

# REVIEWED GROUP RESULTS

Reviewed results for two months to February 2007 as required following Adcorp's change of year-end from December to February

FOR THE 2 MONTHS ENDED 28 FEBRUARY 2007

## ABRIDGED INCOME STATEMENT for the 14 months ended 28 February 2007

	Reviewed 14 months to Feb 2007 R'000	Reviewed 2 months to Feb 2007 R'000	Audited 12 months to Dec 2006 R'000
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	<b>3 077 504</b>	<b>491 224</b>	2 586 280
Cost of sales	(2 301 903)	(363 029)	(1 938 874)
<b>GROSS PROFIT</b>	<b>775 601</b>	<b>128 195</b>	647 406
Other income	35 021	3 921	31 100
Administrative expenses	(245 972)	(40 568)	(205 404)
Marketing and selling expenses	(347 029)	(56 340)	(290 689)
Other operating expenses	(80 341)	(15 651)	(64 690)
<b>OPERATING PROFIT</b>	<b>137 280</b>	<b>19 557</b>	117 723
Interest received	4 864	791	4 073
Interest paid	(8 087)	(3 155)	(4 932)
Share of profits from associates	2 915	637	2 278
Impairment of goodwill and trademark	(6 155)	(5 000)	(1 155)
Loss on sale of property and equipment	(114)	(5)	(109)
Profit on disposal of operations and subsidiaries	58 330	50 762	7 568
<b>PROFIT BEFORE TAXATION</b>	<b>189 033</b>	<b>63 587</b>	125 446
Taxation	32 884	5 154	27 730
Profit for the period from continuing operations	156 149	58 433	97 716
<b>DISCONTINUED OPERATIONS</b>			
Profit for the period from discontinued operations	7 904	-	7 904
<b>PROFIT FOR THE PERIOD</b>	<b>164 053</b>	<b>58 433</b>	105 620
<b>Profit for the period attributable to:</b>			
Ordinary shareholders	166 427	58 433	107 994
Minority shareholders	(2 374)	-	(2 374)
<b>PROFIT FOR THE PERIOD</b>	<b>164 053</b>	<b>58 433</b>	105 620
<b>EARNINGS PER SHARE</b>			
Basic (cents)	384.1	134.9	251.8
Diluted (cents)	378.9	133.0	248.6
<b>DISTRIBUTION TO ORDINARY SHAREHOLDERS</b>			
Interim dividend (cents)	42	-	42
Final dividend (cents) in respect of the prior year	126	-	126

	Reviewed 14 months to Feb 2007 R'000	Reviewed 2 months to Feb 2007 R'000	Audited 12 months to Dec 2006 R'000
<b>CALCULATION OF HEADLINE EARNINGS AND CORE HEADLINE EARNINGS</b>			
Profit for the period	164 053	58 433	105 620
Impairment of goodwill and trademark	6 256	5 000	1 256
Minority shareholders' share in interest	2 374	-	2 374
(Profit)/loss on sale of property and equipment	(250)	4	(254)
Profit on disposal of operations and subsidiaries	(58 330)	(50 762)	(7 568)
<b>HEADLINE EARNINGS</b>	<b>114 103</b>	<b>12 675</b>	101 428
Adjusted for:			
Amortisation of intangible assets	4 281	3 944	337
Share-based payments	6 929	1 000	5 928
Lease smoothing	763	84	679
Deferred tax on above	(1 463)	(1 168)	(295)
<b>CORE HEADLINE EARNINGS</b>	<b>124 613</b>	<b>16 535</b>	108 078
<b>CORE HEADLINE EARNINGS PER SHARE</b>			
Core headline earnings per share - cents	287.6	38.2	252.0
Diluted core headline earnings per share - cents	283.7	37.6	248.8
<b>HEADLINE EARNINGS PER SHARE</b>			
Headline earnings per share - cents	263.3	29.3	236.5
Diluted headline earnings per share - cents	259.8	28.9	233.5
Weighted average shares - 000's	43 330	43 330	42 882
Diluted weighted average shares - 000's	43 920	43 920	43 444

