

AICORP HOLDINGS

Annual Report 2002

One company,

Many strengths





Adcorp Holdings

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.

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GROUP OPERATING STRUCTURE

ADCORP HOLDINGS

Permanent
Recruitment

Flexible
Staffing

Education
and Training

Corporate
Communications

Marketing
Research

IN LINE WITH OUR STRATEGY

this is an overview of the group

The Adcorp Group is a healthy cash generator.

We are driving this position by focusing on margin management and debtors' collection.

FOCUS OF ACTIVITIES

HUMAN CAPITAL MANAGEMENT

The attraction, retention and development of people, providing services in:

- Permanent recruitment
- Flexible staffing
- Education and training

MARKETING ADVISORY SERVICES

Providing marketing advisory services in the areas of:

- Corporate communications
- Public relations
- Marketing research
- Graphic design
- Multimedia

TARGET MARKETS

- Business to business
- Predominantly South Africa; with a
- Phased move into Africa; as well as
- Selective international opportunities



STRATEGIC PRIORITIES

In terms of repositioning the Group for the future, the group is focused on the following strategic priorities:

- **Simplify the business**
- **Cash generation**
- **Black economic empowerment**
- **Internationalise revenue streams**
- **Fix or dispose of cash consuming, unprofitable and non-core businesses**
- **Simplify management measures**
- **Differentiated, cost-effective business solutions**
- **Motivate the workforce**
- **Corporate governance**

KEY OBJECTIVES

In terms of measuring the success of the stated mission, the Group has set the following key objectives with regards to its target markets:

	Objective achieved	Working towards objective
<ul style="list-style-type: none"> • Biggest contract labour force • Permanent recruitment house of choice • Leading private providers of corporate education and training • Marketing advisors of choice • Leaders in public relations and corporate communications • Leaders in marketing research 		

ACHIEVEMENTS 2002

Simplify the business by way of reducing the number of business entities within the group

- The number of key business entities has been rationalised from 27 entities to 12

Focus on cash generation

- 102% of group operating profit converted into cash versus 97% in the prior year
- Debtors' days reduced from 49 days in the prior year to the current level of 44 days
- Dividend/capital distribution cover reduced from prior year's level of 4,6 times to current level of 3,0 times

Raise the black economic empowerment profile of the group

- 36% black and female board representation
- Negotiations well advanced in introducing black economic empowerment shareholding into the group
- Empowerment targets exceeded in terms of Employment Equity Act
- Empowerment joint ventures established – Grey Appointments (with Gobodo Corporate Governance Services) and Equitable Solutions
- Social investment strategy implemented
- Empowerment procurement targets introduced
- Two black appointments at MD level

Internationalise revenue streams

- Acquisition of stakes in UK recruitment companies – Astbury Jones and Sandton Group
- Establishment of an Africa marketing initiative
- Revenue stream supplemented by contracts won in Africa outside of South Africa
- Formal association with Africa Matters, a foreign organisation operating in Africa

Fix or dispose of cash consuming unprofitable and non-core businesses

- Boston City Campus and Business College, Atcor, Ambassador Training, The Academy of Financial Markets and Equal Access disposed of
- Devtrain closed
- Ikhwezi minorities bought out

GROUP OVERVIEW – CONTINUED

- Significant restructure of the Education and Training division – 298 reduction in staff complement saving approximately R30 million in annual salary burden
- Rationalisation of the Permanent Recruitment division

Simplify management measures and focus on generating returns greater than the cost of capital

Key management performance measures introduced:

- Return on assets managed (ROAM) – target 30%
- Return on sales (margin management) – target 7,5%
- Asset turnover (ATO) – target 4 times
- Cash generated to operating profit – target 90%
- Debtors' days – target 38 days
- Gearing (debt to equity) – 25%

Offer differentiated, cost-effective business solutions and superior, value-for-money service delivery

- Permanent recruitment offerings substantially repackaged offering a holistic, total, managed staffing solution
- Acquisition of 60% of Ethoz providing a scientific job profiling and candidate assessment capability
- Move to output-based, full outsourcing model in flexible staffing
- Extended range of product offerings in marketing research
- Downstream product extensions in corporate communications

Motivated workforce

- A central human resources role has been created with a view to implementing sustainable human resource management processes across the group
- Succession planning largely in place
- Chairman's awards initiated, recognising superior individual and company performance
- Full compliance with the Employment Equity, Skills Development and Skills Development Levies Acts

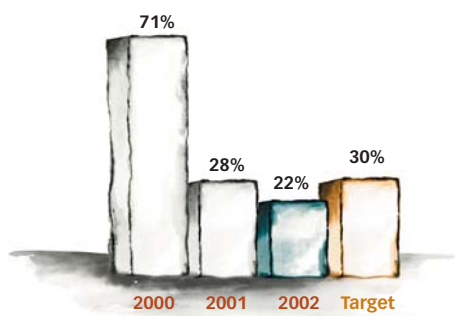
Corporate governance

- Board of directors restructured to ensure appropriate balance in terms of roles, ethnic and gender diversity, mix of executive to non-executive directors as well as correct skills diversity
- Audit and Remuneration committees reconstituted
- Deloitte & Touche appointed joint auditors

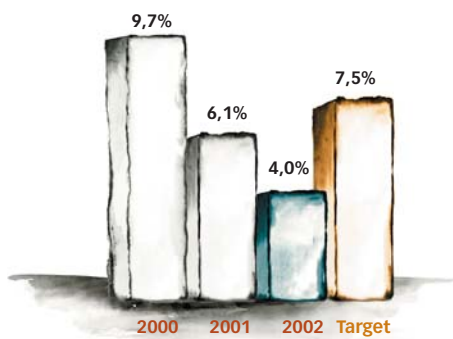
PERFORMANCE AGAINST STATED TARGETS

Achievements to date

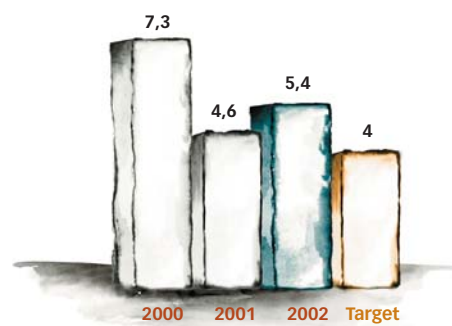
Return on assets managed



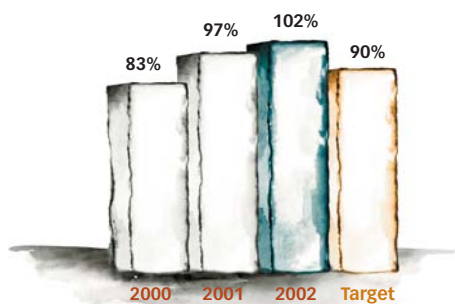
Return on sales



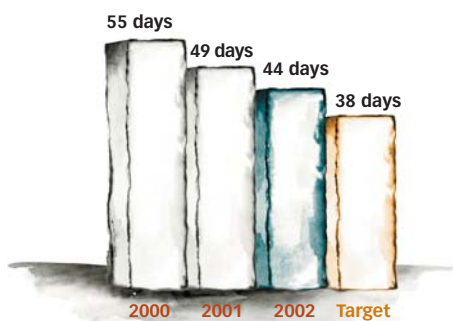
Asset turnover



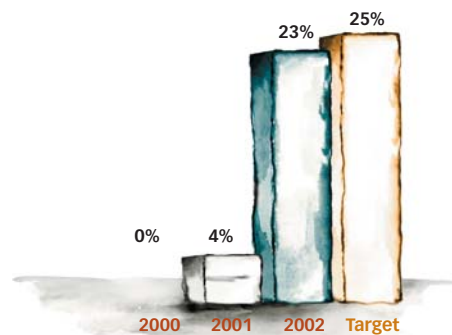
Cash generated to operating profit



Debtors' days



Gearing %



THE EVOLUTION OF Permanent Recruitment

Adcorp has dramatically changed the employment process by a focus on human value optimisation through highly developed acquisition, development and retention processes that reduce risk, save time, retain key talent and realise substantial returns on recruitment, training and development investments.



Candidate sourcing
through advertising



Response
management



Position competency
profiling



Competency-based
employee selection



The perfect fit:
A managed staffing solution

DIFFERENTIATORS

- Range of services uniquely broad to enable fully outsourced HR functions
- Candidate sourcing spans nine leading branded consultancies in the group and uses as combined knowledge, experience, databases and advertising reach, which is formidable
- Position competency profiling within a quantifiable, consistent, scientifically verified and legally compliant framework
- Full client relationships to develop human capital strategies and resource planning

OPPORTUNITIES

- High priority of intellectual capital in business
- Employment equity
- Complexity of correct placement of candidates
- The cost of poor hiring decisions
- Quantifiable cost and time savings for outsourcing HR functions

WHAT DO ALL THESE PEOPLE have in common?

They all work for Adcorp.

Adcorp provides flexible staffing solutions that enable our clients to achieve optimal staffing levels and highest performance levels through fit-for-purpose solutions and a workforce that outperforms the median.



DIFFERENTIATORS

- Output-based business model
- Market leaders in differentiated recruitment practices
- Learning is an integrated part of a flexible workforce management solution
- Deployment of technology to unlock optimum client benefits
- Database in excess of 230 000 people over all levels
- Measurable performance against defined service level agreements
- Employment equity record of 68% PDI (previously disadvantaged individuals) placements

OPPORTUNITIES

- Business vulnerability to fluctuating demand
- Availability of highly skilled staff with lifestyle requirements
- Labour law and employment equity
- Focused businesses prone to outsourcing

THE FULL STORY

of meeting strategic business objectives

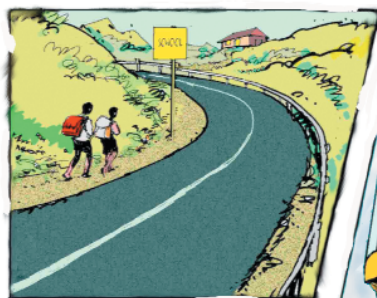
Knovation@Adcorp has the unique ability to go into an organisation and develop a learning continuum that would be critical for it to meet its strategic business objectives.

