750	11,98	1 071 750	10,40
Forfeited during the year	(35 000)	13,00	(5 000)	6,35
Exercised during the year	(491 750)	11,85	(296 000)	6,35
Adjustment prior year	(10 000)	13,00	–	–
Outstanding at the end of the year	234 000	12,10	770 750	11,98
Exercisable at the end of the year	234 000	12,10	118 000	6,35

	2006		2005	
Adcorp empowerment share trust	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	81 750	13,02	109 750	9,36
Forfeited during the year	(7 500)	13,00	(8 000)	8,84
Exercised during the year	(49 250)	11,65	(40 000)	6,35
Granted during the year	–	–	20 000	18,08
Outstanding at the end of the year	25 000	15,73	81 750	13,02
Exercisable at the end of the year	5 000	6,35	15 000	6,35

39. SHARE-BASED PAYMENTS (continued)

Adcorp share appreciation rights share trust	2006 Number of share options	2006 Weighted average exercise price	2005 Number of share options	2005 Weighted average exercise price
Outstanding balance at the beginning of the year	760 000	18,15	–	–
Forfeited during the year	(79 500)	18,15	–	–
Granted during the year	1 900 000	26,31	760 000	18,15
Outstanding at the end of the year	2 580 500	24,16	760 000	18,15
Exercisable at the end of the year	–	–	–	–

Exercised during the financial year

The following share options granted under the employee share option plans were exercised during the financial year:

Option series	Number exercised
2006	
Issued 31 May 2003	95 000
Issued 31 May 2004	446 000
	541 000
2005	
Issued 31 May 2003	336 000
	336 000

Staff members are permitted to exercise their shares at the end of February, May, August and November of each year and the average, share price for the year was R24,37 (2005: R20,93).

The group recognised a total expense of R6 079 271 (2005: R1 503 013) related to equity-settled share-based payment transactions during the year.

40. RELATED PARTIES

The group did not enter into any transactions with group parties other than those with subsidiaries which were eliminated on consolidation.

	Sale of services 2006 R'000	Sale of services 2005 R'000	Holding company management fees 2006 R'000	Holding company management fees 2005 R'000	Accounting and marketing fees 2006 R'000	Accounting and marketing fees 2005 R'000	Rental 2006 R'000	Rental 2005 R'000
40.1 Trading transactions								
During the year, group entities entered into the following transactions:								
Adcorp Holdings Limited	–	–	(21 000)	(19 000)	86	548	68	2 200
Subsidiaries of Adcorp Holdings Limited	49 010	32 858	21 000	19 000	36 793	22 118	(68)	(2 200)

	GROUP 2006 R'000	GROUP 2005 R'000
40.2 Compensation paid to key management (which excludes payments to directors set out in note 41 below)		
Short-term employment benefits	9 441	8 190
Share-based payments	194	796
Total	9 635	8 986

41. DIRECTORS' EMOLUMENTS

	Salary R'000	Bonus/ profit share R'000	Medical aid/ provident fund R'000	Allowances R'000	Directors' fees R'000	2006 Total cost to company R'000	2005 Total cost to company R'000	2006 Profit on share options R'000	2005 Profit on share options R'000	2006 Total remuneration R'000	2005 Total remuneration R'000
Executive											
H Barenblatt	1 984	350	261	81	–	2 676	2 674	310	1 574	2 986	4 248
F Burd	1 186	1 383	263	20	–	2 852	2 344	830	1 508	3 682	3 852
M Liphosa	984	829	217	54	–	2 084	1 784	291	360	2 375	2 144
R McGregor	1 098	1 359	260	96	–	2 813	2 312	877	2 291	3 690	4 603
R Pike	1 551	2 241	388	98	–	4 278	3 519	525	2 052	4 803	5 571
T Ratshitanga ** (alternate)	457	576	106	127	–	1 266	1 694	231	–	1 497	1 694
PC Swart	1 182	1 774	264	141	–	3 361	3 940	–	–	3 361	3 940
C Bomela*	845	–	155	–	–	1 000	–	–	–	1 000	–
S Zungu † (alternate)	311	489	32	62	–	894	1 119	–	378	894	1 497
	9 598	9 001	1 946	679	–	21 224	19 386	3 064	8 163	24 288	27 549
Non-executive directors											
C Bomela*	–	–	–	–	–	–	65	–	–	–	65
F Khanyile	–	–	–	–	88	88	146	–	–	88	146
G Negota	–	–	–	–	49	49	68	–	–	49	68
S Sebotsa	–	–	–	–	78	78	122	99	–	177	122
S Shonhiwa	–	–	–	–	90	90	112	201	–	291	112
F Van Zyl Slabbert	842	783	160	115	–	1 900	1 777	310	497	2 210	2 274
	842	783	160	115	305	2 205	2 290	610	497	2 815	2 787

