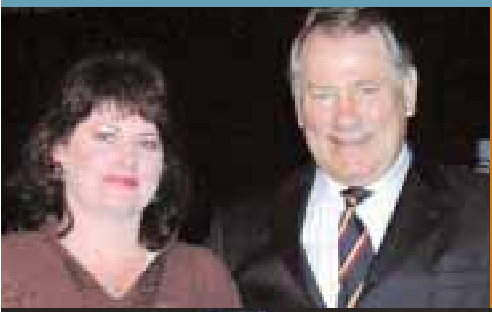
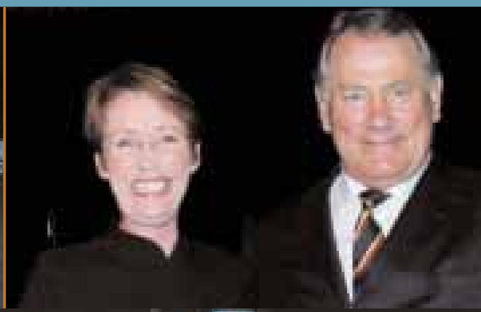
ADCORP
HOLDINGS

# ADCORP HOLDINGS

## ANNUAL REPORT 2005

# RECOGNITION OF OUR BIGGEST ASSET: OUR PEOPLE




## CONTENTS



### CHAIRMAN'S AWARDS FINALISTS

1. Winner of the Adcorp Chairman's Award
2. Winner of the cash and/or margin management category
3. Finalists of customer service category
4. Finalists of team player category
5. Finalists of administration/support category
6. Finalists of leadership category
7. Finalists of the innovation category

# MISSION STATEMENT

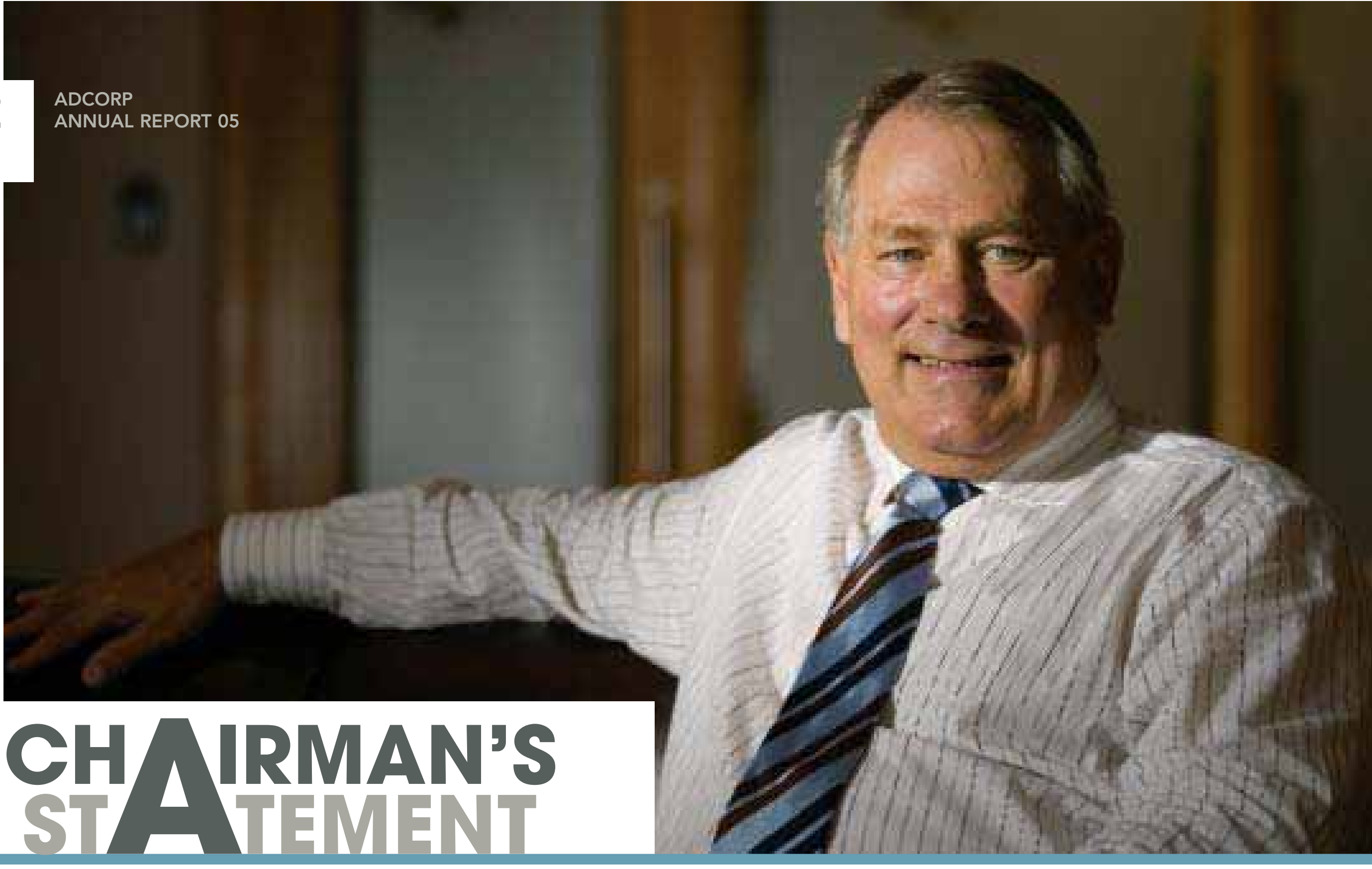
*Adcorp's mission is to position the group as the most valued partner in professional business services specialising in human capital management and marketing advisory services.*

## SALIENT FEATURES

- Headline earnings per share **up by 23%**
- Operating profit **up by 36%**
- 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%**
- Return on assets managed **up to 34%**

## SHAREHOLDERS: WHAT THEY CAN EXPECT

- Total transparency in the conduct of the affairs of the business
- Sound corporate governance
- A primary focus on cash generation (as priority over profit)
- A focus on organic rather than acquisitive growth centred around margin management
- A return of excess cash resources to shareholders within the confines of maintaining an acceptable level of gearing
- A commitment to broad-based black economic empowerment (BBBEE) and transformation



# CHAIRMAN'S STATEMENT

*"Adcorp is confident that our type of business will continue to enjoy support"*

The performance of Adcorp and its group of companies continues to be a good news story having achieved another year of excellence. Adcorp, under the very competent and exemplary leadership of its Chief Executive Officer, Richard Pike embarked on an operational plan and repositioning strategy in 2001. Since then the company has delivered three consecutive years of double digit profit growth. We now have an established development strategy which enables the company to exploit its core strengths and focus on unleashing synergy. In a very tangible sense, Adcorp's performance is also testimony to a larger robust South African economy.

BBBEE remains a formidable challenge for the group. This challenge is made immeasurably more difficult because of the vacillation, uncertainty and ambiguity of official policy in this regard, particularly where Codes of Conduct are concerned. However, Adcorp believes that the problem BBBEE is trying to address is a very real one and we are determined to find innovative and value added ways to address it.

In this and other regards, Adcorp is blessed with a stable management team that has a very clear sense of purpose. The focus is on delivery and avoiding ritualism and bureaucratic stagnation.

With our focus largely on organic growth, the outlook for the coming year remains very positive. Given the nature of demand in the larger economy with its emphasis on staffing and skilled labour, Adcorp is confident that our type of business will continue to enjoy support.

For me as Chairman, it has been a privilege and pleasure to be associated with a very dedicated and cooperative group of executives and I look forward to another exciting year.

**Dr Van Zyl Slabbert**
*Chairman*

# ACHIEVEMENTS IN 2005

- Headline earnings per share **up by 23%**
- Return on assets managed **up to 34%**
- Distributions to shareholders total **140 cents per share** declared for 2005 year
- Operating profit up by **36%**
- Operating margin up to **4,9%**
- Cash conversion ratio **79%**
- Debtors days **down by 3 days**
- Gearing **reduced to nil**
- Share price increased from **R16,90 to R24,00**
- Value of the group **increased by R325 million**
- Value return to shareholders **54%**
- Shares traded **16 million**
- Financial Mail Top Empowerment Companies 2005
  - **Ranked 1st** in Services Sector of JSE Limited
  - **Ranked 7th** overall on JSE Limited
- Empowerdex **“BBB” rating** achieved
- **Two additional social investment projects established**

# BRANDS AND SERVICE OFFERINGS

## PERMANENT RECRUITMENT BRANDS

- DAV
- Grey Consulting
- The Oval Office
- JobVest
- Premier Personnel
- Career Junction (associate)
- Adcorp Talent Resourcing

## SERVICE OFFERINGS

- Strategic staffing advisory services
- Recruitment advertising
- Talent search
- Executive search
- Internet recruitment
- Job profiling
- Candidate response management
- Candidate assessment and selection
- Turn key managed staffing solutions

## FLEXIBLE STAFFING BRANDS (includes training)

- Capacity
- Charisma Nursing Services
- Emmanuels Advance
- Quest Flexible Staffing Solutions
- Knovation
- PMI

Variety of staffing services and solutions in a multiple number of job types and industries, including:

- Temporary staffing assignments
- Contract staffing solutions
- Workforce optimisation
- Learnership implementation and administration
- Leadership and management development
- Customised, strategically aligned, corporate training solutions
- Comprehensive offering of business relevant, accredited education and training programmes

## CORPORATE COMMUNICATIONS BRANDS

- Graphicor
- Simeka TWS Communications

- Public relations
- Brand development
- Project management of marketing and communication plans
- Design and production of annual reports
- Design and production of various stakeholder communication reports
- Financial advertising
- Graphic design
- Design and production of multimedia presentations

## MARKETING RESEARCH BRANDS

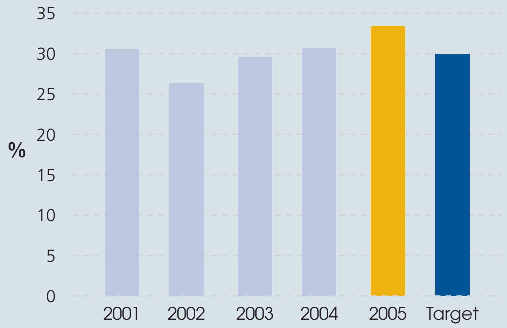
- Research Surveys
- Customer Equity Company (associate)

- Leading market research products and methodologies
- Specialist consumer research
- Brand strategy
- Shopper behaviour research
- Employee commitment surveys
- Socio-political surveys
- Qualitative and quantitative techniques

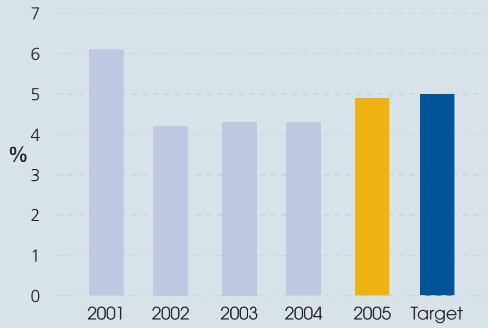
| DIFFERENTIATORS | KEY DRIVERS FOR GROWTH |
|---|---|
| • Uniquely broad range of recruitment services enabling fully outsourced recruitment offerings<br>• Candidate sourcing spanning numerous leading, branded consultancies combining unrivalled knowledge, experience, databases and advertising reach<br>• Job profiling, candidate assessment and selection profiling within a quantifiable, consistent, scientifically verified and legally compliant framework<br>• Intimate client relationships facilitating the development of unique human capital strategies and resource planning | • Growth in the South African economy<br>• In particular, demand for staff in the financial services, retail, engineering, telecommunications and public sectors<br>• Demand for exclusive single supplier, managed staffing solutions |
| • Productivity enhancing service offerings<br>• Market leaders in differentiated recruitment practices<br>• Learning as an integrated part of a flexible workforce management solution<br>• Sophisticated workforce optimisation technology to unlock optimum client benefits<br>• Database in excess of 250 000 candidates over all levels, skills sets and various industries<br>• Measurable performance against defined service level agreements<br>• Employment equity record of 68% PDI (previously disadvantaged individuals) placements<br>• Credible black economic empowerment profile<br>• Action-based training approach: learn – apply – measure<br>• Fully accredited training offerings<br>• Ability to measure efficiency of training in the working environment<br>• Sustainability of benefits for clients<br>• Ability to customise offerings | • Growth in outsourcing of non-core functions by clients<br>• Desire by organisations to match labour input costs to variable market demand<br>• Rapid expansion of call centres in South Africa<br>• Growth in learnerships established in terms of the Skills Development Act<br>• Growth in the South African economy |
| • Diverse talent pool uniquely positioned to match the demands of the market<br>• Credible broad-based black economic empowerment profile<br>• Dominant market position<br>• Unique, market leading product and service offerings | • Growth in public sector communication<br>• Growth in multimedia as an effective communication medium<br>• Trend away from traditional “above the line” advertising to “through the line” promotional solutions |
| • The leading marketing knowledge and research company in South Africa<br>• Successful track record of developing cutting edge marketing research products, for both the local and international markets<br>• A people-centred organisation with a culture of deliberate curiosity staffed by talented professionals<br>• Extraordinary relationships with clients<br>• Cutting edge thinking supported by technical and process excellence | • Growth in the financial services, retail and fast moving consumer goods (FMCG) sectors of the economy<br>• Growth in public sector surveys<br>• Growth in the South African economy |

# PERFORMANCE AGAINST STATED TARGETS

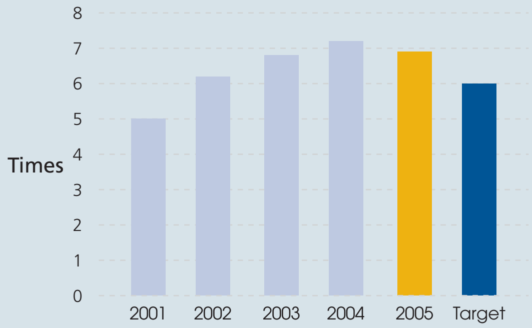
Return on assets managed



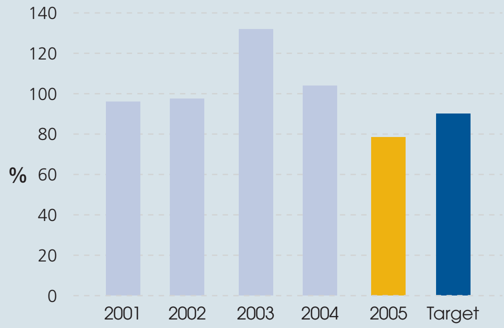

Return on sales



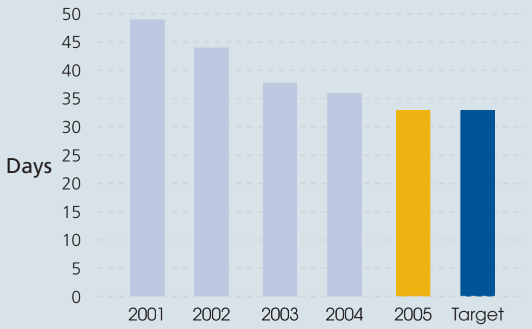

Assets turnover



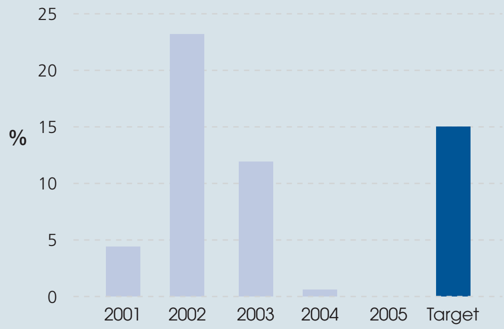

Cash generated to operating profit

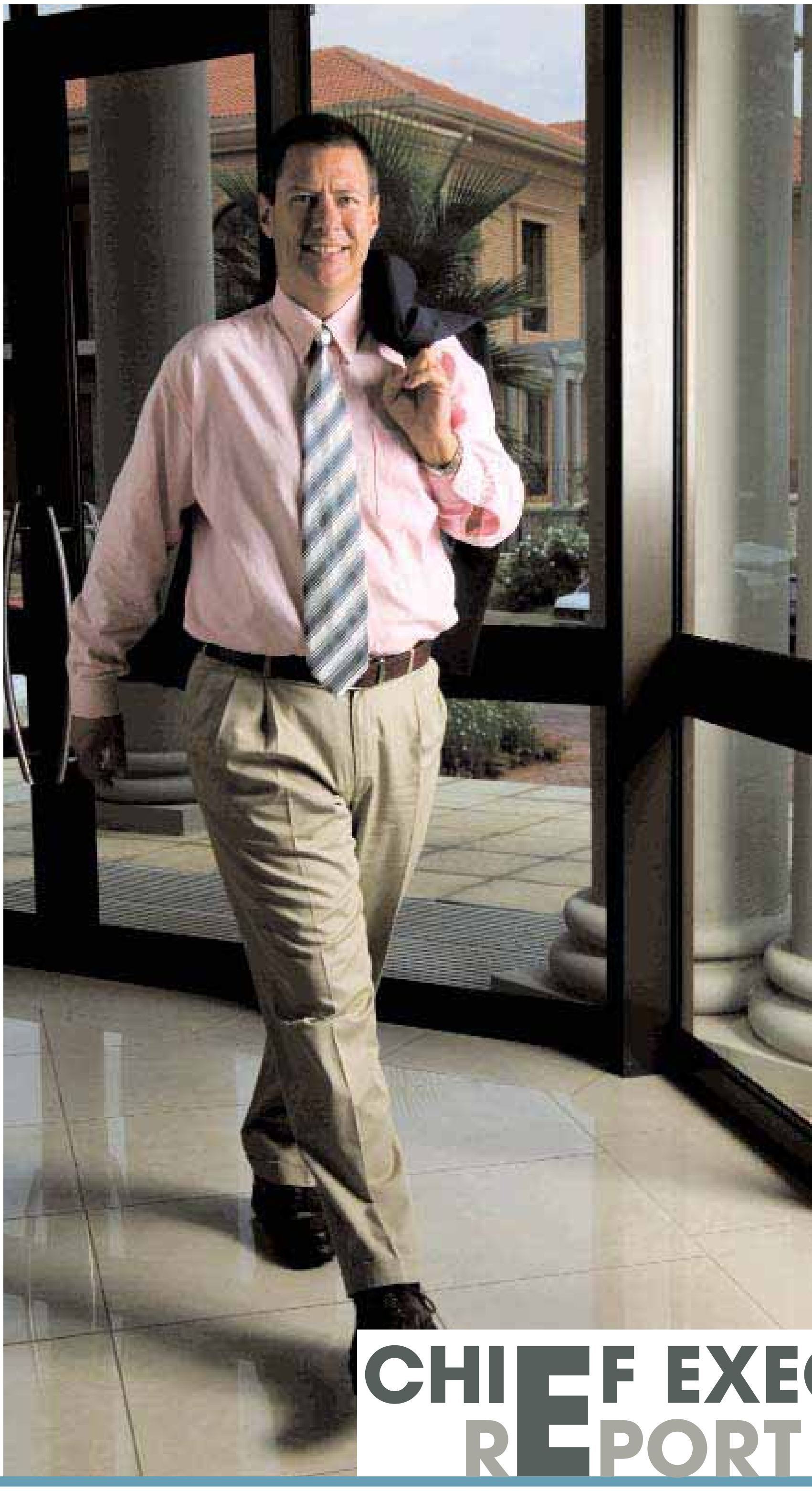



Debtors days




Gearing





# CHIEF EXECUTIVE'S REPORT

## OVERVIEW

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

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.

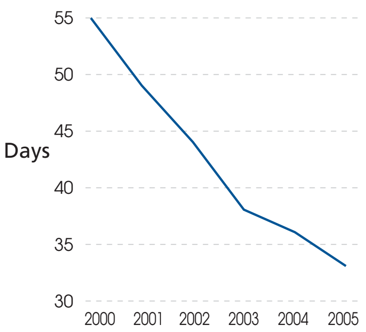
Simply put, the philosophy was to grow profit and to convert this profit into cash.

As the Adcorp businesses are service related with relatively limited capital infrastructure, the businesses tend to have strong cash generation potential given the limited need for reinvestment. The key, therefore, to unlocking cash from these businesses and converting profit into cash has been to manage the receivables book.

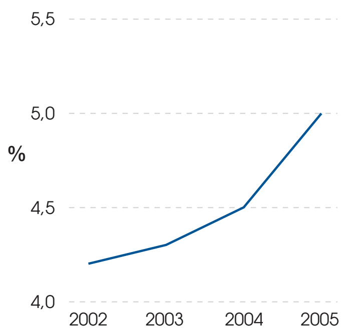
Much has now been achieved in this regard. Over the past three years, debtors' days outstanding have been significantly reduced. At the end of the 2000 financial year, debtors' days stood at 55 days. At the end of the 2005 financial year, debtors' days stand at 33 days. By reducing the collection period by 22 days, this has freed up an estimated R80 million to R100 million cash, the majority of which has been returned to shareholders by way of dividends and capital distributions.

*"Adcorp has now declared three consecutive years of double-digit profit growth"*

Debtors days 2000 to 2005




Operating margin 2002 to 2005




In addition, it has placed the group on an extremely sound footing and has engendered a "cash" culture and discipline within the group.

In terms of margin management, the focus on operating margin has lagged the cash management focus with the real focus being achieved over the past two years.

For the financial year ended 2002, operating margins averaged 4,2% whilst the average margin for the 2005 year was 4,9%.

Whilst the individual businesses all attract different operating margins and product and service mix, which can have a marked impact on reported margins resulting in the averaging of margins being potentially misleading, it is pleasing to note that overall, operating margins are on the increase.

Given the simplicity and potential shortfalls of focusing on an averaged operating margin, the importance to our businesses of focusing on margin management as an operating discipline is therefore, not about a statistical number, but is rather about a strategic Adcorp philosophy. This philosophy focuses on the quality rather than the quantity of work we take on, on the need to differentiate our product and service offerings, on the need to demonstrate value to clients and is about focusing on the key financial value drivers.

The effectiveness of the strategy to date and the foundation laid for the group as evidenced by Adcorp's financial performance over the past three years, has provided a sound base from which the strategy can evolve providing the opportunity to now focus on exploiting core strengths and optimising group synergy.

Management believe that there are many significant, untapped organic opportunities available to the group such as in the areas of providing turnkey, managed staffing solutions, providing employee benefits to contract workers, providing group wide shared services, utilising technology to better service clients and focusing on growth sectors such as the call centre industry and public sectors to mention a few.

As such, I believe that the group has never been on a more sound financial and strategic footing and is extremely well poised for "the next wave" of growth.

In terms of the financial objectives of the business, the focus remains strongly focused on cash and margin management in terms of the strategy of maximising profit and converting it into cash.

To the extent cash is generated in excess of the group reinvestment requirement, which is growth in working capital in line with growth in sales activity, the potential for exceptional cash returns to shareholders by way of a generous dividend policy, remains.

The success of the group's strategy over the past three years has translated into significant value creation for shareholders which is the driving force and key objective of the group.

Significantly, R373 million of shareholder wealth was created through an increase in the group's market capitalisation in addition to the R48 million returned to shareholders by way of capital distributions during the 2005 year.

The strong financial performance of the group is also testimony to a robust South African economy.

Businesses such as the Permanent Recruitment businesses which as a division achieved a 65% jump in operating profit contribution for the year are a good indicator of economic activity.

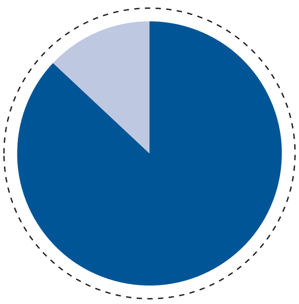
## *SHAREHOLDER WEALTH CREATION*

| (R'000) | 2005 | 2004 | 2003 |
|---|---|---|---|
| Closing share price 31 December (cents) | **2 400** | 1 690 | 1 180 |
| Market capitalisation (at the end of the year) | **1 022 745** | 697 265 | 475 533 |
| Market capitalisation (at the beginning of the year) | **697 265** | 475 533 | 253 267 |
| Increase in market capitalisation | **325 480** | 221 732 | 222 266 |
| Cash returned to shareholders (dividends/ capital distributions) | **48 227** | 31 964 | 18 668 |
| Wealth generated for shareholders | **373 707** | 253 696 | 240 934 |
| % one year return for shareholders | **54%** | 53% | 95% |
| % dividend yield to shareholders (beginning of year investor) | **6,8%** | 6,7% | 7,5% |

## *Operating profit increased by 36% and headline earnings per share were 23% higher than the previous year*

### Shareholder wealth creation

1 January 2005 to 31 December 2005



- Increase in market capitalisation – R325,480 million
- Cash returned to shareholder – dividend paid R48,227 million

In addition, the group's Marketing Research business which has a large exposure to the fast moving consumer goods (FMCG) sector has also benefited from the recent South African economic boom.

