

UNAUDITED GROUP INTERIM RESULTS

FOR THE PERIOD ENDED 30 JUNE 2006

SALIENT FEATURES

- Headline earnings up by 28%
- Headline earnings per share up by 24%
- Cash conversion ratio 82%

- Debtors days down by three days to 30 days
- Interim dividend of 42 cents per share – up 20%
- Operating margin 4,7%

INCOME STATEMENT

for the six months ended 30 June 2006

	Unaudited Total operations 6 months 30 June 2005 R'000	Unaudited Continued operations 6 months 30 June 2006 R'000	Unaudited Discontinued operations 6 months 30 June 2006 R'000	Unaudited 6 months 30 June 2006 R'000	Audited 12 months 31 December 2005 R'000
REVENUE	1 270 680 (916 330)	1 214 993 (898 052)	55 687 (17 278)	1 102 688 (778 341)	2 359 462 (1 648 528)
Cost of sales	4 044	3 164	38 409	324 327 (78 341)	711 124 18 178
GROSS PROFIT	113 348 (152 829)	113 348 (152 829)	113 348 (152 829)	113 348 (152 829)	113 348 (152 829)
Administrative expenses	(152 829)	(135 639)	(17 190)	(140 037)	(298 052)
Marketing and selling expenses	(33 716)	(29 543)	(4 173)	(31 921)	(75 920)
Other operating expenses	59 501	58 142	1 359	52 749	116 407
Interest received	1 994	1 980	14	1 660	2 587
Interest paid	(2 087)	(2 086)	(1)	(2 765)	(4 026)
Share of profits from associates	2 280	782	1 498	1 719	3 294
Impairment of goodwill	–	–	–	–	(19 112)
(Loss)/profit on sale of property and equipment	(19)	(36)	17	201	3 322
Loss on disposal of operations and subsidiaries	(20 602)	–	(20 602)	–	(333)
PROFIT BEFORE TAXATION	41 067 (17 056)	58 782 (15 638)	(17 715) (1 418)	53 564 (16 758)	102 139 (35 010)
Taxation	24 011	43 144	(19 133)	36 806	67 129
PROFIT FOR THE YEAR	24 011	44 043 (899)	(19 133) (899)	35 758 196	65 185 1 012
Attributable to:					
Ordinary shareholders	24 011	44 043 (899)	(19 133) (899)	35 758 196	65 185 1 012
Minority shareholders	–	–	–	–	–
BEE shareholders	–	–	–	–	–
PROFIT FOR THE YEAR	24 011	44 043 (899)	(19 133) (899)	35 758 196	65 185 1 012
EARNINGS PER SHARE					
Basic (cents)	58,3	103,0	(44,7)	86,5	156,2
Diluted (cents)	57,3	101,3	(44,0)	84,4	154,8
DISTRIBUTION TO SHAREHOLDERS					
Interim dividend (cents)	42	–	–	35	35
Final dividend (cents) in respect of prior year	105	–	–	80	80
RECONCILIATION OF HEADLINE EARNINGS					
Profit for the year	24 011	–	–	36 806	67 129
Impairment of goodwill	–	–	–	–	19 112
Minority shareholders' share in interest	899	–	–	(196)	(1 012)
BEE share of super profits	–	–	–	(852)	(932)
Loss/(profit) on sale of property and equipment	19	–	–	(201)	(3 210)
Loss on disposal of operations and subsidiaries	20 602	–	–	–	333
HEADLINE EARNINGS	45 531	–	–	35 557	81 420
HEADLINE EARNINGS PER SHARE					
Basic (cents)	106,5	–	–	86,0	196,1
Diluted (cents)	104,8	–	–	83,9	193,4
Weighted average shares – 000's	42 757	–	–	41 327	41 730
Diluted weighted average shares – 000's	43 441	–	–	42 373	42 103