* C Bomela was appointed as executive director on 1 March 2006.

** T Ratshitanga resigned on 5 September 2006.

† S Zungu resigned on 19 July 2006.

42. DIRECTORS' SHAREHOLDING

Directors' shareholding at 31 December 2006	Number of un-exercised options as at 31/12/05	Number of options granted in 2006	(Number of options exercised during) 2006	Number of options as at 31/12/06	Option price (R)	Date from which exercisable
HW Barenblatt	30 000	–	(30 000)	–	13,00	31/5/06
	30 000	–	–	30 000*	18,15	31/5/07
C Bomela	–	250 000	–	250 000*	26,31	31/5/08
FD Burd	30 000	–	(30 000)	–	6,35	31/5/05
	30 000	–	(30 000)	–	13,00	31/5/06
	30 000	–	–	30 000*	18,15	31/5/07
	–	250 000	–	250 000*	26,31	31/5/08
F Khanyile	15 000	–	–	15 000	13,00	31/5/06
M Liphosa	30 000	–	(30 000)	–	13,00	31/5/06
	30 000	–	–	30 000*	18,15	31/5/07
RB McGregor	30 000	–	(30 000)	–	6,35	31/5/05
	30 000	–	(30 000)	–	13,00	31/5/06
	30 000	–	–	30 000*	18,15	31/5/07
	–	250 000	–	250 000*	26,31	31/5/08
RL Pike	50 000	–	(50 000)	–	13,00	31/5/06
	50 000	–	–	50 000*	18,15	31/5/07
	–	350 000	–	350 000*	26,31	31/5/08
T Ratshitanga (alternate)	30 000	–	(23 000)	7 000	13,00	31/5/06
	30 000	–	–	30 000*	18,15	31/5/07
S Sebotsa	15 000	–	15 000	–	13,00	31/5/06
S Shonhiwa	20 000	–	(20 000)	–	13,00	31/5/06
PC Swart	55 000	–	–	55 000	12,00	31/5/02
	30 000	–	–	30 000	8,85	31/5/04
	30 000	–	–	30 000	6,35	31/5/05
	30 000	–	–	30 000	13,00	31/5/06
	30 000	–	–	30 000*	18,15	31/5/07
	–	250 000	–	250 000*	26,31	31/5/08
F Van Zyl Slabbert	30 000	–	(30 000)	–	13,00	31/5/06
	30 000	–	–	30 000*	18,15	31/5/07
	–	200 000	–	200 000*	26,31	31/5/08

Directors' interest in shares	Number of shares held as at 31/12/06 Beneficially held	Non-beneficially held	Number of shares held as at 31/12/05 Beneficially held	Non-beneficially held
RL Pike	249 630	–	249 630	–
M Liphosa	26	–	426	–
S Sebotsa	3 050	–	–	–

Note: As at 31 March 2007 the above shareholdings remain unchanged.