## ABRIDGED STATEMENT OF CHANGES IN EQUITY for the 2 months ended 28 February 2007

	Share capital R'000	Share premium R'000	Treasury shares R'000	Minority shareholders' interest R'000	BEE shareholders' interest R'000	Retained earnings R'000	Total R'000
<b>Balance as at 31 December 2006</b>	<b>1 085</b>	<b>57 630</b>	<b>(1 010)</b>	<b>5</b>	<b>77</b>	<b>252 998</b>	<b>310 785</b>
Issue of ordinary shares under employee share option plan	69	71 931	-	-	-	-	72 000
Recognition of share-based payments	-	-	-	-	-	1 057	1 057
Acquisition of BEE shareholders' and minority interest	-	-	-	(3)	(77)	-	(80)
Profit for the period	-	-	-	-	-	58 433	58 433
<b>Balance as at 28 February 2007</b>	<b>1 154</b>	<b>129 561</b>	<b>(1 010)</b>	<b>2</b>	<b>-</b>	<b>312 488</b>	<b>442 195</b>

## SEGMENT REPORT for the 14 months ended 28 February 2007

Reviewed	Revenue			Operating profit			EBITDA excluding IFRS share-based payments and lease smoothing			EBITDA excluding IFRS share-based payments and lease smoothing			EBITDA excluding IFRS share-based payments and lease smoothing			Net asset value		Asset carrying value		Liability carrying value		Depreciation and amortisation of intangibles			Additions to PPE		
	14 months to Feb 2007	Jan and Feb 2007	12 months to Dec 2006	14 months to Feb 2007	Jan and Feb 2007	12 months to Dec 2006	14 months to Feb 2007	Jan and Feb 2007	12 months to Dec 2006	14 months to Feb 2007	Jan and Feb 2007	12 months to Dec 2006	14 months to Feb 2007	Jan and Feb 2007	12 months to Dec 2006	Feb 2007	Dec 2006	Feb 2007	Dec 2006	Feb 2007	Dec 2006	Feb 2007	Jan and Feb 2007	12 months to Dec 2006	14 months to Feb 2007	Jan and Feb 2007	12 months to Dec 2006
Central costs	-	-	-	(19 375)	(4 454)	(14 921)	(14 870)	(3 808)	(11 062)	0.0%	0.0%	0.0%	(8.4%)	(13.9%)	(7.4%)	147 929	193 577	293 137	316 365	145 208	122 788	457	61	396	66	66	-
Staffing	2 932 943	455 869	2 477 074	156 225	21 606	134 619	171 517	24 577	146 940	5.8%	5.4%	5.9%	96.9%	89.4%	98.2%	194 239	105 417	366 999	268 232	172 760	162 815	12 369	2 483	9 886	12 163	1 874	10 289
Business process outsourcing	144 560	35 354	109 206	430	2 405	(1 975)	10 628	6 713	3 915	7.4%	19.0%	3.6%	6.0%	24.4%	2.6%	101 366	23 230	321 549	41 590	220 183	18 361	9 683	4 298	5 385	4 619	23	4 596
Subtotal	3 077 504	491 224	2 586 280	137 280	19 557	117 723	167 275	27 482	139 793	5.4%	5.6%	5.4%	94.5%	100.0%	93.4%	443 534	322 224	981 685	626 187	538 151	303 964	22 509	6 842	15 667	16 848	1 963	14 885
Discontinued	113 936	-	113 936	7 442	-	7 442	9 809	-	9 809	8.6%	0.0%	8.6%	5.5%	0.0%	6.6%	(1 339)	(11 439)	(1 339)	23 681	-	35 119	2 162	-	2 162	1 706	-	1 706
<b>TOTAL</b>	<b>3 191 440</b>	<b>491 224</b>	<b>2 700 216</b>	<b>144 722</b>	<b>19 557</b>	<b>125 165</b>	<b>177 084</b>	<b>27 482</b>	<b>149 602</b>	<b>5.5%</b>	<b>5.6%</b>	<b>5.5%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>442 195</b>	<b>310 785</b>	<b>980 346</b>	<b>649 868</b>	<b>538 151</b>	<b>339 083</b>	<b>24 671</b>	<b>6 842</b>	<b>17 829</b>	<b>18 554</b>	<b>1 963</b>	<b>16 591</b>