BALANCE SHEET

as at 30 June 2006

	Unaudited 30 June 2006 R'000	Unaudited 30 June 2005 R'000	Audited 31 December 2005 R'000
ASSETS			
Non-current assets	105 098	127 396	119 723
Property and equipment	27 579	50 039	34 667
Goodwill	29 592	47 971	42 015
Intangible assets	21 653	3 140	13 708
Investment in associates	1 852	5 905	4 092
Other non-current receivables	3 567	–	–
Deferred taxation	15 655	20 341	25 241
Assets classified as held for sale	5 000	–	–
Current assets	488 202	395 561	438 307
Trade and other receivables	327 884	289 291	354 562
Taxation prepaid	8 103	6 143	8 302
Bank balance, cash and deposits	109 881	100 117	75 443
Assets classified as held for sale	42 334	–	–
TOTAL ASSETS	593 300	522 947	558 030
EQUITY AND LIABILITIES			
Capital and reserves	238 282	250 419	252 162
Share capital	1 074	1 043	1 045
Share premium	52 693	39 115	48 679
Treasury shares	(1 463)	(3 379)	(2 127)
Share-based payments reserve	4 792	2 122	2 821
Accumulated profits	179 429	209 543	199 268
Minority shareholders' interest	1 480	1 218	2 370
BEE shareholders' interest	777	77	77
Non-current liabilities	8 462	2 532	7 318
Non-interest-bearing non-current liabilities	–	–	–
Deferred tax	5 331	2 532	5 641
Current liabilities	346 556	269 996	298 550
Non-interest-bearing current liabilities	–	–	–
Trade and other payables	221 269	201 231	241 837
Amounts due to vendor	4 792	175 135	169 513
Provisions	787	2 500	2 187
Taxation	36 133	21 563	58 523
Liabilities classified as held for sale	6 001	2 033	11 614
Interest-bearing current liabilities	125 287	68 765	56 713
Current portion of interest-bearing non-current liabilities	–	67	–
Bank overdraft	125 287	68 698	56 713
TOTAL EQUITY AND LIABILITIES	593 300	522 947	558 030
Number of ordinary shares in issue – 000's	43 005	41 704	42 109
Net asset value per share – cents	554	600	599

COMMENTS

OVERVIEW

The Adcorp Group continues to deliver impressive profit growth with headline earnings increasing some 28.1% to R45.5 million (2005: R35.6 million) whilst headline earnings per share of 106.5 cents for the six-month period ended 30 June 2006 (2005: 86.0 cents) increased some 23.8% compared with the same period last year.

Operating profit of R59.5 million was some 12.8% ahead of the R52.7 million operating profit reported for the prior year period whilst earnings per share are 58.3 cents compared to the 86.5 cents reported in the prior year. Earnings per share were adversely affected by a R20.6 million trading loss on the disposal of the Group's Corporate Communications division which was disposed of with effect from 1 March 2006 as previously reported to shareholders. Rising in line with the overall good performance in the areas of the Group's two key financial imperatives namely, margin management and cash generation.

With regard to margin management, whilst individual subsidiary company operating margins improved for the period under review, the average 4.7% margin for the group was similar to the prior year interim level of 4.8%. This leveling in average margin percentage is mainly attributable to changes in profit contribution mix due to the above average growth in certain lower margin businesses. The conversion ratio of cash generated by operating activities to operating profit was 81.9% (2005: 101.1%). R48.7 million cash was generated by operating activities. Cash movement for the period was a net R34.1 million outflow compared with an inflow of R32.9 million in the comparative period. This was mainly due to the payment of a R28.8 million dividend (including STC) in April 2006 whereas this was previously paid in the second half of the year.

The solid, continued cash generation performance is attributed to the continued management focus on credit control. In this regard, debtors' days outstanding as at 30 June 2006 were of the lowest level ever achieved by the Group at 30 days, down three days from the 33 days achieved at the same time last year.

With regard to the Group's financial performance, the Board has declared a dividend of 42 cents per share for the interim period (2005: 35 cents) some 20% up on the prior interim dividend.

The trading performance of the Group was buoyed by a robust recruitment market as reflected by the stellar performance of the Group's Permanent Recruitment division which increased profitability by 34.0% compared to the prior year interim period.

Flexible Staffing profits increased by 140% compared to the prior year interim period despite the Group's loss of trading days in the current year interim trading period. This loss of days which resulted from calendar differences as well as an unsheduled election day holiday, impacts both revenue as well as the requirement to pay additional leave pay which both have a negative impact on profitability.