Whilst one enjoys the fruits of a robust economy which is expected to remain so for the next while, the group has recognised the importance of using the luxury this boom provides to defensively position the businesses for leaner times.

As such, whilst the strategic agenda is largely offensive in nature, consideration has also been given to defensive tactics.

Broad-based black economic empowerment (BBBEE) remains a major challenge for the group.

As previously reported, the group entered into two empowerment shareholding structures at operating level in the Flexible Staffing division (2003) and in the Corporate Communications division (2004).

Whilst these two structures have on balance served a purpose, the remainder of the group struggles to boast an acceptable empowerment credential and, with the government having recently published their recommended BBBEE Codes of Good Practice, the profile of the consortia invested in these structures is not optimal in terms of these codes.

As such, this has required a re-look and a re-think with regard to our BBBEE profile.

A major source of frustration has been the lack of guidelines as to what constitutes an acceptably empowered business. To compound the frustration, different clients often require different BBBEE criteria depending on their specific guidelines or industry charters.

The recently published BBBEE Codes of Good Practice are therefore welcomed as, for the first time, we now have some goal posts to aim for.

That said, however, a number of clients, including certain Public Sector clients, still choose to impose their own criteria in conflict with the Codes which results in an uneven playing field and makes for an unpredictable business environment.

Given the client profile of the group, the ability to demonstrate acceptable BBBEE credentials is a critical success imperative. Accordingly, empowerment and transformation are currently receiving the highest priority and necessitating a group-wide approach.

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. Approximately R12 million of this cost has already been incurred in the 2005 financial year.

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 R21,3 million.

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 unaffected.

In pursuit of our strategic objectives of aggressively and organically growing the profits of the business, topping the strategic priorities for 2006 are:

- Exploiting our core strengths and optimising group synergy;
- Driving operational excellence; and
- The achievement of substantial compliance with the government's BBBEE Codes of Good Practice

In addition to these priorities, the group remains focused on the following Adcorp philosophies which we have committed to over the past three years:

- Focusing on margin management;
- Driving the group cash flows;

- Being vigilant with regard to non-performing assets; and
- Maintaining exemplary corporate governance standards

## Financial performance

Once again, the group's financial performance for the year has been most pleasing resulting in year-on-year growth in operating profit of 36% from the 2004 level of R85 million to the 2005 level of R116 million.

Headline earnings per share of 195,1 cents were some 23% ahead of the 158,2 cents earnings of the prior year.

As part of the strategic philosophy, the group adopts a policy of financial targeting.

In terms of this financial targeting approach, management is primarily focused on achieving a Return on Asset Managed (ROAM) target of 30% which provides for an attractive return to shareholders well in excess of the group's cost of capital.

For the year ended 31 December 2005, the group achieved a return on assets managed of 33%.

The key drivers of ROAM are asset productivity or asset turnover (ATO) and margin management or return on sales (ROS).

The group's ATO of 6,9 times for 2005 compared favourably to the target of 6,0 times whilst the ROS figure for the year of 4,9% was only slightly behind the target of 5%.

The group also targets a cash conversion ratio of 90%, however, December 2005 fell short at 79% largely as a result of high sales revenue in December which had the effect of increasing working capital requirements. This was partially offset by a reduction in debtors days from 36 days for 2004 to 33 days at the end of 2005.

Cash generated by operating activities of R91 million resulted in the group being in a net cash positive position holding net group's cash reserves of R19 million. This net cash holding was achieved despite dividend distributions being paid to shareholders of R48,2 million but was bolstered by the significant cash receipt of R20 million relating to the sale of the group's head office building, The Atrium.

During the 2005 year, shareholders received two dividend distributions totalling 115 cents per share. A further final dividend of 105 cents per share has been approved in respect of the 2005 financial year to be distributed to shareholders in 2006.

## Human resources

Being a people intensive business, the need for sound human resource policies and procedures is of paramount importance.

The key focus of this function is around the attraction and retention of top talent into the group.

In this regard, the group remains committed to upholding a best practice human resource management approach ensuring that the management of human resources is effective, efficient and that there is fair treatment of all employees.

In terms of this best practice approach, particular emphasis is given to the following areas:

- Recruitment practices
- Retention policies and programmes
- Succession planning
- Performance management
- Training and development
- Employment equity and affirmative action
- Labour relations

In addition, the group human resources function is the custodian of the group's social investment activities which are primarily focused on the support of vegetable garden projects in disadvantaged communities and the support and care of AIDS sufferers and orphans.

## The year ahead

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

As previously mentioned, the major priorities of the group relate to exploiting our core strengths, optimising group synergy, driving operational excellence and BBBEE.

Operationally, all businesses are strongly focused on cash and margin management.

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

## Appreciation

As Adcorp's strength has always been its outstanding people, I would like to thank the directors, management and staff of the Adcorp group for their valued contribution over the past year and look forward to their continued support in the future.

**Richard Pike**
*Chief Executive Officer*

# DIVISIONAL OVERVIEWS

## PERMANENT RECRUITMENT

The Permanent Recruitment division of the group recorded another outstanding year. Operating profit of R23 million was some 65% ahead of that reported in the prior financial year.

The recruitment environment in South Africa continues to perform well in line with strong growth in 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 affirmative action 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.

Given the division's diversity of recruitment methodologies which range from typical search and selection or "head hunting" activities to recruitment advertising, response handling and internet recruitment, Adcorp's Permanent Recruitment division is best placed in the South African market to source the right candidate for the right job, thus positioning it as clear industry leader.

The integrated, managed staffing solutions offered by the division in terms of a key account management structure have been highly effective. In terms of this approach, clients are afforded access to the division's broad spectrum of candidate sourcing activities which significantly increases the potential for successful placement while reaping the benefits and simplicity of a single supply, point of contact.

Another major divisional initiative which has contributed to the financial success of the division has been the integration of all recruitment advertising and response handling activities as one operational entity namely, "Adcorp Talent Resourcing".

Although this single entity still has a multi-brand approach, the integration has provided for greater market access as well as greater operational efficiency.

Both the managed staffing solution and talent resourcing initiatives, while contributing substantially in a buoyant recruitment market, also position the division far better defensively should markets turn as recruitment is typically impacted by economic cycles.

Specialist recruitment agencies DAV and Premier Personnel had record years not only in terms of financial performance but also in terms of placements made as did the newly merged activities of Adcorp Talent Resourcing.

Grey Consulting returned to modest profitability whist The Oval Office continued with their focus on restructuring for top line success.

Internet recruitment company, Career Junction, in which Adcorp owns a 25% stake, continued to grow its position of dominance in this market. The site hosted 21 000 job advertisements at the end of 2005 compared with the 15 000 in the previous year whilst the number of résumés hosted increased from a level of 182 000 in the prior year to 288 000 during 2005.

## FLEXIBLE STAFFING

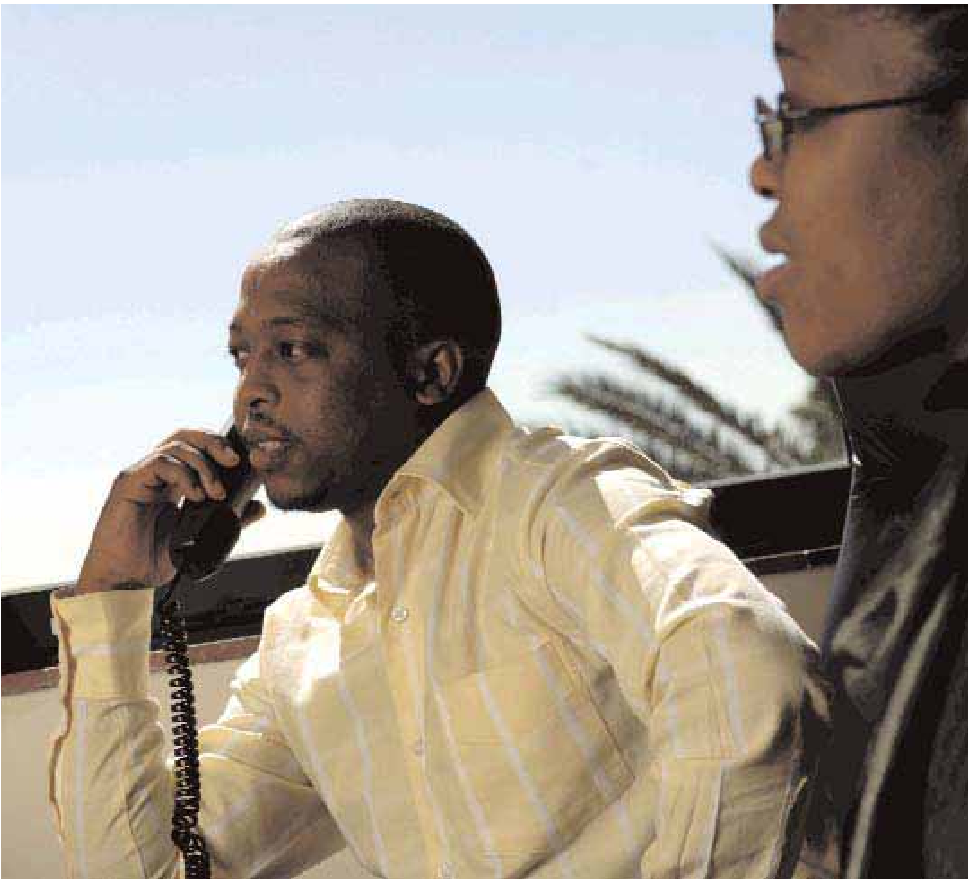
The Flexible Staffing division recorded operating profit of R104 million which is 42% ahead of the operating profit of R73 million recorded for the same period last year.

This division is the most dominant contributor to group profitability and, once again, produced an outstanding financial performance.

The division provides jobs for between 30 000 and 35 000 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.

In addition to its flexible staffing operations, the education and training operations of Adcorp namely, Knovation and the Production Management Institute of Southern Africa (PMI), form part of this division.

Key drivers in the flexible staffing or contract labour market are growth in the outsourcing of non-core functions by organisations, the desire by many organisations to match labour input costs to variable market demand, the rapid expansion of call centres in South Africa servicing both local and international organisations, the advent of learnerships as established in terms of the Skills Development Act as well as the general growth of the South African economy.



The division has four flexible staffing brands namely Capacity, Charisma Healthcare Solutions, Emmanuels Advance and Quest Flexible Staffing Solutions.

In terms of empowerment credentials, the division entered into a black economic empowerment deal in October 2003 whereby BMFI and ZICO acquired a 25% stake in the flexible staffing operations.

Transformation remains a major challenge and receives a high priority on the strategic agenda.

The division has been most successful in establishing a large number of learnerships in terms of the Skills Development Act. These learnerships have been accessed through the Services Seta and have helped create a number of permanent jobs for previously unemployed individuals, predominantly in the call centre environment.

The creation of these learnerships has also facilitated the access of tax grants which have benefited the group's overall tax rate.

From an operational point of view, cash management and margin management continue to drive the divisional strategic agenda.

In terms of cash management, the division's debtor's book forms a significant proportion of the overall Adcorp group debtor's book and, as such, tight debtor's management and collections by this division have a major bearing on the overall cash generative potential of the group.

Debtor's days have been consistently reduced in this division over the past four years which has contributed greatly to the cash "breakthrough" achieved by the group over this period.

## *Prospects remain sound. It is expected that sustainable real growth will continue to be achieved in the future*

The focus on operating margin management remains a key strategic priority. In terms of this focus, given that overall margins are averaged and are impacted by sales mix, the philosophy is therefore not as much about targeting an overall margin number as it is about adopting a philosophy of having clear pricing objectives, focusing on the "quality" of work undertaken in preference to the "quantity" of work, providing employee benefits to flexible workers and focusing on value or productivity pricing.

Operational excellence also remains a strategic priority. By controlling the cost base and managing inherent economies of scale, this will unlock additional profitability and render the underlying businesses more competitive.

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. Approximately R12 million of this cost has already been incurred in the 2005 financial year.

A large proportion of flexible staffing income is now contractual as opposed to the less predictable, contingency type business which renders much of the division's revenues annuity based.

Prospects for this division remain sound and it is expected that it will continue to achieve sustainable real growth into the future.

### OBITUARY

Following a short illness, Francis Khubedu, the Managing Director of Quest Flexible Staffing Solutions, passed away on 23 January 2006. Francis was 33 years old at the time of his death.

In his dealings, he gained the respect and admiration of the management and staff of both Quest and Adcorp, his clients and business associates, competitors and the Flexible Staffing industry as a whole.

In recognition of his contribution and abilities, Francis was honoured in 2005 with the Black Business Quarterly's (BBQ) "Young Business Achiever" award whilst Quest went on to receive the BBQ award for "Business Performance and Productivity".

Whilst Francis' presence will most certainly be missed in our group, his influence and his memory will live on.

## CORPORATE COMMUNICATIONS

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

Although Graphicor produced a reasonable profit, the division produced an overall breakeven situation due to losses incurred in Simeka TWS.

Graphicor had a mixed year. Whilst certain key clients were lost, a number of new client gains were made.

The focus of this business recently has been on stabilising the organisation from a staffing point of view, focusing on the quality of delivery and focusing on client retention and new sales.

The losses incurred in Simeka TWS during the year were a hangover from the turnaround and restructuring exercise embarked upon at the end of 2004 following the conclusion of a public sector contract which represented more than 50% of its business at that stage.

The restructure resulted in a significant downsizing of the staff complement to match the reduced revenue base as well as focusing on upskilling the remaining consultants, soliciting more private and public sector work and expanding the product and service offerings.

Whilst much progress was made during the year, the benefits came too late to impact positively on the 2005 financial year but prospects look far better for 2006.

A number of management changes have recently been made at divisional level as well as at both Graphicor and Simeka TWS. The division, trading as Adcorp Communication Solutions, is now extremely well poised from a position of transformation and empowerment, delivery capability, cross-company synergy and market profile.

Now that the ingredients are in place for success, 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 footing.

The key drivers of this division include the growth in public sector communication, the growth in multimedia as an effective communication medium and the trend away from traditional "above the line" advertising spend to "below the line" promotional spend.

The process has started to position Graphicor and Simeka TWS as providers of strategic communication solutions to build positive reputations for corporate and public sector clients.

*Significant new business gains were achieved, with inroads having been made with regard to the public sector*

## MARKETING RESEARCH

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

Operating profit of R10 million for 2005 grew by a factor of 33% compared to operating profit of R7 million for 2004.

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.

Research Surveys is the market leader in its field and is the leading consumer research house in South Africa.

The business also has a 25% stake in a joint venture, the Customer Equity Company (CEC), owned jointly with United Kingdom-based research group TNS. CEC which markets the brand equity product, Conversion Model, internationally, enjoyed another successful year.

In terms of the competitive landscape, there are around 600 registered research companies in South Africa with the majority being relatively small. As such, there is an element of fragmentation in the market.

A major challenge for this division, as with the others in the Adcorp group remains transformation. As such, a number of key senior, black appointments have been made to the Research Surveys' board and senior management ranks during the past year.

Over the past two years, a number of new product and service offerings have been added in areas such as retail consumer observation, web monitoring, consumer profiling and socio-political surveys.

The socio-political surveys in particular, have helped raise brand awareness with Research Surveys having received much publicity given the relevant, topical nature of these surveys.

The division's key business drivers are predominantly growth in the financial services, retail and FMCG sectors of the economy, as well as the growth in public sector surveys.

Significant new business gains were achieved during the year under review as a result of the efforts of the new business development team with significant inroads having been made with regard to the public sector which remains a priority focus area for the 2006 year.

Innovation remains a key priority and accounts for much of the success the business currently enjoys. Innovative measures such as EQLi, a unique consumer behavioural measure developed exclusively by Research Surveys, is rapidly becoming an accepted market measure, invaluable to marketers providing them with a far broader understanding of their target markets.

Given the current demand for Research Surveys' products and services coupled with its strong order book, prospects for 2006 are extremely positive.

# BOARD OF DIRECTORS AND MANAGEMENT COMMITTEE

### DR VAN ZYL SLABBERT
**Chairman**
Non-Executive Director – Independent
Appointed 16 September 1994
External member of management committee

### RICHARD PIKE
**Chief Executive Officer**
Executive Director
Appointed 18 October 2000
Member of management committee

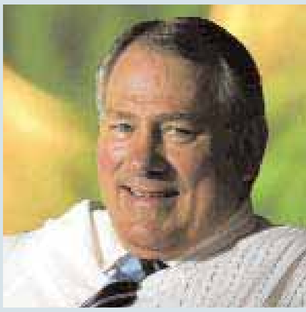
### SHEPHERD SHONHIWA
**Deputy Chairman**
Non-Executive Director – Independent
Appointed 9 September 2002

### ROB McGREGOR
**Head of Permanent Recruitment**
Executive Director
Appointed 9 September 2002
Member of management committee

### MATODZI LIPHOSA
**Group Human Resources Director**
Executive Director
Appointed 9 September 2002
Member of management committee

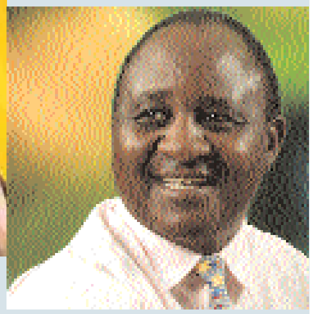
### HENRY BARENBLATT
**Head of Research**
Executive Director
Appointed 9 September 2002
Member of management committee

### FAUNCE BURD
**Group Financial Director**
Executive Director
Appointed 9 September 2002
Member of management committee



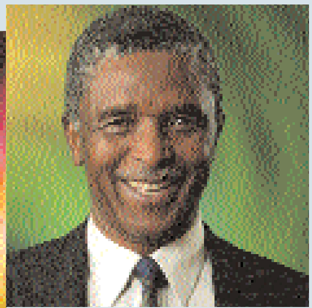
DR VAN ZYL SLABBERT
**Chairman**

RICHARD PIKE
**Chief Executive Officer**



SHEPHERD SHONHIWA
**Deputy Chairman**

ROB McGREGOR
**Head of Permanent Recruitment**



MATODZI LIPHOSA
**Group Human Resources Director**

HENRY BARENBLATT
**Head of Research**

FAUNCE BURD
**Group Financial Director**

## FAITH KHANYILE
Non-Executive Director – Independent
Appointed 11 September 2002

## NELIS SWART
**Head of Flexible Staffing**
Executive Director
Appointed 9 September 2002
Member of management committee

## GEORGE NEGOTA
Non-Executive Director – Independent
Appointed 11 March 2004

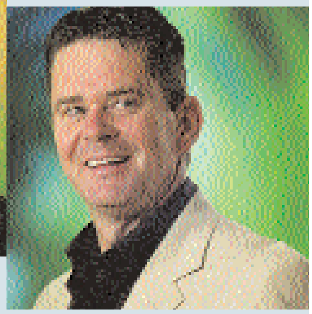
## CAMPBELL BOMELA
Executive Director in charge of BBBEE
Appointed 1 March 2006

## SONJA SEBOTSA
Non-Executive Director – Independent
Appointed 9 September 2002

## BONGA ZUNGU
Alternate director
Appointed 5 August 2003

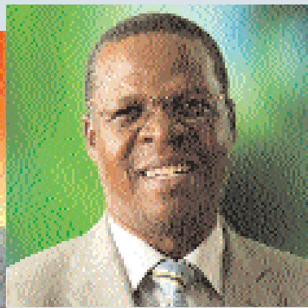
## THENDO RATSHITANGA
Member of management committee and alternate director
Appointed 10 March 2004

FAITH KHANYILE
**Non-Executive Director**



NELIS SWART
**Head of Flexible Staffing**

GEORGE NEGOTA
**Non-Executive Director**



CAMPBELL BOMELA
**Director in charge of BBBEE**

SONJA SEBOTSA
**Non-Executive Director**

BONGA ZUNGU
**Alternate Director**

THENDO RATSHITANGA
**Alternate Director**

## DR VAN ZYL SLABBERT (65)
### Chairman

Non-Executive Director – Independent
MA, DPhil
Appointed 16 September 1994

Outside directorships held
CTP Caxton – Chairman

Van Zyl graduated from Stellenbosch University. He lectured at Stellenbosch, Rhodes, UCT and Wits from 1964 to 1974. From 1974 to 1986 he was a member of Parliament and Leader of the Opposition Party. In 1986 he formed IDASA with A Boraine to promote internal/external dialogue. Van Zyl received honorary Doctorates from Simon Fraser University in Vancouver, Canada, University of Natal and University of Orange Free State. He is currently involved with Soros Philanthropy in southern Africa and nine SADC countries.

## SHEPHERD SHONHIWA (52)
### Deputy Chairman

Non-Executive Director – Independent
Dip SocSc, Dip Pers, BSc, BAdmin (Hons), MBA
Appointed 9 September 2002

Outside directorships held
Metcash Trading Africa (Pty) Limited – Director
MetAf Investment Holdings (Pty) Limited – Director
MetBee Investment Holdings – Director
TransAfrica Investment Holdings – Director
Easigas SA (Pty) Limited – Director
Easigas Botswana (Pty) Limited – Director
Easigas Lesotho – Director
Easigas Swaziland (Pty) Limited – Director
Jaggers Wholesalers Zimbabwe – Director
Institute of Directors South Africa – Director

Graduated with degrees in Social Science (Honours), BAdmin and MBA from universities in Zimbabwe and South Africa. Entered the corporate world in mid 1970s
and has worked in the sugar, brewing, petroleum, milling, motor, manufacturing, FMCG and media sectors. Shepherd has held general management/chief executive positions in the motor, media and petroleum industries in large organisations in central and southern Africa. This included leading black economic empowerment and transformation at company, industry and national levels in these countries. His dominant competencies lie in management development, leadership skills enhancement, strategic planning and cross-cultural management.

## RICHARD PIKE (44)
### Chief Executive Officer

Executive Director
BCom (Hons), CA(SA)
Appointed 18 October 2000

No outside directorships held

After completing articles at Deloitte Haskins & Sells, he joined the Hunt Leuchars & Hepburn Group as group Financial Manager, later being appointed as Financial Director of HL&H Mining Timber. In 1995 he co-founded Morgan University Alliance, a private education and business consulting initiative offering degree and diploma programmes in business management from the University of Warwick in the UK. In 1999, he listed Acumen Holdings Limited, a staffing and training group of companies. Acumen was acquired by Adcorp Holdings Limited in the year 2000 when Richard assumed the position of Deputy Chief Executive Officer. In 2001 he was appointed as Chief Executive Officer of Adcorp Holdings Limited.

## FAUNCE BURD (58)
### Group Financial Director

Executive Director
Appointed 9 September 2002

No outside directorships held

Faunce first joined the Adcorp group in 1990 in the capacity of Managing Director of Adcorp Graphics. She then left the group in 1991 to take up the position of Financial Director of Mono Pumps (part of Murray and Roberts) for a period of five years. Faunce re-joined Adcorp in 1997, heading up the subsidiary Adcorp Management Services and a year later was appointed as Group Financial Director of Adcorp Holdings Limited.

## HENRY BARENBLATT (56)
### Head of Marketing Research

Executive Director
Appointed 9 September 2002

No outside directorships held

Henry is the head of Research Surveys. Prior to becoming a founding partner of Research Surveys, Henry gained his initial business experience in a family business manufacturing and distributing polishes and detergents for the consumer and industrial markets. He has frequently addressed the South African Marketing Research Association conventions and was awarded the MRSA trophy in 1991 for his paper enhancing professional standards in the industry. In 1996 he was awarded the SAMRA trophy for the best paper presented at the 18th SAMRA Convention.

## MATODZI LIPHOSA (61)
### Group Human Resources Director

Executive Director
HDip ASWP
Appointed 9 September 2002

Outside directorships held
Totem Investment Holdings – Director
Mutomba Agri Business Enterprises cc – Member

Matodzi Liphosa joined Adcorp Holdings Limited in 1992 and has held leadership positions in community, business and sports organisations. Matodzi has been both a member and has also held leadership positions in organisations such as the Black Management Forum, NAFCOC and The Free Market Foundation. He holds a Higher Diploma in Advanced Social Work Practice from the University of the Witwatersrand and has participated in management development programmes at the business schools of the University of Cape Town and the University of the Witwatersrand. He also completed a management development programme at the University of North Carolina at Chapel Hill in the USA as well as an executive management programme at the American Management Association.

