

ADCORP HOLDINGS

Adcorp Holdings Limited

("Adcorp" or "the Group")

Registration number 1974/001804/06

Share code: ADR ISIN number: ZAE000000139

UNAUDITED GROUP INTERIM RESULTS

FOR THE PERIOD ENDED 30 JUNE 2004

Salient features

- Headline earnings up by 77%
- Operating profit up by 39%
- Cash conversion ratio 141%
- Debtors days down by 4 days
- Proposed interim capital distribution of 25 cents per share

Leaders in human capital management and marketing advisory services

INCOME STATEMENT

for the six months ended 30 June 2004

	Unaudited 6 months to June 2004 R'000	Unaudited 6 months to June 2003 R'000	Audited 12 months to December 2003 R'000
TURNOVER	933 780	798 905	1 667 235
Cost of sales	(653 143)	(549 176)	(1 143 655)
Gross profit	280 637	249 729	523 580
Other income	9 311	6 616	14 087
Operating expenses	(241 060)	(218 020)	(451 932)
EBITDA	48 888	38 325	85 735
Depreciation	(6 618)	(6 761)	(13 302)
OPERATING PROFIT BEFORE GOODWILL	42 270	31 564	72 433
Amortisation of goodwill	(1 967)	(2 510)	(4 100)
OPERATING PROFIT	40 303	29 054	68 333
Interest received – banks	8 836	6 129	18 331
– fair value adjustments	–	–	269
Interest paid – banks	(11 017)	(10 522)	(24 435)
Share of profits/(losses) from associates	2 690	(2 223)	(2 058)
Impairment of investment and property	–	(7 245)	(11 362)
Loss on sale of property and equipment	(109)	(433)	(391)
Profit/(loss) on disposal of operations and subsidiaries	59	(28 407)	(31 671)
PROFIT/(LOSS) BEFORE TAXATION	40 762	(13 647)	17 016
Taxation – Current	(12 753)	(9 273)	(24 883)
– Prior year	–	–	(1 222)
PROFIT/(LOSS) AFTER TAXATION	28 009	(22 920)	(9 089)
Minority shareholders' share of (profits)/losses	(509)	344	472
BEE share of super profits	(1 400)	–	(185)
PROFIT/(LOSS) ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	26 100	(22 576)	(8 802)
Reconciliation of headline earnings			
Profit/(loss) attributable to ordinary shareholders	26 100	(22 576)	(8 802)
Amortisation of goodwill	1 967	2 510	4 100
Impairment of investment and property	–	7 245	11 362
Loss on sale of property and equipment	76	303	274
(Profit)/loss on disposal of operations and subsidiaries	(59)	28 407	31 671
Headline earnings	28 084	15 889	38 605
Headline earnings per share – cents	70,1	39,7	96,4
Earnings/(losses) per share – cents	65,2	(56,4)	(22,0)
Diluted headline earnings per share – cents	70,0	39,6	94,4
Diluted earnings/(losses) per share – cents	65,0	(56,3)	(21,5)
Capital distribution per share (cents)			
– interim prior year (approved 2003)	–	10	10
– final prior year (approved 2004)	–	–	54
– proposed interim	25	–	–

BALANCE SHEET

as at 30 June 2004

	Unaudited 30 June 2004 R'000	Unaudited 30 June 2003 R'000	Audited 12 months to December 2003 R'000
ASSETS			
Non-current assets	1 311 797	1 388 465	1 327 791
Property, plant and equipment	40 369	40 200	39 055
Goodwill	66 611	68 849	68 310
Investment in associates	6 483	9 595	3 059
Vendors for sale of business	–	–	2 148
Deferred taxation	18 334	19 821	20 219
Current assets	364 443	301 051	291 920
Trade receivables	216 391	182 409	187 672
Other receivables	23 152	31 584	23 098
Vendors for sale of business	89	4 816	259
Cash resources	121 616	72 972	77 709
Taxation prepaid	3 195	9 270	3 182
	496 240	439 516	424 711
EQUITY AND LIABILITIES			
Capital and reserves	198 311	185 082	194 153
Share capital	1 007	1 007	1 007
Share premium	34 805	60 761	56 747
Treasury shares	(4 454)	(4 578)	(4 454)
Accumulated profits	166 953	127 892	140 853
Minority shareholders' interest	927	919	603
BEE shareholders interest	1 585	–	185
Non-current liabilities			
Non-current interest-bearing liabilities	640	–	–
Current liabilities	294 777	253 515	229 770
Current non-interest-bearing liabilities	187 890	159 169	129 929
Current non-interest-bearing liabilities	152 767	130 343	110 962
Shareholders' for capital distribution	21 942	14 908	–
Provisions	12 186	13 615	14 340
Taxation	995	303	4 627
Current interest-bearing liabilities	106 887	94 346	99 841
Current portion of interest-bearing non-current liabilities	66	15	–
Bank overdraft	106 821	94 331	99 841
Total equity and liabilities	496 240	439 516	424 711
Number of ordinary shares in issue	40 369	40 030	40 035
Net asset value per share	491	462	485

CASH FLOW STATEMENT

for the 6 months ended 30 June 2004

	Unaudited 6 months to June 2004 R'000	Unaudited 6 months to June 2003 R'000	12 months to December 2003 R'000
Cash flows from operating activities			
Cash generated by operations	48 888	36 793	86 987
Decrease/(increase) in working capital	10 693	22 989	8 537
Cash generated by operating activities	59 581	59 782	95 524
Net interest paid	(2 181)	(4 393)	(6 104)
Taxation paid	(14 513)	(19 265)	(25 757)
Capital distribution paid	–	–	(18 668)
Net cash inflow from operating activities	42 887	36 124	44 995
Cash flows from investing activities	(6 666)	(7 009)	(16 491)
Cash flows from financing activities	706	(824)	(986)
Net cash movement	36 927	28 291	27 518
Cash and cash equivalents at the beginning of the period	(22 132)	(49 650)	(49 650)
Cash and cash equivalents at the end of the period	14 795	(21 359)	(22 132)

COMMENTS

TRADING OVERVIEW

The Group's trading performance for the period under review is most pleasing and the culmination of a process of significant restructure and repositioning which is now bearing fruit. Headline earnings per share of 70.1 cents are some 77% above the 39.7 cents for the same period last year whilst operating profit before goodwill of R42.3 million is 34% up on earnings for the prior comparative period.