Our skills development specialists, for instance, analyse the organisation's key needs, conduct skills audits and develop customised programmes that encompass pre- and post-assessment.

Putting skills in place on all levels



Measuring application on site



Lasting benefits for all



Build sustainability in management

DIFFERENTIATORS

- Abreast of trends
- Redesign programmes every 18 months
- Measure efficiency of training in working environment
- Involve country and community in a contract
- Build sustainability of process for client
- Labour law expertise
- Customisation
- Action-based training: learn – apply – measure

OPPORTUNITIES

- Training levy and the Setas
- Accreditation
- Social spending
- Upliftment, upskilling and acceleration programmes
- Employment equity
- Building capacity for companies
- International competitiveness for companies
- Filling technical and management voids
- Focusing on growth industries
- Acute skills shortage in Africa

REACHING OUT AND TOUCHING *all possible audiences*

Corporate Communications build reputations for our clients based on an indepth understanding of both our clients and all the stakeholders they need to communicate with through a broad range of effective, objectively selected channels.



DIFFERENTIATORS

- Skills base of diversity, talent, calibre, education to match the market situation
- Ability to operate globally through close partnerships
- Application of complete range of communication channels starting from unmediated one-on-one
- Integrated, indispensable and on tap relationships delivering knowledgeable advice
- Consult with authority

OPPORTUNITIES

- Environment interpretation for companies coming into South Africa
- Assisting Government to meet demands, to deliver and to communicate effectively
- Understanding and skills to work across the African continent
- Demand for corporate transparency
- New media

WHAT YOU DON'T KNOW CAN HURT YOU.

We love to find things out

Marketing Research is going far beyond what clients might even think they want to know to delivering cutting edge insight derived from products that capture behavioural patterns and attitudes as they originate to drive market leadership.



DIFFERENTIATORS

- Market leadership in developing differentiated proactive products
- Internationally used and acclaimed products pioneered by Research Surveys
- Service levels driven by energetic and close interaction with clients
- Technical and process excellence

OPPORTUNITIES

- Rate of change demands knowledge
- Export of products to global network
- Marketers need to understand other African societies
- Brand health tracking
- Internet analysis
- International companies coming into South Africa

THE ADCORP FACTOR –

One company, many strengths

Adcorp consistently delivers top-class performance,
jealously guarding relationships with our clients
by constantly, proactively anticipating and meeting needs
to make our clients the best they can be.



DIFFERENTIATORS

- House of powerful brands led by dedicated entrepreneurs focused on differentiation
- Absolute commitment to provide clients with innovative business solutions and consulting advice
- Highly developed management processes and technology
- We retain and empower staff of the highest calibre to foster client relationships

THE BIGGEST OPPORTUNITY YET

- Unique one-stop service spanning expertise from 12 niched business units

REPORT TO SHAREHOLDERS

Looking back on 2002, the group was tested in all aspects of its operations. We feel comfortable that we have achieved satisfactory results. However, we continue to look ahead while we aim at creating an even better investment.



Chairman Dr F van Zyl Slabbert and CEO Richard Pike

Overview

Following a difficult 2001, the 2002 financial year continued to be a difficult one for the group and was characterised by a need to reposition the group for the future, necessitating significant restructuring and rationalisation in those divisions experiencing difficulty and depressed trading conditions.

Hardest hit were the Education and Training and Permanent Recruitment divisions, which experienced a continuation and worsening of the poor trading conditions that were experienced in the second half of the prior year.

The Flexible Staffing division continued its good run whilst the Corporate Communications and Marketing Research divisions also produced strong performances.

The need for demonstrable black economic empowerment credentials has also been a major challenge for the group, as despite the group's existing empowerment profile, certain significant business has

been lost as a result of perceived inadequate credentials. Hardest hit by this have been the Flexible Staffing and Corporate Communications divisions.

The key areas of management focus during the year were as follows:

- Simplify the business
- Cash management
- Restructuring and excising loss making, cash consuming and non-core operations
- Internationalising the revenue stream
- Brand rationalisation
- Black economic empowerment
- Corporate governance

Simplify the business

Following a protracted growth trajectory achieved largely through an aggressive acquisition strategy, the group became a complex organisation consisting of a large number of individual business entities.

In terms of focusing on the effectiveness of the group, management recognised the need to simplify the group and to substantially reduce the number of individual business units through a process of rationalisation and amalgamation.

To this end, the number of business entities has been reduced from 27 a year ago to the current number of 12.

Cash management

The group has placed a strong emphasis on cash management during the past year. Being a low capital intensity, service related business, the major asset the

group funds is its debtors' book. As such, the cash management emphasis is on debtors' management.

To this extent, the group has been successful in reducing its outstanding debtors' days from 49 days in 2001 to 44 days in the current year. In addition, one of the other key cash management measures, cash generated by trading activities to operating profit, the group converted 102% of its operating profit into cash versus 97% in the prior year.

This better performance in terms of cash management has enabled the group to reduce its dividend cover from the prior year's level of 4,6 times to a capital distribution cover of 3 times in the current year.

It is anticipated that this improved level of dividend cover will continue into the future.

Restructuring and excising loss making, cash consuming and non-core operations

In terms of management's strong focus and commitment to profitability, cash generation and strategic fit, the group has undertaken a number of restructures, disposals and closures during the year. These actions, whilst having a significant impact on profitability in the year under review by way of the write-off of goodwill, investments, inter-company loans, retrenchment costs and other related restructuring and closure costs, will position the group exceptionally well for the future. All cash consuming or non-profitable businesses within the group have now been fixed, closed or disposed of.

During the year, the group disposed of the operations of Boston City Campus and Business College, Atcor, Ambassador Training, The Academy of Financial Markets and Equal Access. In addition, the operations of Devtrain were closed and the

minority shareholding in Ikhwezi was acquired. Significant restructuring took place in the Education and Training division as well as the Permanent Recruitment division.

As a result of these activities, the group incurred goodwill, investment and loan write-offs of R74,7 million and incurred restructuring costs of R9,3 million.

These actions have resulted in the Education and Training division now being totally focused on the business-to-business market with lower overheads, limited infrastructure and cash generative operations whilst the restructuring within the Permanent Recruitment division has resulted in a more appropriately sized infrastructure given the shrinkage in this market.

In addition, the Permanent Recruitment division has been extremely successful in redesigning and repackaging its offerings, drawing on the entire spectrum of divisional offerings coupled with the candidate assessment and job profiling capabilities of Ethoz of which a 60% shareholding was acquired during the year for an amount of R884 000.

The division is now able to offer a total managed staffing solution to its clients, offering them access to the largest candidate database in the country drawing on the resources of the recruitment advertising, internet recruitment and traditional search and selection operations with an ability to couple this to unrivalled, effective candidate to job matching using the Ethoz capability.

The success of this approach is evidenced by the fact that Adcorp has recently been awarded exclusivity in terms of the recruitment needs of a number of large organisations, which is a substantial departure from the historical norm in this industry where exclusivity has been extremely rare.

Internationalising the revenue stream

The group's revenue stream has been traditionally South African based with a few exceptions such as Research Surveys' international royalty stream on the Conversion Model. Management recognises the need to introduce an element of hard currency earnings into the revenue stream.

In addition, there has been a move by a number of Adcorp's clients to internationalise their respective operations requiring the group to be able to service these clients beyond South Africa's borders.

In response to these needs as well as in response to the exciting, immediate opportunities that present themselves for certain of Adcorp's offerings in other parts of the African continent, the group has undertaken a number of initiatives with regards to internationalising the group.

The group has successfully bid for a number of contracts in Africa outside of South Africa. These contracts have so far been predominantly in the areas of training and public relations whilst there is also opportunity for other group offerings in the region.

Typically the nature of the clients serviced in the region have been South African-based clients with operations outside of South Africa as well as public sector clients and aid agencies.

The group has also entered into a formal association with a United Kingdom-based organisation known as Africa Matters, which is chaired by Baroness Lynda Chalker focusing on capacity building in African countries. The association provides the group with unique opportunities and market entrée in Africa

whilst, in terms of the association, Africa Matters has the ability to provide its client base with access to the extensive service offerings of the Adcorp Group.

The Permanent Recruitment division services a number of blue chip clients that have extended their operations into Europe and the United Kingdom in particular. In order to service these clients across the expanse of their operations, the group has found it necessary to have a market presence in the United Kingdom.

To this end, the group has acquired stakes in two niche, European placement agencies, namely Astbury Jones Limited and the Sandton Group Limited for amounts of £420 000 and £500 000 respectively. In addition to enabling the Permanent Recruitment division to better service their South African-based clients that have international operations, these acquisitions also facilitate knowledge exchanges, candidate exchanges and client exchanges.

Brand rationalisation

As a result of the group's aggressive acquisitive strategy of the past, it has been passed a legacy of many brands. Whilst branding is extremely important in the professional services industry and management is of the continued view that retaining underlying operational brands is a preferable strategy to uniform branding across the group, management feels that there is not necessarily equity in all of the group's brands and that it would be prudent to trim the number of brands in the group.

The process of brand rationalisation has begun and will continue at a pace that is comfortably accommodated by market dynamics and cost considerations.

Black economic empowerment

Black economic empowerment and transformation in the workplace is an issue of critical importance to the group's success and one that receives prominence in management deliberations.

A major difficulty the group has experienced in dealing with the empowerment issue, however, is the lack of consistency of application of criteria by clients and potential clients with guidelines for what constitutes an adequately empowered group often being arbitrarily applied. This is obviously aggravated by the absence of an officially sanctioned black economic empowerment policy across the board.

To this extent, the group has had to follow the courage of its convictions in its empowerment initiatives and has adopted a six-tiered approach to uplifting and empowering those from previously disadvantaged communities.

The policy focuses on shareholding, board representation, procurement, affirmative action, capacity building and social investment.

Significant progress has been made in each of these areas with a major initiative under way to introduce representative shareholding into the group. In addition, the board has 36% black and female representation whilst procurement from black suppliers has been prioritised in the group.

The empowerment targets for the workforce set in terms of the Employment Equity Act have been exceeded.