## ROB McGREGOR (60)
### Head of Permanent Recruitment

Executive Director
Appointed 9 September 2002

No outside directorships held

Rob McGregor was employed by Argus Newspapers/-Independent Newspapers for the period 1981 – 1997. At the time of leaving the company he was General Manager of The Independent Newspaper Company and a member of the Executive Committee for Independent Newspapers, RSA. He joined the board of Adcorp Holdings Limited in 1998 as Executive Director responsible for the Recruitment Advertising division. In 1999 he was appointed Divisional Director of both Recruitment Advertising and the Communications divisions. In 2000 he was appointed Divisional Director of the Permanent Recruitment division which included all the permanent staffing companies and the recruitment advertising division of Adcorp Holdings. He was appointed to the board of Career Junction in 1999.

## NELIS SWART (43)

### Head of Flexible Staffing

Executive Director
MCom
Appointed 9 September 2002

Outside directorships held
Dreamworld Investments – Director
Gentle Property Investments – Director

Nelis lectured on the subjects of Strategic and Financial Management at the University of Pretoria. During the same period he was also a co-founder of a consulting and marketing research company. Thereafter he was involved with Deloitte & Touche and Byrne Fleming in a management consulting capacity during which period he gained significant consulting experience in a variety of industries. Prior to his appointment as Managing Director of Quest Flexible Staffing Solutions, he was the commercial director of Beier Industries in KwaZulu-Natal.

## FAITH KHANYILE (39)

Non-Executive Director – Independent
BA Economics (Hons), MBA
Appointed 11 September 2002

Outside directorships held
WDB Investment Holdings – Non-Executive Director
BP (SA) – Non-Executive Director
Ndalama-Schwela – Non-Executive Director
Uthingo – Non-Executive Director

Faith started her career in private equity at Brait in 1995. In 1999 Faith was instrumental in the establishment of a woman's empowerment company, Women's Development Business Investment Holding Company (WDB Investment Holdings). During the same year, Faith was part of the team in Uthingo that was successful in securing the first National Lottery Licence in South Africa.

## SONJA SEBOTSA (34)

Non-Executive Director – Independent
LLB Hons (LSE), MA, SFA
Appointed 9 September 2002

Outside directorships held
WDB Investment Holdings SA – Executive Director
Agito – Shareholder
Dipeo – Director
Paracon – Non-Executive Director
Willis SA– Non-Executive Director
FirstRand Limited – Non-Executive Director
Makalani Limited – Non-Executive Director

Sonja is an Executive Director at WDB Investment Holdings, a women-focused empowerment company wholly owned by the WDB Trust. Prior to joining WDB in late 2002, Sonja was a Vice President in the Corporate Finance Division of Deutsche Bank where she had worked since January 1997. Sonja has been a member of both the Association of Black Securities and Investment Professionals and the Investment Analysts Society of South Africa since 1997.

## GEORGE NEGOTA (55)

Non-Executive Director – Independent
BA (Hons), Bluris, LLB, MCom, HDip Tax Law, HDip Co Law, Cert in Tax Law, BCom (Hons)
Appointed 11 March 2004

Outside directorships held
Phalaborwa Mining Co – Director
BKS Engineering – Director
Negota Investment Holdings – Chairman
Negota Inc Attorneys – Chairman
National Lotteries – Director
Ilizwe Industrial – Director

George Negota is a practising attorney and transport economist. He has worked for Mobil Oil where he gained experience in international trade law. He has also worked for SBDC as a senior consultant and whilst working for Edward Nathan & Friedland he acted as the lawyer responsible for the drafting of the founding documents for Khula Finance Corporation. He participated in the privatisation of Iscor and National Sorghum Breweries (NSB) whilst working for Edward Nathan & Friedland. Through his company Negota Incorporated, he was charged with the reorganisation of Eskom through the amendment of its founding legislation.

## CAMPBELL BOMELA (57)

Executive Director in charge of BBBEE
BCom, MBA
Appointed as a Non-Executive Director 11 March 2004
Appointed as an Executive Director 1 March 2006

Outside directorships held
Computershare SA – Non-Executive Director
Matlapeng Resources – Non-Executive Director
Talknet Holdings – Non-Executive Director
Prop 5 Corporation – Non-Executive Director

Campbell Bomela was the MD of Black Management Forum Investments Company (BMFI) until he joined Adcorp on 1 March 2006. He has been a senior business professional for over 15 years and as part of his experience, he was seconded to start up the Department of Economic Affairs for the Eastern Cape Government after the 1994 general elections. Later he was seconded to assist with the amalgamation and rationalisation of the different economic development corporations which operated in the Eastern Cape prior to 1994. On completion, he started and ran his own businesses in this area.

## THENDO RATSHITANGA (31)

### Head of Corporate Communications division

Member of the management committee
Alternate director to GM Negota
Post-graduate diploma in Public Policy and Development Management, diploma in Legislative Drafting
Appointed 11 March 2004

## BONGA ZUNGU (40)

Alternate director to C Bomela
BCom, MBA
Diploma in Sport and Marketing Management
Appointed 11 March 2004

# SIX-YEAR REVIEW

| | IFRS* | | SA GAAP* | | | |
|---|---|---|---|---|---|---|
| | **2005** | 2004 | 2003 | 2002 | 2001 | 2000 |
| **INCOME STATEMENT** | | | | | | |
| Revenue (R'000) | 2 359 652 | 1 980 116 | 1 667 235 | 1 523 381 | 1 211 287 | 963 443 |
| Operating profit before depreciation and amortisation (R'000) | 131 655 | 99 323 | 85 735 | 79 466 | 90 061 | 111 265 |
| Operating profit before amortisation of goodwill (R'000) | 116 407 | 85 493 | 72 433 | 64 500 | 74 035 | 94 699 |
| Operating profit (R'000) | 116 407 | 85 493 | 67 942 | 59 258 | 67 432 | 91 484 |
| Profit/(loss) before taxation (R'000) | 102 139 | 78 465 | 17 016 | (20 246) | 69 398 | 97 728 |
| Tax rate (%) | 30,5 | 23,0 | 39,2 | 32,4 | 32,1 | 26,7 |
| Profit/(loss) for the year (R'000) | 67 129 | 59 333 | (9 089) | (38 387) | 50 487 | 71 264 |
| Profit/(loss) attributable to ordinary shareholders | 65 185 | 56 917 | (8 802) | (38 577) | 49 205 | 71 264 |
| **BALANCE SHEET** | | | | | | |
| Fixed and other non-current assets (R'000) | 119 723 | 141 541 | 132 791 | 175 871 | 205 805 | 198 012 |
| Current assets (R'000) | 438 307 | 349 035 | 294 081 | 262 035 | 261 423 | 178 859 |
| Total assets | 558 030 | 490 576 | 426 872 | 437 906 | 467 228 | 376 871 |
| Ordinary shareholders' interest (R'000) | 249 706 | 215 945 | 186 707 | 214 309 | 261 510 | 230 681 |
| Minority and BEE shareholders' interest (R'000) | 2 456 | 3 070 | 788 | 394 | 1 281 | – |
| Non-interest-bearing non-current liabilities (R'000) | 5 541 | 6 887 | – | 1 002 | 1 137 | 1 810 |
| Deferred taxation (R'000) | 1 777 | – | – | – | – | 3 362 |
| Current liabilities (R'000) | 298 550 | 264 674 | 239 377 | 222 201 | 203 300 | 141 018 |
| Total equity and liabilities (R'000) | 558 030 | 490 576 | 426 872 | 437 906 | 467 228 | 376 871 |
| **PROFITABILITY** | | | | | | |
| Return on assets managed (%) | 33,4 | 30,7 | 29,6 | 26,3 | 30,5 | 49,6 |
| Return on equity (%) | 28,5 | 29,2 | (4,5) | (16,1) | 20,5 | 44,0 |
| Return on sales (operating margin) (%) | 4,9 | 4,3 | 4,3 | 4,2 | 6,1 | 9,8 |
| EBITDA/revenue (%) | 5,6 | 5,0 | 5,1 | 5,2 | 7,4 | 11,5 |
| Number of employees | 1 569 | 1 658 | 1 611 | 1 594 | 1 649 | 1 628 |
| **LIQUIDITY** | | | | | | |
| Cash generated by operations to operating profit (%) | 79,4 | 102,9 | 131,9 | 97,6 | 96,0 | 82,0 |
| Current ratio | 1,5 | 1,3 | 1,2 | 1,2 | 1,3 | 1,3 |
| Gearing (%) | – | 0,6 | 11,9 | 23,2 | 4,4 | 0 |
| Debtors days | 33 | 36 | 38 | 44 | 49 | 55 |
| **STATISTICS** | | | | | | |
| Weighted average number of shares in issue ('000) | 41 730 | 40 302 | 40 031 | 39 936 | 40 481 | 39 338 |
| Headline earnings per share (cents) | 195,1 | 158,2 | 96,4 | 106,6 | 137,7 | 189,3 |
| Earnings/(loss) per share (cents) | 156,2 | 141,2 | (22,0) | (96,6) | 121,6 | 181,2 |
| Total capital distribution/annual dividend per share (cents) | 140 | 105 | 64 | 37 | 28 | 28 |
| Dividend/capital distribution cover (times) based on HEPS | 1,4 | 1,5 | 1,5 | 2,9 | 4,9 | 6,8 |
| Net asset value per share (cents) | 592 | 531 | 466 | 535 | 652 | 585 |

* *Note: The 2005 year results have been prepared in accordance with International Financial Reporting Standards (IFRS). The transition date to IFRS was 1 January 2004 resulting in the 2004 figures being restated to reflect IFRS adjustments. Figures prior to 2004 have been prepared in accordance with South African statements of General Accepted Accounting Practice (SA GAAP, which was effective at 31 December 2004).*

# DEFINITIONS

## Cash generated by operating activities to operating profit
Cash generated by operations as a percentage of operating profit.

## Current ratio
Total current assets divided by total current liabilities.

## Debtors days
Debtors days are calculated using the peel back method, whereby the trade debtors balance is reduced by monthly sales (including VAT), until the balance is exhausted.

## Dividend/capital distribution cover
Headline earnings divided by the annual dividend/capital distribution.

## EBITDA/turnover
Operating profit before depreciation and amortisation as a percentage of revenue.

## Earnings per share
Profit attributable to ordinary shareholders, divided by the weighted average number of shares in issue.

## Gearing
Total interest-bearing debt divided by total ordinary shareholders' interest.

## Net asset value per share
Ordinary shareholders' interest, divided by the number of shares in issue at the year-end.

## Return on assets managed
Operating profit (before goodwill amortisation prior to 2004) divided by the total of property and equipment, trade and other receivables.

## Return on equity
Profit for the year divided by average equity of shareholders.

## Return on sales (operating margin)
Operating profit (before goodwill amortisation prior to 2004) divided by revenue.

# CORPORATE GOVERNANCE

## COMPLIANCE WITH THE CODE OF CORPORATE PRACTICES AND CONDUCT

The board of directors is fully committed to effective corporate governance and the need for integrity and high ethical standards in the conduct of its business. Adcorp fully supports the Code of Corporate Practices and Conduct and endorses the need to conduct its business in accordance with the highest standards of corporate practice. The directors have applied the recommendations as contained in the Code of Corporate Practices and Conduct set out in the King II report.

## BOARD OF DIRECTORS

The board of directors as set out on pages 16 to 19 of the annual report consists of six executive directors and six non-executive directors. There are two alternate directors. The non-executive directors provide the board with independent judgement based on their significant range of skills and commercial experience. Six board members are black and three are women. The functions of chairman and CEO are not performed by the same person.

The board meets quarterly and on an ad hoc basis if considered necessary. The main function of the board is to determine strategy and direction and to lead the group in this direction with integrity and judgement. In addition it is responsible for the overall sustainability of the group including areas such as risk management, protection of group assets, monitoring key performance indicators as well as the adequacy of policies and systems. It is further required to ensure compliance with all legal and statutory requirements.

Certain functions have been delegated to sub-committees, which currently consist of the audit committee, risk committee, transformation committee and the remuneration and nominations committee. The functions of these committees are described more fully under each of the relevant sub-headings in this report.

All new directors are given a presentation on the group's strategy as well as a document outlining the duties and responsibilities of directors. Presentations covering director responsibilities and fiduciary duties are also arranged for board directors from time to time.

Executive directors do not have service contracts, and employment is subject to a maximum of three months' notice with the exception of the CEO where the notice period is six months. Restraint agreements have been signed and all executive and non-executive directors hold either shares or share options or both with the exception of alternate director S Zungu who sold his shares.

A declaration of interests is submitted by all directors annually in order to determine any conflict of interests. No conflicts of interest exist at present but if this were to occur it would be resolved by the board. All board directors have access to the advice of the company secretary and are at liberty to obtain external advice at the company's cost if necessary.

## BOARD MEETINGS

Board meetings were held quarterly and all board members attended these meetings with the following exceptions. Apologies were received from:

| | |
|---|---|
| 1st quarter: | S Sebotsa, G Negota |
| 2nd quarter: | None |
| 3rd quarter: | R Pike, M Liphosa, G Negota, C Bomela |
| 4th quarter: | G Negota |

## EXECUTIVE COMMITTEE

The Adcorp executive committee is the most senior executive decision making body in the group. The committee is chaired by the Chief Executive Officer and comprises the group financial director, human resources director, transformation director and divisional directors responsible for the Flexible Staffing, Permanent Staffing and Recruitment, Communications and Marketing Research divisions. In addition the group chairman, while not directly involved in the day to day operational issues of the group, also attends the executive committee meetings which are held on a monthly basis.

The executive committee is responsible for *inter alia* the following:

- Strategic planning, monitoring of market trends and competitive activity.
- Structuring of the group's portfolio of assets.
- Shaping and approving operational strategies, budgets and forecasts.
- Measuring, monitoring and taking proactive action on company performances.

- Monitoring and managing cash, cash collections and margins.
- Shaping and approving succession plans and senior management appointments.
- Group BEE structures, initiatives and transformation.
- Group reporting and reporting to shareholders.

## AUDIT COMMITTEE

The audit committee consists of:

### Non-executive

| | |
|---|---|
| S Sebotsa (Chairperson) | Appointed 2 October 2002 |
| F Khanyile | Appointed 2 October 2002 |

### Executive (by invitation)

| | |
|---|---|
| F Burd (Group Financial Director) | Appointed 9 September 2002 |
| L Warwick (Group Financial Manager) | Appointed 25 November 2004 |
| A Nkuna (Group Manager: Internal Audit) | Appointed 1 March 2005 Resigned 19 August 2005 |

### Internal auditors (by invitation)

Sizwe Ntsaluba vsp Appointed 28 October 2005

### External auditors (by invitation)

| | |
|---|---|
| Deloitte & Touche | Appointed 2002 |
| Charter Financial & Auditing Inc | Appointed 1987 |

Following the resignation of the group manager: internal audit, the committee approved the appointment of Sizwe Ntsaluba vsp as the group's internal auditors.

Apologies were received from S Sebotsa, L Warwick and A Saffer (Charter Financial Auditing Inc) in respect of the May 2005 meeting. The remaining members attended all meetings.

The audit committee has a charter setting out its functions and responsibilities and is chaired by a non-executive director. The committee met four times during the year with management as well as the external and internal auditors to review the group's financial systems and reports. The audit committee works from a written checklist which includes, amongst other items, the following areas which are reviewed on an ongoing basis:

- Appropriate accounting policies have been adopted and consistently applied.
- Evaluation of critical risk areas and how these are being addressed.
- Review of internal and external audit reports.
- Assessment of control mechanisms and correctness of financial data.
- Level and competency of company and group management, particularly in the financial area.
- Disaster recovery procedures.

The auditors are appointed annually based on the recommendation of the audit committee. Currently the group auditors are Deloitte & Touche and Charter Financial & Auditing Inc.

Relevant issues discussed by this committee are reported to the Adcorp board and the board is kept fully informed as to the workings of the committee.

## RISK COMMITTEE

The risk committee consists of:

### Non-executive

| | |
|---|---|
| G Negota (Chairman) | Appointed 1 April 2004 |
| F Khanyile | Appointed 1 April 2004 |
| S Shonhiwa | Appointed 1 April 2004 |

### Executive

| | |
|---|---|
| F Burd | Appointed 1 April 2004 |
| L Warwick | Appointed 25 November 2004 |
| A Nkuna | Appointed 1 March 2005 Resigned 19 August 2005 |

The risk committee met once in October and all committee members attended.

*The transformation framework is focused on building capacity through development and transfer of skills*

The risk committee was established in 2004 and will in future meet twice in any financial year. The committee has a charter and is responsible for the evaluation of external and internal risks to the group as well as reviewing the philosophy and strategy, policies and processes in order to ensure that risk management is embedded in the culture of the group. The risk committee also monitors management action in dealing with and minimising risks to the group.

## TRANSFORMATION COMMITTEE

The transformation committee was established in 2004 and consists of:

### Non-executive

| | |
|---|---|
| C Bomela (Chairman) | Appointed 1 April 2004 |
| Dr VZ Slabbert | Appointed 1 April 2004 |
| M Liphosa | Appointed 1 April 2004 |
| S Sebotsa (ex officio) | Appointed 1 April 2004 |

### Executive

| | |
|---|---|
| A Ramsden (ex officio) | Appointed 1 April 2004 |

This committee did not meet officially during 2005, however, Messrs Bomela and Liphosa met informally on transformation issues on several occasions. Formal committee meetings will be held during 2006. Transformation is an ongoing group focus and is discussed at all Adcorp board meetings as well as at all executive committee meetings.

The transformation committee is responsible for monitoring transformation at all levels within the group as well as assisting with formulation of group transformation policy and reviewing the implementation of these policies. In addition the committee reviews progress on employment equity and skills development as well as corporate social investment.

## REMUNERATION AND NOMINATIONS COMMITTEE

This committee met once during the year and consists of:

### Non-executive

| | |
|---|---|
| S Shonhiwa (Chairman) | Appointed 2 October 2002 |
| Dr VZ Slabbert | Appointed 20 November 1995 |

### Executive

F Burd (ex officio)
R Pike (ex officio)

The remuneration committee is responsible for approving the remuneration of all board directors as well as the allocation of share options to employees. Independent external consultants and market comparisons are used to ensure that remuneration is market related and is linked to both individual and company performance. Directors' remuneration is fully disclosed on page 62.

## INTERNAL CONTROL

The directors report that the company's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of its assets. Such controls are based on established written policies and procedures and are implemented by trained personnel with an appropriate segregation of duties. These policies and procedures are reviewed continually and updated as necessary. The internal audit division conducts ongoing audits on all group companies and written reports are compiled. All items raised in these reports are addressed promptly. The risk committee evaluates external risks to the businesses and matters of concern are addressed on an ongoing basis by management. The group has a documented and tested business continuity plan which should enable it to recover from a disastrous incident. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

## GOING CONCERN

The directors are of the opinion that the business will be a going concern for the foreseeable future and accordingly, the financial statements have been prepared on a going concern basis.

## SOCIAL INVESTMENT

Adcorp established a formal Social Investment Programme in January 2001. The achievements of this programme as well as its purpose and future direction are covered more fully under the section on "Corporate Social Responsibility" on page 27.

## NON-FINANCIAL MATTERS

All directors and employees are required to maintain the highest ethical standards in ensuring that the group's business practices are conducted in a manner which in all reasonable circumstances is beyond reproach. There is a documented code of conduct which is signed by all employees.

Adcorp is committed to educating and supporting employees in the fight against HIV/Aids and has produced a booklet and posters on HIV/Aids awareness. The group has a formal HIV/Aids policy and has done assessments on the effect HIV/Aids could have in the workplace.

Adcorp is concerned about employee safety and while employees mainly work in an office environment, reasonable steps are taken to ensure their safety. Capacity, which is involved in the contracting of "blue collar" workers, has a National Health and Safety Manager who is responsible for the safety of all employees.

Adcorp is environmentally responsible and aware and ensures that at all times the group in no way negatively impacts on the environment.

## STAKEHOLDER COMMUNICATION

The board strives to present a balanced and understandable assessment of the group's position, addressing material matters of significant interest and concern to stakeholders. At all times, a balance is sought in presenting the positive and negative aspects of activities of the group.

The group is reporting for the first time under the IFRS standard for the year ended 31 December 2005 and accordingly, the results for the year ended 31 December 2005 have been prepared in accordance with the group's accounting policies, which comply with International Financial Reporting Standards (IFRS). The disclosures required in terms of IFRS1 (First Time Adoption of International Financial Reporting Standards) concerning the transition from South African Statements of Generally Accepted Accounting Practice (SA GAAP) and the requisite changes in accounting policies are set out more fully in the directors' report.

## USE OF EMPOWERED SUPPLIERS

The group places significant importance on the use of empowered suppliers and sourcing of services and supplies from empowered companies is encouraged at all times.

## CLOSED TRADING PERIOD

Directors and managerial staff are precluded from trading in Adcorp shares from 31 December until the announcement of the annual results and again from 30 June until the announcement of the interim results.

## HUMAN RESOURCES

The board of directors has formalised a transformation programme whereby measurable objectives for the Adcorp group have been set in four areas:

- Best practices in human resources
- Affirmative action
- Organisational culture
- Black economic empowerment

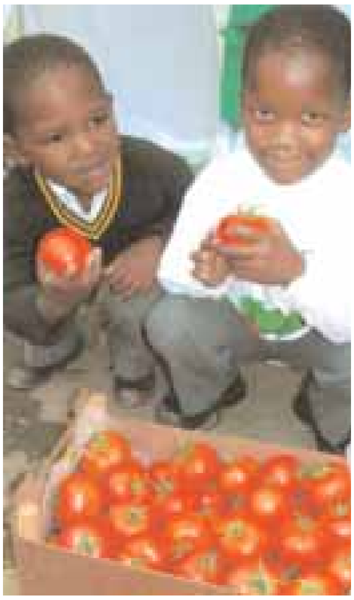
The transformation framework has followed the strategic business plan of the group and its operating companies and is focused primarily on building capacity through focused development and skills transfer. This is aimed at achieving sustained growth and profitability both now and in the future. In order to achieve strategic business objectives, the above transformation process is supported with a performance measurement system focused on measuring key objectives at all levels throughout the group. The system facilitates effective planning, implementation and monitoring at board level and reflects the individual and collective commitment of all directors and senior managers to the process. A table setting out the number of employees and the employment equity status of the group appears on page 26. In addition to 1 569 permanent employees the group has approximately 35 000 contract and temporary employees which it places in employment across a wide spectrum of businesses. Adcorp has a large number of learnerships which also form part of the group's training initiatives.

# EMPLOYMENT EQUITY

| | 2005 | 2004 |
|---|---|---|
| Total workforce | 1 568 | 1 658 |
| Total employees with disabilities | 1 | 15 |
| **Workforce profile** | | |
| **Racial and gender profile** | | |
| Non-designated group | 156 | 170 |
| White females | 618 | 605 |
| Black males | 214 | 247 |
| Black females | 581 | 619 |
| **Occupational level profile** | | |
| Management | 429 | 387 |
| Non-management | 1 140 | 1 256 |
| **Management profile by gender** | | |
| Females | 302 | 267 |
| Males | 127 | 134 |
| **Management profile by race** | | |
| Black | 118 | 121 |
| White | 311 | 270 |
| **Non-management profile by gender** | | |
| Females | 897 | 984 |
| Males | 243 | 267 |
| **Non-management profile by race** | | |
| Black | 677 | 749 |
| White | 463 | 483 |
| **Disability profile** | | |
| Management | – | 4 |
| Non-management | 1 | 11 |
| **People with disabilities by gender** | | |
| Females | 1 | 10 |
| Males | – | 5 |
| **Total employees before reporting cycle** | 1 658 | 1 611 |
| *Less:* Resignations | 32 | 226 |
| Non-renewal of contracts (contract employees) | 820 | 612 |
| Dismissals | 22 | 26 |
| Retirements | | |
| Other, deceased, transferred | 7 | 1 |
| Retrenchments | 28 | 49 |
| **Total employees as on reporting date of the reporting cycle (1 October)** | 1 569 | 1 658 |

Adcorp Holdings complies fully with the provisions of Chapter 3 of the Employment Equity Act. Employment equity is viewed as an integral part of the broad-based black economic empowerment strategy and is continuously monitored across the group and its subsidiaries.

# CORPORATE SOCIAL RESPONSIBILITY

The group has committed to spend a minimum 1% of its annual profits on social investment projects. In 2005 the group social responsibility spend amounted to R2,3 million (2004: R2,1 million). In this regard, the group has selected the implementation and support of agricultural projects, specifically vegetable gardens, in disadvantaged communities as its preferred vehicle for community support.

Geographically, the focus of these activities is on the Gauteng, greater Durban and Cape Town areas.

The vegetable garden projects are predominantly situated in disadvantaged schools and support the schools' feeding schemes and are also used by these schools for educational purposes.

The approach of Adcorp in terms of these projects is to help unskilled, unemployed people in these disadvantaged communities. Where practical preference in the transfer of skills is given to women.

