

LEADERS IN HUMAN CAPITAL MANAGEMENT AND MARKETING ADVISORY SERVICES

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

JP RESUL

FOR THE YEAR ENDED 31 DECEMBER 2005

ABRIDGED CASH FLOW STATEMENT

SALIENT FEATURES

- Headline earnings per share up by 23%
- Net income up by 36%

INCOME STATEMENT

- Operating profit margin up to 4.9%
- Debtors days reduced by 3 days to 33 days
- Total dividend in respect of 2005 of 140 cents per share up 33%

Net cash movement

of the year

Return on assets managed up to 34%

Reviewed Restated 2004 R'000 R'000 REVENUE 2 392 510 2 005 659 (1 683 566) (1 400 649)

		, ,
GROSS PROFIT Other income OPERATING EXPENSES	708 944 20 358 (612 895)	605 010 25 532 (545 049)
Administrative expenses Marketing and selling expenses Other operating expenses	(238 923) (298 052) (75 920)	(215 047) (254 781) (75 221)
NET INCOME Interest received - banks - fair value adjustments Interest paid - banks - fair value adjustments Share of profits from associates Impairment of goodwill, investments and property Profit/(loss) on sale of property and equipment Loss on disposal of operations and subsidiaries	116 407 15 935 - (17 212) (162) 3 294 (19 112) 3 322 (333)	85 493 18 155 82 (20 604) 2 222 (1 224) (94) (5 565)
PROFIT BEFORE TAXATION Taxation	102 139 (35 010)	78 465 (19 132)
PROFIT FOR THE YEAR	67 129	59 333
Attributable to: Ordinary shareholders Minority shareholders BEE shareholders	65 185 1 012 932	56 917 898 1 518
PROFIT FOR THE YEAR	67 129	59 333
Earnings per share – cents Diluted earnings per share – cents	156,2 154,8	141,2 139,8
Distribution to shareholders interim prior year (capital distribution) – cents final dividend in respect of prior year interim dividend – cents	- 80 35	25 54 -
- proposed final dividend	105	80
Weighted average shares in issue – 000's Total shares for diluted earnings calculated – 000's	41 730 42 103	40 302 40 711

HEADLINE EARNINGS for the year ended 31 December 2005

	Reviewed 2005 R'000	Restated 2004 R'000
RECONCILIATION OF HEADLINE EARNINGS Profit for the year Impairment of goodwill, investment and property Minority shareholders' share in profit BEE shareholders' share of profits (Profit)/loss on sale of property and equipment Loss on disposal of operations and subsidiaries	67 129 19 112 (1 012) (932) (3 210) 333	59 333 1 224 (898) (1 518) 66 5 565
HEADLINE EARNINGS	81 420	63 772
Headline earnings per share - cents Diluted headline earnings per share - cents	195,1 193,4	158,2 156,6

	Reviewed 2005 R'000	Restated 2004 R'000
ASSETS		
Non-current assets	117 946	141 541
Property and equipment	34 667	49 501
Goodwill	42 015	60 802
Intangible assets	13 708	3 140
Investment in associates	4 092	3 550
Deferred taxation	23 464	24 548
Current assets	438 307	349 035
Trade receivables	297 128	230 881
Other receivables	57 434	27 332
Taxation prepaid	8 302	6 821
Cash resources	75 443	84 001
TOTAL ASSETS	556 253	490 576
EQUITY AND LIABILITIES		
Equity	252 162	219 015
Share capital	1 065	1 031
Share premium	48 679	34 694
Treasury shares	(2 127)	(4 205)
Share based payments reserve	2 821	1 318
Retained earnings	199 268	183 107
Minority shareholders' interest	2 379	1 367
BEE shareholders' interest	77	1 703
Non-current liabilities		
Non-current interest-bearing liabilities	5 541	6 887
Current liabilities	298 550	264 674
Current non-interest-bearing liabilities	241 837	179 306
Current non-interest-bearing liabilities	169 513	127 518
Amounts due to vendor	2 187	3 500
Provisions	58 523	46 243
Taxation	11 614	2 045
Current interest-bearing liabilities	56 713	85 368
Current portion of interest-bearing		
non-current liabilities	-	23
Bank overdraft	56 713	85 345
TOTAL EQUITY AND LIABILITIES	556 253	490 576
Number of ordinary shares in issue - 000's	42 614	41 258

592

531

BALANCE SHEET

SEGMENT REPORT

		Turnover	Ne	et income	Оре	erating profit margin		ntribution to	a	Net sset value
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Reviewed	R'000	R'000	R'000	R'000	%	%	%	%	R'000	R'000
Central costs	5 429	9 029	(20 834)	(14 124)	-	-	(17,9)	(16,6)	98 199	62 319
Permanent recruitment	353 122	252 871	23 244	14 098	6,6	5,6	20,0	16,5	2 918	25 835
Flexible staffing	1 850 850	1 518 839	103 517	72 750	5,6	4,8	88,9	85,1	149 710	123 391
Corporate communications	81 427	133 855	387	5 182	0,5	3,9	0,3	6,2	1 519	6 336
Marketing research	101 682	91 065	10 093	7 587	9,9	8,3	8,7	8,9	(184)	1 134
TOTAL	2 392 510	2 005 659	116 407	85 493	4,9	4,3	100,0	100,0	252 162	219 015