In terms of capacity building, two joint ventures at operational level have been entered into with empowerment partners. Grey Appointments, which is involved in financial recruitment and

contracting, has seen the introduction of Gobodo Corporate Governance Services as a 50% shareholder in the business, which will provide Grey with access to Gobodo Corporate Governance Services' client base while Grey provides Gobodo Corporate Governance Services with additional product offerings and capacity.

Another joint venture was entered into during the year in the Flexible Staffing division being Equitable Solutions, which is majority black owned and focuses on the provision of staff to the call centre industry.

The group's social investment focus is on black women in business and, in this regard, Adcorp has supported various social investment projects directed at assisting disadvantaged black women in the rural areas of the Limpopo province. It is anticipated that certain similar such projects will be rolled out into Gauteng in the short term.

Corporate governance

The board of directors is fully committed and places a strong emphasis on effective corporate governance. Adcorp fully supports the Code of Corporate Practices and Conduct and endorses the need to conduct its business with the highest standards of corporate practice.

During the year, the board of directors was restructured to ensure a more effective and compliant board with the right balance of directors in terms of roles, ethnic and gender diversity, mix of executive to non-executive directors as well as skills diversity.

As a result of these changes, the Audit and Remuneration committees were also reconstituted.

The changes to the board have settled down well and appear to have been well received from both within as well as externally to the organisation.

In addition to the changes to the board, in further promoting good corporate governance within the organisation, the need to appoint a reputable, international auditing firm is deemed appropriate. As such, Deloitte & Touche was appointed as joint auditors to the group during the year.

Divisional highlights PERMANENT RECRUITMENT

Recruitment advertising, albeit a relatively small contributor to the division, had a good year despite a moratorium on recruitment by Government, which is typically a major user of recruitment advertising.

The performance is largely attributed to an extension of service offerings to include a response handling range of services in addition to traditional placement of recruitment advertisements. This has created an important new source of revenue now accounting for approximately 30% of recruitment advertising revenue.

The response handling services have also sparked a renewed interest by clients in the recruitment advertising service with Adcorp achieving real growth in market share in a market that generally declined.

Internet recruitment company, Career Junction, in which Adcorp owns a 25% stake, also had a successful year as use of the Internet as a recruitment medium grew significantly with Career Junction consolidating its position as South Africa's top Internet job site.

Over the past two years, the number of jobs advertised by Career Junction has doubled from

4 000 to 8 000 jobs advertised per month with over 70 000 résumés being hosted on the site. In the same period, page impressions have increased from half a million to 2,3 million page impressions per month.

Certain Adcorp Group recruitment operations are now sourcing in excess of 25% of their candidates off the Internet.

The balance of the search and selection operations of the Permanent Recruitment division which make up the bulk of the division, experienced another tough year particularly in the traditionally high margin financial services and information technology sectors which continued to experience job cutbacks and rationalisation.

Whilst the majority of Adcorp's recruitment operations have tended historically to focus in these now depressed areas of recruitment, by contrast DAV, the largest of Adcorp's recruitment businesses, which has a broader industry and client focus, experienced an outstanding year.

Given the state of traditional markets, the major focus of the division during the past year has been to reposition.

Under-performing companies were restructured which included a move to focus on service offerings in new growth areas such as health care and telecommunications.

As part of the process, the joint venture with Gobodo Corporate Governance Services as well as the acquisition of Ethoz, the company with unique on-line job profiling and candidate filtering tools referred to above, were concluded.

The process was completed during the last quarter of 2002 and showed immediate benefits.

FLEXIBLE STAFFING

The Flexible Staffing division continues to perform well, showing 13,5% operating profit growth over the prior year, which in itself was an outstanding year setting a tough new base.

The value proposition offered by a flexible staffing solution has gravitated well away from traditional contingency placements to a full outsourcing model focused on delivering significant productivity benefits to clients as judged by outputs.

Based on this approach of supplying less strategic labour on a turnkey, fully managed, outsourced basis, the nature of the division's assignments has also gravitated towards creating long-term sustainable partnerships with clients, providing for far more secure, annuity-based revenues.

The basis of billing clients for contracted labour has also evolved towards various forms of productivity gain sharing and output-based revenue models. As such, the division is focused on delivering staffing solutions that substantially improve the productivity of their client base.

Where the Adcorp Group has entered into gain sharing relationships with clients such that billings are related to the achievement of improved productivity, the division has performed particularly well, unlocking significant advantages for clients. This has rendered the flexible staffing option highly attractive in most industries as well as providing for far better margin opportunity for flexible staffing than the traditional "rate per hour" basis of billing.

In terms of contribution to the division's performance, whilst certain sizeable business was

lost in the retail industry, there were off-setting gains in the financial services and telecommunications industries, particularly in the area of providing call centre operators to these industries. Gains were also made in the hospitality industry.

Given the nature of the client base, there are significant pressures on this division regarding black economic empowerment. To this extent, major competition has been experienced from small, black owned contracting businesses that are often favoured on public sector contracts as well as certain private sector projects.

So-called "fronting" by empowerment vehicles of convenience is rife in the industry which has placed pressure on pricing and has also resulted in some key business being lost in certain areas.

In terms of Adcorp's commitment to the achievement of its own empowerment objectives, The group is far down the road in introducing significant black equity participation into this division and has also recently appointed a black managing director to run the operations of Quest Flexible Staffing Solutions, the biggest company in the Adcorp Group.

On the call centre side, the group has also recently entered into a joint venture with an empowerment partner under the brand Equitable Solutions whereby the empowerment partners who are prominent players in the call centre industry offer their industry knowledge, call centre expertise and market entrée whilst Adcorp has the ability to provide back office support and access to a substantial candidate pool.

Another major challenge for the industry is the legislative landscape that continues to evolve.

The industry has the potential to significantly alleviate major socio-political problems in South Africa through job creation. Adcorp's desire to become a more prominent participant in influencing the industry as well as legislation, we believe, could positively influence growing levels of unemployment.

In addition, by focusing on leveraging the existing legislative framework such as the Skills Development Act, the division is able to enhance business outputs of clients as well as the learning aspirations of the workforce.

Operationally, the focus has been on cash management, which is critical in an industry where the funding of client payrolls is often required prior to reimbursement of these payrolls by the client. In this regard, debtors' collections have been much improved and credit terms tightened.

Other key areas of operational focus have been on back office integration and rationalisation as well as using technology as an enabler and as a differentiator.

The division now offers employment to in excess of 18 000 employees at any given time.

EDUCATION AND TRAINING

Following on difficult trading conditions in the prior year, the 2002 financial year proved to be equally difficult with major changes to legislation requiring the formal registration and accreditation of private providers of education and training, which has been a difficult and protracted process.

In addition, the introduction of the Skills Development Act and the Skills Development Levies Act has resulted in a number of organisations allocating their entire training budget to the levy resulting in limited training taking place as initial refunds in

respect of these levies have been focused on facilitating the skills process rather than on the delivery of skills training.

Given these pressures, the division undertook a major restructure and reorganisation during the year to better position itself for the future. This included significantly reducing financial risk through cost reductions and a focus on new markets for revenue generation.

To this end, the retail training operations of Boston City Campus and Business College were disposed of along with the operations of Ambassador Training, Atcor and The Academy of Financial Markets.

In addition, the operations of Devtrain were closed whilst major restructuring took place in Production Management Institute (PMI), Morgan University Alliance, and the Training and Education division head office. Morgan University Alliance has been renamed Warwick Institute.

A number of these operations have contributed to a significant cash drain on the resources of the group over the past year, which has now been stemmed. In addition, Boston City Campus, being predominantly focused in the retail training market, has fallen outside of the group's strategy of focusing exclusively on the business-to-business or corporate market.

As a result of this restructuring, the overall headcount in the Education and Training division has been reduced from 351 employees at the end of 2001 to the current level of 53 permanent employees. The new business model follows an outsourced approach to reduce risk whilst maintaining the capacity to deliver on large projects.

These disposals, closures and restructures will result in the division now being totally focused on

the corporate market with far lower overheads, limited infrastructure and cash generative operations.

The division now has four distinct business units each positioned for different market segments namely Warwick Institute, PMI, Knovation Consulting and Specialised Solutions focusing on the Africa initiatives.

In repositioning the division, a strong focus has been placed on winning business in Africa with much success.

This market is seen to be attractive given the significant economic growth that is being achieved in certain of these African countries, the huge need for skills development on the continent, the move by a number of existing South African and international clients into African countries, the vast number of donor funded projects on the continent as well as the relatively high margin, hard currency nature of many of these projects.

Given the clear strategic focus of the division, the right sizing of its infrastructure, the good pipeline of secured business as well as its focus on potentially lucrative new markets, 2003 should be a far better year for the Education and Training division.

CORPORATE COMMUNICATIONS

The Corporate Communications division reported a good year with earnings for this division increasing by some 22,3%.

This was largely due to a sound performance by public relations company Simeka TWS, as well as a marked improvement in the performance of financial communications company Graphicor, compared to the prior year.

Simeka TWS continued to entrench its position of leadership in the public relations industry and, despite a difficult year in a difficult market, was able to tap into a steady flow of local and international business and to secure work in both West and East Africa as well as growing its client base in the southern African region.

The trends of shifting spend from traditional "above the line" to targeted "below the line" marketing has also been a contributing factor in its performance.

Simeka TWS has also continued to make good progress in terms of black economic empowerment and transformation, which is a critical success ingredient for this business.

Whilst the financial communications market continued to be depressed with the number of companies listed on the JSE Securities Exchange shrinking from a high of more than 700 listed companies during the listings boom to its current level of 474, Graphicor's superior creativity and its proven excellence in web design, enabled it to produce a sound performance on the back of some sizeable market share gains.

Black economic empowerment and transformation is also a major challenge for this business given the growing public sector profile of its client base.

Information technology communications company PR Connections continued to feel the fallout of a weak market and had a difficult year although the business is a relatively small contributor to the overall division. There is, however, a sense that the information technology industry is starting to consolidate with public relations budgets being reinstated on a small scale.

MARKETING RESEARCH

Despite the tough trading conditions experienced in the 2002 financial year, Research Surveys once again continued to provide excellent profit performance producing year-on-year profit growth of 18,5%.