Each project requires a committed champion and all participants receive basic skills training on growing vegetables. Adcorp also provides the necessary infrastructure, equipment, seeds and fertilisers and assists with the set up of a governing constitution for the project and the establishment of a project bank account.

The projects are designed to be self-sustaining within two years of establishment, operating as individual micro-enterprises.

Additional benefits of these projects are that they provide nutrition to people in participating schools and the surrounding communities including orphanages and clinics.

Seven such projects have been established to date and participants are currently selling vegetables in the informal retail markets in their respective communities and have begun to extend their sales efforts to include formal, open vegetable markets.
To date projects have been established at the following sites:

- Eluthandweni Maternity Clinic, Vosloorus
- Ikusasa Secondary School, Tembisa
- T-SHAD (Tembisa Self Help Association for the Disabled), Tembisa
- Sonqoba Primary School, Katlehong
- Banareng Primary School, Atteridgeville
- Tshedimosho Primary School, Mofolo, Soweto
- Thembile Primary School, Kagiso

In addition, the Adcorp Corporate Social Investment Programme has in the past supported a number of rural projects in Limpopo, focusing on skills development in pottery, vegetable and chicken farming.

# SHAREHOLDER ANALYSIS AND DIARY

| | Number of shareholders | % of shareholders | Number of shares | % of shares |
|---|---|---|---|---|
| **1 PORTFOLIO SIZE** | | | | |
| **Range** | | | | |
| 1 – 1 000 | 798 | 50,57 | 314 904 | 0,74 |
| 1 001 – 10 000 | 579 | 36,69 | 1 925 927 | 4,52 |
| 10 001 – 100 000 | 124 | 7,86 | 4 167 057 | 9,78 |
| 100 001 – 1 000 000 | 67 | 4,25 | 21 236 609 | 49,83 |
| 1 000 001 and above | 10 | 0,63 | 14 969 878 | 35,13 |
| **Totals** | 1 578 | 100,00 | 42 614 375 | 100,00 |
| **2 DISTRIBUTION OF SHAREHOLDERS** | | | | |
| Banks | 11 | 0,70 | 2 448 613 | 5,75 |
| Close corporations | 4 | 0,25 | 76 138 | 0,18 |
| Individuals | 1 028 | 65,15 | 2 440 353 | 5,73 |
| Insurance companies | 12 | 0,76 | 7 258 879 | 17,03 |
| Investment companies | 8 | 0,51 | 1 593 600 | 3,74 |
| Limited companies | 5 | 0,32 | 596 200 | 1,40 |
| Mutual funds | 208 | 13,18 | 17 011 346 | 39,92 |
| Nominees and trusts | 98 | 6,21 | 1 773 499 | 4,16 |
| Other corporations | 18 | 1,14 | 210 412 | 0,49 |
| Pension funds | 130 | 8,24 | 8 463 814 | 19,86 |
| Private companies | 54 | 3,42 | 599 600 | 1,41 |
| Adcorp share trusts | 2 | 0,12 | 141 920 | 0,33 |
| **Totals** | 1 578 | 100,00 | 42 614 375 | 100,00 |
| **3 SHAREHOLDER SPREAD** | | | | |
| **Non-public** | 6 | 0,38 | 479 072 | 1,23 |
| Share trusts | 3 | 0,19 | 141 920 | 0,44 |
| Directors | 3 | 0,19 | 337 152 | 0,79 |
| **Public** | 1 572 | 99,62 | 42 135 303 | 98,77 |
| **Totals** | 1 578 | 100,00 | 42 614 375 | 100,00 |
| **4 MAJOR SHAREHOLDERS (5% OR MORE OF THE SHARES IN ISSUE)** | | | | |
| Investec Asset Management | | | 7 653 218 | 17,96 |
| Old Mutual Asset Management | | | 4 818 794 | 11,31 |
| Allan Gray Asset Management | | | 4 753 920 | 11,16 |
| Sanlam Asset Management | | | 3 253 378 | 7,63 |
| RMB Asset Management | | | 2 429 142 | 5,70 |

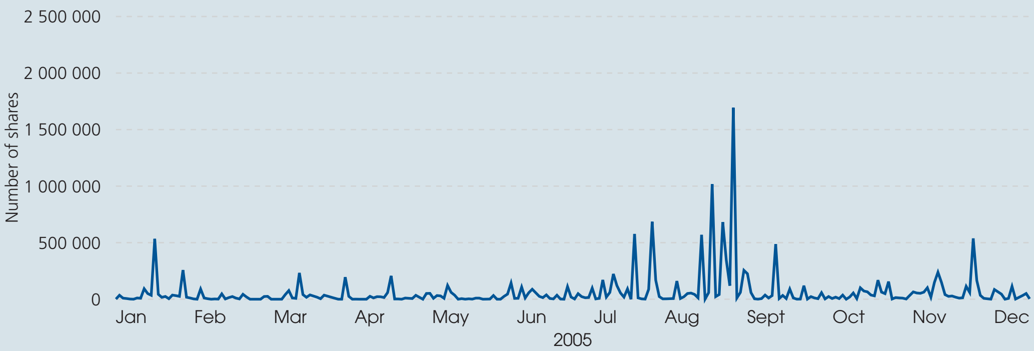
## SHAREHOLDERS' DIARY

| | |
|---|---|
| Financial year-end | 31 December 2005 |
| Annual general meeting | 09:00 Thursday, 29 June 2006 |
| **Reports** | |
| Interim results | August |
| Reviewed annual results | March |
| Audited annual financial statements | June |

# ADCORP SHARE DATA

Adcorp price chart – daily closing price


Adcorp volume chart – daily volume traded for 2005




| | 2005 | 2004 |
|---|---|---|
| Closing price of Adcorp Holdings (at 31 December) (cents) | 2 400 | 1 690 |
| Total number of shares traded | 16,2 million | 17,5 million |
| Total value of shares traded (rands) | 339 138 484 | 268 100 000 |
| Price of shares traded – highest (cents) | 2 400 | 1 701 |
| Price of shares traded – lowest (cents) | 1 675 | 1 180 |
| Total number of Adcorp transactions recorded on the JSE | 2 318 | 1 491 |
| Total value of shares traded as a % of total shares issued (%) | 38,1 | 43,9 |

# *APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS*

*for the year ended 31 December 2005*

## *TO THE MEMBERS OF ADCORP HOLDINGS LIMITED*

The directors of the company are responsible for the preparation, integrity, objectivity and fair presentation of the annual financial statements and related financial information presented in this report.

The directors are also responsible for the systems of internal control. These are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The company and group financial statements are prepared in accordance with the provisions of the South African Companies Act and comply with International Financial Reporting Standards and incorporate full and reasonable disclosure in line with the accounting policies of the group.

The directors are of the opinion that the business will be a going concern for the foreseeable future, and accordingly the financial statements continue to be prepared on a going concern basis.

It is the responsibility of the joint independent auditors to report on the annual financial statements. Their response to the members is set out on page 31.

The annual financial statements set out on pages 32 to 67 were approved by the board of directors on 26 May 2006 and are signed on its behalf by:

RL Pike
*Chief Executive Officer*

FD Burd
*Group Financial Director*

Johannesburg
26 May 2006

# *CERTIFICATION BY COMPANY SECRETARY*

*for the year ended 31 December 2005*

In accordance with section 268G(d) of the Companies Act, 61 of 1973 as amended, I certify that the company has lodged with the Registrar all such returns as are required by a public company in terms of the Act and that all such returns are true, correct and up to date.

LJ Sudbury
*Company secretary*

28 Sloane Street
Bryanston
2021

Appointed 8 March 2006

Johannesburg
26 May 2006

# REPORT OF THE JOINT INDEPENDENT AUDITORS

## TO THE MEMBERS OF ADCORP HOLDINGS LIMITED

We have audited the annual financial statements and group financial statements of Adcorp Holdings Limited set out on pages 32 to 67 for the year ended 31 December 2005. These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Adcorp Holdings Limited and the group at 31 December 2005 and the results of its operations and cash flows for the year then ended. In accordance with the International Financial Reporting Standards and in a manner required by the Companies Act of South Africa.

Deloitte & Touche

**Deloitte & Touche**
*Registered Auditors*

R Campbell
Partner

26 May 2006

Buildings 1 and 2
Deloitte Place
The Woodlands Office Park
Woodlands Drive
Sandton
2052

National executive: V Naidoo – Chief executive, RMW Dunne – Chief operating officer, GM Pinnock – Audit, DL Kennedy – Tax, GG Gelink – Consulting, MG Crisp – Financial advisory, CR Beukman, TJ Brown, AE Swiegers, NT Mtoba – Chairman of the board, J Rhynes – Deputy chairman of the board.

A full list of partners and directors is available on request.

**Charter Financial & Auditing Incorporated**
*Registered Auditors*

A Saffer
Partner

26 May 2006

25 Plantation Road
Norwood
2192

Directors: A Saffer, J Segel

# DIRECTORS' REPORT

*for the year ended 31 December 2005*

The directors have pleasure in submitting their report and financial statements for the year ended 31 December 2005.

## NATURE OF BUSINESS

Adcorp Holdings Limited is an investment holding company whose subsidiaries and associates carry on business mainly in South Africa, in the permanent recruitment and flexible staffing sectors as well as the education and training, communications and marketing research sectors of the service industry.

## 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 the same period.

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 outstanding financial performance.

The division provides jobs for between 30 000 and 35 000 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.

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 public relations business.

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 footing.

The Marketing Research division, trading as Research Surveys, had a very good year. An operating profit of R10,1 million for 2005 grew by 33,0% compared to operating profit of R7,6 million for 2004. 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 by 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 them.

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 R21,3 million. 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 its core strengths, optimise group synergy, drive operational excellence and enhance the group's broad-based black economic empowerment (BBBEE) profile whilst operationally, all businesses remain strongly focused on cash and margin management.

## *FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")*

This annual 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. The audited results for the year ended December 2005 have been prepared in accordance with the group's accounting policies, which comply with International Financial Reporting Standards ("IFRS"). The disclosures required in terms of IFRS1 (First Time Adoption of International Financial Reporting Standards) concerning the transition from South African Statements of Generally Accepted Accounting Practice ("SA GAAP") and the requisite changes in accounting policies are set out below.

The following IFRS standards have impacted on group accounting policies and the disclosure of group results:

### IFRS2 – Share-based payments

The notional values of share-based payments to employees are charged in the income statement and the reciprocal credit is shown as a "Share-based payment reserve" in the balance sheet.

### IFRS3 – Business combinations

Goodwill is no longer amortised over its expected useful life, but is tested for impairment on an annual basis and any impairment is charged in the income statement.

### IAS16 – Property, plant and equipment

The residual values and useful lives of major fixed assets have been assessed and where applicable depreciation has been adjusted.

## *OTHER RESTATEMENTS*

### IAS17 – Leases

In addition to the above changes, the accounting treatment of lease rentals has been modified to accord with the SAICA circular 07/2005 in respect of IAS17, namely, escalations in operating lease rentals are no longer recognised in the periods they are actually incurred, but are now charged in the income statement on a straight-line basis over the term of the leases.

## *FINANCIAL OVERVIEW*

Headline earnings per share increased by 23,3% compared with 2004 while the increase in earnings per share 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 experienced some management and staff difficulties. The balance is primarily due to the Production Management Institute of South Africa, a training company, where R4,1 million was impaired as a result of this company's slow return to accepted levels of profitability.

The overall 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 form 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.

The effective tax rate of 30,5% (2004: 23,0%) was higher than in previous years due to the payment of a dividend as opposed to a capital distribution necessitating the payment of secondary tax on companies (STC). In addition the reduced tax rate resulted in an increased charge to the income statement arising from the adjustment to deferred tax assets. The effect of this was offset by the tax incentives resulting from learnerships implemented by the Flexible Staffing division in terms of the Skills Development Act.

# DIRECTORS' REPORT
*for the year ended 31 December 2005*

## SHARE CAPITAL

| | Number 000's | R'000 |
|---|---|---|
| Opening balance 1 January 2004 | | |
| – Issued shares | 40 299 | 1 007 |
| Employee share scheme (ordinary shares created) 958 875 shares at 2,5 cents | 959 | 24 |
| Opening balance 1 January 2005 | | |
| – Issued shares | 41 258 | 1 031 |
| Employee share scheme (ordinary shares created) 1 356 000 shares at 2,5 cents | 1 356 | 34 |
| Closing balance 31 December 2005 | 42 614 | 1 065 |

## SHARE PREMIUM

Movements in share premium during the year are shown below:

| | 2005 R'000 | 2004 R'000 |
|---|---|---|
| Opening balance 1 January 2005 | 34 694 | 56 747 |
| Employee combined option/deferred payment scheme 1 356 123 ordinary shares created as shown below: | | |
| – Employee combined option payment scheme 5 000 ordinary shares created at a premium of R3,225 per share | 16 | 29 |
| – Employee combined option/deferred payment scheme 296 000 created at a premium of R6,325 per share | 1 872 | – |
| – Employee combined option/deferred payment scheme 2 500 created at a premium of R6,775 per share | 17 | – |
| – Employee combined option/deferred payment scheme 14 500 created at a premium of R7,975 per share | 116 | 210 |
| – Employee combined option/deferred payment scheme 150 000 created at a premium of R8,825 per share | 1 324 | 2 787 |
| – Employee combined option/deferred payment scheme 5 000 created at a premium of R9,975 per share | 50 | – |
| – Employee combined option/deferred payment scheme 18 750 created at a premium of R10,375 per share | 195 | 1 175 |
| – Employee combined option/deferred payment scheme 3 600 created at a premium of R11,475 per share | 41 | – |
| – Employee combined option/deferred payment scheme 4 890 created at a premium of R11,875 per share | 58 | 303 |
| – Employee combined option/deferred payment scheme 826 883 created at a premium of R11,975 per share | 9 902 | 5 616 |
| – Employee combined option/deferred payment scheme 1 000 created at a premium of R12,975 per share | 13 | – |
| – Employee combined option/deferred payment scheme 12 000 created at a premium of R13,475 per share | 162 | – |
| – Employee combined option/deferred payment scheme 16 000 created at a premium of R13,725 per share | 219 | – |
| – Capital distribution July 2004 54 cents and November 2004 25 cents | – | (32 173) |
| Closing balance 31 December 2005 | 48 679 | 34 694 |

## DIVIDEND

On 8 March 2006, the board declared a dividend of 105 cents (2004: 80 cents) per share which, together with the interim dividend of 35 cents per share, results in a total distribution in respect of the 2006 financial year of 140 cents per share.

The dividend of 105 cents per share was paid on 10 April 2006.

## STRATE

Adcorp dematerialised its issued shares with effect from 9 July 2001 since which time settlement of any trade on or outside of the JSE can only be done in electronic format. All shareholders were circulated with a brochure at the time giving details of how to go about dematerialising their shares. Despite this, a number of shares remain in certificate format and will have to be dematerialised before they may be traded. Adcorp's company secretary may be contacted should a shareholder require advice on the dematerialisation of their share certificates.

## ADCORP EMPLOYEE SHARE OPTION SCHEME

The Adcorp Share Option Scheme was introduced in 1987 and expanded during 1989 to include a share purchase scheme and again in 1994 to allow for the creation of a combined option/deferred payment scheme. The total number of shares in the various schemes may not exceed 15% of the total number of shares in issue. In terms of clause 6.4 of the Trust Deed the total number of shares available to the schemes as at 31 December 2005 is a maximum of 6 392 156 (2004: 6 188 738).

Options to purchase shares have been granted on 1 410 942 shares as at 31 December 2005. These options have either already vested or will vest on 31 May 2006 and may therefore be paid for and converted into shares at any time at the option of the relevant employees.

As the existing share scheme has become expensive when considering the cost to shareholders versus the benefit to employees, it was decided not to issue share options during 2005 but rather to create a similar benefit which would be settled in cash rather than shares. This is a temporary arrangement as Adcorp is currently investigating the possibility of introducing a new share scheme which will be more beneficial to shareholders in that fewer shares will be required in order to create the same benefit to the employee. A circular will be sent to shareholders in due course outlining the proposed share scheme.

### Movements for the year in the Adcorp Employee Share Option Scheme appear below:

| Opening balance 2005 | | | Options granted/(cancelled)/(exercised) 2005 | | | | | | | Closing balance 2005 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Quantity | Price | Value | Date option granted | Quantity granted | Forfeited | Quantity (cancelled) | Quantity (exercised) | Price | Value | Quantity | Price | Value |
| 9 600 | 3,25 | 31 200 | – | – | – | – | (5 000) | – | – | 4 600 | 3,25 | 14 950 |
| 419 000 | 6,35 | 2 660 650 | – | – | (5 000) | – | (296 000) | – | – | 118 000 | 6,35 | 749 300 |
| 2 500 | 6,80 | 17 000 | – | – | – | – | (2 500) | – | – | – | 6,80 | – |
| 14 500 | 8,00 | 116 000 | – | – | – | – | (14 500) | – | – | – | 8,00 | – |
| 265 000 | 8,85 | 2 345 250 | – | – | – | – | (150 000) | – | – | 115 000 | 8,85 | 1 017 750 |
| 5 000 | 10,00 | 50 000 | – | – | – | – | (5 000) | – | – | – | 10,00 | – |
| 20 250 | 10,40 | 210 600 | – | – | – | – | (18 750) | – | – | 1 500 | 10,40 | 15 600 |
| 3 600 | 11,50 | 41 400 | – | – | – | – | (3 600) | – | – | – | 11,50 | – |
| 81 582 | 11,90 | 970 826 | – | – | – | – | (4 890) | – | – | 76 692 | 11,90 | 912 635 |
| 1 378 833 | 12,00 | 16 545 996 | – | – | (9 550) | (130 000) | (826 883) | – | – | 412 400 | 12,00 | 4 948 800 |
| 652 750 | 13,00 | 8 485 750 | – | – | – | – | – | – | – | 652 750 | 13,00 | 8 485 750 |
| 1 000 | 13,00 | 13 000 | – | – | – | – | (1 000) | – | – | – | 13,00 | – |
| 12 000 | 13,50 | 162 000 | – | – | – | – | (12 000) | – | – | – | 13,50 | – |
| 46 000 | 13,75 | 632 500 | – | – | – | – | (16 000) | – | – | 30 000 | 13,75 | 412 500 |
| 5 000 | 18,50 | 92 500 | – | – | (5 000) | – | – | – | – | – | 18,50 | – |
| 2 916 615 | | 32 374 672 | – | Nil | (19 550) | (130 000) | (1 356 123) | – | – | 1 410 942 | | 16 557 285 |

# DIRECTORS' REPORT

*for the year ended 31 December 2005*

## ADCORP EMPOWERMENT SHARE TRUST

The above trust owns 141 920 Adcorp shares of which 35 302 shares were unallocated as at 31 December 2005 as a result of employees leaving the group. These will be re-allocated during 2006. The earliest years at which these options can be paid for and the shares transferred into the employee's name are as follows:

| | |
|---|---|
| 2006 | 86 618 |
| 2007 | 20 000 |
| Unallocated* | 35 302 |
| Total | 141 920 |

| PDI opening balance 2005 | | | Options granted/(cancelled)/(exercised) 2005 | | | | | | | PDI closing balance 2005 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Quantity | Price | Value | Date option granted | Quantity granted | Forfeited | Quantity (can-celled) | Quantity (exer-cised) | Price | Value | Quantity | Price | Value |
| 55 000 | 6,35 | 349 250 | 21/01/03 | – | (5 000) | – | (40 000) | – | – | 10 000 | 6,35 | 63 500 |
| 25 000 | 7,50 | 187 500 | 28/07/03 | – | – | – | (25 000) | – | – | – | 7,50 | – |
| 86 168 | 8,85 | 762 587 | – | – | (31 168) | – | (25 132) | – | – | 29 868 | 8,85 | 264 332 |
| 30 000 | 11,80 | 354 000 | – | – | – | – | (30 000) | – | – | – | 11,80 | – |
| 49 750 | 13,00 | 646 750 | 24/06/04 | – | (3 000) | – | – | – | – | 46 750 | 13,00 | 607 750 |
| – | – | – | 31/05/05 | 10 000,00 | – | – | – | – | – | 10 000 | 18,00 | 180 000 |
| – | – | – | 21/11/05 | 10 000,00 | – | – | – | – | – | 10 000 | 18,15 | 181 500 |
| 245 918 | – | 2 300 087 | – | 20 000,00 | (39 168) | – | (120 132) | – | – | 106 618 | – | 1 297 082 |
| 16 134 | – | – | – | – | – | – | – | – | – | 35 302* | – | – |
| 262 052 | – | 2 300 087 | – | – | – | – | – | – | – | 141 920 | – | 1 297 082 |

** Unallocated as at 31 December 2005. These shares have been allocated subsequent to year-end.*

## SUBSIDIARIES AND ASSOCIATES

Details of the company's operating subsidiaries and associates are set out in Annexure A on page 66.

The summarised attributable interest of the company in the profits and losses of its subsidiary companies is as follows:

| | 2005 R'000 | 2004 R'000 |
|---|---|---|
| Total profit after taxation | 101 237 | 195 189 |
| Total losses after taxation | (19 428) | (56 419) |
| Total losses after taxation from disposed operations | – | (475) |
| | 81 809 | 138 295 |

### SIGNIFICANT SHAREHOLDERS
Details of significant shareholders are included on page 28.

### SUBSEQUENT EVENTS
Subsequent to year-end no events took place which require any further information to be communicated.

### SPECIAL RESOLUTIONS
No special resolutions were passed during 2005.

### STATUTORY INFORMATION
The company was incorporated in the Republic of South Africa on 16 July 1974. The registration number is 1974/001804/06. For details of the registered office, company secretary and auditors refer to inside back cover.

### DIRECTORS' REMUNERATION AND INTEREST
Details of directors' remuneration and interests appear in notes 42 and 43 on pages 62 and 63 of the annual financial statements.

### DIRECTORATE AND SECRETARY
The names of the directors and company secretary are set out on pages 16 to 19 and 30 respectively. There were no changes to the directorate during 2005.