* Share appreciation rights (SARs)

	GROUP 2006 R'000	GROUP 2005 R'000	COMPANY 2006 R'000	COMPANY 2005 R'000
43. TAXATION PAID				
Amount (unpaid)/prepaid at the beginning of the year	(3 312)	4 776	2 516	3 093
Prior year adjustment	–	–	–	5
Amount charged to income statement	(30 840)	(35 010)	(8 113)	(6 792)
Adjustment for deferred tax charged to income statement	4 610	1 084	239	(239)
Taxation liability disposed	(2 519)	–	–	–
Taxation acquired	423	–	–	–
Amount paid in respect of BEE shareholders	–	(372)	–	–
Amount (prepaid)/unpaid at the end of the year	(3 032)	3 312	(514)	(2 516)
Net cash payment	(34 670)	(26 210)	(5 872)	(6 449)
44. DIVIDEND PAID				
Amounts declared and paid	(62 976)	(48 242)	(62 976)	(48 242)
Received on treasury shares	190	278	–	–
Amounts paid to BEE shareholders	–	(2 186)	–	–
Received from subsidiaries	–	–	70 659	96 867
Net cash (payments)/receipts before cash from associates	(62 786)	(50 150)	7 683	48 625
Received from associates	4 069	3 154	–	–
Net cash (payments)/receipts	(58 717)	(46 996)	7 683	48 625
45. ADDITIONS TO PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS				
Land and buildings – replacement	(6 114)	(536)	(19)	(403)
Furniture and computer equipment – replacement	(14 737)	(12 798)	(82)	(852)
– expansion	–	(5 184)	–	–
Trademark	(5 000)	–	–	–
Accreditation of programmes	(549)	–	–	–
Customer lists	(202)	–	–	–
Computer software (in progress) – expansion	(14 338)	(10 568)	–	–
	(40 940)	(29 086)	(101)	(1 255)
46. NET CASH FLOW ON DISPOSAL OF BUSINESSES				
Goodwill	13 084	333	–	–
Property and equipment	1 304	–	–	–
Trade, other receivables and prepayments	6 444	–	–	–
Investment in associate	1 879	–	–	–
Trade and other payables	(8 297)	–	–	–
Provisions	(1 749)	–	–	–
Deferred taxation	507	–	–	–
Taxation	2 012	–	–	–
Cash and cash equivalents	5 447	–	–	–
Book value of net assets sold	20 631	333	–	–
Profit/(loss) disposal of operations and subsidiaries	7 568	(333)	–	–
Consideration	28 199	–	–	–
Less: Cash and cash equivalents disposed of	(5 447)	–	–	–
Net cash inflow/(outflow) on disposal	22 752	(333)	–	–

47. ACQUISITION OF BUSINESS

Subsidiary acquired	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Cost of acquisition
2006				
Employ-Rite (Pty) Limited	Flexible staffing	01/12/06	100	41 383
2005				
Adcorp Grey Consulting	Permanent staffing	01/09/05	50	325

	Employ-Rite (Pty) Limited	Total
Non-current assets	1 323	1 323
Intangible assets	12 146	12 146
Trade and other receivables	17 304	17 304
Cash and cash equivalents	13 230	13 230
Trade and other payables	(15 563)	(15 563)
Taxation	(3 096)	(3 096)
Loan	2 941	2 941
	28 285	28 285
Goodwill on acquisition	13 098	13 750
	41 383	41 383

	GROUP 2006 R'000	COMPANY 2006 R'000
Total purchase consideration	41 383	41 383
Less: Non-cash consideration for Employ-Rite (Pty) Limited	–	(2 941)
Less: Cash and cash equivalents acquired	(13 230)	–
	28 153	38 442

The cost of the acquisition of Employ-Rite (Pty) Limited was paid in cash. In the acquisition of Employ-Rite (Pty) Limited the group has paid a premium for the acquisition as it believes the acquisition will create synergistic benefits to its existing operations.

Included in net profit for the period is R1,405 million attributable to the additional business generated by Employ-Rite (Pty) Limited.

Had this business combination been effected 1 January 2006, the revenue of the group would be R2 831 million and net profit of R109 million. The directors of the group consider these pro forma numbers to represent an approximate measure of the performance of the combined group on annualised basis and to provide a reference point for comparison in future periods.