The division initiated an “organisational renewal” programme during the prior year focusing on positioning Research Surveys as being a people-centred business where people continually question the status quo and grow through a process of “learning while doing”. In so doing, the business is better equipped to offer value-based solutions to its clients.

In addition to better enabling the business in numerous ways, the organisational renewal programme has significantly differentiated Research Surveys in the market.

The process of organisational renewal is an evolutionary one and, as such, Research Surveys continuously strives to provide unique offerings that are difficult for competitors to match.

Research Surveys’ joint venture with United Kingdom-based Taylor Nelson Sofres, the Customer Equity Company (CEC) in which Research Surveys has an interest, has continued to perform well and is a significant contributor to divisional profit. The joint venture exploits one of Research Surveys’ leading products internationally, namely the Conversion Model.

The relationship with Taylor Nelson Sofres has extended in scope to the extent that Research Surveys now offer certain of their products in South Africa under licence.

One such product is NeedScope, which has been launched in South Africa by Research Surveys and has proved to be a great success in its first full year since launch.

RISE, the company’s socio-economic unit, shows tremendous potential whilst Webchek, the specialist Internet and information and communication technology division of Research Surveys, continues to dominate this sector of the market.

Research Surveys launched two important models during the year, namely the Well-Being Model that measures the broader concept of well-being and the Market Sentiment Index (MSI) that was developed to help understand people’s sentiment towards the economy and their perception of how this will impact on their future well-being. The index uses internationally accepted measures as well as measures uniquely suited to a developing economy.

Research Surveys constantly strives for innovation and is at the leading edge in terms of “research into research”.

Human resources

The group views the management of its human resources as strategically important to its success. As such, a central human resources role has been created with a view to implementing sustainable human resource management processes across the group with particular emphasis in the following key areas:

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

Requisite documentation in compliance with the Employment Equity Act as well as the Skills Development Act and the Skills Development Levies Act has been submitted to the relevant authorities. During the year, the group contributed in excess of R7,0 million in skills development levies.

An HIV/AIDS Business Impact Study is being undertaken to assess the potential impact the HIV/AIDS pandemic could have on the group. This study has yet to be completed but, once the findings have been tabled, management will be in a position to assess a suitable response.

Chairman's awards

In recognition of the key role that people play in the successes of the Adcorp Group, a new basis of recognising excellent individual and group company performance was instituted during the year in the form of the "Chairman's awards".

The awards focus in those areas deemed critical to the success of the group and are awarded in the following categories:

INDIVIDUALS	GROUP COMPANIES
Customer service	Cash management
Team player	Biggest profit contribution
Cash management	Year-on-year profit growth
Administration	Black economic empowerment

The first chairman's awards were made in October 2002 and attracted much interest from within the group with over 150 nominations having been received in the various categories.

It is hoped that these awards will continue to focus the energies within the group on those areas deemed critical to its future success.

The year ahead

Given the refocus of the group, the restructuring, reorganisation and resultant positioning for the future, management is determined that 2003 will see a significant improvement in performance.

The emphasis continues to be on growing the business both locally and in new markets with a particular emphasis on the African continent, cash management, black economic empowerment, simplifying the business, sound corporate governance and delivering outstanding service to our clients.

Whilst management believes that the majority of the restructuring required to reposition the group correctly for the future has been done, it will remain vigilant in identifying any need to adjust to changing market conditions.

Appreciation

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



Dr F van Zyl Slabbert
Chairman



Richard Pike
Chief Executive Officer

BOARD OF DIRECTORS



Dr van Zyl Slabbert (62)

Chairman

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



Shepherd Shonhiwa (49)

Deputy Chairman

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



Richard Pike (41)

Chief Executive Officer

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



Vicky Baker (52)

Group Communications Director

Executive Director
BA (Hons)
Appointed 9 September 2002



Faunce Burd (55)

Group Financial Director

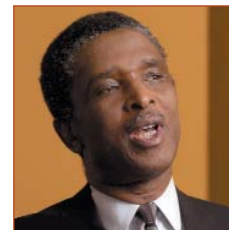
Executive Director
Appointed 9 September 2002



Henry Barenblatt (53)

Head of Research

Non-Executive Director – Connected
Appointed 9 September 2002



Matodzi Liphosa (58)

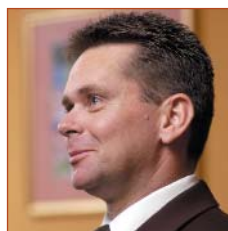
Group Human Resources Director

Executive Director
Appointed 9 September 2002

Rob McGregor (57)

Head of Permanent Recruitment

Non-Executive Director – Connected
Appointed 9 September 2002



Nelis Swart (40)

Head of Flexible Staffing

Non-Executive Director – Connected
MCom
Appointed 9 September 2002



Faith Khanyile (36)

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



Sonja Sebotsa (31)

Non-Executive Director – Independent

LLB Hons (LSE), MA, SFA
Appointed 9 September 2002

MANAGEMENT COMMITTEE

FRONT ROW:

Alec Rubinstein, Matodzi Liphosa, Vicky Baker,
Rob McGregor, Faunce Burd, Roy Marcus

BACK ROW:

Dr van Zyl Slabbert, Nelis Swart, Neil Lilford, Henry Barenblatt, Richard Pike



SIX-YEAR REVIEW

	2002	2001	2000	1999	1998	1997
INCOME STATEMENT						
Turnover (R'000)	1 523 381	1 211 287	963 443	685 460	542 616	353 603
Operating profit (R'000)	61 549	73 968	93 364	65 981	50 434	29 305
Pre-tax (loss)/profit (R'000)	(18 309)	76 328	99 228	74 597	49 641	23 381
Tax rate (%)	–	30,6	27,1	28,4	37,5	34,0
Attributable (loss)/profit (R'000)	(37 302)	51 689	72 314	52 831	30 950	14 727
BALANCE SHEET						
Fixed and other non-current assets (R'000)	173 339	208 930	201 137	70 064	281 430	163 139
Current assets (R'000)	264 296	258 893	178 409	206 545	171 610	78 912
Total assets (R'000)	437 635	467 823	379 546	276 609	453 040	242 051
Shareholders' interest (R'000)	224 676	270 535	234 856	94 883	331 573	166 352
Minority shareholders' interest (R'000)	394	1 281	–	134	326	538
Non-current interest-bearing liabilities (R'000)	1 002	1 137	1 810	10 953	38 267	24 374
Deferred taxation (R'000)	–	–	3 362	192	304	379
Current liabilities (R'000)	211 563	194 870	139 518	170 447	82 570	50 408
Total equity and liabilities (R'000)	437 635	467 823	379 546	276 609	453 040	242 051
PROFITABILITY						
Return on net assets managed (%)	22	28	71	42	21	20
Return on equity (%)	(15,1)	19,8	42,5	24,5	12,3	12,9
Operating margin (%)	4,0	6,1	9,7	9,6	9,3	8,3
EBITDA/turnover (%)	5,4	8,0	11,7	10,8	10,4	9,5
Number of employees	1 394	1 649	1 628	1 082	1 002	693
LIQUIDITY						
Cash generated by trading activities to operating profit (%)	102	96	83	90	141	46
Current ratio	1,2	1,3	1,3	1,2	2,1	1,6
Gearing (%)	23	4	0	10	11	19
Debtors' days	44	49	55	n/avail	n/avail	n/avail

	2002	2001	2000	1999	1998	1997
STATISTICS						
Weighted average number of shares in issue (R'000)	40 200	40 481	39 338	34 633	30 412	23 365
Headline earnings per share (cents)	110	140	192	151	102	63
(Loss)/earnings per share (cents)	(93)	128	184	153	102	63
Capital distribution/annual dividend per share (cents)	37	28	28	23	16	11
Capital distribution (times) based on HEPS	3,0	–	–	–	–	–
Dividend cover (times) based on EPS	–	4,6	6,6	6,6	6,4	5,7
Net asset value per share (cents)	558	674	596	272	1 021*	712*

*Note: Before write-off of goodwill.

DEFINITIONS

Cash generated by trading activities as a percentage of operating profit

Cash generated by operations excluding investment income as a percentage of operating profit.

Current ratio

Total current assets divided by total current liabilities.

Dividend cover

Profit attributable to shareholders divided by the annual dividend.

EBITDA/turnover

Earnings before interest, taxation, depreciation and amortisation as a percentage of turnover.

Earnings per share

Profit attributable to shareholders, divided by the weighted average number of shares in issue.

Gearing

Total interest-bearing debt less cash resources divided by total shareholders' interest.

Net asset value per share

Ordinary shareholders' interest, divided by the number of shares in issue at the year-end.

Operating margin

Operating profit (from year 2000 the operating profit has been reduced by the amortisation of goodwill) divided by turnover.

Return on net assets managed

Operating profit, divided by average total assets less cash and non-interest-bearing debt.

Return on equity

Profit attributable to shareholders, divided by average equity of shareholders.

Total assets

Total of fixed and other non-current assets including intellectual property, trademarks, goodwill and investments and current assets.

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 most of 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 page 22 of the annual report consists of four executive directors and seven non-executive directors of whom four are independent and three connected. The non-executive directors provide the board with independent judgement based on their significant range of skills and commercial experience. Four board members are black and four are women. The functions of chairman and CEO are not performed by the same person.

All new directors are given a presentation on the group's strategy as well as a document outlining the duties and liabilities 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. Restraint agreements have been signed and all executive and non-executive connected directors hold either shares or share options or both.

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.

Financial control

Divisional directors meet formally on a regular basis with all operating divisions to review financial, operational and other issues.

Board meetings

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

1st quarter: None

2nd quarter: Dr DE Baloyi
Dr van Zyl Slabbert
Dr P Ngwenya

3rd quarter: VC Baker
M Lekota
R Marcus
S Shonhiwa

4th quarter: VC Baker

Audit committee

Non-executive

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

Executive

FD Burd (Group Financial Director)	Appointed 9 September 2002
D Rademaker (Group Manager: Internal Audit)	Appointed 10 April 2000

The committee is chaired by a non-executive director and meets at least four times a 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 issues, the following:

- Evaluation of critical risk areas and managements' plan to address these.
- 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 plans.

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

The internal auditor reports to the audit committee. It is intended to employ an additional person to the post of internal auditor with effect from early in 2003. 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.