As previously reported, the Corporate Communications division has been disposed of whilst the decision has also been taken to exit the Group's Marketing Research operations.

To the extent, options are being evaluated to ensure that the process of exiting these non-core activities achieves optimal value with minimal depletion and it is anticipated that the process will be complete before the end of the financial year.

The decision to exit these non-core businesses has been taken in order to focus the activities of the Group solely in the area of Human Capital Management and specifically, "permanent and flexible staffing" which significantly dominates the strategic agenda of the Group.

In this regard, the Group will be more focused, will have a simpler management structure, will achieve greater inter-group collaboration and synergy and will be able to differentiate its offerings more effectively which is a critical strategic imperative for the Group. The segment report form has been changed to show Adcorp's ongoing staffing business while the "non-staffing" figures now show the results of the non-core businesses Adcorp is in the process of exiting.

The need to further the Group's Broad Based Black Economic Empowerment (BBEE) initiatives in compliance with the Department of Trade and Industry's "Codes of Good Practice" remains a critical strategic business imperative.

In this regard, the Group is progressing certain initiatives with regard to consolidating its empowerment shareholding of holding company level as opposed to the current operating company level shareholdings, which will be unwound and replaced with a new, group-wide BBEE structure.

As such, no dividend to existing empowerment shareholders has been provided for in respect of the six-month trading period ended 30 June 2006 pending the probable, imminent winding up of the existing structure.

Shareholders will be kept apprised of developments in this regard.

FINANCIAL OVERVIEW

Revenue for the six-month trading period ended 30 June 2006 increased by 15.0% compared to the same period last year.

Operating profit from the core staffing operations increased by 17.9% year-on-year, whilst earnings from non-core, non-staffing operations decreased by 29.8%.

Central costs increased by 15.3% largely as the result of the Group no longer receiving rental income in respect of its head office building which was sold off in the latter part of 2005. Excluding the impact of head office rental, other central costs increased by a factor of 8.6%.

As previously advised the Group is in the process of installing Microsoft Dynamics software at an anticipated cost of R27 million. To date R18.7 million has been spent with most of the balance expected to be settled in the second half of this year.

A loss on the disposal of the Corporate Communications division of R20.6 million adversely affected profit attributable to ordinary shareholders. Headline earnings increased by 28.1% to R45.5 million (2005: R35.6 million).

Net cash utilised for the period amounted to R34.1 million which resulted in net group borrowings of R14.6 million at the end of the interim period in April 2006 in respect of the 2005 financial year of R48.5 million (including STC). This resulted in a gearing level of 6.5% which is well within the Group's target range of 15%.

The effective tax rate is 28.7% which was influenced by the STC on the dividend of R5.6 million as well as the leasehold tax reduction totalling R7 million.

Shares in issue increased by 1,301 million as a result of the exercise of staff share options.

OUTLOOK

The positive growth trend of the interim period is expected to continue for the remainder of the financial year.

ACCOUNTING POLICIES

The interim results have been prepared in accordance with International Financial Reporting Standards, in a manner consistent with the prior year and in accordance with IAS 34.

By order of the board

Dr F van Zyl Stubbart RL Pike FD Burd
Chairman Chief Executive Officer Group Financial Director

16 August 2006

ABRIDGED CASH FLOW STATEMENT

for the six months ended 30 June 2006

	Unaudited 30 June 2006 R'000	Unaudited 30 June 2005 R'000	Audited 31 December 2005 R'000
OPERATING ACTIVITIES			
Cash generated by operations before working capital changes	49 463	61 743	134 814
Increase in working capital	(20 715)	(8 393)	(42 097)
Cash generated by operations	48 748	53 350	92 717
Net interest paid	(92)	(1 105)	(1 277)
Taxation paid	(23 658)	(13 363)	(26 210)
Net dividend paid	(41 544)	(2 330)	(46 996)
Cash (utilised)/retained by operations	(16 342)	36 552	18 234
Cash flows from investing activities	(22 327)	(9 493)	(12 222)
Cash flows from financing activities	4 533	5 704	14 062
Net (decrease)/increase in cash and cash equivalents	(34 136)	32 763	20 074
Net cash and cash equivalents at the beginning of the period	18 730	(1 344)	(31 344)
Net cash and cash equivalents at the end of the period	(15 406)	31 419	18 730