	GROUP		COMPANY	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
48. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:				
Cash resources	74 929	75 443	4 937	1
Included in non-current assets classified as held for sale	2 432	–	–	–
Bank overdrafts	(95 862)	(56 713)	(95 862)	(55 581)
	(18 501)	18 730	(90 925)	(55 580)

Bank overdrafts are considered as part of cash and cash equivalents as they form part of the cash management system.

49. GROUP OVERDRAFT FACILITIES

The group has the following overdraft facilities	
ABSA	R30 million
First National Bank	R45 million
First National Bank – short-term bridging facility	R40 million
Total overdraft facility	R115 million

These facilities are repayable on demand and bear interest at rates linked to the prime overdraft rate.

50. SUBSEQUENT EVENTS

Various events have taken place since 31 December 2006 a summary of which appears below:

- Acquisition of FMS Marketing Solutions (Pty) Limited for R225 million – effective from 1 January 2007
- The 25% empowerment shareholding in Adcorp Flexible Staffing Solutions previously owned by a consortium comprising the Black Management Forum Investment Company Limited, Zungu Investment Company (Pty) Limited and Vunani Capital Holdings (Pty) Limited was re-acquired by Adcorp in January 2007 for an amount of R22,8 million.
- Conditional purchase of Capital Outsourcing Group (Pty) Limited for R238 million
- Disposal of Research Surveys for R57,6 million – effective from 1 January 2007
- Disposal of Adcorp's 25% shareholding in Career Junction (Pty) Limited for R53,8 million
- New BBBEE shareholding transaction approved on 4 May 2007
- Restructuring of Adcorp's board of directors following the new proposed BBBEE transaction
- Disposal of Knovation (Pty) Limited for R1,2 million – effective from 1 January 2007

ANNEXURE A: DETAILS OF SUBSIDIARIES AND ASSOCIATES

for the year ended 31 December 2006

Name of subsidiary	Nature of business	Authorised share capital 2006	2005
Adcorp Accountability (Pty) Limited*	Accounting	4 000	4 000
Adcorp Communication Solutions (Pty) Limited	Holding company	10 000	10 000
Adcorp Financial Graphics (Pty) Limited	Deregistered	100	100
Adcorp Flexible Staffing Solutions (Pty) Limited	Holding company	10 000	10 000
Adcorp Grey Consulting (Pty) Limited	Recruitment	10 000	10 000
Adcorp Management Services (Pty) Limited	Accounting	4 000	4 000
Adcorp Staffing (Pty) Limited*	Flexible staffing	4 000	4 000
Adcorp Staffing Solutions (Pty) Limited	Recruitment	4 000	4 000
Adcorp UK Limited	Dormant	3 384	3 384
Capacity Outsourcing (Pty) Limited*	Flexible staffing	4 000	4 000
Charisma Healthcare Solutions (Pty) Limited*	Flexible staffing	1 000	1 000
Charisma Management Services (Pty) Limited*	Deregistered	1 000	1 000
D/@bility (Pty) Limited	Deregistered	1 000	1 000
DAV Professional Placement Group (Pty) Limited	Recruitment	1 000	1 000
Emmanuels Staffing Services (Pty) Limited*	Flexible staffing	1 000	1 000
Employ-Rite (Pty) Limited	Flexible staffing	1 000	–
Graphicor (Pty) Limited*	Sold	100	100
Ikhwezi Staffing Solutions (Pty) Limited*	Dormant	1 000	1 000
International Centre for Management Development (Pty) Limited	Liquidation	1 000	1 000
JobVest (Pty) Limited	Recruitment	4 000	4 000
Knovation Consulting (Pty) Limited	Deregistered	1 000	1 000
Knovation (Pty) Limited	Training	200 000	200 000
Premier Personnel (Pty) Limited	Dormant	100	100
PMI of South Africa (Pty) Limited	Training	100	100
Quest Flexible Staffing Solutions (Pty) Limited*	Flexible staffing	100	100
Quest Holdings (Pty) Limited	Holding company	10 000	10 000
Research Surveys (Pty) Limited	Market research	20 000	20 000
Sibanye Staffing (Pty) Limited	Flexible staffing	1 000	–
Simeka TWS Communications (Pty) Limited*	Sold	4 000	4 000
Stand 948, Melville (Pty) Limited	Property	1 000	1 000
The Design and Media Company (Pty) Limited	Deregistered	4 000	4 000
Subtotal negative			
Subtotal positive			
Total subsidiaries			
Name of associate			
Career Junction (Pty) Limited	Recruitment	400 000	400 000
Equitable Solutions (Pty) Limited	Sold	1 000	1 000
The Customer Equity Company (Pty) Limited	Sold	1 000	1 000
Klatrade 200074 (Pty) Limited	Training	1 000	1 000
Shopper Behaviour Research (Pty) Limited	Market research	1 000	1 000
Sishayele Contact Centre Solutions (Pty) Limited	Outsourcing	1 000	1 000
Thetha Call Centre Staffing (Pty) Limited	Staff placement	4 000	4 000
Subtotal negative			
Subtotal positive			
Total associates			