Remuneration committee

Non-executive

S Shonhiwa (Chairman) Appointed 2 October 2002

Dr F van Zyl Slabbert Appointed 20 November 1995

Executive

FD Burd (ex officio)

RL Pike (ex officio)

The remuneration committee is responsible for approving the remuneration of executive directors.

Independent external consultants and comparisons are used to ensure that remuneration is market related and is linked to both individual and company performance.

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 auditor conducts ongoing audits on all group companies and written reports are compiled. All items raised in these reports are addressed promptly. 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 have a reasonable expectation that the group has sufficient resources to continue operating for the foreseeable future. As a result, the financial statements have been prepared on a going concern basis.

Social investment

Adcorp established the Adcorp Social Investment Programme (ASIP) in January 2001. This programme is initially aimed at helping rural historically disadvantaged women. During the year, ASIP continued with the training and support of a small chicken farming venture, a pottery making

CORPORATE GOVERNANCE – CONTINUED

establishment as well as vegetable growing and irrigation projects in the Limpopo province. Activities have now been extended to Gauteng, where a greenhouse vegetable project is being established.

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.

Adcorp is committed to educating and supporting employees in the fight against AIDS and has produced a booklet and posters on HIV awareness.

Adcorp is concerned about employee safety and while employees mainly work in an office environment, every precaution is taken for their safety. Capacity, which is involved in the contracting of "blue collar" workers, has appointed a National Health and Safety Manager in this regard.

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 financial statements are prepared in accordance with generally accepted accounting standards and with the consistent use of appropriate accounting policies supported by reasonable and prudent judgement.

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.

Closed trading period

Directors and 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.

SHAREHOLDING ANALYSIS

Number of shares	Number of shareholders	Number of shares	% shares
1 – 1 000	832	265 605	0,7
1 001 – 10 000	278	939 523	2,3
10 001 – 100 000	101	3 991 629	9,9
100 001 – 1 000 000	50	14 049 290	34,9
1 000 000 and above	12	21 048 330	52,2
Total	1 273	40 294 377	100,0

Category	Number of shareholders	Number of shares	% shares
Directors of Adcorp Holdings Limited and subsidiaries	26	1 441 042	3,6
Associates of above directors	3	367 264	0,9
Staff	31	40 513	0,1
Trustees – Adcorp Previously Disadvantaged Share Scheme	2	264 552	0,7
Other shareholders	1 211	38 181 006	94,7
Total	1 273	40 294 377	100,0

Shareholders above 5%	Number of shares	% shares
Fund manager holdings		
– Old Mutual Group	9 322 563	23,2
– Allan Gray	9 312 010	23,1
– Coronation Group	5 825 045	14,4
Total	24 459 618	60,7

SHAREHOLDERS' DIARY

Financial year-end	31 December
Annual general meeting	Wednesday, 18 June 2003

CAPITAL DISTRIBUTION

Declaration date – 1st announcement on SENS	Friday, 20 June 2003
Finalisation date – 2nd announcement on SENS	Friday, 27 June 2003
Last day to trade “cum” the capital distribution	Friday, 4 July 2003
Trading to commence “ex” the capital distribution	Monday, 7 July 2003
Capital distribution record date	Friday, 11 July 2003
Capital distribution payment date	Monday, 14 July 2003

REPORTS

– Interim	August
– Reviewed annual financial results	March
– Audited annual financial statements	May

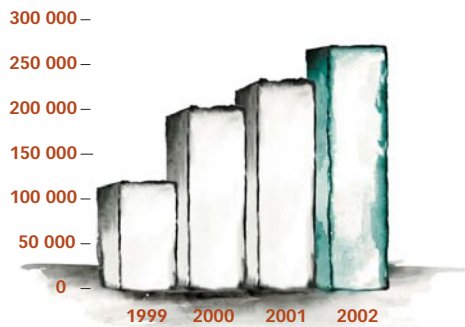
VALUE ADDED STATEMENT

Value added is a measure of the wealth the group has been able to create. The following statement shows how this wealth has been distributed.

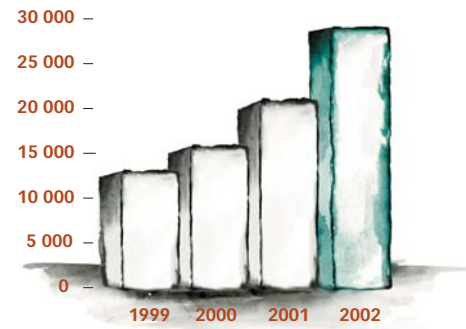
	2002 R'000	%	2001 R'000	%
Turnover	1 523 381		1 218 284	
Less: Net cost of products and services	(991 800)		(736 322)	
	531 581		481 962	
Add: Income from investments	12 543		6 348	
Less: Capital losses	(74 706)		-	
Value added	469 418		488 310	
Distributed as follows:				
Employees				
– Salaries, wages and other benefits	276 713	59,0	230 542	47,2
Providers of capital	29 027	6,2	21 115	4,3
– Interest on borrowings	17 794	3,8	9 882	2,0
– Dividends to ordinary shareholders	11 233	2,4	11 233	2,3
Government				
– Taxation (see note)	180 864	38,5	158 120	32,4
Retained in the group	(17 186)	(3,7)	78 533	16,1
– Goodwill amortised	5 159	1,1	6 997	1,4
– To provide for replacement of assets	14 966	3,2	19 847	4,1
– To provide for expansion	37 395	8,0	51 689	10,6
– Capital losses	(74 706)	(16,0)	-	-
	469 418	100,0	488 310	100,0
	2002 R'000		2001 R'000	
Summary of taxes				
Central and local government				
– Taxation	18 803		23 358	
– Regional Services Council levies	4 699		3 837	
– Rates and taxes paid to local authorities	787		626	
– VAT – Net amount paid	149 504		124 183	
– Skills development levy	7 071		6 116	
	180 864		158 120	

	2002 R'000	2001 R'000	2000 R'000	1999 R'000	1998 R'000
Trend of value added					
Employees (excludes flexible staffing direct salaries)	276 713	230 542	201 792	116 329	73 300
Providers of capital	29 027	21 115	15 797	12 997	11 385
Government	180 864	158 120	110 659	77 273	67 186
Retained in the group	(17 186)	78 533	91 715	60 687	37 097
	469 418	488 310	419 963	267 286	188 968

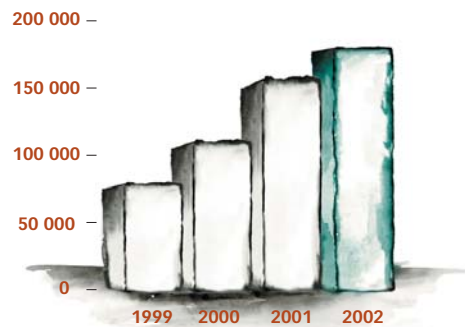
Employees R'000



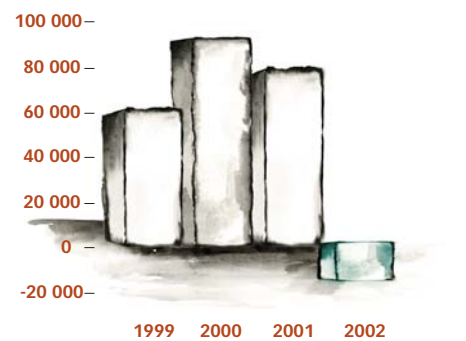
Providers of capital R'000



Government R'000

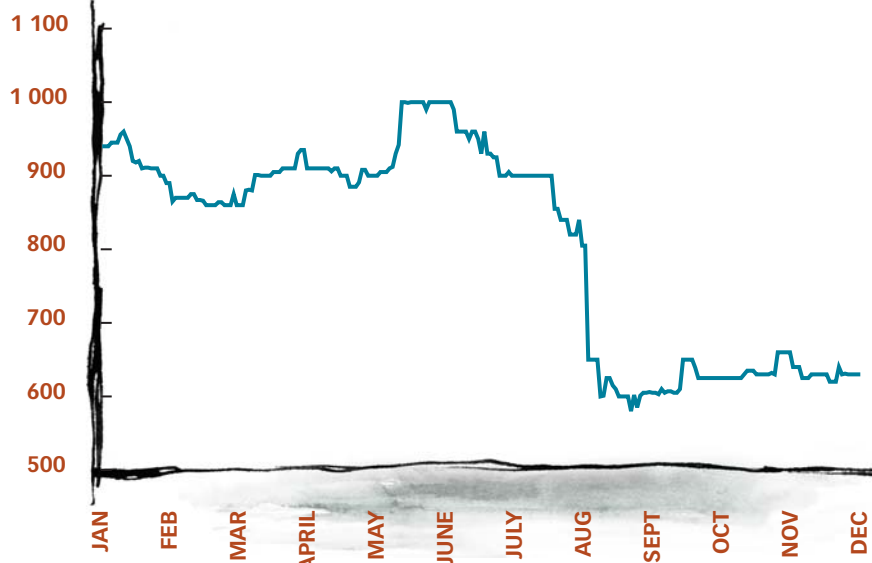


Retained in the group R'000

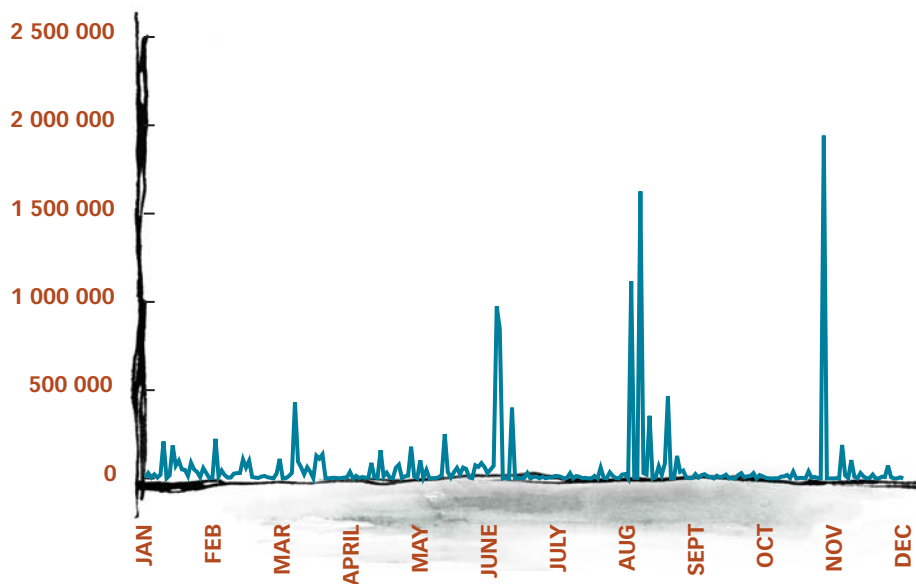


ADCORP SHARE DATA

Daily closing price



Daily volume traded



	2002	2001
Closing price of Adcorp Holdings (at 31 December) (cents)	630	935
Total number of shares traded	14 485 136	21 663 749
Total value of shares traded (rands)	115 056 300	265 911 000
Price of shares traded – highest (cents)	1 000	1 600
Price of shares traded – lowest (cents)	580	930
Total number of Adcorp transactions recorded on the JSE	1 230	4 412
Total value of shares traded as a % of total shares issued (%)	34,0	53,4

Approval of the annual financial statements

TO THE MEMBERS OF ADCORP HOLDINGS LIMITED

The directors of the company are responsible for the preparation 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 South African Statements of Generally Accepted Accounting Practice and incorporate full and reasonable disclosure in line with the accounting policies of the group.

