

Reviewed Group Results FOR THE YEAR ENDED 31 DECEMBER 2004

Leaders in human capital management and marketing advisory services

Salient features

- **Headline earnings per share up by 71%**
- **Operating profit up by 26%**
- **Cash conversion ratio 99%**
- **Final dividend declared of 80 cents**
- **Debtors days down by 2 days**
- **Gearing reduced to 1%**

INCOME STATEMENT

for the year ended 31 December 2004

	Reviewed 2004 R'000	Audited 2003 R'000	% change
TURNOVER	2 005 659	1 667 235	20,3
Cost of sales	(1 398 519)	(1 143 655)	
GROSS PROFIT	607 140	523 580	16,0
Other income	25 532	14 087	
OPERATING EXPENSES	(529 037)	(451 932)	17,1
Administrative expenses	(194 913)	(148 613)	
Marketing and selling	(254 781)	(221 436)	
Other operating expenses	(79 343)	(81 883)	
EBITDA	103 635	85 735	20,9
Depreciation	(13 831)	(13 302)	
OPERATING PROFIT BEFORE AMORTISATION OF GOODWILL	89 804	72 433	24,0
Amortisation of goodwill	(4 397)	(4 100)	
Loss on sale of property and equipment	(94)	(391)	
OPERATING PROFIT	85 313	67 942	25,6
Interest received – banks	18 155	18 331	
– fair value adjustments	82	269	
Interest paid – banks	(20 604)	(24 435)	
Share of profits/(losses) from associates	2 222	(2 058)	
Impairment of investments and property	(1 224)	(11 362)	
Loss on disposal of operations and subsidiaries	(5 565)	(31 671)	
PROFIT BEFORE TAXATION	78 379	17 016	360,6
Taxation – current	(20 168)	(24 883)	
– prior year	-	(1 222)	
PROFIT/(LOSS) AFTER TAXATION	58 211	(9 089)	
Minority shareholders' share of (profits)/losses	(898)	472	
BEE share of super profits after tax	(2 274)	(185)	
PROFIT/(LOSS) ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	55 039	(8 802)	
RECONCILIATION OF HEADLINE EARNINGS			
Profit/(loss) attributable to ordinary shareholders	55 039	(8 802)	
Amortisation of goodwill	4 397	4 100	
Impairment of investments and property	1 224	11 362	
Loss on sale of property and equipment	66	274	
Loss on disposal of operations and subsidiaries	5 565	31 671	
HEADLINE EARNINGS	66 291	38 605	71,7
Weighted average number of shares (000's)	40 302	40 031	
Headline earnings per share – cents	164,5	96,4	70,6
Earnings/(loss) per share – cents	136,6	(22,0)	
Diluted headline earnings per share – cents	162,8	94,4	72,5
Diluted earnings/(losses) per share – cents	135,2	(21,5)	
DISTRIBUTIONS TO SHAREHOLDERS			
– interim capital distribution – cents	25	10	
– final capital distribution in respect of prior year – cents	-	54	
– final dividend declared 2005 – cents	80	-	
Total distribution to shareholders in respect of each financial year – cents	105	64	64,1

SEGMENT REPORT

for the year ended 31 December 2004

	Turnover		Operating profit before amortisation of goodwill		Operating profit margin before amortisation of goodwill		Contribution to Contribution to group profit		Net asset value	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000	2004 %	2003 %	2004 %	2003 %	2004 R'000	2003 R'000
Permanent recruitment	252 871	235 172	14 684	4 328	5,8	1,8	16,4	6,0	28 277	7 885
Flexible staffing	1 518 839	1 179 229	76 016	51 596	5,0	4,4	84,6	71,2	126 677	71 065
Corporate communications	133 855	157 965	5 362	18 721	4,0	11,9	6,0	25,9	5 117	4 548
Marketing research	91 065	86 432	7 838	11 088	8,6	12,8	8,7	15,3	1 882	4 583
Central costs	9 029	8 437	(14 096)	(13 300)	-	-	(15,7)	(18,4)	58 013	98 626
Total	2 005 659	1 667 235	89 804	72 433	4,5	4,3	100,0	100,0	219 966	186 707

ABRIDGED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2004

Reviewed	Share capital R'000	Share premium R'000	Treasury shares R'000	Accumulated profit R'000	Total R'000
Balance 31 December 2003	1 007	56 747	(4 454)	133 407	186 707
Shares issued	24	10 120	-	-	10 144
Treasury shares sold	-	-	40	-	40
Profit attributable paid July and November 2004	-	(32 173)	209	-	(31 964)
Profit attributable to ordinary shareholders	-	-	-	55 039	55 039
Balance 31 December 2004	1 031	34 694	(4 205)	188 446	219 966

COMMENTS

OVERVIEW

2004 was a particularly good year for the Group. Operating profit increased by 25,6% compared to the prior year whilst headline earnings per share were 70,6% higher than for the same period.

These positive results were achieved following a period of significant repositioning and restructuring carried out during 2002 and 2003.