# *BALANCE SHEETS*
*as at 31 December 2005*

| | Notes | GROUP 2005 R'000 | GROUP 2004* R'000 | COMPANY 2005 R'000 | COMPANY 2004* R'000 |
|---|---|---|---|---|---|
| ***ASSETS*** | | | | | |
| **Non-current assets** | | 119 723 | 141 541 | 385 264 | 401 362 |
| Property and equipment | 4 | 34 667 | 49 501 | 1 455 | 513 |
| Intangible assets | 5 | 13 708 | 3 140 | – | – |
| Goodwill | 6 | 42 015 | 60 802 | – | – |
| Investment in subsidiaries | 7 | – | – | 379 473 | 395 450 |
| Investment in associates | 8 | 4 092 | 3 550 | 1 528 | 1 529 |
| Other financial assets | 9 | – | – | 2 569 | 3 865 |
| Deferred taxation | 10 | 25 241 | 24 548 | 239 | 5 |
| **Current assets** | | 438 307 | 349 035 | 139 811 | 119 782 |
| Trade and other receivables | 11 | 354 562 | 258 213 | 4 728 | 3 013 |
| Amounts due by subsidiary companies | 12 | – | – | 131 566 | 113 674 |
| Taxation prepaid | | 8 302 | 6 821 | 3 516 | 3 093 |
| Bank balances, cash and deposits | | 75 443 | 84 001 | 1 | 2 |
| ***TOTAL ASSETS*** | | 558 030 | 490 576 | 525 075 | 521 144 |
| ***EQUITY AND LIABILITIES*** | | | | | |
| **Capital and reserves** | | 252 162 | 219 015 | 218 230 | 186 218 |
| Share capital | 13 | 1 065 | 1 031 | 1 065 | 1 031 |
| Share premium | 14 | 48 679 | 34 694 | 48 679 | 34 694 |
| Treasury shares | 15 | (2 127) | (4 205) | – | – |
| Non-distributable reserve | 16 | – | – | 119 918 | 119 918 |
| Share-based payments reserve | 17 | 2 821 | 1 318 | 2 821 | 1 318 |
| Accumulated profit | | 199 268 | 183 107 | 45 747 | 29 257 |
| Minority shareholders' interest | | 2 379 | 1 367 | – | – |
| BEE shareholders' interest | 18 | 77 | 1 703 | – | – |
| **Non-current liabilities** | | 7 318 | 6 887 | 581 | 181 |
| Non-interest-bearing non-current liabilities | 19 | 5 541 | 6 887 | 581 | 181 |
| Deferred tax | 10 | 1 777 | – | – | – |
| **Current liabilities** | | 298 550 | 264 674 | 306 264 | 334 745 |
| **Non-interest-bearing current liabilities** | | 241 837 | 179 329 | 250 683 | 251 357 |
| Trade and other payables | 20 | 169 513 | 127 541 | 17 559 | 14 574 |
| | 12 | – | – | 225 525 | 231 993 |
| Amounts due to vendor | 21 | 2 187 | 3 500 | – | – |
| Provisions | 22 | 58 523 | 46 243 | 6 599 | 4 790 |
| Taxation | | 11 614 | 2 045 | 1 000 | – |
| **Interest-bearing current liabilities** | | 56 713 | 85 345 | 55 581 | 83 388 |
| Bank overdrafts | | 56 713 | 85 345 | 55 581 | 83 388 |
| ***TOTAL EQUITY AND LIABILITIES*** | | 558 030 | 490 576 | 525 075 | 521 144 |

** Restated – refer note 39.*

# INCOME STATEMENTS

*for the year ended 31 December 2005*

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Notes | 2005 R'000 | 2004* R'000 | 2005 R'000 | 2004* R'000 |
| *REVENUE* | 23 | 2 359 652 | 1 980 116 | – | – |
| Cost of sales | 25 | (1 650 708) | (1 375 106) | – | – |
| *GROSS PROFIT* | | 708 944 | 605 010 | – | – |
| Other income | 26 | 20 358 | 25 532 | 23 036 | 18 064 |
| Administration expenses | | (238 923) | (215 047) | (26 782) | (21 673) |
| Marketing and selling expenses | | (298 052) | (254 781) | (2 033) | (2 620) |
| Other operating expenses | | (75 920) | (75 221) | (1 034) | (375) |
| *OPERATING PROFIT/(LOSS)* | 27 | 116 407 | 85 493 | (6 813) | (6 604) |
| Interest received | 28 | 2 587 | 5 361 | 8 819 | 10 584 |
| Interest paid | 29 | (4 026) | (7 728) | (6 891) | (9 925) |
| Dividends received | | – | – | 48 625 | 12 483 |
| Share of profits from associates | | 3 294 | 2 222 | – | – |
| Impairment of goodwill and investment in subsidiary | | (19 112) | (1 224) | (19 410) | (59) |
| Profit/(loss) on disposal of property and equipment | | 3 322 | (94) | – | (155) |
| Loss on disposal of operations and subsidiaries | | (333) | (5 565) | (1 048) | (5 565) |
| Loss on loans to subsidiaries written off | | – | – | – | (18 842) |
| *PROFIT/(LOSS) BEFORE TAXATION* | | 102 139 | 78 465 | 23 282 | (18 083) |
| Taxation | 30 | (35 010) | (19 132) | (6 792) | (441) |
| *PROFIT/(LOSS) FOR THE YEAR* | | 67 129 | 59 333 | 16 490 | (18 524) |
| Profit/(loss) for the year | | | | | |
| Attributable to: | | | | | |
| Ordinary shareholders | | 65 185 | 56 917 | 16 490 | (18 524) |
| Minority shareholders | | 1 012 | 898 | – | – |
| BEE shareholders | | 932 | 1 518 | – | – |
| Profit/(loss) for the year | | 67 129 | 59 333 | 16 490 | (18 524) |
| *EARNINGS PER SHARE* | | | | | |
| Basic (cents) | 31 | 156,2 | 141,2 | – | – |
| Diluted (cents) | 31 | 154,8 | 139,8 | – | – |
| *DISTRIBUTION TO SHAREHOLDERS DURING THE YEAR* | 31 | 105 | 80 | – | – |
| – interim prior year capital distribution (cents) | | – | 25 | – | – |
| – interim dividend (cents) | | 35 | – | – | – |
| – final dividend (cents) in respect of prior year | | 80 | 54 | – | – |

** Restated – refer to note 39.*

# STATEMENT OF CHANGES IN EQUITY

*for the year ended 31 December 2005*

| | Share capital R'000 | Share premium R'000 | Treasury shares R'000 | Non-distri-butable reserve R'000 | Share based payments reserve R'000 | Minority share-holders' interest R'000 | BEE share-holders' interest R'000 | Accumu-lated profit R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|---|---|
| **GROUP** | | | | | | | | | |
| **Balance as at 1 January 2004** | 1 007 | 56 747 | (4 454) | – | – | – | – | 133 407 | 186 707 |
| **Prior year adjustments:** | | | | | | | | | |
| Leave pay provision | – | – | – | – | – | – | – | (6 510) | (6 510) |
| Operating lease rental timing adjustment | – | – | – | – | – | – | – | (1 800) | (1 800) |
| Taxation effect of above adjustments | – | – | – | – | – | – | – | 1 905 | 1 905 |
| Minority shareholders' interest reclassified | – | – | – | – | – | 603 | – | – | 603 |
| BEE shareholders' interest reclassified | – | – | – | – | – | – | 185 | – | 185 |
| **IFRS transition adjustments** | | | | | | | | | |
| Impairment of goodwill | – | – | – | – | – | – | – | (4 854) | (4 854) |
| Adjustment of fixed property residual value | – | – | – | – | – | – | – | 4 396 | 4 396 |
| Share-based payments | – | – | – | – | 355 | – | – | (355) | – |
| **Restated balance at 1 January 2004** | 1 007 | 56 747 | (4 454) | – | 355 | 603 | 185 | 126 189 | 180 632 |
| Shares issued | 24 | 10 120 | – | – | – | – | – | – | 10 144 |
| Capital distribution July and November 2004 | – | (32 173) | 209 | – | – | – | – | – | (31 964) |
| Treasury shares sold | – | – | 40 | – | – | – | – | – | 40 |
| Minority shareholders' interest | – | – | – | – | – | 764 | – | (897) | (133) |
| BEE share of super profits | – | – | – | – | – | – | 1 518 | (1 518) | – |
| Share-based payments | – | – | – | – | 963 | – | – | – | 963 |
| Profit for the year | – | – | – | – | – | – | – | 59 333 | 59 333 |
| **Restated balance at 31 December 2004** | 1 031 | 34 694 | (4 205) | – | 1 318 | 1 367 | 1 703 | 183 107 | 219 015 |
| Shares issued | 34 | 13 985 | – | – | – | – | – | – | 14 019 |
| Treasury shares sold | – | – | 1 800 | – | – | – | – | (782) | 1 018 |
| Dividend distributions | – | – | 278 | – | – | – | (2 186) | (48 242) | (50 150) |
| BEE share of super profits | – | – | – | – | – | – | 932 | (932) | – |
| Minority shareholders' share of profits | – | – | – | – | – | 1 012 | – | (1 012) | – |
| Payments made to BEE shareholders | – | – | – | – | – | – | (372) | – | (372) |
| Share-based payments | – | – | – | – | 1 503 | – | – | – | 1 503 |
| Profit for the year | – | – | – | – | – | – | – | 67 129 | 67 129 |
| **Balance as at 31 December 2005** | **1 065** | **48 679** | **(2 127)** | **–** | **2 821** | **2 379** | **77** | **199 268** | **252 162** |
| **COMPANY** | | | | | | | | | |
| **Balance as at 1 January 2004** | 1 007 | 56 747 | – | 176 840 | – | – | – | 52 159 | 286 753 |
| **IFRS transition adjustments** | | | | | | | | | |
| Impairment of goodwill | – | – | – | (56 922) | – | – | – | (4 190) | (61 112) |
| Operating lease rental timing adjustments | – | – | – | – | – | – | – | (1) | (1) |
| Share-based payments | – | – | – | – | 355 | – | – | (188) | 167 |
| **Restated balance at 1 January 2004** | 1 007 | 56 747 | – | 119 918 | 355 | – | – | 47 780 | 225 807 |
| Shares issued | 24 | 10 120 | – | – | – | – | – | – | 10 144 |
| Capital distribution July and November 2004 | – | (32 173) | – | – | – | – | – | – | (32 173) |
| Share-based payments | – | – | – | – | 963 | – | – | 1 | 964 |
| Loss for the year | – | – | – | – | – | – | – | (18 524) | (18 524) |
| **Restated balance at 31 December 2004** | 1 031 | 34 694 | – | 119 918 | 1 318 | – | – | 29 257 | 186 218 |
| Shares issued | 34 | 13 985 | – | – | – | – | – | – | 14 019 |
| Share-based payments | – | – | – | – | 1 503 | – | – | – | 1 503 |
| Profit for the year | – | – | – | – | – | – | – | 16 490 | 16 490 |
| **Balance as at 31 December 2005** | **1 065** | **48 679** | **–** | **119 918** | **2 821** | **–** | **–** | **45 747** | **218 230** |

# CASH FLOW STATEMENTS

*for the year ended 31 December 2005*

| | Notes | GROUP 2005 R'000 | GROUP 2004* R'000 | COMPANY 2005 R'000 | COMPANY 2004* R'000 |
|---|---|---|---|---|---|
| ***OPERATING ACTIVITIES*** | | | | | |
| Profit/(loss) before taxation and dividends | | 102 139 | 78 465 | 23 282 | (5 600) |
| Adjusted for: | | | | | |
| Dividends received | | – | – | (48 625) | (12 483) |
| Depreciation | | 15 248 | 13 381 | 313 | 306 |
| Impairment of goodwill and investment in subsidiary | | 19 112 | 1 224 | 19 410 | 59 |
| Loss on disposal of businesses | | 333 | 5 565 | (1 048) | 5 565 |
| (Profit)/loss on disposal of property and equipment | | (3 322) | 94 | – | (155) |
| Share of profits from associates | | (3 294) | (2 222) | – | – |
| Share-based payments expense | | 1 503 | 962 | 660 | 445 |
| Prior year adjustment – leave pay | | – | 1 512 | – | – |
| Non-cash portion of operating lease rentals | | 1 656 | 1 393 | 148 | 18 |
| Interest paid | | 4 026 | 7 728 | 6 891 | 9 925 |
| Interest received | | (2 587) | (5 361) | (8 819) | (10 584) |
| **Cash generated/(utilised) by operating activities before working capital changes** | | 134 814 | 102 741 | (7 788) | (12 504) |
| Increase in trade and other receivables | | (96 349) | (44 198) | (1 715) | (1 109) |
| Increase/(decrease) in trade and other payables | | 54 252 | 29 388 | 5 046 | (1 944) |
| Net movement in holding and fellow subsidiaries account | | – | – | (23 517) | 51 481 |
| ***CASH GENERATED/(UTILISED) BY OPERATIONS*** | | 92 717 | 87 931 | (27 974) | 35 924 |
| Interest paid | | (3 864) | (7 728) | (6 891) | (9 925) |
| Interest received | | 2 587 | 5 279 | 8 819 | 10 584 |
| Taxation paid | 44 | (26 210) | (24 148) | (6 449) | (1 464) |
| Dividend/capital distribution paid | 45 | (46 996) | (31 964) | 48 625 | (32 173) |
| **Net cash retained by operations** | | 18 234 | 29 370 | 16 130 | 2 946 |
| ***INVESTMENT ACTIVITIES*** | | (12 222) | (19 397) | (3 639) | 3 006 |
| Additions to property and equipment | 46 | (29 086) | (20 823) | (1 255) | (289) |
| Proceeds from sale of property and equipment | | 21 425 | 1 298 | – | 155 |
| Outflow on disposal of businesses | 47 | (333) | (550) | – | – |
| Acquisition of business | 48 | (325) | (1 517) | – | – |
| Purchase/increase in investments | | (33) | (168) | (2 384) | (2 619) |
| Vendor loan repayments | | (3 500) | – | – | 2 407 |
| Net movement in loans and advances | | (370) | 2 363 | – | 3 352 |
| | | 6 012 | 9 973 | 12 491 | 5 952 |
| ***FINANCE ACTIVITIES*** | | 14 062 | 10 815 | 15 315 | 10 144 |
| Issue of shares | | 15 039 | 10 184 | 15 315 | 10 144 |
| (Decrease)/increase in non-current interest-bearing liabilities | | (977) | 631 | – | – |
| **Net increase in cash and cash equivalents** | | 20 074 | 20 788 | 27 806 | 16 096 |
| Net cash and cash equivalents at the beginning of the year | | (1 344) | (22 132) | (83 386) | (99 482) |
| **Net cash and cash equivalents at the end of the year** | 49 | 18 730 | (1 344) | (55 580) | (83 386) |

** Restated – refer note 39.*

# SEGMENT REPORT

*for the year ended 31 December 2005*

| | Central costs | Permanent Recruitment | Flexible Staffing | Corporate Communi-cations | Marketing Research | Total |
|---|---|---|---|---|---|---|
| **REVENUE** | | | | | | |
| – 2005 (R'000) | – | 328 056 | 1 848 487 | 81 427 | 101 682 | 2 359 652 |
| – 2004 (R'000) | – | 239 642 | 1 515 554 | 133 855 | 91 065 | 1 980 116 |
| **Operating profit/(loss)** | | | | | | |
| – 2005 (R'000) | (20 834) | 23 244 | 103 517 | 387 | 10 093 | 116 407 |
| – 2004 (R'000) | (14 124) | 14 098 | 72 750 | 5 182 | 7 587 | 85 493 |
| **Operating profit margin** | | | | | | |
| – 2005 (%) | – | 7,1 | 5,6 | 0,5 | 9,9 | 4,9 |
| – 2004 (%) | – | 6,1 | 5,0 | 4,0 | 8,6 | 4,5 |
| **Contribution to group profit** | | | | | | |
| – 2005 (%) | (17,9) | 20,0 | 88,9 | 0,3 | 8,7 | 100,0 |
| – 2004 (%) | (16,6) | 16,5 | 85,1 | 6,2 | 8,9 | 100,0 |
| **Asset carrying value** | | | | | | |
| – 2005 (R'000) | 282 233 | 85 337 | 163 787 | 7 808 | 18 866 | 558 030 |
| – 2004 (R'000) | 309 409 | 51 196 | 87 664 | 20 232 | 22 076 | 490 576 |
| **Liabilities carrying value** | | | | | | |
| – 2005 (R'000) | 81 012 | 28 034 | 147 298 | 18 475 | 31 049 | 305 868 |
| – 2004 (R'000) | 247 090 | 25 361 | (35 727) | 13 896 | 20 942 | 271 561 |
| **Depreciation** | | | | | | |
| – 2005 (R'000) | 1 214 | 2 949 | 8 557 | 683 | 1 845 | 15 248 |
| – 2004 (R'000) | 1 190 | 2 269 | 7 379 | 800 | 1 742 | 13 381 |
| **Additions to property and equipment** | | | | | | |
| – 2005 (R'000) | 1 413 | 5 139 | 8 447 | 947 | 2 572 | 18 518 |
| – 2004 (R'000) | 783 | 3 455 | 13 317 | 578 | 2 690 | 20 823 |

*Note*

*No segmental information is provided in respect of geographical analysis as the group operates mainly in South Africa. Refer note 24 for further details regarding business segments.*

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*for the year ended 31 December 2005*

## 1. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In the current year, the group has adopted all new and revised standards (IFRS) that were effective at 31 December 2005 and are relevant to its operations. The adoption of these new and revised standards has resulted in changes to the group's accounting policies in the following areas that have affected the amounts reported for the current and prior years:

- share-based payments (IFRS2);
- goodwill (IFRS3);
- property, plant and equipment (IAS16).

In accordance with IFRS1 (First time adoption of IFRS) the group elected to apply the above standards retrospectively.

The impact of these changes in accounting policies is discussed in note 39.

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:
IFRS7 Financial Instruments: Disclosures
IFRIC4 Determining whether an arrangement contains a lease
IFRIC8 Scope of IFRS2
IFRIC9 Reassessment of embedded derivatives

## 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and incorporate the following principal accounting policies. In all material respects, these policies have been followed by all companies in the group.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intergroup transactions, balances, income and expenses have been eliminated upon consolidation.

All shares and investments are held at fair value and are reviewed annually to determine any impairment.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as is appropriate.

### Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS3 are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the fair value of identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's portion of the net fair value of the assets, liabilities and contingent liabilities recognised.

### Investment in associates

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is defined as the ability to participate in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

Where a group enterprise transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*for the year ended 31 December 2005*

## 2. *SIGNIFICANT ACCOUNTING POLICIES* (continued)

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of the other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of the deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

### Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is charged so as to write off the cost or valuation of the asset over their estimated useful lives to its residual value, using the straight-line method, on the following basis:

| | |
|---|---|
| Computers and office equipment | 20% – 33% |
| Furniture and fittings | 10% – 16,7% |
| Buildings owned and occupied | 2,86% |
| Land is not depreciated | |

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in income.

### Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is recognised as an asset and tested for impairment on an annual basis. The valuation of goodwill is done on a discounted cash flow basis and compared to the carrying value on an annual basis. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

The group has discontinued amortising goodwill.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous SA GAAP amounts subject to being tested for impairment at that date.

### Impairment of assets (excluding goodwill)

The carrying amounts of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated.

The recoverable amount is the higher of its net selling price and its value in use. An impairment loss is recognised whenever the carrying amount of the asset exceeds its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in the prior years.

## Revenue recognition
Revenue comprises mainly of the invoice value of services rendered to customers, as well as commission received and training course income. Revenue excludes value added tax.

Revenue is recognised at the date the services are rendered.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

## Investment income
Investment income is recognised on the accrual basis by reference to the principal outstanding and the effective interest rates applicable.

## Cost of sales
Cost of sales consists of direct costs of temporary assignees, advertising costs incurred in recruitment and direct expenditure in respect of public relations, research and training courses.

## Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis, after allowing for fixed escalations, over the term of the relevant lease.

## Foreign currency transactions
Transactions in foreign currencies are accounted for at the rates of exchange ruling on the date of the transactions. Gains and losses arising from the settlement of such transactions are recognised in the income statement.

## Borrowing costs
Borrowing costs are recognised in profit or loss in the period in which they are incurred.

## Government grants
Government grants towards staff training costs are recognised in profit or loss over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

## Employee benefits
The company's contributions to defined contribution plans (either provident or pension funds) in a particular period are recognised as an expense in that period.

Contributions to the medical aid are recognised as an expense in the period during which the related services are rendered.

All employee benefits cease on termination of employment, except for Research Surveys (Pty) Limited that provides post-employment subsidy of healthcare benefits to certain employees. The post-employment liability is calculated in terms of IAS19 (Employee Benefits) and the expense is recognised in profit or loss.

## Provisions
Provisions are recognised when the group has a present obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be reliably estimated.

## Share-based payments
The group has complied with the requirements of IFRS2 Share-based Payments. In accordance with the transitional provisions, IFRS2 has been applied retrospectively to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005 and to all liabilities for share-based transactions existing at 1 January 2005. The standard therefore applies to share options granted in 2004 and 2005.

The group has issued equity-settled and cash-settled share based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*for the year ended 31 December 2005*

## 2. *SIGNIFICANT ACCOUNTING POLICIES* (continued)

### Share-based payments (continued)

Fair value is measured by use of the Black-Scholes model. The expected life used in this model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

### Financial instruments

Financial assets and financial liabilities are recognised in the group's balance sheet when the group has become party to contractual provisions of the instrument.

Proceeds from disposals which are not due within one year have been discounted to net present value.

#### Trade and other receivables

Trade and other receivables do not carry any interest and are stated at their nominal value. Trade and other receivables are reduced by appropriate allowances for estimated irrecoverable amounts.

#### Trade and other payables

Trade and other payables do not carry any interest and are stated at their nominal value.

#### Investments

Investments in securities are recognised on a trade date basis and are initially measured at cost. Investments are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the balance sheet date. Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For available-for-sale investments, unrealised gains or losses are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period. Proceeds from disposals which are not due within one year have been discounted to net present value.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### Bank borrowings

Interest-bearing bank loans and overdrafts are recorded as the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

#### Equity instruments

Equity instruments are recorded as the proceeds received, net of direct issue costs.

#### Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in equity. Amounts deferred in equity are recognised in the income statement in the same period in which the hedged firm commitment or forecast transaction affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

## 3. *CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY*

### Critical judgements in applying the group's accounting policies

In the process of applying the group's accounting policies, which are described in note 2, management has made the following judgements that have a significant effect on the amounts recognised in the financial statements:

#### Allowance for bad debts

The allowance was measured at the group's best estimate of future unrecoverable trade receivables, taking into account circumstances prevailing at year-end. Details of the allowance are provided in note 11.

#### Provision for leave pay

In making its judgement, the provision for leave pay was measured at the group's best estimate of the expenditure required to settle the obligation at balance sheet date in accordance with the Basic Conditions of Employment Act. Details of the provision for leave pay are provided in note 22.

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY RESOURCES OF ESTIMATION UNCERTAINTY (continued)

### Key sources of estimation uncertainty

#### Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill is allocated. The value in use calculation requires the entity to estimate future cash flows expected to arise from the cash-generating unit and to determine a suitable discount rate in order to calculate present value. Details of the impairment of goodwill are provided in note 6.

#### Share-based payments

Determining the value of share-based payments to be expensed requires an estimation using the Black-Scholes pricing model. The model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural consideration. Details of share-based payments and assumptions used are provided in note 38.

## 4. PROPERTY AND EQUIPMENT

| | Land, buildings and leasehold improvements 2005 R'000 | Computer and office equipment, furniture and fittings 2005 R'000 | Total 2005 R'000 | Total* 2004 R'000 |
|---|---|---|---|---|
| **GROUP** | | | | |
| Balance at the beginning of the year | 17 976 | 31 525 | 49 501 | 43 451 |
| Assets at cost | 17 976 | 76 677 | 94 653 | 81 920 |
| Accumulated depreciation | – | (45 152) | (45 152) | (38 469) |
| Current year movements | | | | |
| Additions | – | 17 982 | 17 982 | 20 570 |
| Improvements | 536 | – | 536 | 253 |
| Disposals | (16 874) | (1 230) | (18 104) | (1 392) |
| Cost | (16 874) | (7 080) | (23 954) | (6 506) |
| Accumulated depreciation | – | 5 850 | 5 850 | 5 114 |
| Depreciation | (38) | (15 210) | (15 248) | (13 381) |
| Net book value at the end of the year | 1 600 | 33 067 | 34 667 | 49 501 |
| Represented by: | | | | |
| Assets at cost | 1 638 | 87 579 | 89 217 | 96 237 |
| Accumulated depreciation | (38) | (54 512) | (54 550) | (46 736) |
| Net book value at the end of the year | 1 600 | 33 067 | 34 667 | 49 501 |
| **COMPANY** | | | | |
| Balance at the beginning of the year | – | 513 | 513 | 530 |
| Assets at cost | – | 2 918 | 2 918 | 2 630 |
| Accumulated depreciation | – | (2 405) | (2 405) | (2 100) |
| Current year movements | | | | |
| Additions | 403 | 852 | 1 255 | 289 |
| Depreciation | (27) | (286) | (313) | (306) |
| Net book value at the end of the year | 376 | 1 079 | 1 455 | 513 |
| Represented by: | | | | |
| Assets at cost | 403 | 3 770 | 4 173 | 2 919 |
| Accumulated depreciation | (27) | (2 691) | (2 718) | (2 406) |
| Net book value at the end of the year | 376 | 1 079 | 1 455 | 513 |

** Restated – refer note 39.*

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*for the year ended 31 December 2005*

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2005 R'000 | 2004* R'000 | 2005 R'000 | 2004* R'000 |
| ***4. PROPERTY AND EQUIPMENT** (continued)* | | | | |
| **4.1 Computer and office equipment, furniture and fittings** | 33 067 | 31 525 | 1 079 | 513 |
| Cost | 87 579 | 76 677 | 3 770 | 2 919 |
| Accumulated depreciation | (54 512) | (45 152) | (2 691) | (2 406) |
| **4.2 Land, buildings and leasehold improvements** | 1 600 | 17 976 | 376 | – |
| Cost | 1 638 | 17 976 | 403 | – |
| Accumulated depreciation | (38) | – | (27) | – |
| **4.3 Land, buildings and leasehold improvements** | | | | |
| 4.3.1 Land and buildings | | | | |
| Owner occupied at cost | 1 638 | 17 976 | 403 | – |
| Total cost Stand 948 | – | 16 860 | – | – |
| Land – 1990 | 1 275 | 1 275 | | – |
| Buildings – 1991 | 4 900 | 4 900 | – | – |
| – 1992 | 6 240 | 6 240 | – | – |
| – 1993 | 3 935 | 3 935 | – | – |
| Improvements – 1993 | 180 | 180 | – | – |
| – 1994 | 96 | 98 | – | – |
| – 2004 | 234 | 232 | – | – |
| – 2005 | 14 | – | – | – |
| Stand 948, Melville,Johannesburg, Gauteng was disposed of during 2005 | (16 874) | – | – | – |
| 4.3.2 Land and buildings – 1995 at cost Erf 715, Melville, Johannesburg, Gauteng | 390 | 390 | – | – |
| 4.3.3 Land and buildings – 1998 at cost | 614 | 599 | – | – |
| 22 Swart Street, Kempton Park Ext 2 | 489 | 489 | – | – |
| Improvements – 2001 | 110 | 110 | – | – |
| – 2005 | 15 | – | – | – |
| 4.3.4 Land and buildings – Erf 14 Sunnyside | 210 | 106 | – | – |
| (Johannesburg) Townships | 106 | 106 | – | – |
| Improvements – 2005 | 104 | – | – | – |
| 4.3.5 Leasehold improvements | 424 | 21 | 403 | – |
| Improvements – 2004 | 21 | 21 | – | – |
| – 2005 | 403 | – | 403 | – |
| ***5. INTANGIBLE ASSETS*** | | | | |
| **Cost** | 13 708 | 3 140 | – | – |
| Balance at beginning of year | 3 140 | – | – | – |
| Recognised on acquisition of Margie Middleton and Associates being learning programmes, NQF accreditations, methodologies and tool development. | – | 3 140 | – | – |
| Computer software in progress The balance represents costs incurred to date on the development of the Axapta Management System. The system is currently in the process of development and is not in use. No amortisation has been recorded for the current year. Once in use, it is intended to amortise the software over its estimated useful life of five years. | 10 568 | – | – | – |
| At the end of the year | 13 708 | 3 140 | – | – |

** Restated – refer note 39.*

| | GROUP 2005 R'000 | GROUP 2004* R'000 | COMPANY 2005 R'000 | COMPANY 2004* R'000 |
|---|---|---|---|---|
| **6. *GOODWILL*** | | | | |
| **Cost** | | | | |
| Opening balance | 66 616 | 89 370 | – | – |
| Elimination of amortisation accumulated prior to the adoption of IFRS3 | – | (21 060) | | |
| *Add:* Goodwill acquired during current year | 325 | 3 896 | – | – |
| *Less:* Goodwill disposed of | – | (5 590) | – | – |
| Closing balance | 66 941 | 66 616 | – | – |
| **Amortisation** | | | | |
| Opening balance – as previously stated | – | (21 060) | – | – |
| Elimination of amortisation accumulated prior to the adoption of IFRS3 | – | 21 060 | | |
| Closing balance | – | – | – | – |
| **Impairment** | | | | |
| Opening balance | (5 814) | (4 590) | – | – |
| *Add:* Impairment of goodwill | (19 112) | (1 224) | – | – |
| | (24 926) | (5 814) | – | – |
| **Carrying amount** | | | | |
| At the end of the year | 42 015 | 60 802 | – | – |

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. After recognition of impairment losses, the carrying amount of goodwill has been allocated to the following material CGUs:

| | GROUP 2005 R'000 | GROUP 2004* R'000 |
|---|---|---|
| Flexible Staffing – staffing | 5 980 | 5 414 |
| Flexible Staffing – training | 2 209 | 6 054 |
| Permanent Recruitment | 19 678 | 21 201 |
| Marketing Research | 1 064 | 1 064 |
| Corporate Communications | 13 084 | 27 069 |
| | 42 015 | 60 802 |

The group tests goodwill annually for impairment.