The annual financial statements set out on pages 35 to 57 were approved by the board of directors on 10 April 2003 and are signed on its behalf by:



RL Pike
Chief Executive Officer



FD Burd
Group Financial Director

Johannesburg
10 April 2003

Certification by company secretary

The company secretary certifies, in accordance with section 268G(d) of the Companies Act, 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.



Merle Millar
Company secretary

Appointed 1 May 1999

Johannesburg
10 April 2003

Report of the independent auditors

TO THE MEMBERS OF ADCORP HOLDINGS LIMITED

We have audited the annual financial statements and group annual financial statements set out on pages 35 to 57 for the year ended 31 December 2002. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

SCOPE

We conducted our audit in accordance with Statements of South African Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance that 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;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

AUDIT OPINION

In our opinion these financial statements fairly present, in all material respects, the financial position of the company and the group at 31 December 2002 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa.



Deloitte & Touche

Chartered Accountants (SA)

Registered Accountants and Auditors



Charter Financial & Auditing Incorporated

Chartered Accountants (SA)

Registered Accountants and Auditors

Johannesburg

10 April 2003

Directors' report

The directors have pleasure in submitting their report and financial statements for the year ended 31 December 2002.

NATURE OF BUSINESS

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

OVERVIEW

Following a difficult 2001, the 2002 financial year continued to be a difficult one for the group and was characterised by a need to reposition the group for the future, necessitating significant restructuring and rationalisation in those divisions experiencing difficulty and depressed trading conditions.

Hardest hit were the Education and Training and Permanent Recruitment divisions, which experienced a continuation and worsening of the poor trading conditions that were experienced in the second half of the prior year.

The Flexible Staffing division continued its good run whilst the Corporate Communications and Marketing Research divisions also produced strong performances.

Headline earnings per share of 110 cents (2001: 140 cents) were 21% below those achieved in the prior year. This decline in earnings is largely the result of the tough trading conditions referred to in the Education and Training and Permanent Recruitment divisions as well as significant restructuring and retrenchment costs amounting to R9,3 million, incurred in repositioning these divisions.

The group has placed a strong emphasis on cash management during the past year. Being a low capital intensity, service related business, the major asset the group funds is its debtors' book. As such, the cash management emphasis is on debtors' management.

To this extent, the group has been successful in reducing its outstanding debtors' days from 49 days in 2001 to 44 days in the current year. In addition, one of the other key cash management measures, cash generated by trading activities to operating profit, showed that the group converted 102% of its operating profit into cash versus 97% in the prior year.

This better performance in terms of cash management has enabled the board of directors to recommend a capital distribution of 37 cents per share.

It is anticipated that this improved level of distribution will continue into the future.

In terms of management's strong focus and commitment to profitability, cash generation and strategic fit, the group has undertaken a number of restructures, disposals and closures during the year. These actions, whilst having a significant impact on profitability in the year under review by way of the write-off of goodwill, investments, inter-company loans, retrenchment costs and other related restructuring and closure costs, will position the group exceptionally well for the future. All cash consuming, non-profitable or non-core businesses within the group have now been fixed, closed or disposed of.

During the year, the group disposed of Boston City Campus and Business College, Atcor, Ambassador Training, The Academy of Financial Markets and Equal Access. In addition, the operations of Devtrain were closed and the minority shareholding in Ikhwezi was acquired. Significant restructuring took place in the Education and Training division as well as the Permanent Recruitment division.

As a result of these activities, the group incurred goodwill, investment and loan write-offs of R74,7 million and incurred restructuring costs of R9,3 million.

These actions have resulted in the Education and Training division now being totally focused on the business-to-business market with lower overheads, limited infrastructure and cash generative operations whilst the restructuring within the Permanent Recruitment division has resulted in a more appropriately sized infrastructure given the shrinkage in this market.

In addition, the Permanent Recruitment division has been extremely successful in redesigning and repackaging its offerings, drawing on the entire spectrum of divisional offerings coupled with the candidate assessment and job profiling capabilities of Ethoz of which a 60% shareholding was acquired during the year for an amount of R884 000.

The group also acquired stakes in two niche, European placement agencies, namely Astbury Jones Limited and the Sandton Group Limited for amounts of £420 000 and £500 000 respectively. In addition to enabling the Permanent Recruitment division to better service their South African-based clients that have international operations, these acquisitions also facilitate knowledge, candidate and client exchanges.

Directors' report *continued*

FINANCIAL RESULTS

This disposal of the businesses referred to above resulted in a loss of R37,3 million for the 2002 year of which R74,7 million can be directly attributed to the disposals. If the disposal losses are excluded, continuing businesses recorded a pre tax profit of R57,1 million compared with R76,3 million for the previous year. The lower profit is attributable to the extremely difficult trading conditions experienced in 2002 as well as the R9,3 million cost of downsizing and simplifying the group during the year. Losses in the Education and Training division together with the poor results posted by Permanent Recruitment impacted the operating profit negatively and contributed to the drop in margin percentage from 6,1% in the prior year to 4% in the 2002 year.

Cash of R81,6 million was generated during the year of which R19 million was required to fund increased working capital requirements. The R44,9 million utilised for investment activities includes approximately R15 million for the purchase of the London recruitment businesses which will not recur. The above factors position the group well to generate good cash flows during 2003.

SHARE CAPITAL

Details of the authorised and issued share capital appear in note 10 on page 50 of the financial statements. The following changes took place during the year:

	Number 000's	R'000
Opening balance 1 January 2002	40 117	1 059
- In final settlement of the acquisition of 50% of Equal Access (Pty) Limited 117 872 shares at 2,5 cents	118	3
- Employee share scheme (ordinary shares created) 59 534 shares at 2,5 cents	59	2
Closing balance 31 December 2002	40 294	1 064

SHARE PREMIUM

As a result of the addition to share capital, share premium increased as follows:

	R000's
Opening balance 1 January 2002	105 230
- In final settlement of the acquisition of 50,1% of Equal Access (Pty) Limited 117 872 shares at 1 282,87 cents	1 512
- Employee combined option/deferred sale scheme (ordinary shares created) 59 534 shares priced as follows:	
2 334 shares at a premium of 132,5 cents	3
57 200 shares at a premium of 322,5 cents	185
Closing balance 31 December 2002	106 930

CAPITAL DISTRIBUTION

The directors have proposed a capital distribution of 37 cents per share subject to shareholder approval. This represents a cover of 3,0 times based on headline earnings (2002: dividend cover 4,6 times based on earnings). The last day to trade "cum" the capital distribution will be Friday, 4 July 2003. Adcorp shares will commence trading "ex" the capital distribution from the commencement of business on Monday, 7 July 2003 and the record date for such distribution will be Friday, 11 July 2003. Payment in respect of the capital distribution will be made to Adcorp shareholders on Monday, 14 July 2003.

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 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 optioned deferred sale 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 2002 is 6 044 156.

Options to purchase deferred sale shares have been exercised on 3 116 359 shares as at 31 December 2002. The earliest dates at which these options can be paid for and then created are as follows:

2003	2 277 420
2004	732 603
2005	49 164
2006	57 172
<hr/>	
Total	3 116 359

With the exception of 34 800, all share options are priced at 800 cents and above.

SUBSIDIARIES AND ASSOCIATES

Details of the company's material operating subsidiaries and associates are set out in Annexure A on page 56.

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

	2002	2001
	R'000	R'000
Total profit after taxation	52 909	60 847
Total losses after taxation	(16 802)	(10 924)
Total losses after taxation from disposed operations	(75 074)	–
<hr/>		
	(38 967)	49 923

ADCORP PREVIOUSLY DISADVANTAGED INDIVIDUAL SHARE SCHEME

The above trust owns 264 552 Adcorp shares of which 100 552 shares were unallocated as at 31 December 2002 as a result of employees leaving the group. These will be re-allocated during 2003.

DIRECTORATE AND SECRETARY

The names of the directorate and company secretary are set out on pages 22 and 33 respectively. Changes to the directorate are set out in note 29.