The success of the Group can largely be attributed to management's adoption of a simple, highly focused strategic agenda centred primarily around cash generation and margin management.

Following on from these pleasing results, the Group is now well positioned to achieve further, strong organic growth for the foreseeable future.

The Permanent Recruitment division had an outstanding year. Operating profit of R14,7 million was some 239,3% ahead of that reported in the prior financial year.

The recruitment environment in South Africa has improved substantially in line with the 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. In addition, the repositioning of this division to attract exclusive, managed staffing assignments has also contributed positively to the financial success of the division.

The Flexible Staffing division which is the most dominant contributor to Group profitability, once again, produced an outstanding financial performance growing operating profit by some 47,3% over the year to a level of R76,0 million.

The division provides jobs for between 25 000 and 30 000 employees at any point in time with its biggest markets being the financial services, telecommunications, healthcare, retail, office support, call centre, technical and semi-skilled sectors of the job market.

The Corporate Communications division which is a relatively minor contributor to overall Group profitability contributing some 6,0% of operating profit, had a particularly difficult year.

Both of the divisional brands namely, Graphicor and Simeka TWS, came off exceptionally strong performances in the prior year which made the prospects for growth in 2004 all the more difficult.

Graphicor met expectations whilst Simeka TWS experienced a tough year due largely to the conclusion of a public sector contract which it serviced over the past three years and which represented more than 50% of its business.

Marketing Research also reported a lower profit performance than in the prior year largely as a result of an exceptional performance in the prior year boosted by a number of "one-off" assignments that were not repeated in the year under review.

Our BEE deals concluded in 2003 resulted in super profits attributable to the BEE partners of R2,3 million after tax. BEE and transformation remain ongoing challenges for the Group and receive management's constant attention.

FINANCIAL OVERVIEW

Turnover for the Group grew by 20,3% compared with 2003 whilst operating profit produced a 25,6% increase over the previous year. Contributing to this pleasing result was a 0,2% improvement in margin (4,5% in 2004; 4,3% in 2003) which added some R3 million to profit before tax. Net interest paid for the year was R3,7 million lower than in 2003 while associates made a positive contribution of R2,2 million.

The Group cash position is strong with a net overdraft of R1,3 million as at 31 December 2004 compared with a R22,1 million net overdraft at the same time last year. The current cash position represents a gearing ratio of 0,6%. The continuing focus on cash management resulted in a reduction in debtors days which dropped from 38 days in 2003 to 36 days in 2004. The 7,0% decrease in cash generated by operating activities is largely due to the growth in turnover and additional working capital requirements.

BALANCE SHEET

as at 31 December 2004

	Reviewed 2004 R'000	Audited 2003 R'000
ASSETS		
Non-current assets	134 486	132 791
Property and equipment	44 656	39 055
Intangible assets	3 140	-
Goodwill	61 535	68 310
Investment in associates	3 550	3 059
Vendors for sale of business	-	2 148
Deferred taxation	21 605	20 219
Current assets	349 035	294 081
Trade receivables	230 881	187 672
Other receivables	27 332	22 067
Vendors for sale of business	-	259
Taxation prepaid	6 821	6 374
Cash resources	84 001	77 709
TOTAL ASSETS	483 521	426 872
EQUITY		
Capital and reserves	219 966	186 707
Share capital	1 031	1 007
Share premium	34 694	56 747
Treasury shares	(4 205)	(4 454)
Accumulated profit	188 446	133 407
Minority shareholders' interest	1 367	603
BEE shareholders' interest	2 459	185
Current liabilities	259 729	239 377
Current non-interest-bearing liabilities	174 384	139 536
Current non-interest-bearing liabilities	144 484	114 321
Amount due to vendor for acquisition of business	5 525	-
Provisions	22 330	20 588
Taxation	2 045	4 627
Interest-bearing current liabilities	85 345	99 841
Total overdraft	85 345	99 841
TOTAL EQUITY AND LIABILITIES	483 521	426 872
Number of ordinary shares in issue at 31 December (000's)	41 258	40 035
Net asset value per share – cents	533	466

ABRIDGED CASH FLOW STATEMENT

for the year ended 31 December 2004

	Reviewed 2004 R'000	Audited 2003 R'000
Cash generated by operations	103 636	86 987
(Increase)/decrease in working capital	(14 810)	8 537
Cash generated by operating activities	88 826	95 524
Net interest paid	(2 449)	(6 104)
Taxation paid	(24 764)	(25 757)
Capital distribution	(31 964)	(18 668)
Cash available from operating activities	29 649	44 995
Cash effects from investment activities	(19 676)	(16 491)
Cash effects from financing activities	10 815	(986)
Net increase in cash	20 788	27 518
Net bank borrowings at the beginning of the year	(22 132)	(49 650)
Net bank borrowings at the end of the year	(1 344)	(22 132)

Included in the 2004 investment activities above is capital expenditure of R20,8 million (2003: R14,6 million).