The recoverable amounts of the CGUs are determined using the discounted cash flow valuation method. The key assumptions for the discounted cash flow valuation method are those regarding the discount rate, growth rate and expected changes to selling prices and direct costs during the period.

The group prepares cash flow forecasts derived from the most recent financial budgets approved by management. The rate used to discount the forecast cash flows is 11,97%.

At 31 December 2005, before impairment testing, goodwill of R6,054 million was allocated to the Flexible Staffing – Training CGU. Due to a revised strategy and forecast outlook for 2006, the CGU has been reduced to its recoverable amount through a recognition of an impairment loss against goodwill of R4,105 million.

At 31 December 2005, before impairment testing, goodwill of R27,069 million was allocated to the Corporate Communications CGU. Due to a difficult trading year in 2005, which is likely to continue into 2006, the CGU has been reduced to its recoverable amount through a recognition of an impairment loss against goodwill of R14,048 million.

** Restated – refer note 39.*

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*for the year ended 31 December 2005*

| | GROUP 2005 R'000 | GROUP 2004* R'000 | COMPANY 2005 R'000 | COMPANY 2004* R'000 |
|---|---|---|---|---|
| **7. INVESTMENT IN SUBSIDIARIES** | | | | |
| (for details refer Annexure A) | | | | |
| Shares at cost less amounts written off | – | – | 379 473 | 395 450 |
| Directors' valuation | – | – | 379 473 | 395 450 |
| **8. INVESTMENT IN ASSOCIATES** | | | | |
| (for details refer Annexure A) | | | | |
| Carrying values at beginning of year | 3 550 | 3 142 | 1 528 | 1 528 |
| Increase in investment | 480 | 168 | – | – |
| Share of current year earnings (net of dividends received) | 139 | 688 | – | – |
| | 4 169 | 3 998 | 1 528 | 1 528 |
| Loans to/(from) associates | (77) | (448) | – | 1 |
| Total investment in associates | 4 092 | 3 550 | 1 528 | 1 529 |
| Directors' valuation | 4 092 | 3 550 | 1 528 | 1 529 |
| **9. OTHER FINANCIAL ASSETS** | | | | |
| PDI (Previously Disadvantaged Individuals) Share Trust | – | – | 2 569 | 3 865 |
| Adcorp shares | | | | |
| 141 920 at R7,965 (2004: 262 052 shares at R7,965) | – | – | 1 130 | 2 087 |
| Loan to PDI Share Trust | – | – | 3 776 | 4 115 |
| Impairment provision | – | – | (2 337) | (2 337) |

| | As at* 31 December 2004 R'000 | Current year movement R'000 | As at 31 December 2005 R'000 |
|---|---|---|---|
| **10. DEFERRED TAXATION** | | | |
| Tax effect of: | | | |
| – Deferred tax raised on provisions | 4 128 | 3 604 | 7 732 |
| – Excess tax allowances and depreciation charge | 28 | – | 28 |
| – Expenditure incurred but not allowable for tax purposes in the year in which it is incurred | 4 324 | – | 4 324 |
| – Rate change adjustment | – | (752) | (752) |
| – Finance lease timing adjustments | 958 | (153) | 805 |
| – Computed losses | 14 928 | (3 075) | 11 853 |
| – Other | 2 633 | (708) | 1 925 |
| | 26 999 | (1 084) | 25 915 |
| – Deferred tax disposed of | (2 451) | – | (2 451) |
| | 24 548 | (1 084) | 23 464 |

Analysed as:

| | 31 December 2005 | 31 December 2004* |
|---|---|---|
| Deferred tax liabilities | (1 777) | – |
| Deferred tax assets | 25 241 | 24 548 |
| | 23 464 | 24 548 |

** Restated – refer note 39.*

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2005 R'000 | 2004* R'000 | 2005 R'000 | 2004* R'000 |
| 11. | ***TRADE AND OTHER RECEIVABLES*** | 354 562 | 258 213 | 4 728 | 3 013 |
| | Trade debtors | 305 082 | 238 613 | 50 | – |
| | Allowance for bad debts | (7 954) | (7 732) | – | – |
| | Deposits and staff loans | 2 104 | 1 434 | 64 | (72) |
| | Prepaid expenses | 7 984 | 4 672 | 155 | 124 |
| | Other | 47 346 | 21 226 | 4 459 | 2 961 |
| | The group partakes in learnerships that are registered with the Services Seta and receives government grants in order to develop its employees. | | | | |
| | During the current year the group incurred training expenses of R15 211 878 (2004: R19 431 932) that have been claimed from Services Seta. | | | | |
| | Included in other receivables are amounts due from Services Seta in respect of learnerships that the group has engaged in: | 14 735 | 9 114 | – | – |
| | Opening balance | 9 114 | 5 662 | – | – |
| | Claims submitted | 15 212 | 19 432 | – | – |
| | Grants received | (9 591) | (15 980) | – | – |
| 12. | ***AMOUNTS DUE TO/(BY) SUBSIDIARY COMPANIES*** (for details refer Annexure A) | – | – | (93 959) | (118 319) |
| | Amounts due by subsidiary companies | – | – | 131 566 | 113 674 |
| | Amounts due to subsidiary companies | – | – | (225 525) | (231 993) |
| 13. | ***SHARE CAPITAL*** | | | | |
| | **Authorised** | | | | |
| | 100 000 000 ordinary shares of 2,5 cents each (2004: 100 000 000) | 2 500 | 2 500 | 2 500 | 2 500 |
| | **Issued** | | | | |
| | 42 614 375 ordinary shares of 2,5 cents each (2004: 41 258 252) | 1 065 | 1 031 | 1 065 | 1 031 |
| | The unissued shares are under the control of the directors until the next annual general meeting subject to limitations. | | | | |
| | **Number of shares ('000)** | | | | |
| | Opening balance | 41 258 | 40 299 | 41 258 | 40 299 |
| | Shares issued | 1 356 | 959 | 1 356 | 959 |
| | Shares in issue | 42 614 | 41 258 | 42 614 | 41 258 |
| | Share Trust consolidated | (142) | (262) | – | – |
| | Closing balance – net | 42 472 | 40 996 | 42 614 | 41 258 |
| 14. | ***SHARE PREMIUM*** | 48 679 | 34 694 | 48 679 | 34 694 |
| | Balance at 1 January 2005 | 34 694 | 56 747 | 34 694 | 56 747 |
| | Capital distribution 2005: Nil (2004: July and November 2004) | – | (32 173) | – | (32 173) |
| | Arising from the issue of 1 356 123 shares (2004: 958 875) | 13 985 | 10 120 | 13 985 | 10 120 |
| 15. | ***TREASURY SHARES*** | (2 127) | (4 205) | – | – |
| | Adcorp Empowerment Share Trust consolidated 141 920 shares (2004: 262 052 shares) | (4 205) | (4 454) | – | – |
| | Dividends on treasury shares | 278 | 209 | – | – |
| | 120 132 shares redeemed (2004: 2 500) | 1 800 | 40 | – | – |

** Restated – refer note 39.*

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*for the year ended 31 December 2005*

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2005 R'000 | 2004* R'000 | 2005 R'000 | 2004* R'000 |
| **16.** | **NON-DISTRIBUTABLE RESERVE** | – | – | 119 918 | 119 918 |
| | Unrealised profit arising on sale of BEE companies into new entity during 2004 | – | – | 176 840 | 176 840 |
| | Investment impaired on transition (IFRS3) | – | – | – | (56 922) |
| **17.** | **SHARE-BASED PAYMENTS RESERVE** | 2 821 | 1 318 | 2 821 | 1 318 |
| | Balance at 1 January | 1 318 | 356 | 1 318 | 188 |
| | Recognition of share-based payments to income statement | 1 503 | 962 | 660 | 445 |
| | Recognition of share-based payments to loan account | – | – | 843 | 685 |

## 18. BEE SHARE OF SUPER PROFITS

### Structure of the Adcorp Flexible Staffing empowerment deal

The BEE transaction has been effected by way of the sale of all the flexible staffing companies of Adcorp into a new entity, Adcorp Flexible Staffing Solutions, in which the empowerment consortium comprising Black Management Forum Investments Company Limited (BMFI), Zungu Investments Company Limited (ZICO) and African Harvest Capital Holdings (AHC) ("BEE") is to effectively hold 25% of the shares whilst Adcorp will hold the other 75%. A separate class of shares is to be issued to Adcorp in settlement of the purchase consideration of R320 million plus the value of the loan accounts, which will entitle Adcorp to the pre-deal or "base profits" of the Flexible Staffing Business on an ongoing basis. A second class of shares enabling all profits in excess of the base profits derived by the Flexible Staffing Business after the deal, to be known as the "super profits", will be held 50% by the BEE and 50% by Adcorp. After a period of five years, the BEE will have the opportunity of converting its stake in the empowered flexible staffing entity into the Adcorp listed entity on the basis of a "value-for-value" swap of their shareholding. This conversion will be calculated using a rate equal to 70% of Adcorp's price earnings ratio and therefore the result will always be earnings enhancing.

The "base profits" will be calculated using the 2003 actual profits as a base. Thereafter the base profits will be agreed annually between Adcorp and the BEE, or failing agreement, at the CPIX percentage rate (Consumer Price Index percentage excluding mortgage rate) plus 2% per annum. These escalated profits will be known as the base profits and will be attributable entirely to Adcorp. All profits over and above the base profits will be known as the super profits and these profits will share on a 50/50 basis between Adcorp and the BEE consortium.

The deal was effective 1 August 2003 and super profits for the year ended 31 December 2005 amounted to R932 122 (2004: R1 518 366). The 2004 figure has been amended to include the leave pay underprovision in 2004.

### Structure of the Adcorp Communications empowerment deal

A similar BEE transaction has been effected by way of the sale of all the communication companies of Adcorp into a new entity, Adcorp Communication Solutions, in which the empowerment consortium comprising Black Management Forum Investments Company Limited (BMFI) and Tshirundu Investments (Pty) Limited ("BEE") is to effectively hold 25% of the shares whilst Adcorp will hold the other 75%. A separate class of shares is to be issued to Adcorp in settlement of the purchase consideration of R93,5 million plus the value of the loan accounts, which will entitle Adcorp to the pre-deal or "base profits" of the Communications Business on an ongoing basis. A second class of shares enabling all profits in excess of the base profits derived by the Communications Business after the deal, to be known as the "super profits", will be held 50% by the BEE and 50% by Adcorp. After a period of five years, the BEE will have the opportunity of converting its stake in the empowered flexible staffing entity into the Adcorp listed entity on the basis of a "value-for-value" swap of their shareholding. This conversion will take place at a rate equal to 70% of Adcorp's price earnings ratio and therefore the result will always be earnings enhancing. The R93,5 million has been reduced to R13,3 million as a result of the sale of PR Connections in 2004, and current year impairment of R14 million and 2004 IFRS transitional impairment of R60,8 million.

The "base profits" will be calculated using the 2004 budgeted profits as a base. Thereafter the base profits will be agreed annually between Adcorp and the BEE, or failing agreement, at the CPIX percentage rate (Consumer Price Index percentage excluding mortgage rates) plus 2% per annum. These escalated profits will be known as the base profits and will be attributable entirely to Adcorp. All profits over and above the base points will be known as the super profits and these profits will share on a 50/50 basis between Adcorp and the BEE consortium. The deal was effective 1 November 2003 and no super profits accrued for the year ended 31 December 2005.

| | | GROUP 2005 R'000 | GROUP 2004* R'000 | COMPANY 2005 R'000 | COMPANY 2004* R'000 |
|---|---|---|---|---|---|
| **19.** | **NON-INTEREST-BEARING NON-CURRENT LIABILITIES** | | | | |
| | Operating lease timing adjustment | 5 541 | 4 862 | 581 | 181 |
| | Amounts due to vendor (refer note 21) | – | 2 025 | – | – |
| | Total | 5 541 | 6 887 | 581 | 181 |

** Restated – refer note 39.*

| | GROUP 2005 R'000 | GROUP 2004* R'000 | COMPANY 2005 R'000 | COMPANY 2004* R'000 |
|---|---|---|---|---|
| **20. TRADE AND OTHER PAYABLES** | 169 513 | 127 518 | 17 559 | 14 574 |
| Trade creditors | 31 728 | 16 894 | 15 357 | – |
| VAT | 24 738 | 17 023 | (137) | (245) |
| Accruals | 55 299 | 48 404 | 510 | 14 682 |
| Other | 57 748 | 45 197 | 1 829 | 137 |

| | Maximum payments | | Fair value of maximum payments | |
|---|---|---|---|---|
| **21. AMOUNTS DUE TO VENDOR** | | | | |
| Group and company | | | | |
| Amounts payable: | | | | |
| Within one year | 1 400 | 3 500 | 1 400 | 3 500 |
| In the second to fifth year inclusive | 850 | 2 250 | 850 | 2 025 |
| | 2 250 | 5 750 | 2 250 | 5 525 |
| *Less:* Fair value adjustments | (63) | (225) | (63) | – |
| Fair value of maximum payments | 2 187 | 5 525 | 2 187 | 5 525 |
| Analysed as: | | | | |
| Non-current liabilities (refer note 19) | – | 2 025 | – | 2 025 |
| Non-interest-bearing current liabilities | 2 187 | 3 500 | 2 187 | 3 500 |
| | 2 187 | 5 525 | 2 187 | 5 525 |

The above represents the estimated payments that are expected to be made in respect of Margie Middleton and Associates. The purchase price will be determined over the period 2004 to 2006 on an earn out basis.

| | As previously stated R'000 | Re-allocation from non-interest-bearing current liabilities R'000 | Prior year ad-justment R'000 | Re-allocated between categories R'000 | Restated as at 31 Dec 2004 R'000 | Provisions raised 2005 R'000 | Provisions utilised 2005 R'000 | As at 31 Dec 2005 R'000 |
|---|---|---|---|---|---|---|---|---|
| **22. PROVISIONS – GROUP** | | | | | | | | |
| Leave pay | 10 435 | 8 912 | 8 640 | (54) | 27 933 | 89 201 | (85 538) | 31 596 |
| Bonuses | 9 429 | 6 331 | – | (210) | 15 550 | 39 035 | (30 799) | 23 786 |
| Other | 2 466 | 30 | – | 264 | 2 760 | 1 044 | (663) | 3 141 |
| Total | 22 330 | 15 273 | 8 640 | – | 46 243 | 129 280 | (117 000) | 58 523 |
| **PROVISIONS – COMPANY** | | | | | | | | |
| Leave pay | – | – | – | – | 136 | 242 | (137) | 241 |
| Bonuses | – | – | – | – | 4 654 | 6 637 | (4 939) | 6 352 |
| Other | – | – | – | – | – | 6 | – | 6 |
| Total | – | – | – | – | 4 790 | 6 885 | (5 076) | 6 599 |

**Leave pay**
Leave pay is provided based on leave days due to employees at balance sheet date, at rates prevailing at that date.

**Bonuses**
Bonuses are provided to employees based on operating entity performance management criteria and are in respect of the current year earnings.

**Other**
Included in other provisions is a provision for an onerous contract in the Corporate Communications division. This consists mainly of future rental costs of unused computer equipment. The provision is calculated based on the discounted present value of contracted rental costs.

In addition, a provision for post-retirement health care benefits is included, amounting to R1 772 000 (2004: R839 408) The amount charged to the income statement amounted to R938 880 (2004: nil)

** Restated – refer note 39.*

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*for the year ended 31 December 2005*

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2005<br>R'000 | 2004*<br>R'000 | 2005<br>R'000 | 2004*<br>R'000 |
| **23.** | **REVENUE** | | | | |
| | **External revenue** | | | | |
| | Permanent Recruitment | 328 056 | 239 642 | – | – |
| | Flexible Staffing | 1 848 487 | 1 515 554 | – | – |
| | Corporate Communications | 81 427 | 133 855 | – | – |
| | Marketing Research | 101 682 | 91 065 | – | – |
| | Total external sales | 2 359 652 | 1 980 116 | – | – |
| | **Internal revenue** | | | | |
| | Central costs | 5 429 | 9 029 | – | – |
| | Permanent Recruitment | 25 066 | 13 229 | – | – |
| | Flexible Staffing | 2 363 | 3 285 | – | – |
| | Total internal sales | 32 858 | 25 543 | – | – |
| | Eliminations | (32 858) | (25 543) | – | – |
| | Total revenue | 2 359 652 | 1 980 116 | | |

## 24. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the group is currently organised into five operating divisions – central costs, permanent recruitment, flexible staffing, corporate communications and market research. These divisions are the basis on which the group reports its primary segment information. The principal activities are as follows:
Central costs – Holding company and head office function, including group research and tendering services as well as human resources.
Permanent Recruitment – Recruitment, advertising and response handling, selection and placement of staff into permanent positions.
Flexible Staffing – Recruitment, selection and placement of staff into temporary assignments and contract work.
Corporate Communications – Public relations and corporate communications.
Marketing Research – Market research and surveys.
No segmental information is provided in respect of geographical analysis as the group operates mainly in South Africa.

| | | GROUP 2005 R'000 | GROUP 2004* R'000 | COMPANY 2005 R'000 | COMPANY 2004* R'000 |
|---|---|---|---|---|---|
| **25.** | **COST OF SALES** | | | | |
| | The breakdown of cost of sales is as follows: | | | | |
| | Cost of buyouts | | (6 970) | (31 004) | – |
| – | | | | | |
| | Course material | (1 418) | (833) | – | – |
| | Lecturing | (7 099) | (10 219) | – | – |
| | Media | (132 209) | (86 629) | – | – |
| | Placements | (7 293) | (19 233) | – | – |
| | Production | (34 320) | (19 799) | – | – |
| | Project costs | (13 488) | (9 850) | – | – |
| | Protective clothing | (4 727) | (4 556) | – | – |
| | Royalties | (2 637) | (2 424) | – | – |
| | Temporary employee costs | (1 417 308) | (1 163 113) | – | – |
| | Wage costs | (23 239) | (19 954) | – | – |
| | Other | – | (7 492) | – | – |
| | | (1 650 708) | (1 375 106) | – | – |
| **26.** | **OTHER INCOME** | | | | |
| | Corporate management fee | – | – | 19 000 | 13 394 |
| | Bad debts recorded | 355 | 1 023 | – | – |
| | Media rebates and commissions received | 2 778 | 3 516 | 2 778 | 3 516 |
| | Licence fee | 3 894 | 3 806 | – | – |
| | Other | 13 331 | 17 187 | 1 258 | 1 154 |
| | | 20 358 | 25 532 | 23 036 | 18 064 |

** Restated – refer note 39.*

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2005 R'000 | 2004* R'000 | 2005 R'000 | 2004* R'000 |
| **27.** | ***OPERATING PROFIT/(LOSS)*** | | | | |
| | Operating profit/(loss) is determined after allowing for the following items requiring separate disclosure: | | | | |
| | Auditors' remuneration | (4 193) | (2 412) | (1 673) | (644) |
| | – fee for audit | (3 413) | (2 239) | (1 094) | (519) |
| | – fee for other services | (780) | (173) | (579) | (125) |
| | Consulting fees | (17 738) | (16 451) | (412) | (471) |
| | Depreciation (refer note 4) | (15 248) | (13 381) | (313) | (306) |
| | Foreign exchange gains | 249 | 45 | – | – |
| | Government grants received | 9 591 | 15 980 | – | – |
| | Directors' emoluments – executive directors | (27 549) | (16 412) | (16 170) | (8 535) |
| | – non-executive directors | (2 787) | (2 779) | (2 787) | (2 682) |
| | Leasing and rentals – properties and premises | (23 030) | (20 786) | (1 209) | (610) |
| | – office furniture and equipment | (5 258) | (13 926) | – | – |
| | – motor vehicles | (548) | 232 | – | – |
| | Profit/(loss) on disposal of plant and equipment | 3 322 | (94) | – | (155) |
| | Staff costs | (357 117) | (323 475) | (913) | (5 871) |
| | Share-based payments expense** | (1 503) | (963) | (660) | (445) |
| | Number of employees | 1 569 | 1 658 | 26 | 22 |
| **28.** | ***INTEREST RECEIVED*** | | | | |
| | Group loans | – | – | 8 814 | 10 583 |
| | Bank deposits | 2 238 | 4 749 | 5 | 1 |
| | Other | 349 | 530 | – | – |
| | Fair value adjustments | – | 82 | – | – |
| | | 2 587 | 5 361 | 8 819 | 10 584 |
| **29.** | ***INTEREST PAID*** | | | | |
| | Group loans | – | – | (3 132) | (3 214) |
| | Bank overdrafts | (3 850) | (7 728) | (3 759) | (6 711) |
| | Other | (14) | – | – | – |
| | Fair value adjustments | (162) | – | – | – |
| | | (4 026) | (7 728) | (6 891) | (9 925) |
| **30.** | ***TAXATION*** | | | | |
| | SA normal tax – current | 27 891 | 21 667 | 1 000 | 446 |
| | – underprovision prior year | 4 | – | – | – |
| | Deferred taxation | 1 084 | (2 535) | (239) | (5) |
| | Secondary tax on companies | 6 031 | – | 6 031 | – |
| | | 35 010 | 19 132 | 6 792 | 441 |
| | Standard tax rate (%) | 29% | 30% | 29% | 30% |
| | Normal tax at standard rate | 29 620 | 23 540 | 6 753 | (5 286) |
| | Adjustment for the tax effect at the standard rate of the following items: | | | | |
| | Exempt income: | | | | |
| | Dividends received | (96) | – | (14 101) | (3 745) |
| | Capital profit on disposal of property and equipment | (1 352) | – | – | – |
| | Capital gains tax | 111 | – | – | – |
| | Associated company profit already subject to tax | (955) | (666) | – | – |
| | Non-deductible items charged against income: | | | | |
| | Capital losses | 325 | 599 | 293 | – |
| | Impairment of assets and investments | 5 542 | 367 | 5 542 | – |
| | Special allowances claimed: | | | | |
| | Learnerships | (9 062) | (8 338) | – | – |
| | Tax losses not recognised | 1 292 | 13 974 | – | – |
| | Prior year adjustment | 4 | (890) | – | – |
| | Other permanent differences | 2 798 | (9 454) | 2 274 | 9 472 |
| | Rate change adjustment | 752 | – | – | – |
| | Secondary tax on companies | 6 031 | – | 6 031 | – |
| | Actual tax charge for the year | 35 010 | 19 132 | 6 792 | 441 |