The Group's continued focus on margin management and cash management also contributed positively to the result with operating margins improving by a factor of 13% to a level of 4.5% versus 4.0% for the corresponding period.

Debtors days reduced to a level of 33 days compared to 37 days at the comparative date last year. This reduction coupled with the effective management of current liabilities has had a marked impact on the Group's cash generation. The conversion ratio of cash generated by operating activities to operating profit before goodwill of 141% resulted in the Group's prior year borrowed position moving into a net cash position of R14.8 million.

As a result of this pleasing cash generation performance, the Group is in a position to recommend a capital distribution of 25 cents per share which is 150% above the capital distribution proposed for the same period last year.

The Group's financial results were buoyed by strong performances in the Permanent Recruitment and Flexible Staffing divisions. Previous losses in the Education and Training division were reversed to a break-even position. The performance of the Marketing Research division was satisfactory coming off a high base whilst the Corporate Communications division reflected a decline in profitability mainly due to an exceptional previous year.

FINANCIAL OVERVIEW

Profit attributable to ordinary shareholders amounted to R26.1 million for the six months under review compared with a loss of R22.5 million for the same period last year. The loss in the previous period resulted primarily from the finalisation of the Group's restructure, however the R26.1 million attributable profit achieved in the current period compares favourably with the R12.9 million recorded by ongoing operations for the similar period last year.

Net cash generated during the period under review amounted to R36.9 million which is 31% higher than the R28.3 million achieved in the same period last year. This positive position is mainly attributable to the improvement in profit margin as well as the ongoing management of working capital. It should be noted that the second six months will show a reduction in cash resources due to the payment of the final capital distribution in respect of 2003 as well as the proposed interim capital distribution for 2004. Collectively these payments will amount to R32.1 million.

Trade and other receivables have been separated in order to provide greater clarity on these components. Items included under provisions have been revisited and the provisions now consist primarily of leave pay. Comparatives for these line items have been restated however, the net current assets remain unchanged.

OUTLOOK

The strong performance of the Group is expected to continue into the second half of the year. The focus on margin management and cash generation remains which potentially could provide further inherent opportunities for the Group.

DISTRIBUTION OF CAPITAL

The board has proposed an interim capital distribution of 25 cents per share subject to shareholder approval. A circular will be sent to shareholders shortly requesting the necessary approval.

ACCOUNTING POLICIES AND PRESENTATION

This report has been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The accounting policies and methods of computation are consistent with those applied in the annual financial statements for the year ended 31 December 2003.

By order of the board

Dr F van Zyl Slabbert
Chairman

RL Pike
Chief Executive Officer

FD Burd
Group Financial Director

25 August 2004

Executive directors

RL Pike, FD Burd, VC Baker, M Liphosa

Non-executive directors

HW Barenblatt, RB McGregor, PC Swart

Independent non-executive directors

Dr F van Zyl Slabbert, SO Shonhiwa, C Bornela,

F Khanyile, GM Negota, S Sebota

TEM Ratshitanga, SE Zungu

Alternate directors

MC Millar

Company secretary

Ulta Registrars (Pty) Limited

Transfer secretaries

11 Diagonal Street, Johannesburg, 2001

Sponsor

Deloitte & Touche Sponsor Services (Pty) Limited

SEGMENTAL REPORT

6 months to June 2004

	Turnover		Operating profit before goodwill		Operating profit margin		Contribution to group profit		Net asset value	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000	2004 %	2003 %	2004 %	2003 %	June 2004 R'000	Dec 2003 R'000
Central costs	2 276	2 000	(7 680)	(7 327)	–	–	(18,2)	(23,2)	80 396	106 071
Permanent recruitment	119 351	124 512	11 003	7 683	9,2	6,2	26,0	24,3	14 544	7 885
Flexible staffing	692 244	534 945	29 974	22 036	4,3	4,1	70,9	69,8	104 879	87 607
Education and training	11 174	28 338	(1)	(2 002)	–	(7,1)	–	(6,3)	(18 219)	(16 542)
Corporate communications	65 316	64 906	3 789	5 200	5,8	8,0	9,0	16,5	6 655	4 548
Marketing research	43 419	44 204	5 185	5 974	11,9	13,5	12,3	18,9	10 056	4 584
Total	933 780	798 905	42 270	31 564	4,5	4,0	100,0	100,0	198 311	194 153

ABRIDGED STATEMENT OF CHANGES IN EQUITY

for the 6 months ended 30 June 2004

	Share capital R'000	Share premium R'000	Treasury shares R'000	Distributable reserves R'000	Total R'000
Balance as at 31 December 2003	1 007	56 747	(4 454)	140 853	194 153
Capital distribution approved – paid 26 July 2004	–	(21 942)	–	–	(21 942)
Net profit for the 6 months to June 2004	–	–	–	26 100	26 100
Balance as at 30 June 2004	1 007	34 805	(4 454)	166 953	198 311