## ABRIDGED BALANCE SHEET as at 28 February 2007

	Reviewed 28 February 2007 R'000	Audited 31 December 2006 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property and equipment	418 294	138 372
Goodwill	35 516	32 775
Intangible assets	224 047	41 525
Investment in associates	138 200	44 218
Deferred taxation	3 826	3 189
	16 705	16 665
<b>Current assets</b>		
Trade, other receivables and prepayments	562 052	511 496
Amounts due from vendor	485 985	402 404
Assets classified as held for sale	1 000	-
Taxation prepaid	5 387	30 408
Cash resources	3 781	3 755
	65 899	74 929
<b>Total assets</b>	<b>980 346</b>	<b>649 868</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	1 154	1 085
Share premium	129 561	57 630
Treasury shares	(1 010)	(1 010)
Retained earnings	312 488	252 998
Minority shareholders' interest	2	5
BEE shareholders' interest	-	77
<b>Non-current liabilities</b>	<b>32 781</b>	<b>5 010</b>
Non-interest-bearing non-current liabilities		
Deferred tax	3 204	1 586
	29 577	3 424
<b>Current liabilities</b>	<b>505 370</b>	<b>334 073</b>
<b>Non-interest-bearing current liabilities</b>	<b>208 704</b>	<b>238 211</b>
Trade and other payables	139 435	144 328
Amounts due to vendor	735	709
Provisions	56 130	51 944
Liabilities classified as held for sale	-	35 119
Taxation	12 404	6 111
<b>Interest-bearing current liabilities</b>	<b>296 666</b>	<b>95 862</b>
Bank overdrafts	145 666	95 862
Bridging loan	151 000	-
<b>Total equity and liabilities</b>	<b>980 346</b>	<b>649 868</b>
Number of ordinary shares in issue (000's)	46 173	43 882
Net asset value per share (cents)	958	716

## ABRIDGED CASH FLOW STATEMENT for the 14 months ended 28 February 2007

	Reviewed 14 months to Feb 2007 R'000	Reviewed 2 months to Feb 2007 R'000	Audited 12 months to Dec 2006 R'000
<b>OPERATING ACTIVITIES</b>			
Cash generated by operations before working capital changes	178 574	27 512	151 062
Increase in working capital	(148 921)	(91 621)	(57 300)
<b>Cash generated/(utilised) by operations</b>	<b>29 653</b>	<b>(64 109)</b>	<b>93 762</b>
Net interest paid	(3 190)	(2 338)	(852)
Taxation paid	(39 767)	(5 097)	(34 670)
Net dividend paid	(58 717)	-	(58 717)
Cash outflows from operating activities	(72 021)	(71 544)	(477)
Cash outflows from investing activities	(260 811)	(214 347)	(46 464)
Cash inflows from financing activities	234 335	224 625	9 710
Net decrease in cash and cash equivalents	(98 497)	(61 266)	(37 231)
Net cash and cash equivalents at the beginning of the period	18 730	(18 501)	18 730
<b>Net cash and cash equivalents at the end of the period</b>	<b>(79 767)</b>	<b>(79 767)</b>	<b>(18 501)</b>
<b>NOTE TO THE CONDENSED CASH FLOW STATEMENT</b>			
<b>Cash and cash equivalents</b>			
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:			
Cash resources	65 899	65 899	74 928
Bank balances included in assets held for sale	-	-	2 433
Bank overdrafts	(145 666)	(145 666)	(95 862)
	(79 767)	(79 767)	(18 501)

## COMMENTS

### BACKGROUND TO PUBLISHED RESULTS

As previously reported, the Adcorp Group recently changed its financial year-end from December to February. This change in reporting period implies that the next complete reporting period for the Group will be for the 14-month period ending 29 February 2008.

Following consultation with the JSE Limited and in compliance with reporting regulations contained in the Companies Act, Adcorp is required to report to shareholders for the following periods leading up to 29 February 2008:

- 2 months ended February 2007
- 14 months ended February 2007
- 8 months ending August 2007
- 14 months ending February 2008

In line with these requirements, the results appearing in this announcement represent the two-month period ended February 2007. These results have then been added to the published results in respect of the 12 months ended December 2006 to provide the trading results for the 14 month period ended February 2007.

Given the two month period under review is extremely short in the context of the businesses of Adcorp and that certain of these businesses are also affected by a measure of cyclical activity, it is difficult to draw any significant trading conclusions from these results and, as such, shareholders are advised to refer to the published financial results of the Group for the year ended 31 December 2006 and the 2006 Adcorp Annual Report in order to extract more meaningful financial trends.