* Owned by subsidiary companies.

Issued share capital		Number of shares held		Cost of investment (net of write-downs)		Indebtedness (to)/ by the subsidiary		Attributable profit/(loss)	
				R'000	R'000	R'000	R'000	R'000	R'000
2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
200	200	200	200	–	–	(523)	11 358	(134)	(244)
10 000	10 000	7 500	7 500	10	13 334	6 105	990	(21 484)	(14 040)
100	100	100	100	–	10	–	(10)	–	–
10 000	10 000	7 500	7 500	332 564	332 564	–	–	–	(275)
9 000	9 000	9 000	9 000	59	59	6 980	7 831	885	(993)
400	400	400	400	–	–	5 973	6 836	(28)	(296)
1	1	1	1	–	–	3 181	2 469	4 002	3 732
100	100	100	100	12 855	12 855	(9 674)	2 935	5 907	4 885
308	308	308	308	–	–	–	–	–	–
200	200	200	200	–	–	38 111	11 006	16 993	18 566
100	100	100	100	–	–	10 460	–	7 537	2 280
100	100	100	100	–	–	–	6 632	–	–
100	100	100	100	–	–	1 913	1 913	–	–
100	100	100	100	7 270	7 270	2 080	(544)	6 889	6 067
100	100	100	100	–	–	6 543	7 902	22 478	16 436
100	–	100	–	41 383	–	(2 942)	–	1 406	–
100	100	–	100	–	–	–	(9 683)	(2 471)	3 012
100	100	100	100	–	–	–	–	–	–
200	200	200	200	–	–	–	–	15	–
2 000	2 000	1 000	1 000	1	1	14 725	16 885	(3 720)	1 179
100	100	100	100	–	–	–	(283)	–	35
200 000	200 000	200 000	200 000	–	3 015	31 332	28 170	(425)	1 989
100	100	100	100	1 946	1 946	–	–	–	–
100	100	100	100	629	629	2 850	5 623	1 934	1 230
100	100	100	100	–	–	9 348	18 011	33 564	27 774
10 000	10 000	10 000	10 000	–	–	(197 031)	(197 031)	–	–
200	200	200	200	7 790	7 790	(23 140)	(11 999)	37 020	9 660
1 000	–	650	–	–	–	–	–	–	–
4 000	4 000	–	4 000	–	–	–	(3 484)	(2 657)	(3 580)
100	100	100	100	–	–	(171)	(2 491)	232	3 315
4 000	4 000	4 000	4 000	–	–	–	3 005	27	1 077
				–	–	(233 481)	(225 525)	(30 919)	(19 428)
				404 507	379 473	139 601	131 566	138 657	101 237
				404 507	379 473	(93 880)	(93 959)	107 738	81 809
50 000	50 000	12 500	12 500	3 045	1 636	–	–	2 284	1 200
490	490	–	40	–	(369)	–	(409)	–	–
400	400	–	100	–	2 331	(51)	311	3 185	2 223
1 000	1 000	500	500	103	460	–	21	12	(162)
100	100	35	35	–	(26)	–	–	14	(26)
100	100	30	30	67	52	–	–	16	51
1 000	1 000	500	500	(26)	8	–	–	(34)	8
				(26)	(395)	(51)	(409)	(34)	(188)
				3 215	4 487	–	332	5 511	3 482
				3 189	4 092	(51)	(77)	5 477	3 294