The lower tax rate in 2004 is the result of tax benefits in respect of learnerships implemented by the Flexible Staffing division in terms of the Skills Development Act.

As advised in the 2004 interim results, trade and other receivables in the 2003 balance sheet have been separated in order to provide additional disclosure while items previously offset between other receivables and current non-interest-bearing liabilities have been disclosed separately. The net current assets however remain unchanged and comparatives for these line items have been restated. In addition, the opening accumulated profit for 2003 has been reduced by R7,4 million after tax in respect of a misstatement which occurred during the period 2000 to 2002. The majority of this misstatement occurred in 2001 where creditors were understated with a corresponding overstatement of profit. Below is a comparison of the restated 2003 balance sheet items which have been affected by the above corrections and adjustments.

	2003 restated R'000s	2003 as previously reported R'000s
Current assets		
Trade and other receivables	-	197 090
Trade receivables	187 672	-
Other receivables	22 067	-
Taxation prepaid	6 374	3 182
Capital and reserves		
Accumulated profit	133 407	140 853
BEE shareholders' interest	185	-
Current non-interest-bearing liabilities		
Current non-interest-bearing liabilities	114 321	91 947
Provisions	20 588	19 860
Net asset value per share – cents	466	485

The audited 2003 figures in the balance sheet, segment report and abridged statement of changes in equity have been adjusted where applicable to incorporate the above changes.

DECLARATION OF FINAL DIVIDEND

Notice is hereby given that a final dividend of 80 cents (2003: capital distribution 54 cents) per share for the twelve months ended 31 December 2004 was declared on 9 March 2005, payable to shareholders recorded in the register of the company at the close of business on the record date appearing below. The salient dates applicable to the final dividend are as follows:

	2005
Last day to trade cum final dividend	Friday, 24 June
First day to trade ex final dividend	Monday, 27 June
Record date	Friday, 1 July
Payment date	Monday, 4 July

No share certificates may be dematerialised or rematerialised between Monday, 27 June 2005 and Friday, 1 July 2005, 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 accounts with the Central Securities Depository Participant or broker credited on the payment date.

BOARD OF DIRECTORS

During the year three appointments were made to the Adcorp board being Campbell Bomela, George Negota and Thendo Ratshitanga, alternate to George Negota. There were two resignations, namely Neil Lilford and Vicky Baker.

OUTLOOK

Prospects for the Group remain sound. All underlying businesses are contributing positively and the industries they serve are generally performing well. Operationally, all businesses are strongly focused on cash and margin management.

Given the inherent potential in unlocking margin opportunity within the Group coupled with the expansion of existing market opportunities together with favourable economic conditions, prospects for real growth are good for the next year.

CORPORATE GOVERNANCE

The board of directors is fully committed and places a strong emphasis on effective corporate governance. Adcorp fully supports the Code of Corporate Practices and Conduct and endorses the need to conduct its business with the highest standards of corporate practice. The board has thus, in this regard, implemented the requirements of the King II Report.

SUBSEQUENT EVENTS

No events material to the understanding of the results have occurred between the financial year-end and the date of this report.

ACCOUNTING POLICIES AND PRESENTATION

The report has been prepared in accordance with South African Statements of Generally Accepted Accounting Practice relating to preliminary reporting, specifically AC127. The accounting policies and methods of computation are consistent with those applied in the annual financial statements for the year ended 31 December 2003 other than for the adoption of AC140 Business Combinations which is applicable to new acquisitions on or after 31 March 2004. In November 2004 the Group acquired a business which in terms of AC140 resulted in intangible assets of R3,1 million and goodwill of R0,5 million. This goodwill is not amortised and the intangible assets will be amortised over their useful lives.

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 unaudited review report is available for inspection at the registered office of the company, The Atrium, corner Rustenburg Road and 7th Avenue, Melville.

By order of the board

Dr F van Zyl Slabbert Chairman	RL Pike Chief Executive Officer	FD Burd Group Financial Director
Melville 9 March 2005		
<i>Executive directors</i>	RL Pike, HW Barenblatt, FD Burd, M Liphosa, RB McGregor, PC Swart	
<i>Non-executive directors</i>	C Bomela, F Khanyile, G Negota, S Sebosa, SO Shonhiwa, Dr F van Zyl Slabbert	
<i>Alternate director</i>	T Ratshitanga, SE Zungu	
<i>Company secretary</i>	A Warwick	
<i>Transfer secretaries</i>	Ultrashare Registrars (Pty) Limited 11 Diagonal Street, Johannesburg 2001	
<i>Sponsor</i>	Deloitte & Touche Sponsor Services (Pty) Limited	

Adcorp "tops" in Financial Mail Top Empowerment Companies 2005 Survey

1st in Services Sector of JSE Securities Exchange 16th overall on JSE Securities Exchange

"... the group's high score is less about excellence in one area and more about an overall balance in all the factors of empowerment" – Financial Mail, Top Empowerment Companies, 2005