Net asset value per share - 000's

ABRIDGED STATEMENT OF CHANGES IN EQUITY

Balance as at 31 December 2005	1 065	48 679	(2 127)	199 268	2 821	2 379	77	252 162
Dividend distributions	-	-	278	(48 242)	-	-	-	(47 964)
Treasury shares sold	-	-	1 800	(782)	-	-	-	1 018
Payments made to BEE shareholders	_	-	-	-	-	-	(2 558)	(2 558)
Share based payments	-	-	-	-	1 503	-	-	1 503
Shares issued	34	13 985	-	_	-	-	-	14 019
Minority shareholders share of profits	-	-	-	(1 012)	-	1 012	-	-
BEE share of super profits	-	-	-	(932)	-	-	932	-
Profit for the year	-	-	_	67 129	-	-	-	67 129
Restated balance as at 31 December 2004	1 031	34 694	(4 205)	183 107	1 318	1 367	1 703	219 015
IFRS restatements to 31 December 2004	-	-	-	2 794	1 318	-	-	4 112
Prior year adjustments	-	-	-	(8 133)	-	-	(756)	(8 889)
Balance as at 31 December 2004	1 031	34 694	(4 205)	188 446	_	1 367	2 459	223 792
Reviewed	Share capital R'000	Share premium R'000	Treasury shares R'000	Retained earnings R'000	Share based payments reserve R'000	Minority shareholders' interest R'000	BEE shareholders' interest R'000	Total R'000

COMMENTS

outstanding financial performance.

public relations business.

OVERVIEW

2005 proved to be another very successful year for the Adcorp Group. Operating profit increased by 36,2% compared with the prior year whilst headline earnings per share were 23,3% higher for

Following the repositioning strategy and operational plan embarked upon by the Group in 2001, Adcorp has now delivered three consecutive years of double digit profit growth.

The foundation of the original 2001 repositioning strategy was to place the Group on a sound financial and operational footing. As such, it was recognised that cash and margin management were the key value drivers of the business and required a single minded focus.

Simply put, the philosophy has been to grow profit and to convert this profit into cash.

The Permanent Recruitment division of the Group recorded another outstanding year. Operating profit of R23,2 million was some 64,9% ahead of that reported in the prior financial year.

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 equity 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 recorded operating profit of R103.5 million which is 42.2% ahead of the operating profit of R72,8 million recorded for the same period last year. This division is the most dominant contributor to Group profitability and, once again, produced an

The division provides jobs for between 30 000 and 35 000 employees at any point in time with its

Whilst a relatively small division in the greater Adcorp Group, the Corporate Communications division experienced a difficult year in 2005.

Although the graphic design and annual report operations produced a reasonable profit, the division produced an overall modest operating profit of R0,4 million due to losses incurred in the

biggest markets being the financial services, telecommunications, healthcare, retail, office support, call centre, technical and semi-skilled sectors of the job market.

A number of management changes have been made and the division is now well poised from a position of transformation and empowerment, delivery capability, cross-company synergy, and market profile

The challenge in 2006 is to ensure that the plan is effectively implemented and that the new sales

drive delivers the additional required level of revenues to put the division back on to a profitable

The Marketing Research division, trading as Research Surveys, had a very good year.

Operating profit of R10,1 million for 2005 grew by a factor of 33,0% compared to operating profit

This improved performance is reflective of the dominant position Research Surveys now enjoys in the consumer research industry as well as a strong South African economy, particularly in the fast moving consumer goods (FMCG) sector.

During the year, the decision was taken to commence with an upgrade of the management

information systems of the Flexible Staffing division and to implement the Microsoft developed "Axapta" ERP system. This upgrade has been necessitated due to 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 new system is expected to be fully implemented early in 2007 and is anticipated to cost in the region of R27 million to complete the project. R10,6 million of this cost has already been incurred in the 2005 financial year and will be depreciated once the system is commissioned

Being a service based business, it has been management's philosophy to maintain balance sheet flexibility and to deploy financial resources to best financial advantage in order to maximise returns for shareholders. The Group, therefore, opts to lease business premises in preference to owning such premises.