FD Burd

Group Financial Director

10 April 2003

Balance sheets

as at 31 December 2002

	Notes	Group		Company	
		2002 R'000	2001 R'000	2002 R'000	2001 R'000
ASSETS					
Fixed and other non-current assets					
		173 139	208 930	122 844	177 864
Property and equipment	2	40 432	58 874	681	855
Intangibles	3	88 968	130 323	–	–
Investment in subsidiaries	4	–	–	101 397	170 881
Investment in associates	5	20 199	3 837	16 438	1 528
Other financial assets	6	2 109	2 381	4 328	4 600
Deferred taxation	7	21 431	13 515	–	–
Current assets					
		264 496	258 893	156 163	103 394
Amounts due by subsidiary companies	8	–	–	142 078	99 562
Trade and other receivables	9	200 216	191 632	13 363	3 832
Vendors for sale of business		5 884	–	–	–
Cash resources		54 523	63 979	1	–
Taxation prepaid		3 873	3 282	721	–
Total assets					
		437 635	467 823	279 007	281 258
EQUITY AND LIABILITIES					
Capital and reserves					
		224 676	270 535	167 495	196 718
Share capital	10	1 064	1 059	1 064	1 059
Share premium	11	106 930	105 230	106 930	105 230
Cost price of shares held by subsidiary	12	(31 316)	(31 316)	–	–
Non-distributable reserves		971	–	3 255	–
Accumulated profit		147 027	195 562	56 246	90 429
Minority shareholders' interest					
		394	1 281	–	–
Non-current liabilities					
Non-current interest-bearing liabilities	13	1 002	1 137	–	–
Current liabilities					
		211 563	194 870	111 512	84 540
Cash due to vendors	14	–	1 885	–	1 885
Current non-interest-bearing liabilities	15	76 803	89 355	10 768	11 305
Provisions	16	25 038	12 184	–	–
Bank overdraft		104 173	75 497	100 744	70 675
Taxation		5 549	15 949	–	675
Total equity and liabilities					
		437 635	467 823	279 007	281 258

Income statements – Continuing operations

for the year ended 31 December 2002

	Notes	Group		Company	
		2002 R'000	2001 R'000	2002 R'000	2001 R'000
TURNOVER	1.7	1 463 504	1 211 287	23	34
Cost of sales	1.9	(1 001 438)	(747 517)	–	–
Gross profit		462 066	463 770	23	34
Other income		28 810	38 997	17 963	16 282
OPERATING EXPENSES		(428 498)	(428 799)	(16 687)	(12 869)
Administrative expenses		(174 291)	(163 222)	(8 797)	(6 811)
Marketing and selling		(205 155)	(203 966)	(6 930)	(3 119)
Other operating expenses		(49 052)	(61 611)	(960)	(2 939)
OPERATING PROFIT FROM OPERATIONS		62 378	73 968	1 299	3 447
Interest received		12 141	8 556	6 348	5 161
Interest paid		(17 533)	(9 882)	(8 162)	(2 769)
Dividends received			–	33 240	41 676
Share of profits from associates		1 665	1 766	–	–
Profit on investment			1 526	–	–
Impairment of investment property and share trust		(1 483)	–	(272)	–
(Loss)/profit on sale of property and equipment		(83)	394	–	4
Profit before taxation		57 085	76 328	32 453	47 519
Taxation		(19 313)	(23 358)	(1 404)	(1 394)
Profit after taxation		37 772	52 970	31 049	46 612
Minority shareholders' share of profits		–	(1 281)	–	–
Profit attributable to ordinary shareholders		37 772	51 689	31 049	46 125

Income statements – Discontinued operations

for the year ended 31 December 2002

	Notes	Group		Company	
		2002 R'000	2001 R'000	2002 R'000	2001 R'000
TURNOVER	1.7	59 877	–	–	–
Cost of sales	1.9	(23 718)	–	–	–
Gross profit		36 159	–	–	–
OPERATING EXPENSES		(36 988)	–	–	–
Administrative expenses		(20 702)	–	–	–
Marketing and selling		(10 157)	–	–	–
Other operating expenses		(6 129)	–	–	–
OPERATING LOSS FROM OPERATIONS		(829)	–	–	–
Interest received		402	–	–	–
Interest paid		(261)	–	–	–
Loss on disposal of operations and subsidiaries		(74 706)	–	(53 999)	–
Loss before taxation		(75 394)	–	(53 999)	–
Taxation		510	–	–	–
Loss after taxation		(74 884)	–	(53 999)	–
Minority shareholders' share of profits		(190)	–	–	–
Loss attributable to ordinary shareholders		(75 074)	–	(53 999)	–

Income statements – Total operations

for the year ended 31 December 2002

	Notes	Group		Company	
		2002 R'000	2001 R'000	2002 R'000	2001 R'000
TURNOVER	1.7	1 523 381	1 211 287	23	34
Cost of sales	1.9	(1 025 156)	(747 517)	–	–
Gross profit		498 225	463 770	23	34
Other income		28 810	38 997	17 963	16 282
OPERATING EXPENSES		(465 486)	(428 799)	(16 687)	(12 869)
Administrative expenses		(194 993)	(163 222)	(8 797)	(6 811)
Marketing and selling		(215 312)	(203 966)	(6 930)	(3 119)
Other operating expenses		(55 181)	(61 611)	(960)	(2 939)
OPERATING PROFIT FROM OPERATIONS	17	61 549	73 968	1 299	3 447
Interest received		12 543	8 556	6 348	5 161
Interest paid		(17 794)	(9 882)	(8 162)	(2 769)
Dividends received		–	–	33 240	41 676
Share of profits from associates		1 665	1 766	–	–
Profit on investment		–	1 526	–	–
Impairment of investment property and share trust		(1 483)	–	(272)	–
(Loss)/profit on sale of property and equipment		(83)	394	–	4
(Loss)/profit on disposal of operations and subsidiaries		(74 706)	–	(53 999)	–
(Loss)/profit before taxation		(18 309)	76 328	(21 546)	47 519
Taxation	18	(18 803)	(23 358)	(1 404)	(1 394)
(Loss)/profit after taxation		(37 112)	52 970	(22 950)	46 125
Minority shareholders' share of profits	19	(190)	(1 281)	–	–
(Loss)/profit attributable to ordinary shareholders		(37 302)	51 689	(22 950)	46 125
Headline earnings per share (cents)	20	110	140		
Loss per share (cents)	20	(93)	128		
Diluted (loss)/earnings per share (cents)		(93)	128		
Dividends per share (cents)		28	28		
Capital distribution per share (cents)	20	37	–		

Statement of changes in equity

for the year ended 31 December 2002

	Share capital R'000	Share premium R'000	Treasury shares	Non-distributable reserves R'000	Accumulated profit R'000	Total
GROUP						
Balance as at 31 December 2000	1 035	97 244	(14 183)	–	143 873	227 969
– As previously reported	–	–	–	–	152 661	–
– Change of accounting policies	–	–	–	–	(8 788)	–
Share capital	24	–	–	–	–	24
Share premium	–	7 986	–	–	–	7 986
Net profit for the year per income statement	–	–	–	–	51 689	51 689
Cost price of shares purchased by subsidiary	–	–	(17 133)	–	–	(17 133)
Balance as at 31 December 2001	1 059	105 230	(31 316)	–	195 562	270 535
Share capital	5	–	–	–	–	5
Share premium	–	1 700	–	–	–	1 700
Dividend paid	–	–	–	–	(11 233)	(11 233)
Net (loss) for the year per income statement	–	–	–	–	(37 302)	(37 302)
Non-distributable reserves	–	–	–	971	–	971
Balance as at 31 December 2002	1 064	106 930	(31 316)	971	147 027	224 676
COMPANY						
Balance as at 31 December 2000	1 035	97 244	–	–	44 304	142 583
– As previously reported	–	–	–	–	44 387	–
– Change of accounting policies	–	–	–	–	(83)	–
Share capital issued	24	–	–	–	–	24
Share premium	–	7 986	–	–	–	7 986
Net profit for the year	–	–	–	–	46 125	46 125
Balance as at 31 December 2001	1 059	105 230	–	–	90 429	196 718
Share capital issued	5	–	–	–	–	5
Share premium	–	1 700	–	–	–	1 700
Non-distributable reserves	–	–	–	3 255	–	3 255
Net (loss) for the year per income statement	–	–	–	–	(22 950)	(22 950)
Dividend paid	–	–	–	–	(11 233)	(11 233)
Balance as at 31 December 2002	1 064	106 930	–	3 255	56 246	167 495

Segment report

for the year ended 31 December 2002

	Turnover		Operating profit		Operating profit		Profit contribution to the group		Net asset value	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000	2002 %	2001 %	2002 %	2001 %	2002 R'000	2001 R'000
Central costs	1 568	–	(12 161)	(3 510)	–	–	(19,7)	(4,8)	127 498	162 426
Permanent Recruitment	199 937	149 886	3 954	18 510	2,0	12,3	6,4	25,0	12 781	7 657
Flexible Staffing	1 008 088	746 450	54 719	48 191	5,4	6,5	88,9	65,2	84 451	86 125
Education and Training	81 122	104 871	(10 718)	(10 585)	(13,2)	(10,1)	(17,4)	(14,3)	(28 864)	(7 934)
Corporate										
Communications	156 016	144 340	13 868	11 335	8,9	7,9	22,5	15,3	21 313	15 241
Research	76 650	65 740	11 887	10 027	15,5	15,3	19,3	13,6	7 497	7 020
Total	1 523 381	1 211 287	61 549	73 968	4,0	6,1	100,0	100,0	224 676	270 535

Note: – No segmental information is provided in respect of geographic analysis as the group operates materially in South Africa.

– Discontinued operations are not shown separately as the total operating loss is only R829 000. This occurs mainly in the education and training segment.