NOTICE OF ANNUAL GENERAL MEETING

Adcorp Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration number 1974/001804/06)
Share code: ADR
ISIN: ZAE000000139
("Adcorp" or "the company")

Notice is hereby given that the annual general meeting of the shareholders of Adcorp Holdings Limited will be held at Block A, 28 on Sloane, Sloane Street, Bryanston, Johannesburg on Thursday, 28 June 2007 at 09:00 to consider and if deemed fit, to pass with or without modification the following resolutions:

As ordinary resolutions

1. To receive, approve and adopt the audited annual financial statements for the year ended 31 December 2006.
2. To re-elect Richard Pike as a director of the company.
3. To re-elect Faunce Burd as a director of the company.
4. To re-elect Nelis Swart as a director of the company.
5. To re-elect Campbell Bomela as a director of the company.
6. To resolve that 1 500 000 shares in the authorised but unissued share capital of the company be and are hereby placed under the control of the directors of the company as a specific authority in terms of section 221(2) of the Act. These shares are specifically for the issue of shares in order to meet Adcorp's commitment in terms of the Adcorp Employee Share Trust.
7. To resolve that 10% of the ordinary shares in the authorised but unissued share capital of the company be and are hereby placed under the control of the directors of the company as a specific authority in terms of section 221(2) of the Companies Act, 61 of 1973, as amended ("the Act").
8. To transact such other business as may be transacted at an annual general meeting.

As special resolution

9. Resolved that the directors of the company be and are hereby authorised by way of a general authority to facilitate the repurchase by the company or any of its subsidiaries, of shares in the capital of the company, as they in their discretion, from time to time, deem fit. The repurchase will be in accordance with the provisions of the Act, the JSE Listings Requirements and the articles of association of Adcorp, from time to time which are:
   - the repurchase of securities being affected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter party;
   - this general authority shall be valid only until the company's next annual general meeting, or for fifteen months from the date of this special resolution, whichever period is shorter;
   - an announcement will be published as soon as the company has acquired ordinary shares constituting, on a cumulative basis 3% or every 3% thereafter, of the number of ordinary shares in issue prior to the acquisition pursuant to which the aforesaid 3% threshold is reached, containing full details of such shares;
   - any general repurchase shall not in the aggregate in any one financial year exceed 20% of the company's ordinary issued share capital;
   - in determining the price at which ordinary shares issued by the company will be acquired by the company and/or its subsidiaries in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be no more than 10% above the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the five trading days immediately preceding the date of repurchase of such ordinary shares by the company and/or its subsidiaries;
   - the sponsor of the company provides a letter to the JSE on the adequacy of working capital in terms of section 2.12 of the JSE Listings Requirements, before the share repurchase commences;

   Having considered the effect of the maximum repurchase of 20% of the company's issued share capital in any one financial year, the directors are of the opinion that:
   - the company and the Group will, after payment for such ordinary course of business for a period of 12 months following the date of the annual general meeting;
   - the company and the Group's consolidated assets, fairly valued according to generally accepted accounting practice and on a basis consistent with the last financial year of the company, will, after such payment, exceed their consolidated liabilities for a period of 12 months following the date of the annual general meeting;
   - the company's and the Group's ordinary share capital and reserves will, after such payment, be sufficient to meet their needs for a period of 12 months following the date of the annual general meeting;
   - the company and the Group will, after such payment have sufficient working capital to meet its needs for a period of 12 months following the date of the annual general meeting;
   - at any point in time, may only appoint one agent to effect any repurchase on the company's behalf;
   - the company may only undertake a repurchase of securities if, after such repurchase, it still complies with the shareholder spread requirements as set out in the JSE Listings Requirements; and
   - the company or its subsidiaries may not repurchase securities during a prohibited period, as defined in the JSE Listings Requirements.