ABRIDGED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2006

	Share capital R'000	Share premium R'000	Treasury shares R'000	Share-based payments reserve R'000	Accumulated profit R'000	Minority shareholders' interest R'000	BEE shareholders' interest R'000	Total R'000
Unaudited								
Balance as at 31 December 2005	1 065	48 679	(2 127)	2 821	199 268	2 379	77	252 162
Shares issued	–	4 014	–	–	–	–	–	4 023
Treasury shares sold	–	–	664	–	(145)	–	–	519
Share-based payments	–	–	–	1 971	–	–	–	1 971
Dividend distributions	–	–	–	–	(44 404)	–	–	(44 404)
Minority shareholders' share of profits	–	–	–	–	899	(899)	–	–
Profit for the six months to June 2006	–	–	–	–	24 011	–	–	24 011
Balance as at 30 June 2006	1 074	52 693	(1 463)	4 792	179 629	1 480	77	238 282

SEGMENT REPORT

for the six months ended 30 June 2006 and the comparative six months ended 30 June 2005

	Revenue		Operating profit		Operating profit margin		Contribution to group profit		Asset carrying value		Liabilities carrying value		Depreciation		Additions to property and equipment	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000	2006 %	2005 %	2006 %	2005 %	2006 R'000	2005 R'000	2006 R'000	2005 R'000	2006 R'000	2005 R'000	2006 R'000	2005 R'000
Central costs	–	4 513	(14 265)	(12 374)	–	–	(24,0)	(23,5)	269 254	291 762	158 250	94 989	632	575	129	88
Staffing	1 211 923	1 018 415	69 337	58 818	5,7	5,8	116,6	111,5	283 625	184 662	157 427	127 089	5 918	5 578	6 039	5 104
Permanent recruitment	167 042	156 595	15 157	11 311	9,1	7,2	25,5	21,4	114 118	66 224	40 544	46 838	1 648	1 335	1 832	782
Flexible staffing	1 044 881	861 820	54 180	47 507	5,2	5,5	91,1	90,1	169 707	118 438	117 083	80 251	4 270	4 243	4 207	4 322
Subtotal	1 211 923	1 022 928	55 072	46 444	4,5	4,5	92,6	88,0	425 079	476 424	315 877	222 078	6 550	6 153	6 168	5 192
Non-staffing – discontinued	55 687	79 740	1 359	6 305	2,4	7,9	2,3	12,0	35 613	46 523	36 554	50 450	1 128	1 170	687	866
– continued	3 070	–	3 070	–	100,0	–	–	–	4 408	–	2 587	–	–	–	–	–
TOTAL	1 270 680	1 102 668	59 501	52 749	4,7	4,8	100,0	100,0	593 300	522 947	355 018	272 528	7 678	7 323	6 855	6 058

DECLARATION OF DIVIDEND

Notice is hereby given that an interim dividend of 42 cents per share (2005: 35 cents per share) was declared on 16 August 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 interim dividend are as follows:

Last day to trade cum interim dividend Friday, 6 October 2006
First day to trade ex interim dividend Monday, 9 October 2006
Record date Friday, 13 October 2006
Payment date Monday, 16 October 2006

No share certificates may be dematerialised or re-materialised between Monday, 9 October and Friday, 16 October 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.

Executive directors RL Pike, HW Barenblatt, C Bomele, FD Burd, M Liphoso, RB McGregor, PC Swart
Independent non-executive directors Dr F van Zyl Stubbart, SD Shontwa, F Khanyile, GM Nkomo, S Seloata
Alternate directors TEM Rahlathonga
Company secretary L Sibusiso
Transfer secretaries Linked Market Services (Pty) Limited, 11 Diagonal Street, Johannesburg, 2001

Sponsor Deloitte & Touche Sponsor Services (Pty) Limited