It is important to note, however, that during the period under review, the acquisition of FMS Marketing Solutions was concluded as was the disposal of Research Surveys as previously reported to shareholders.

In addition, during the period under review, Adcorp reacquired a 25% empowerment shareholding in Adcorp Flexible Staffing Solutions for an amount of R22.8 million. An intangible asset of R5 million, which was to be acquired by Graphicon and Simeka TWS as part of the enterprise development management buy-out arrangement, has been impaired as its realisation is in doubt.

In terms of IFRS financial reporting requirements, a substantial portion of the purchase price in excess of the underlying net asset value of the shares acquired in a business is required to be allocated as "intangible assets" which is then required to be amortised and included in the calculation of headline earnings over periods of between two and seven years in the case of Adcorp. The balance of the purchase consideration in excess of the net asset value acquired is capitalised to the balance sheet as "goodwill" which is not amortised.

Given the service orientated nature of the recent acquisitions of FMS Marketing Solutions and the acquisition of Employrite which was concluded in November 2006, the net asset values of these businesses are relatively small implying a significant intangible asset value which has been independently valued at an amount of R105.4 million. The amount amortised in the calculation of headline earnings in respect of these assets for the two month period ended 28 February 2007 is R3.9 million before reversal of the deferred tax liability.

In addition, IFRS standards require that a deferred tax liability be accounted for with respect to these intangible assets and that the contra "debit" relating to the creation of this deferred tax liability be capitalised or "added" to the goodwill of the business acquired.

As such, a deferred tax liability of R27.1 million has been created in respect of FMS Marketing Solutions and goodwill has been inflated by a similar amount indicating an apparent purchase consideration in respect of FMS Marketing Solutions of R252.1 million excluding transactional costs as opposed to the actual purchase consideration of R225.0 million. In order to understand the movement in the balance sheet one needs to reduce goodwill by the relevant portion of deferred tax liability.

Clearly, these IFRS accounting entries bear no resemblance to the cash implications of these transactional activities and are therefore of limited relevance. Headline earnings have been adjusted to remove the impact of these non-cash IFRS adjustments and the net result is shown as "Core headline earnings" and appears below the income statement presented above.

In addition, operating margins have been negatively impacted by these and other, non-cash IFRS adjustments.

The impact of these adjustments on operating margins has been eliminated in the segment report in the section headed "EBITDA excluding IFRS share-based payments and lease smoothing". In addition the segment report has been re-categorised into Staffing and Business Process Outsourcing in line with the operating and reporting structure of the Group.

Cash utilised by operations of R64.1 million during the first two months of this year was mainly due to a seasonal aberration and has subsequently been normalised. The movement in investing and financing activities in the cash flow statement was primarily as a result of the purchase of FMS Marketing Solutions which was funded by way of a bridging loan together with the issue of shares. Also included in financing activities was the proceeds on the disposal of Research Surveys amounting to R57.6 million.

Taking into account the factors outlined above, Adcorp is pleased with the performance of the Group in terms of these reviewed results for the two month period ended February 2007 and is confident that the Group will continue to report strong earnings for the 14-month period to February 2008.

### ACCOUNTING POLICIES

This financial report is prepared in accordance with IAS 34 Interim Financial Reporting. In the application of its accounting policies Adcorp applies International Financial Reporting Standards which are consistent with the prior year annual financial statements.

### SUBSEQUENT EVENTS

Various events have taken place since 28 February 2007 a summary of which appears below:

- Acquisition of Capital Outsourcing Group for R238 million
- Disposal of Career Junction for R53 million
- New BBEE transaction approved by shareholders in May 2007
- In relation to the litigation statement contained in the results announcement of Adcorp for the year ended 31 December 2006 as well as the note included in the 2006 annual report, Kelly Group Limited has withdrawn its legal action against Adcorp and has agreed to withdraw all allegations against the company.

### REVIEW OF RESULTS

The results for the two-month period ended 28 February 2007 have been reviewed by the independent auditors, Deloitte & Touche. A copy of their unmodified 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  
Chairman

RL Pike  
Chief Executive Officer

FD Burd  
Chief Financial Officer

24 July 2007

Bryanston