** Restated – refer note 39.*
*** The share-based payment expense recorded in the company is net of amounts charged to subsidiaries.*

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*for the year ended 31 December 2005*

| | GROUP 2005 R'000 | GROUP 2004* R'000 | COMPANY 2005 R'000 | COMPANY 2004* R'000 |
|---|---|---|---|---|
| **30. *TAXATION* (continued)** | | | | |
| Reconciliation of estimated tax losses available in the group: | | | | |
| Estimated losses at beginning of year | 69 781 | 75 472 | – | – |
| Tax losses raised – current year | 9 175 | 1 863 | – | – |
| – prior year | 4 375 | – | – | – |
| Net tax losses utilised | (21 024) | (7 554) | – | – |
| | 62 307 | 69 781 | – | – |
| Which consists of: | | | | |
| Losses recognised | 40 872 | 49 760 | – | – |
| Losses not recognised | 21 435 | 20 021 | – | – |
| | 62 307 | 69 781 | – | – |
| **31. *EARNINGS PER SHARE*** | | | | |
| The calculation of earnings per share is based on earnings of R65 185 960 (2004: R56 917 000) and ordinary shares of 41 730 144 (2004: 40 302 457) being the weighted average number of shares relative to the above earnings. | | | | |
| Profit/(loss) per share | 156,2 | 141,2 | – | – |
| Diluted earnings per share is based on 42 102 860 (2004: 40 711 169) weighted, diluted number of shares | 154,8 | 139,8 | – | – |
| ***RECONCILIATION OF DILUTED NUMBER OF SHARES*** | | | | |
| Ordinary shares | 41 730 144 | 40 302 457 | | |
| Adcorp Employee Share Scheme – shares matured | 354 835 | 401 660 | | |
| Adcorp Empowerment Share Trust – shares matured | 17 881 | 7 052 | | |
| Diluted number of shares | 42 102 860 | 40 711 169 | | |
| ***RECONCILIATION OF HEADLINE EARNINGS*** | | | | |
| Profit for the year | 67 129 | 59 333 | – | – |
| Impairment of goodwill, investment and property | 19 112 | 1 224 | – | – |
| Minority shareholders' share in profit | (1 012) | (898) | – | – |
| BEE shareholders' share of profits | (932) | (1 518) | – | – |
| (Profit)/loss on sale of property and equipment | (3 210) | 66 | – | – |
| Loss on disposal of operations and subsidiaries | 333 | 5 565 | – | – |
| Headline earnings | 81 420 | 63 772 | – | – |
| Headline earnings per share – cents | 195,1 | 158,2 | – | – |
| Diluted headline earnings per share – cents | 193,4 | 156,6 | – | – |

*Note:* – *The dilution of shares results from the exercise of options in the employee share scheme and empowerment share trust which are below the year-end market price.*
– *Headline earnings per share is based on earnings adjusted for impairment costs, loss on sale of asset, and loss on disposal of operations.*

## 32. *CONTINGENT LIABILITIES – GROUP AND COMPANY*

32.1 The company has guaranteed payment to creditors in subsidiary companies amounting to R1 068 194 (2004: R221 945).

32.2 The group has guaranteed payments to creditors amounting to R1 797 963 (2004: R221 945).

32.3 The company has a contingent liability for secondary tax on companies (STC) in respect of undistributed accumulated profit of R5,083 million (2004: R3,25 million).

32.4 The group has a contingent liability for STC in respect of undistributed accumulated profit of R22,14 million (2004: R20,3 million).

* *Restated – refer note 39.*

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2005 R'000 | 2004* R'000 | 2005 R'000 | 2004* R'000 |
| 33. | ***COMMITMENTS*** | | | | |
| | Commitments for the acquisition of computer software (refer note 5) | 11 535 | – | – | – |
| | The commitment will be funded out of group resources. | | | | |
| 34. | ***RETIREMENT BENEFITS*** | | | | |
| | The group makes contributions on behalf of all permanent employees to defined contribution schemes which are governed by the Pensions Fund Act of 1956 on behalf of its employees. These costs are charged to the income statement as they occur. The total contributed by the group for the year. | 16 712 | 19 184 | 1 383 | 1 251 |
| 35. | ***OPERATING LEASE ARRANGEMENTS*** | | | | |
| | The group as lessee | | | | |
| | Minimum lease payments under operating leases recognised as an expense in the year | 28 836 | 34 480 | 1 209 | 610 |
| | At the balance sheet date, the group has outstanding commitments under non-cancellable operating leases, which fall due as follows: | | | | |
| | – within one year | 27 909 | 30 253 | 485 | 473 |
| | – in the second to fifth years inclusive | 57 628 | 105 804 | 1 177 | 1 662 |
| | – after five years | 368 | 718 | – | – |
| | | 85 905 | 136 775 | 1 662 | 2 135 |
| | Average lease terms (months) | 48 | 48 | 60 | 60 |

## 36. *FINANCIAL RISK MANAGEMENT*

### Liquidity risk

This is the risk of not being able to generate sufficient cash to meet commitments to borrowers, depositors and other creditors at any point in time.

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Borrowing facilities are reflected in note 49 to the cash flow statement.

### Credit risk

The group maintains cash, cash equivalents and short-term investments with various financial institutions. The group's policy is designed to limit exposure with any one institution and ensure a high credit standing for the financial institution with which such transactions are executed.

Credit risk with respect to trade accounts receivable is limited due to the blue chip nature of the group's client base. Credit assessments are done and continually updated on all group's clients.

### Other financial assets/liabilities

The directors consider that the carrying amount of trade and other receivables and payables approximates their fair value.

** Restated – refer note 39.*

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*for the year ended 31 December 2005*

| | GROUP 2005 R'000 | GROUP 2004 R'000 | COMPANY 2005 R'000 | COMPANY 2004 R'000 |
|---|---|---|---|---|
| **37. CAPITAL DISTRIBUTION/DIVIDEND** | | | | |
| A final capital distribution of 54 cents per share in respect of 2003 was paid in July 2004 | – | 21 942 | – | 21 942 |
| An interim capital distribution of 25 cents per share was paid in November 2004 | – | 10 231 | – | 10 231 |
| A final dividend of 80 cents per share was declared on 9 March 2005 and was paid to shareholders on 4 July 2005 | – | 33 119 | – | 33 119 |
| An interim dividend of 35 cents per share was paid in October 2005 | 14 894 | – | 14 894 | – |
| A final dividend of 105 cents per share was declared on 8 March 2006 and was paid to shareholders on 10 April 2006 | 44 797 | – | 44 797 | – |

## 38. SHARE-BASED PAYMENTS

### 38.1 Equity-settled share-based payments

The group has an equity-settled share option scheme for certain employees of the group. Options are exercisable at a price equal to the average quoted market price of the company's shares on the date of grant. The vesting period is two years. If the options remain unexercised after a period of 10 years from the date of grant, the options will expire. Options are forfeited if the employee leaves the group before the options vest.

Details of the share options outstanding during the year are as follows:

| Adcorp Employee Share Option Scheme | 2005 Number of share options | 2005 Weighted average exercise price | 2004 Number of share options | 2004 Weighted average exercise price |
|---|---|---|---|---|
| Outstanding at the beginning of the year | 2 916 615 | 11,10 | 3 269 091 | 10,35 |
| Granted during the year | – | – | 833 748 | 12,76 |
| Forfeited during the year | (19 550) | 12,22 | (155 608) | 9,34 |
| Cancelled during the year | (130 000) | 12,00 | (71 741) | 6,85 |
| Exercised during the year | (1 356 123) | 10,33 | (958 875) | 10,58 |
| Outstanding at the end of the year | 1 410 942 | 11,73 | 2 916 615 | 11,10 |
| Exercisable at the end of the year | 758 192 | | – | |

## 38. *SHARE-BASED PAYMENTS* (continued)

### 38.1 Equity-settled share-based payments (continued)

| Adcorp Empowerment Share Trust | 2005 Number of share options | 2005 Weighted average exercise price | 2004 Number of share options | 2004 Weighted average exercise price |
|---|---|---|---|---|
| Outstanding at the beginning of the year | 262 052 | 8,78 | 264 552 | 8,12 |
| Granted during the year | 20 000 | 18,00 | 79 750 | 10,50 |
| Forfeited during the year | (39 168) | 8,85 | (17 500) | 8,14 |
| Unallocated during the year | 19 168 | – | 4 082 | – |
| Cancelled during the year | – | – | (66 332) | 7,83 |
| Exercised during the year | (120 132) | 8,47 | (2 500) | 8,85 |
| Outstanding at the end of the year | 141 920 | | 262 052 | |
| Exercisable at the end of the year | 28 700 | – | 158 832 | – |

The group recognised a total expense of R1 165 508 (2004: R962 478) related to equity-settled share-based payment transactions during the year. In 2004, options were granted on 24 June 2004. The estimated fair values of the options granted in 2004 is R1 964 028.

### 38.2 Cash-settled share-based payments

The group issued certain employees phantom shares that require the group to pay the intrinsic value of the share to the employee at the date of exercise. At 31 December, the group has recorded liabilities of R337 505 (2004: Nil). The fair value of the phantom shares is determined using the Black-Scholes pricing model using the assumptions noted above. The group recorded a total expense of R337 505 (2004: Nil) during the year in respect of these phantom shares.

In 2005, 760 000 cash-settled options were granted on 21 November 2005.

### 38.3 Black-Scholes assumptions

This fair value was calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

| | 2005 (cash-settled) | 2004 (equity-settled) |
|---|---|---|
| Weighted average share price (R) | 24,00 | 13,00 |
| Weighted average exercise price (R) | 18,15 | 13,00 |
| Expected volatility (%) | 26,60 | 30,53 |
| Expected life (years) | 4,447 | 4,586 |
| Risk-free rate (%) | 7,54 | 8,19 |
| Expected dividend yield (%) | 6,00 | 6,00 |

Expected volatility was determined by calculating the historical volatility of the company's share price on the expected life of the option.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*for the year ended 31 December 2005*

## 39. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

As stated in note 1 to the financial statements, the group has adopted IFRS for the year ended 31 December 2005, the transition date being 1 January 2004. In terms of IFRS 1 (First-time adoption of IFRS), the group and company made the following disclosures reconciling the financial results and financial position, previously reported under South African Statements of Accounting Practice (SA GAAP) to that of IFRS at the transition date.

This note also deals with SA GAAP restatements before showing the impact of IFRS transition adjustments.

| | Restated 31 December 2004 R'000 | IFRS transition date 1 January 2004 R'000 |
|---|---|---|
| **GROUP – RECONCILIATION OF PREVIOUS SA GAAP TO IFRS** | | |
| **Balance sheet** | | |
| Changes in equity | | |
| Total equity: | | |
| As previously reported – SA GAAP | 219 966 | 186 707 |
| Prior year adjustment in respect of leave pay provisions | (8 640) | (6 510) |
| Prior year adjustments in respect of operating leases rental timing adjustments | (3 192) | (1 800) |
| Net effect of above adjustments on deferred taxation | 2 943 | 1 905 |
| Prior year adjustment in respect of BEE super profits | 756 | – |
| Restated total equity – SA GAAP | 211 833 | 180 302 |
| IFRS transition adjustments: | | |
| Minority shareholders' interest# | 1 367 | 603 |
| BEE shareholders' interest# | 1 703 | 185 |
| Impairment of goodwill# | (4 854) | (4 854) |
| Reversal of goodwill amortisation# | 4 121 | – |
| Adjustment of fixed property residual values# | 4 845 | 4 396 |
| Share-based payments# | (1 318) | (355) |
| Charges against accumulated profits# | 1 318 | 355 |
| Restated total equity – IFRS | 219 015 | 180 632 |

| | R'000 |
|---|---|
| **Income statement –** Restated 12 months to 31 December 2004 | |
| Profit for the year as previously reported – SA GAAP | 58 211 |
| Prior year adjustment in respect of 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 above restatements and IFRS transition adjustments had no impact on cash flow.

*# Net of taxation impact.*

| | Previously stated 2004 R'000 | IFRS R'000 | Other restatements 2004 R'000 | Restated 2004 R'000 |
|---|---|---|---|---|
| Net profit attributable ordinary shareholders | 55 039 | 3 609 | (1 731) | 56 917 |
| Basic earnings per ordinary share (cents) | 136,6 | 8,9 | (4,3) | 141,2 |
| Diluted basic earnings per ordinary share (cents) | 135,2 | 8,9 | (4,3) | 139,8 |
| Headline earnings | 66 289 | (512) | (2 005) | 63 772 |
| Headline earnings per ordinary share (cents) | 164,5 | (1,4) | (4,9) | 158,2 |
| Diluted headline earnings per ordinary share (cents) | 162,8 | (1,3) | (4,9) | 156,6 |

| | Restated 31 December 2004 R'000 | IFRS transition date 1 January 2004 R'000 |
|---|---|---|
| ***COMPANY – RECONCILIATION OF PREVIOUS SA GAAP TO IFRS*** | | |
| **Balance sheet** | | |
| Changes in equity | | |
| Total equity: | | |
| As previously reported – SA GAAP | 246 658 | 286 753 |
| Operating lease rental timing adjustments | (18) | (1) |
| Net effect of above adjustments on deferred taxation | 5 | – |
| Restated total equity – SA GAAP | 246 645 | 286 752 |
| Impairment of goodwill# | (61 112) | (61 112) |
| Share-based payments# | 1 318 | 355 |
| Charges against accumulated profit# | (633) | (188) |
| Restated total equity – IFRS | 186 218 | 225 807 |

| | R'000 |
|---|---|
| **Income statement – Restated 12 months to 31 December 2004** | |
| Loss for the year as previously reported – SA GAAP | (18 066) |
| Operating lease rental timing adjustments | (18) |
| Taxation adjustment in respect of the above | 5 |
| Restated profit for the year – SA GAAP | (18 079) |
| Share-based payments charge | (445) |
| Restated profit for the year | 18 524 |

## 40. PRIOR YEAR ADJUSTMENTS

| | | GROUP 2004 R'000 | GROUP 2003 and prior R'000 |
|---|---|---|---|
| 40.1 | **Underprovision of leave pay** | | |
| | The provision for leave pay was found to be understated and adjusted in the current year. | | |
| | The effect of this adjustment is as follows: | | |
| | Increase in cost of sales | 2 130 | 6 510 |
| | Decrease in taxation | (618) | (1 367) |
| | Net effect on accumulated profit | 1 512 | 5 143 |
| | Reduction in outside shareholders' interest | 756 | – |
| 40.2 | **Operating lease rental timing adjustment** | | |
| | A prior year adjustment in respect of operating lease timing adjustments was required due to a revised interpretation of IAS17. | | |
| | The effect of this adjustment is as follows: | | |
| | Increase in operating expenses | 1 393 | 1 800 |
| | Decrease in taxation | (418) | (538) |
| | Net effect on accumulated profit | 975 | 1 262 |
| | Effect on outside shareholders' interest | – | – |
| | The above adjustments have no impact on cash flow. | | |

*# Net of taxation impact.*

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS
*for the year ended 31 December 2005*

## 41. RELATED PARTIES

The group did not enter into any transactions with group parties other than those with subsidiaries which were eliminated on consolidation.

### 41.1 Trading transactions

During the year, group entities entered into the following transactions:

| | Sale of services | | Holding company management fees | | Accounting and marketing fees | | Rental | |
|---|---|---|---|---|---|---|---|---|
| | **2005 R'000** | 2004 R'000 | **2005 R'000** | 2004 R'000 | **2005 R'000** | 2004 R'000 | **2005 R'000** | 2004 R'000 |
| Adcorp Holdings Limited | – | – | (19 000) | (13 394) | 548 | 849 | 2 200 | 3 840 |
| Subsidiaries of Adcorp Holdings Limited | 32 858 | 25 543 | 19 000 | 13 394 | 22 118 | 21 547 | (2 200) | (3 840) |
| Associates | – | – | – | – | – | – | – | – |

### 41.2 Compensation paid to key management (which excludes payments to directors set out in note 42 below)

| | **2005 R'000** | 2004 R'000 |
|---|---|---|
| Short-term employment benefits | 8 190 | 7 445 |
| Share-based payments | 796 | 385 |
| Total | 8 986 | 7 830 |

## 42. DIRECTORS' EMOLUMENTS

| | Salary R'000 | Bonus/ profit share R'000 | Medical aid/ provident fund R'000 | Allowances R'000 | Directors' fees R'000 | **2005 Total cost to company R'000** | 2004 Total cost to company R'000 | **2005 Profit on share options R'000** | 2004 Profit on share options R'000 | **2005 Total remuneration R'000** | 2004 Total remuneration R'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Executive** | | | | | | | | | | | |
| V Baker | – | – | – | – | – | – | 1 143 | – | – | – | 1 143 |
| H Barenblatt | 1 936 | 360 | 249 | 129 | – | 2 674 | 2 164 | 1 574 | – | 4 248 | 2 164 |
| F Burd | 1 109 | 966 | 236 | 33 | – | 2 344 | 1 890 | 1 508 | – | 3 852 | 1 890 |
| M Liphosa | 852 | 685 | 188 | 59 | – | 1 784 | 1 452 | 360 | 245 | 2 144 | 1 697 |
| R McGregor | 1 030 | 953 | 233 | 96 | – | 2 312 | 1 870 | 2 291 | 245 | 4 603 | 2 115 |
| R Pike | 1 421 | 1 458 | 354 | 286 | – | 3 519 | 2 833 | 2 052 | – | 5 571 | 2 833 |
| T Ratshitanga (alternate) | 784 | 542 | 193 | 175 | – | 1 694 | 1 006 | – | – | 1 694 | 1 006 |
| PC Swart | 1 099 | 2 451 | 245 | 145 | – | 3 940 | 1 880 | – | – | 3 940 | 1 880 |
| N Lilford | – | – | – | – | – | – | 764 | – | – | – | 764 |
| S Zungu (alternate) | 525 | 419 | 54 | 121 | – | 1 119 | 920 | 378 | – | 1 497 | 920 |
| | 8 756 | 7 834 | 1 752 | 1 044 | – | 19 386 | 15 922 | 8 163 | 490 | 27 549 | 16 412 |
| **Non-executive directors** | | | | | | | | | | | |
| C Bomela* | – | – | – | – | 65 | 65 | 42 | – | – | 65 | 42 |
| F Khanyile | – | – | – | – | 146 | 146 | 94 | – | – | 146 | 94 |
| G Negota | – | – | – | – | 68 | 68 | 52 | – | – | 68 | 52 |
| S Sebotsa | – | – | – | – | 122 | 122 | 90 | – | – | 122 | 90 |
| S Shonhiwa | – | – | – | – | 112 | 112 | 82 | – | – | 112 | 82 |
| B Sibiya | – | – | – | – | – | – | 97 | – | – | – | 97 |
| F Van Zyl Slabbert | 772 | 733 | 157 | 115 | – | 1 777 | 1 477 | 497 | 845 | 2 274 | 2 322 |
| | 772 | 733 | 157 | 115 | 513 | 2 290 | 1 934 | 497 | 845 | 2 787 | 2 779 |

** C Bomela was appointed as executive director on 1 March 2006.*

## 43. DIRECTORS' SHAREHOLDING

| Directors' shareholding at 31 December 2005 | Number of un-exercised options as at 31/12/2004 | Number of options granted in 2005 | Number of options exercised during 2005 | Number of options as at 31/12/2005 | Option price Rand | Date from which exercisable |
|---|---|---|---|---|---|---|
| HW Barenblatt | 60 000 | | 60 000 | | 12,00 | 31/05/2002 |
| | 30 000 | | 30 000 | | 8,85 | 31/05/2004 |
| | 30 000 | | 30 000 | | 6,35 | 31/05/2005 |
| | 30 000 | | | 30 000 | 13,00 | 31/05/2006 |
| | | 30 000 | | 30 000 | 18,15 | 31/05/2007 |
| FD Burd | 2 500 | | 2 500 | | 6,80 | 31/05/2002 |
| | 2 500 | | 2 500 | | 10,00 | 31/05/2001 |
| | 2 500 | | 2 500 | | 10,00 | 31/05/2002 |
| | 60 000 | | 60 000 | | 12,00 | 31/05/2002 |
| | 30 000 | | 30 000 | | 12,00 | 31/05/2003 |
| | 30 000 | | 30 000 | | 8,85 | 31/05/2004 |
| | 30 000 | | | 30 000 | 6,35 | 31/05/2005 |
| | 30 000 | | | 30 000 | 13,00 | 31/05/2006 |
| | | 30 000 | | 30 000 | 18,15 | 31/05/2007 |
| F Khanyile | 15 000 | | | 15 000 | 13,00 | 31/05/2006 |
| M Liphosa | 60 000 | | 60 000 | | 12,00 | 31/05/2002 |
| | 15 000 | | 15 000 | | 12,00 | 31/05/2003 |
| | 30 000 | | 30 000 | | 6,35 | 31/05/2005 |
| | 30 000 | | | 30 000 | 13,00 | 31/05/2006 |
| | | 30 000 | | 30 000 | 18,15 | 31/05/2007 |
| RB McGregor | 180 000 | | 180 000 | | 12,00 | 31/05/2002 |
| | 30 000 | | 30 000 | | 12,00 | 31/05/2003 |
| | 30 000 | | | 30 000 | 6,35 | 31/05/2005 |
| | 30 000 | | | 30 000 | 13,00 | 31/05/2006 |
| | | 30 000 | | 30 000 | 18,15 | 31/05/2007 |
| RL Pike | 47 809 | | 47 809 | | 12,00 | 31/05/2002 |
| | 50 000 | | 50 000 | | 8,85 | 31/05/2004 |
| | 50 000 | | 50 000 | | 6,35 | 31/05/2005 |
| | 50 000 | | | 50 000 | 13,00 | 31/05/2006 |
| | | 50 000 | | 50 000 | 18,15 | 31/05/2007 |
| T Ratshitanga (alternate) | 30 000 | | | 30 000 | 13,00 | 31/05/2006 |
| | | 30 000 | | 30 000 | 18,15 | 31/05/2007 |
| S Sebotsa | 15 000 | | | 15 000 | 13,00 | 31/05/2006 |
| S Shonhiwa | 20 000 | | | 20 000 | 13,00 | 31/05/2006 |
| PC Swart | 55 000 | | | 55 000 | 12,00 | 31/05/2002 |
| | 30 000 | | | 30 000 | 8,85 | 31/05/2004 |
| | 30 000 | | | 30 000 | 6,35 | 31/05/2005 |
| | 30 000 | | | 30 000 | 13,00 | 31/05/2006 |
| | | 30 000 | | 30 000 | 18,15 | 31/05/2007 |
| F Van Zyl Slabbert | 30 000 | | 30 000 | | 6,35 | 31/05/2005 |
| | 30 000 | | | 30 000 | 13,00 | 31/05/2006 |
| | | 30 000 | | 30 000 | 18,15 | 31/05/2007 |
| S Zungu (alternate) | 25 000 | | 25 000 | | 7,50 | 31/05/2005 |

| Directors' interest in shares | Number of shares held as at 31/12/2005 Beneficially held | Number of shares held as at 31/12/2005 Non-beneficially held | Number of shares held as at 31/12/2004 Beneficially held | Number of shares held as at 31/12/2004 Non-beneficially held |
|---|---|---|---|---|
| RL Pike | 249 630 | – | 341 390 | – |
| HW Barenblatt | 87 096 | – | 75 000 | 15 936 |
| M Liphosa | 426 | – | 10 000 | – |

*Note: As at 31 March 2006 the above shareholdings remain unchanged.*

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*for the year ended 31 December 2005*

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2005 R'000 | 2004* R'000 | 2005 R'000 | 2004* R'000 |
| **44. TAXATION PAID** | | | | |
| Amount prepaid/(unpaid) at the beginning of the year | 4 776 | (1 445) | 3 093 | (1 117) |
| Prior year adjustment | – | 3 808 | 5 | 3 192 |
| Amount charged to income statement | (35 010) | (19 132) | (6 792) | (441) |
| Adjustment for deferred tax charged to income statement | 1 084 | (2 535) | (239) | (5) |
| Tax liability disposed | – | (68) | – | – |
| Amount paid in respect of BEE shareholders | (372) | – | – | – |
| Amount unpaid/(prepaid) at the end of the year | 3 312 | (4 776) | (2 516) | (3 093) |
| Net cash payment | (26 210) | (24 148) | (6 449) | (1 464) |
| **45. DIVIDEND/CAPITAL DISTRIBUTION PAID** | | | | |
| Amounts declared and approved | (48 243) | (32 173) | (48 243) | (32 173) |
| Received on treasury shares | 278 | 209 | – | – |
| Amounts paid to BEE shareholders | (2 186) | – | – | – |
| Received from subsidiaries | – | – | 96 868 | – |
| Net cash (payments)/receipts before cash from associates | | (50 151) | (31 964) | 48 625 |
| (32 173) | | | | |
| Received from associates | 3 155 | – | – | – |
| Net cash (payments)/receipts | (46 996) | (31 964) | 48 625 | (32 173) |
| **46. ADDITIONS TO PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS** | | | | |
| Land and buildings – replacement | (536) | (253) | (403) | – |
| Furniture and computer equipment – replacement | (12 798) | (18 122) | (852) | (289) |
| – expansion | (5 184) | (2 448) | – | – |
| Computer software (in progress) – expansion | (10 568) | – | – | – |
| | (29 086) | (20 823) | (1 255) | (289) |
| **47. OUTFLOW ON DISPOSAL OF BUSINESSES** | (333) | (550) | – | – |
| Goodwill | (333) | 5 328 | – | – |
| Trade receivables | – | (189) | – | – |
| Reserves | – | (5 566) | – | – |
| Provisions | – | (304) | – | – |
| Deferred taxation | – | 113 | – | – |
| Taxation | – | 68 | – | – |
| **48. ACQUISITION OF BUSINESS** | (325) | (1 517) | – | – |
| Intangible assets and goodwill | (325) | (7 036) | – | – |
| Trade receivables | – | (2 062) | – | – |
| Vendor loan | – | 5 525 | – | – |
| Trade payables | – | 58 | – | – |
| Current interest-bearing liabilities | – | 1 965 | – | – |
| Non-current interest-bearing liabilities | – | 33 | – | – |

** Restated – refer note 39.*

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2005<br>R'000 | 2004*<br>R'000 | 2005<br>R'000 | 2004*<br>R'000 |
| 49. | ***CASH AND CASH EQUIVALENTS*** | | | | |
| | Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts: | | | | |
| | Bank balances, cash and deposits | 75 443 | 84 001 | 1 | 2 |
| | Bank overdrafts | (56 713) | (85 345) | (55 581) | (83 388) |
| | | 18 730 | (1 344) | (55 580) | (83 386) |

Bank overdrafts are considered as part of cash and cash equivalents as they form part of the cash management system.