Accordingly, Adcorp took the decision to sell its fixed property consisting primarily of its head office building situated in Melville, Johannesburg Consequently, the building was sold towards the end of the 2005 financial year for an amount of

Reviewed Restated 2004 R'000 Cash flows from operating activities Cash generated from operations 134 481 103 636 (43 074) (14810)Increase in working capital Cash generated by operating activities 91 407 88 826 Net interest paid (2449)(1277)Taxation paid (26210)(24 764) Net dividend paid/capital distribution (31964)Net cash inflow from operating activities 16 924 29 649 (19 676) Cash flows used in investing activities 15 039 10 815 Cash flows from financing activities

20 788

(22 132)

(1 344)

(1 344)

18 730

RECONCILIATION OF PREVIOUS SA GAAP TO IFRS

Cash and cash equivalents at the beginning

Cash and cash equivalents at the end

	Restated	IFR
	12 months to	transition date
	31 December 2004	1 Januar 200
	R'000	R'00
ALANCE SHEET		
Changes in equity:		
otal equity:	010.0//	107.70
As previously reported - SA GAAP Prior year adjustment in respect of	219 966	186 70
leave pay provisions	(5 899)	(5 14
Operating lease rental timing adjustments	(3 192)	(1.80
Net effect of above adjustments	()	(
on deferred taxation	958	53
Restated total equity - SA GAAP	211 833	180 30
Minority shareholders' interest	1 367	60
BEE shareholders' interest	1 703	18
Impairment of goodwill	(4 854)	(4 85
Reversal of goodwill amortisation Adjustment of fixed property residual values	4 121 4 845	4 39
Share based payments	(1 318)	(35
Charges against retained earnings	1 318	35
Restated total equity- IFRS	219 015	180 27
NCOME STATEMENT		
Profit for the year as previously reported - SA GAAP Prior year adjustment in respect of	58 211	
leave pay provisions	(2 130)	
Operating lease rental timing adjustments	(1 393)	
Taxation adjustment in respect of the above	1 036	
Restated profit for the year - SA GAAP	55 724	
Share based payments charge	(962)	
Reversal of fixed property depreciation	450	
Reversal of goodwill amortisation	4 121	
Restated profit for the year	59 333	

The funds from this sale have been earmarked to fund the new management information system referred to above, such that the Group's cash flows and consequential dividend returns to shareholders remain largely unaffected.

The major strategic priorities of the Group for 2006 are to exploit our core strengths, optimise Group synergy, drive operational excellence and enhance the Group's broad-based black economic erment (BBBEE) profile whilst operationally, all businesses remain strongly focused on cash and marain management.

FINANCIAL OVERVIEW

This report has been prepared in accordance with International Financial Reporting Standards (IFRS). The transition date to IFRS was 1 January 2004 and the figures for the year ended 31 December 2004 have been restated accordingly. Changes in our accounting policies were disclosed in our interim results announcement of 17 August 2005.

Headline earnings per share increased by 23,3% compared with 2004 while the increase in earnings per share was 10,6% above last year. The reason for the lower increase in earnings per share is the impairment of goodwill of R19,1 million. Of this, R14,0 million was precipitated by the reduced profit prospects of Graphicor, the Communications Division company which has been beset by management and staff problems. The balance is primarily due to The Production Management Institute of SA, a training company, where R4,1 million was impaired as a result of this company's slow return to accepted levels of profitability.

The increase in margin of 0,6% is a pleasing upward trend and has contributed approximately R14,0 million additional profit in the current year.

Net cash at 31 December 2005, was R18.7 million compared with an overdraft of R1.3 million at the end of 2005. Working capital requirements increased by R28,3 million over the same period last year mainly as a result of December 2005 turnover being significantly higher than that of December 2004. The full impact of this was offset by a reduction in debtors days from 36 to 33 days.

The increase in central costs compared with 2004 is mainly due to additional expenses incurred in complying with corporate governance and accounting requirements.

OUTLOOK

Prospects for the Group remain positive and the growth trend achieved over the past three years is expected to continue.

Given the anticipated expansion of existing market opportunities together with the inherent potential in unlocking operational productivity coupled with favourable economic conditions, prospects for sustained, real growth remain good for the foreseeable future.

DECLARATION OF FINAL DIVIDEND

Notice is hereby given that a final dividend of 105 cents per share (2004: 80 cents per share) was declared on 8 March 2006 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, 31 March 2006 Monday, 3 April 2006 Friday, 7 April 2006 First day to trade ex final dividend Record date Payment date Monday, 10 April 2006

No share certificates may be dematerialised or rematerialised between Monday, 3 April and Friday, 7 April, 2006, 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.

REVIEW OF RESULTS

The results have been reviewed by the joint independent auditors, Deloitte & Touche and Charter Financial and Auditing Inc. A copy of their unqualified review report is available for inspection at the registered office of the company, 28 Sloane Street, Bryanston.

By order of the board

Dr F van Zyl Slabbert **RL Pike** FD Burd Chief Executive Officer Group Financial Director 8 March 2006

Executive directors RL Pike, HW Barenblatt, C Bomela, FD Burd, M Liphosa, RB McGregor,

Dr F van Zyl Slabbert, SO Shonhiwa, F Khanyile, non-executive directors GM Negota, S Sebotsa TEM Ratshitanga, SE Zungu

Company secretary Ultra Registrars (Pty) Limited, 11 Diagonal Street, Johannesburg, 2001 Transfer secretaries Deloitte & Touche Sponsor Services (Pty) Limited Sponsor