The board of directors of Adcorp will use this authority as and when opportunities arise.

Reason for and effect of the special resolution

The effect of this special resolution and the reason therefore is to grant the company and its subsidiaries a general approval in terms of the Companies Act No 61 of 1973, as amended, for the acquisition by the company of its own shares and/or acquisition by a subsidiary of shares in the company, which general approval shall be valid until the next annual general meeting of the company, provided that this general authority shall be valid only until the company's next annual general meeting or for 15 months from the date of special resolution number 1, whichever period is shorter. Such general authority will provide the board with the flexibility to repurchase shares should same be in the interest of the company at the time while the general authority subsists.

Other disclosures in terms of section 11.26 of the JSE listings Requirements

- Directors and management (page 10)
- Major shareholders of Adcorp (page 28)
- Directors' interests in securities (page 64)
- Share capital of Adcorp (page 52)

1.1 Material change

Other than the facts and developments as referred to on page 67 of the annual report, there have been no material changes in the affairs or financial position of Adcorp and its subsidiaries since the date of signature of the audit report and the date of this notice.

1.2 Directors' responsibility statement

The directors, whose names are given on page 11 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the special resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all such information.

1.3 Litigation statement

In terms of section 11.26 of the Listings Requirements of the JSE, the directors, whose names are given on page 11 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the Group's financial position, other than:

Kelly Group (SA) (Pty) Limited has served a joint summons on Adcorp and other parties amounting to R40,5 million following the acquisition by Adcorp of FMS Marketing Solutions (Pty) Limited. The summons relates to Kelly's lack of success in pursuing the same acquisition opportunity. Adcorp has obtained a legal opinion on the matter which suggests that Kelly's claim is without any substance and consequently, Adcorp has served a notice on Kelly to remove cause of complaint.

VOTING AND PROXIES

If you are a certificated or own name dematerialised shareholder and unable to attend the annual general meeting of ordinary shareholders to be held on Thursday, 28 June 2007 at 09:00 at the premises of the company Block A, 28 on Sloane, Sloane Street, Bryanston, Johannesburg and wish to be represented thereat, you must complete and return the attached forms of proxy in accordance with the instructions therein to be received by the transfer secretaries by not later than 09:00 on Wednesday, 27 June 2007.

If you have dematerialised your shares with a Central Securities Depository Participant ("CSDP") or broker, other than with own name registration, you must arrange with them to provide you with the necessary authorisation to attend the annual general meeting or you must instruct them as to how you wish to vote in this regard. This must be done in terms of the agreement entered into between you and the CSDP or broker, in the manner and cut-off time stipulated therein.

Additional proxy forms are obtainable from the company secretary and must be deposited at the transfer secretaries not less than 24 hours before the meeting.

By order of the board

Lyn Sudbury
Secretary

16 May 2007

ADMINISTRATION

ADCORP HOLDINGS LIMITED
Registration number 1974/001804/06
Founded 1968, listed 1987

SECRETARY AND REGISTERED OFFICE
L Sudbury
Block A, 28 on Sloane
Sloane Street
Bryanston, 2021
PO Box 7156, Johannesburg, 2000
Tel 011 244 5300
Fax 011 244 5310
Email info@adcorp.co.za

LEGAL ADVISORS
Roodt Inc Attorneys
Registration number 2003/016254/21
Block A, Eton Road Office Park
7 Eton Road
Sandhurst, 2196
PO Box 78894, Sandton, 2146

AUDITORS
Deloitte & Touche
The Woodlands
20 Woodmead Drive
Gallo Manor
Sandton
Private Bag X6
Gallo Manor, 2052
Tel 011 806 5000
Fax 011 806 5111