### 50. *GROUP BANK OVERDRAFT FACILITIES*

The group has the following overdraft facilities

| | |
|---|---|
| Absa | R30 million |
| First National Bank | R45 million |
| Total overdraft facility | R75 million |

These facilities are repayable on demand and bear interest at rates linked to the prime overdraft rate.

### 51. *SUBSEQUENT EVENTS*

No events took place subsequent to year-end which require any further information to be communicated.

** Restated – refer note 39.*

# ANNEXURE A
# DETAILS OF SUBSIDIARIES AND ASSOCIATES
*for the year ended 31 December 2005*

| Name of subsidiary | Nature of business | Authorised share capital R 2005 | R 2004 |
|---|---|---|---|
| Adcorp Accountability (Pty) Ltd* | Accounting | 4 000 | 4 000 |
| Adcorp Communication Solutions (Pty) Ltd | Holding company | 10 000 | 10 000 |
| Adcorp Financial Graphics (Pty) Ltd | Dormant | 100 | 100 |
| Adcorp Flexible Staffing Solutions (Pty) Ltd | Holding company | 10 000 | 10 000 |
| Adcorp Grey Consulting (Pty) Ltd (previously Gobodo Grey) | Recruitment | 10 000 | 10 000 |
| Adcorp Investment Trading (Pty) Ltd | Deregistered | – | 1 000 |
| Adcorp Management Services (Pty) Ltd | Accounting | 4 000 | 4 000 |
| Adcorp Mozambique (Pty) Ltd | Deregistered | – | 24 000 |
| Adcorp Recruitment KZN (Pty) Ltd | Dormant | 1 000 | 1 000 |
| Adcorp Social Investment Trading | Deregistered | – | 1 000 |
| Adcorp Staffing (Pty) Ltd* | Flexible staffing | 4 000 | 4 000 |
| Adcorp Staffing Solutions (Pty) Ltd | Recruitment | 4 000 | 4 000 |
| Adcorp UK Limited | Dormant | 3 384 | 3 384 |
| Admark Personnel Selection (Pty) Ltd | Deregistered | – | 60 000 |
| Admark Recruitment Advertising (Pty) Ltd | Dormant | 30 000 | 30 000 |
| Admark Recruitment Advertising (Pty) Ltd – Namibia (Pty) Ltd | Deregistered | 1 000 | 1 000 |
| Altolevel Recruitment Advertising (Pty) Ltd | Dormant | 100 | 100 |
| Capacity Outsourcing (Pty) Ltd* | Flexible staffing | 4 000 | 4 000 |
| Charisma Healthcare Solutions (Pty) Ltd* | Flexible staffing | 1 000 | 1 000 |
| Charisma Management Services (Pty) Ltd* | Dormant | 1 000 | – |
| D/@bility (Pty) Limited | Dormant | 1 000 | 1 000 |
| DAV Professional Placement Group (Pty) Ltd | Recruitment | 1 000 | 1 000 |
| Effective Recruitment Advertising (Pty) Ltd | Dormant | 4 000 | 4 000 |
| Emmanuels Staffing Services (Pty) Ltd* | Flexible staffing | 1 000 | 1 000 |
| Ethoz Human Value (Pty) Ltd | Dormant | 1 000 | 1 000 |
| Graphicor (Pty) Ltd* | Graphic design | 100 | 100 |
| Ikhwezi Staffing Solutions (Pty) Ltd* | Dormant | 1 000 | 1 000 |
| International Centre for Management Development (Pty) Ltd | Dormant | 1 000 | 1 000 |
| JobVest (Pty) Ltd | Recruitment | 4 000 | 4 000 |
| Kit Hodge & Company (Pty) Ltd | Deregistered | – | 1 000 |
| Knovation Consulting (Pty) Ltd | Dormant | 1 000 | 1 000 |
| Knovation (Pty) Ltd | Training | 200 000 | 200 000 |
| PR Connections (Pty) Ltd | Sold | – | – |
| Premier Personnel (Pty) Ltd | Dormant | 100 | 100 |
| PMI Learning Solutions (Pty) Ltd | Dormant | 100 | – |
| PMI of South Africa (Pty) Ltd | Training | 100 | 100 |
| Quest Flexible Staffing Solutions (Pty) Ltd* | Flexible staffing | 100 | 100 |
| Quest Holdings (Pty) Ltd | Holding company | 10 000 | 10 000 |
| Quest Permanent Appointments (Pty) Ltd | Dormant | 100 | 100 |
| Research Surveys (Pty) Ltd | Market research | 20 000 | 20 000 |
| Simeka TWS Communications (Pty) Ltd* | Public relations | 4 000 | 4 000 |
| Stand 948, Melville (Pty) Ltd | Property | 1 000 | 1 000 |
| The Design and Media Company (Pty) Ltd | Design and media | 4 000 | 4 000 |
| The Niche (Pty) Ltd | Deregistered | – | 1 000 |
| Subtotal negative | | – | – |
| Subtotal positive | | – | – |
| Total subsidiaries | | – | – |
| **Name of associate** | | | |
| Career Junction (Pty) Ltd | Recruitment | 400 000 | 400 000 |
| Equitable Solutions (Pty) Ltd | Dormant | 1 000 | 1 000 |
| The Customer Equity Company (Pty) Ltd | Market research | 1 000 | 1 000 |
| Klatrade 200074 (Pty) Ltd | Training | 1 000 | 1 000 |
| Sandton Group Ltd | Sold | – | 100 000 |
| Shopper Behaviour Research (Pty) Ltd | Market research | 1 000 | 1 000 |
| Sishayele Contact Centre Solutions (Pty) Ltd | Outsourcing | 1 000 | 1 000 |
| Thetha Call Centre Staffing (Pty) Ltd | Staff placement | 4 000 | 4 000 |
| Subtotal negative | | – | – |
| Subtotal positive | | – | – |
| Total associates | | – | – |
| **Name of joint venture** | | | |
| Knovation At Austral | Deregistered | – | 4 000 |

** Owned by subsidiary companies*

| Issued share capital R 2005 | Issued share capital R 2004 | Number of shares held 2005 | Number of shares held 2004 | Cost of investment (net of write-downs) R'000 2005 | Cost of investment (net of write-downs) R'000* 2004 | Indebtedness (to)/by the subsidiary R'000 2005 | Indebtedness (to)/by the subsidiary R'000* 2004 | Attributable profit/(loss) R'000 2005 | Attributable profit/(loss) R'000* 2004 |
|---|---|---|---|---|---|---|---|---|---|
| 200 | 200 | 200 | 200 | – | – | 11 358 | (728) | (244) | (35) |
| 10 000 | 10 000 | 7 500 | 7 500 | 13 334 | 27 380 | 990 | 991 | (14 040) | (9 301) |
| 100 | 100 | 100 | 100 | 10 | 10 | (10) | (10) | – | 447 |
| 10 000 | 1 000 | 7 500 | 7 500 | 332 564 | 329 734 | – | (1 524) | (275) | (23 235) |
| 9 000 | 9 000 | 9 000 | 5 000 | 59 | 489 | 7 831 | 6 902 | (993) | (1 870) |
| – | 100 | – | 100 | – | – | – | – | – | – |
| 400 | 400 | 400 | 400 | – | – | 6 836 | 5 307 | (296) | (114) |
| – | 24 000 | – | 22 000 | – | – | – | – | – | – |
| 100 | 100 | 100 | 100 | – | 117 | – | – | – | (805) |
| – | 100 | – | 100 | – | – | – | – | – | – |
| 1 | 1 | 1 | 1 | – | – | 2 469 | (1 487) | 3 732 | 2 677 |
| 100 | 100 | 100 | 100 | 12 855 | 9 105 | 2 935 | 708 | 4 885 | 44 001 |
| 308 | 308 | 308 | 308 | – | – | – | – | – | – |
| – | 10 000 | – | 10 000 | – | – | – | – | – | – |
| 30 000 | 30 000 | 30 000 | 30 000 | – | – | – | – | – | (6 131) |
| 1 | 1 | 1 | 1 | – | – | – | – | – | – |
| 100 | 100 | 100 | 100 | – | – | – | – | – | (2 480) |
| 4 000 | 4 000 | 4 000 | 4 000 | – | – | 11 006 | 6 148 | 18 566 | 25 918 |
| 100 | 100 | 100 | 100 | – | – | – | 977 | 2 280 | 6 514 |
| 100 | – | 100 | – | – | – | 6 632 | – | – | – |
| 100 | 100 | 100 | 50 | – | – | 1 913 | 1 941 | – | 219 |
| 100 | 100 | 100 | 100 | 7 270 | 6 848 | (544) | (4 943) | 6 067 | 5 209 |
| 100 | 100 | 100 | 100 | – | 56 | – | – | – | (3 005) |
| 100 | 100 | 100 | 100 | – | – | 7 902 | (9 030) | 16 436 | 16 975 |
| 100 | 100 | 60 | 60 | – | 945 | – | – | – | 504 |
| 100 | 100 | 100 | 100 | – | – | (9 683) | (8 829) | 3 012 | 5 388 |
| 100 | 100 | 100 | 100 | – | – | – | – | – | 709 |
| 200 | 200 | 200 | 200 | – | – | – | – | – | (4 986) |
| 2 000 | 2 000 | 1 000 | 1 000 | 1 | 1 | 16 885 | 5 851 | 1 179 | 795 |
| – | 1 000 | – | 1 000 | – | 1 | – | – | – | – |
| 100 | 100 | 100 | 100 | – | 23 | (283) | – | 35 | (10) |
| 200 000 | 200 000 | 200 000 | 200 000 | 3 015 | 2 349 | 28 170 | 28 602 | 1 989 | 2 114 |
| – | – | – | – | – | – | – | 1 039 | – | (475) |
| 100 | 100 | 100 | 100 | 1 946 | 3 355 | – | – | – | (3 719) |
| 100 | – | 100 | – | – | – | – | – | – | – |
| 100 | 100 | 100 | 100 | 629 | 4 440 | 5 623 | 6 293 | 1 230 | 45 746 |
| 100 | 100 | 100 | 100 | – | – | 18 011 | 29 174 | 27 774 | 29 606 |
| 10 000 | 10 000 | 10 000 | 10 000 | – | 2 873 | (197 031) | (197 031) | – | (175) |
| 100 | 100 | 100 | 100 | – | – | – | – | – | 271 |
| 200 | 200 | 200 | 200 | 7 790 | 7 722 | (11 999) | (7 691) | 9 660 | 7 813 |
| 4 000 | 4 000 | 4 000 | 4 000 | – | – | (3 484) | (720) | (3 580) | (530) |
| 100 | 100 | 100 | 100 | – | – | (2 491) | 18 452 | 3 315 | 283 |
| 4 000 | 4 000 | 4 000 | 3 000 | – | 2 | 3 005 | 1 289 | 1 077 | (23) |
| – | 100 | – | 100 | – | – | – | – | – | – |
| – | – | – | – | – | – | (225 525) | (231 993) | (19 428) | (56 894) |
| – | – | – | – | 379 473 | 395 450 | 131 566 | 113 674 | 101 237 | 195 189 |
| – | – | – | – | 379 473 | 395 450 | (93 959) | (118 319) | 81 809 | 138 295 |
| | | | | | | | | | |
| 50 000 | 50 000 | 12 500 | 12 500 | 1 636 | 1 098 | – | – | 1 200 | 564 |
| 490 | 490 | 40 | 40 | 40 | 40 | (409) | (409) | – | (409) |
| 400 | 400 | 100 | 100 | 2 022 | 1 849 | 311 | – | 2 223 | 1 418 |
| 1 000 | 1 000 | 500 | 500 | 439 | 931 | 21 | (39) | (162) | 649 |
| – | 1 000 | – | 333 | – | – | – | – | – | – |
| 100 | 100 | 35 | 20 | (26) | 80 | – | – | (26) | – |
| 100 | 100 | 30 | 30 | 51 | – | – | – | 51 | – |
| 1 000 | 1 000 | 500 | 500 | 7 | – | – | – | 8 | – |
| – | – | – | – | (26) | – | (409) | (448) | (188) | (409) |
| – | – | – | – | 4 195 | 3 998 | 332 | – | 3 482 | 2 631 |
| – | – | – | – | 4 169 | 3 998 | (77) | (448) | 3 294 | 2 222 |
| | | | | | | | | | |
| – | 4 000 | – | 2 040 | – | – | – | – | – | – |

** Restated – refer note 39.*

# NOTICE OF ANNUAL GENERAL MEETING

**Adcorp Holdings Limited**
(Incorporated in the Republic of South Africa)
(Registration number 1974/001804/06)
Share code: ADR
ISIN: ZAE000000139
("Adcorp" or "the company")

Notice is hereby given that the Annual General Meeting of the shareholders of Adcorp Holdings Limited will be held at Block A, 28 on Sloane, Sloane Street, Bryanston, Johannesburg on Thursday, 29 June 2006 at 09:00 to consider and if deemed fit, to pass with or without modification the following resolutions:

## As ordinary resolutions

1. To receive, approve and adopt the audited annual financial statements for the year ended 31 December 2005.
2. To re-elect Shepherd Shoniwa as a director of the company.
3. To re-elect Rob McGregor as a director of the company.
4. To re-elect Matodzi Liphosa as a director of the company.
5. To re-elect Faith Khanyile as a director of the company.
6. To re-elect Sonja Sebotsa as a director of the company.
7. To resolve that 3 000 000 ordinary shares in the authorised but unissued share capital of the company be and are hereby placed under the control of the directors of the company as a specific authority in terms of section 221(2) of the Companies Act, 61 of 1973, as amended ("the Act"). Of these ordinary shares 1 500 000 are for the allotment and issue of shares in terms of the Adcorp Holdings Limited Share Purchase Scheme and 1 500 000 are in respect of possible acquisitions.
8. To transact such other business as may be transacted at an annual general meeting.

## As special resolution

9. Resolved that the directors of the company be and are hereby authorised by way of a general authority to facilitate the repurchase by the company or any of its subsidiaries, of shares in the capital of the company, as they in their discretion, from time to time, deem fit. The repurchase will be in accordance with the provisions of the Act, the JSE Listings Requirements and the articles of association of Adcorp, from time to time which are:
   - the repurchase of securities being affected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter party;
   - this general authority shall be valid only until the company's next annual general meeting, or for fifteen months from the date of this special resolution, whichever period is shorter;
   - an announcement will be published as soon as the company has acquired ordinary shares constituting, on a cumulative basis 3% or every 3% thereafter, of the number of ordinary shares in issue prior to the acquisition pursuant to which the aforesaid 3% threshold is reached, containing full details of such shares;
   - any general repurchase shall not in the aggregate in any one financial year exceed 20% of the company's ordinary issued share capital;
   - in determining the price at which ordinary shares issued by the company will be acquired by the company and/or its subsidiaries in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be no more than 10% above the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the five trading days immediately preceding the date of repurchase of such ordinary shares by the company and/or its subsidiaries;
   - the sponsor of the company provides a letter to the JSE on the adequacy of working capital in terms of section 2.12 of the JSE Listings Requirements, before the share repurchase commences;
   - at any point in time, may only appoint one agent to effect any repurchase on the company's behalf;
   - the company may only undertake a repurchase of securities if, after such repurchase, it still complies with the shareholder spread requirements as set out in the JSE Listings Requirements; and
   - the company or its subsidiaries may not repurchase securities during a prohibited period, as defined in the JSE Listings Requirements.

The board of directors of Adcorp will use this authority as and when opportunities arise.

## Voting and proxies

If you are a certificated or own name dematerialised shareholder and unable to attend the annual general meeting of ordinary shareholders to be held on Thursday, 29 June 2006 at 09:00 at the premises of the company Block A, 28 on Sloane, Sloane Street, Bryanston, Johannesburg and wish to be represented thereat, you must complete and return the attached forms of proxy in accordance with the instructions therein to be received by the transfer secretaries by not later than 09:00 on Wednesday, 28 June 2006.

If you have dematerialised your shares with a Central Securities Depository Participant ("CSDP") or broker, other than with own name registration, you must arrange with them to provide you with the necessary authorisation to attend the annual general meeting or you must instruct them as to how you wish to vote in this regard. This must be done in terms of the agreement entered into between you and the CSDP or broker, in the manner and cut-off time stipulated therein.

Additional proxy forms are obtainable from the company secretary and must be deposited at the transfer secretaries not less than 24 hours before the meeting.

By order of the board

Lyn Sudbury
*Secretary*

26 May 2006

# FORM OF PROXY

**Adcorp Holdings Limited**
(Incorporated in the Republic of South Africa)
(Registration number 1974/001804/06)
Share code: ADR
ISIN: ZAE000000139
("Adcorp" or "the company")

For use at the Annual General Meeting of shareholders of Adcorp Holdings Limited to be held at 09:00 on Thursday, 29 June 2006.

For use by the certificated holders or holders of dematerialised shares in their own name at the annual general meeting to be held at 09:00 on Thursday, 29 June 2006 at the premises of the company on Block A, 28 on Sloane, Sloane Street, Bryanston, Johannesburg.

If shareholders have dematerialised their shares with a Central Securities Depository Participant ("CSDP") or broker, other than with own name registration, they must arrange with the CSDP or broker to provide them with the necessary authorisation to attend the annual general meeting or the shareholder must instruct them as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker, in the manner and cut-off time stipulated therein.

For the annual general meeting

I/We

(Name/s in block letters)
of

(Address in block letters)
being a member/s of the abovementioned company and holding ____________ shares in Adcorp Holdings Limited, and entitled to vote, do hereby appoint (refer to note 1 on page 70):

or, failing him,

Dr F van Zyl Slabbert of Block A, 28 on Sloane, Sloane Street, Bryanston, Johannesburg or failing him, the chairman of the meeting as my/our proxy(ies) to vote on a poll on my/our behalf at the annual general meeting of the company to be held at 09:00 on Thursday, 29 June 2006 and at any adjournment thereof.

Please indicate with an "X" in the spaces below how you wish your proxy to vote in respect of the resolutions to be proposed, as contained in the notice of the abovementioned annual general meeting.
*I/We desire my/our proxy to vote on the resolutions to be proposed, as follows:

| | For | Against | Abstain |
|---|---|---|---|
| Ordinary resolution 1 (Adopt audited financial statements) | | | |
| Ordinary resolution 2 (Re-elect Shepherd Shoniwa) | | | |
| Ordinary resolution 3 (Re-elect Rob McGregor) | | | |
| Ordinary resolution 4 (Re-elect Matodzi Liphosa) | | | |
| Ordinary resolution 5 (Re-elect Faith Khanyile) | | | |
| Ordinary resolution 6 (Re-elect Sonja Sebotsa) | | | |
| Ordinary resolution 7 (Employee share scheme shares and possible acquisition shares placed under control of directors) | | | |
| Ordinary resolution 8 (Transact other business) | | | |
| Special resolution 9 (General authority to repurchase shares) | | | |

Signed by me/us this day of 2006

Signature

Assisted by me (where applicable) (refer to note 5 on page 70)

Full name/s of signatory if signing in a representative capacity (refer to note 4 on page 70)

** If this form of proxy is returned without any indication of how the proxy should vote, the proxy will exercise his/her discretion both as to how he/she votes and as to whether or not he/she abstains from voting.*

# NOTES

1. A member entitled to attend and vote at the above mentioned meeting is entitled to appoint one or more proxies to attend, speak and, upon a poll, vote in his stead or abstain from voting. The proxy need not be a member of the company.
2. To be valid this form of proxy must be completed and returned to the company's transfer secretaries, Ultrashare Registrars (Pty) Limited, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) to be received by not later than 09:00 on Wednesday, 28 June 2006.
3. In the case of a joint holding, the first-named only need sign.
4. The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless that authority has already been recorded by the company.
5. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian as applicable, unless the relevant documents establishing capacity are produced or have been registered with the transfer secretaries.

# ADMINISTRATION

## ADCORP HOLDINGS LIMITED
Registration number 1974/001804/06
Founded 1968, listed 1987

## SECRETARY AND REGISTERED OFFICE
L Sudbury
Block A, 28 on Sloane
Sloane Street
Bryanston, 2021
PO Box 7156, Johannesburg, 2000
Tel 011 244 5300
Fax 011 244 5310
Email info@adcorp.co.za

## CORPORATE AND LEGAL ADVISORS
Nucleus Corporate Finance (Pty) Limited
Registration number 1998/023924/08
25 Rudd Road
Illovo, 2041
Tel 011 268 0800
Fax 011 268 0840

Roodt Inc Attorneys
Registration number 2003/016254/21
Block A, Eton Road Office Park
7 Eton Road
Sandhurst, 2196
PO Box 78894, Sandton, 2146

Prinsloo, Tindle & Andropoulous Inc.
1st Floor, 17 Fricker Road
Illovo Boulevard
Illovo
Johannesburg, 2196
Tel 011 268 6200
Fax 011 268 6330

Larry A Marks
Excel House
10 Johannesburg Road
Corner Cross Street
Glenhazel, 2192
PO Box 159, Highlands North, 2037
Tel 011 386 8699
Fax 011 887 5139

## JOINT AUDITORS
Deloitte & Touche
The Woodlands
20 Woodmead Drive
Gallo Manor
Sandton
Private Bag X6
Gallo Manor, 2052
Tel 011 806 5000
Fax 011 806 5111

Charter Financial & Auditing Incorporated
Registration number 1992/002371/21
25 Plantation Road
Norwood, 2192
PO Box 89438, Lyndhurst, 2106
Tel 011 483 0911
Fax 011 483 0936

## TRANSFER SECRETARIES
Ultrashare Registrars (Pty) Limited
Registration number 2000/007239/07
11 Diagonal Street
Johannesburg, 2001
Tel 011 834 2266
Fax 011 834 4398

## COMMERCIAL BANKERS
FirstRand Bank of Southern Africa Limited
Registration number 1905/001225/06

ABSA Bank Limited
Registration number 1986/004794/06

Standard Bank of SA Limited
Registration number 1962/000738/06

Nedbank Limited
Registration number 1951/000009/06

## SPONSORS
Deloitte & Touche Sponsor Services (Pty) Limited
The Woodlands
20 Woodmead Drive
Gallo Manor
Sandton
Private Bag X6
Gallo Manor, 2052
Tel 011 806 5614
Fax 011 806 5666

GRAPHICOR
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