TRANSFER SECRETARIES
Link Market Services SA (Pty) Limited
Registration number 2000/007239/07
11 Diagonal Street
Johannesburg, 2001
Tel 011 834 2266
Fax 011 834 4398

COMMERCIAL BANKERS
FirstRand Bank of Southern Africa Limited
Registration number 1905/001225/06

ABSA Bank Limited
Registration number 1986/004794/06

SPONSORS
Deloitte & Touche Sponsor Services (Pty) Limited
The Woodlands
20 Woodmead Drive
Gallo Manor
Sandton
Private Bag X6
Gallo Manor, 2052
Tel 011 806 5614
Fax 011 806 5666

FORM OF PROXY

ADCORP HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1974/001804/06)
Share code: ADR
ISIN: ZAE000000139
("Adcorp" or "the company")

For use at the annual general meeting of shareholders of Adcorp Holdings Limited to be held at 09:00 on Thursday, 28 June 2007.

For use by the certificated holders or holders of dematerialised shares in their own name at the annual general meeting to be held at 09:00 on Thursday, 28 June 2007 at the premises of the company on Block A, 28 on Sloane, Sloane Street, Bryanston, Johannesburg.

If shareholders have dematerialised their shares with a Central Securities Depository Participant ("CSDP") or broker, other than with own name registration, they must arrange with the CSDP or broker to provide them with the necessary authorisation to attend the annual general meeting or the shareholder must instruct them as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker, in the manner and cut-off time stipulated therein.

For the annual general meeting

I/We

(Name/s in block letters)
of

(Address in block letters)
being a member/s of the abovementioned company and holding ______ shares in Adcorp Holdings Limited, and entitled to vote, do hereby appoint (refer to note 1 on page 72):

or, failing him,

Dr F van Zyl Slabbert of Block A, 28 on Sloane, Sloane Street, Bryanston, Johannesburg or failing him, the Chairman of the meeting as my/our proxy(ies) to vote on a poll on my/our behalf at the annual general meeting of the company to be held at 09:00 on Thursday, 28 June 2007 and at any adjournment thereof.

Please indicate with an "X" in the spaces below how you wish your proxy to vote in respect of the resolutions to be proposed, as contained in the notice of the abovementioned annual general meeting.
*I/We desire my/our proxy to vote on the resolutions to be proposed, as follows:

	For	Against	Abstain
Ordinary resolution 1 (Adopt audited financial statements)			
Ordinary resolution 2 (Re-elect Richard Pike)			
Ordinary resolution 3 (Re-elect Faunce Burd)			
Ordinary resolution 4 (Re-elect Nelis Swart)			
Ordinary resolution 5 (Re-elect Campbell Bomela)			
Ordinary resolution 6 (Employee share scheme shares placed under control of directors)			
Ordinary resolution 7 (10% of issued shares placed under the control of directors)			
Ordinary resolution 8 (Transact other business)			
Special resolution 1 (General authority to repurchase shares)			

Signed by me/us this ______ day of ______ 2007

Signature

Assisted by me (where applicable) (refer to note 5 on page 72)

Full name/s of signatory if signing in a representative capacity (refer to note 4 on page 72)

* If this form of proxy is returned without any indication of how the proxy should vote, the proxy will exercise his/her discretion both as to how he/she votes and as to whether or not he/she abstains from voting.

NOTES

1. A member entitled to attend and vote at the above mentioned meeting is entitled to appoint one or more proxies to attend, speak and, upon a poll, vote in his stead or abstain from voting. The proxy need not be a member of the company.
2. To be valid this form of proxy must be completed and returned to the company's transfer secretaries, Ultrashare Registrars (Pty) Limited, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) to be received by not later than 09:00 on Wednesday, 28 June 2007.
3. In the case of a joint holding, the first-named only need sign.
4. The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless that authority has already been recorded by the company.
5. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian as applicable, unless the relevant documents establishing capacity are produced or have been registered with the transfer secretaries.

ADCORP
HOLDINGS

www.adcorp.co.za