Cash flow statements

for the year ended 31 December 2002

	Notes	Group		Company	
		2002 R'000	2001 R'000	2002 R'000	2001 R'000
Operating (loss)/profit before taxation		(14 724)	73 968	(52 972)	50 888
Items not affecting outflow of cash		96 397	22 629	54 662	328
Depreciation and goodwill amortised		20 125	23 023	391	332
Loss/(profit) on disposal of property and equipment		83	(394)	–	(4)
Loss on disposal of subsidiaries and businesses		74 706	–	53 999	–
Impairment of property and share trust		1 483	–	272	–
		81 673	96 597	1 690	51 216
Net (increase) in working capital		(18 722)	(25 549)	(45 587)	(51 817)
(Increase) in trade and other receivables	1	(28 957)	(18 445)	(45 050)	(41 321)
Increase/(decrease) in current non-interest-bearing liabilities		10 235	(7 104)	(537)	(10 496)
		62 951	71 048	(43 897)	(601)
Investment income		12 543	8 556	39 588	5 162
Cash generated by operations		75 494	79 604	(4 309)	4 561
Finance costs		(17 794)	(9 882)	(8 162)	(2 769)
Taxation paid	2	(39 752)	(19 274)	(2 800)	(1 204)
Dividends paid	3	(11 233)	(11 312)	(11 233)	(11 312)
Cash retained by operations		6 715	39 136	(26 504)	(10 724)
Investment activities		(44 866)	(52 628)	(5 269)	(17 060)
Additions to property and equipment	4	(16 410)	(19 847)	(217)	(524)
Proceeds from sale of property and equipment		2 034	9 441	–	9 055
Proceeds from sale of businesses		(4 173)	–	14 399	–
Investment in associate companies		(15 708)	502	(14 910)	–
Investment in subsidiary companies		(4 301)	–	–	–
Acquisition of subsidiaries for cash		(975)	(25 591)	(4 541)	(25 591)
Cost price of shares held by subsidiaries		–	(17 133)	–	–
Due by vendors		(5 333)	–	–	–
		(38 151)	(13 492)	(31 773)	(27 784)
Finance activities		19	(673)	1 705	–
Issue of shares		190	–	1 705	–
(Decrease) in non-current interest-bearing liabilities		(171)	(673)	–	–
Net decrease in cash and cash equivalents		(38 132)	(14 165)	(30 068)	(27 784)
Net cash and cash equivalents at beginning of year		(11 518)	2 647	(70 675)	(42 891)
Net cash and cash equivalents at end of year	5	(49 650)	(11 518)	(100 743)	(70 675)

Notes to the cash flow statements

for the year ended 31 December 2002

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
1. (INCREASE) IN ACCOUNTS RECEIVABLE				
(Increase) in loans to subsidiary companies	–	–	(42 516)	(39 062)
(Increase) in accounts receivable	(28 957)	(18 445)	(2 534)	(2 259)
	(28 957)	(18 445)	(45 050)	(41 321)
2. TAXATION PAID				
Amount unpaid 1 January 2002	(12 667)	(6 866)	(675)	(1 158)
Amount charged to income statement	(28 761)	(25 075)	(1 404)	(721)
Amount unpaid 31 December 2002	1 676	12 667	(721)	675
Net cash payment	(39 752)	(19 274)	(2 800)	(1 204)
3. DIVIDENDS PAID				
Amount unpaid 1 January 2002	–	(11 312)	–	(11 312)
Amount charged to income statement	(11 233)	–	(11 233)	–
Net cash payment	(11 233)	(11 312)	(11 233)	(11 312)
4. ADDITIONS TO PROPERTY AND EQUIPMENT				
Land and buildings	(304)	(221)	–	–
Furniture and computer equipment	(16 106)	(19 626)	(217)	(524)
	(16 410)	(19 847)	(217)	(524)
5. 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	54 523	63 979	1	–
Bank overdrafts	(104 173)	(75 497)	(100 744)	(70 675)
	(49 650)	(11 518)	(100 743)	(70 675)

Notes to the financial statements

for the year ended 31 December 2002

1. ACCOUNTING POLICIES

The financial statements are prepared on the historical cost basis incorporating the following principal accounting policies. In all material respects, these policies have been followed by all companies in the group and are consistent with those of the previous year, except for the change in accounting policies relating to the depreciation of owner occupied buildings and the recognition of costs attributable to short-term compensated absences (refer note 26). The financial statements comply with South African Statements of Generally Accepted Accounting Practice.

1.1 Basis of consolidation

- 1.1.1 The financial statements of all companies in which more than 50% of the equity shares are owned are incorporated in the consolidated financial statements.
- 1.1.2 Where less than 50% of the equity shares are owned but in addition there is control over the appointments to the board of directors, the financial results of these companies are also included in the consolidated financial statements.
- 1.1.3 All intergroup transactions and balances have been eliminated on consolidation.
- 1.1.4 All shares and investments are held at cost.

1.2 Property and equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is provided for on a straight line basis at rates considered appropriate to reduce book values to estimated residual values over the useful lives of the assets.

The following annual rates of depreciation are applied:

Computers and office equipment	20% – 33%
Furniture and fittings	16,7%
Buildings owned and occupied	2,86%

Fixed property held as investment property is stated at fair value and any adjustment is taken directly to the income statement in the current year.

Freehold land is not depreciated.

1.3 Goodwill, trademarks, franchise rights and intellectual property

Goodwill represents the excess of the cost of the investment resulting from a business combination over the fair value attributable to the net assets acquired.

Goodwill, trademarks and intellectual property have been amortised at 5% per annum during the year under review.

1.4 Impairment of assets

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 an 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 prior years.

1.5 Investments in associates

Investments in which the group has a significant influence and which it intends holding on a long-term basis are classified as associates and are stated at their carrying values. Significant influence is defined as the ability to participate in the financial and operating policy decisions of the investee and at present applies to instances where the group holds an equity interest of between 25% and 50%. The group's post-acquisition share of retained earnings of associates is incorporated in the consolidated income statement.

1.6 Taxation

The charge for current tax is the amount of income taxes payable in respect of the taxable profit/(tax loss) for the current year. It is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided using the balance sheet liability method.

Deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit 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 of other assets and liabilities which affect neither the tax profit nor the accounting profit at the time of the transaction.

Notes to the financial statements *continued*

for the year ended 31 December 2002

1.7 Revenue recognition

1.7.1 Turnover

Group turnover comprises the invoice value of services rendered to customers, commission received, training course income and royalties received. Turnover excludes value added tax.

1.7.2 Turnover is recognised at the date the services are rendered.

1.8 Investment income

Investment income is recognised on the accrual basis.

1.9 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.

1.10 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.

1.11 Related party disclosures

Transactions for services provided by fellow subsidiaries are all done at arm's length at market related prices.

1.12 Retirement benefits

1.12.1 Retirement benefit costs

The company's contributions to either provident or pension funds in a particular period are recognised as an expense in that period.

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

1.12.3 All employee benefits cease on termination of employment.

1.13 Financial instruments

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

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

Trade receivables and payables are stated at their nominal value. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts.

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue cost of the instruments to the extent that they are not settled in the period in which they arise.

1.14 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.

1.15 Discontinued operations

Discontinued operations are recognised once one of the following has occurred:

A binding agreement of sale for substantially all of the assets of an operation has been concluded.

or

The board of directors has approved and announced a detailed plan of disposal of substantially all of the assets of an identifiable operation.

1.16 Leasing

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

	2002 Land and buildings R'000	2002 Computer and office equipment, furniture and fittings R'000	2002 Total R'000
2. PROPERTY AND EQUIPMENT GROUP			
Balance at beginning of year	24 838	34 036	58 874
Assets at cost	28 300	85 554	113 853
Accumulated depreciation	(3 462)	(51 518)	(54 979)
Current year movements			
Additions	304	16 106	16 410
Disposals	(8 383)	(10 292)	(18 675)
Cost	(8 383)	(30 614)	(38 997)
Accumulated depreciation	-	20 322	20 322
Impairment	(1 211)	-	(1 211)
Depreciation	(433)	(14 533)	(14 966)
Net book value at end of year	15 115	25 317	40 432
Represented by:			
Assets at cost	20 220	71 046	91 266
Accumulated depreciation	(3 894)	(45 729)	(49 623)
Impairment	(1 211)	-	(1 211)
Net book value at end of year	15 115	25 317	40 432
COMPANY			
Balance at beginning of year	-	855	855
Assets at cost	-	2 171	2 171
Accumulated depreciation	-	(1 316)	(1 316)
Current year movements			
Additions	-	217	217
Depreciation	-	(391)	(391)
Net book value at end of year	-	681	681
Represented by:			
Asset at cost	-	2 389	2 389
Accumulated depreciation	-	(1 708)	(1 708)
Net book value at end of year	-	681	681

Notes to the financial statements *continued*

for the year ended 31 December 2002

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
2. PROPERTY AND EQUIPMENT (continued)				
2.1 Furniture and computer equipment	25 317	34 036	681	855
Cost	71 046	85 554	2 389	2 171
Accumulated depreciation	(45 729)	(51 518)	(1 708)	(1 316)
2.2 Land and buildings	15 115	–	–	–
Cost	20 220	–	–	–
Accumulated depreciation	(3 894)	–	–	–
Impairment	(1 211)	–	–	–
2.3 Land and buildings – owner occupied				
2.3.1 Land and buildings				
Owner occupied at cost	17 722	25 889	–	–
Total cost Stand 948	16 626	16 626	–	–
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	96	–	–
Stand 948, Melville, Johannesburg, Gauteng. Market value R20 000 000 Date of valuation December 2002				
2.3.2 Land and buildings – 1995 at cost	–	–	–	–
Erf 715, Melville, Johannesburg, Gauteng	391	391	–	–
2.3.3 Land and buildings – 1998 at cost	599	489	–	–
22 Swart Street, Kempton Park Ext 2	489	489	–	–
Improvement 2001	110	–	–	–
2.3.4 Erf 1527, Arcadia, 716 Schoeman Street, Pretoria	–	4 800	–	–
2.3.5 18 Louis Botha Avenue, Orchards*	–	3 583	–	–
2.3.6 Erf 14 Sunnyside (Johannesburg) Townships	106	–	–	–
2.4 Investment property				
Erf 32, Endenburg, 10 De La Rey Road, Rivonia*	1 287	2 411	–	–
Original cost plus additions	2 498	2 411	–	–
Impairment	(1 211)	–	–	–
This property is subject to a mortgage bond in favour of Standard Bank Ltd (refer note 13).				
<i>*Market value (valued during 2002)</i>				
3. INTANGIBLES				
Goodwill at cost	142 124	120 183	–	–
Less: Accumulated goodwill amortised in prior years	(11 801)	(4 804)	–	–
Less: Goodwill amortised this year	(5 159)	(6 997)	–	–
Add: Goodwill acquired this year	932	21 941	–	–
Less: Goodwill disposed of	(37 128)	–	–	–
Total	88 968	130 323	–	–

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
4. INVESTMENT IN SUBSIDIARIES (SEE ANNEXURE A)				
Shares at cost less amounts written off	–	–	101 397	170 881
Directors' valuation	–	–	101 397	–
5. INVESTMENT IN ASSOCIATES (SEE ANNEXURE A)				
Carrying values at beginning of year	1 490	226	3	3
Additional shares at cost	15 708	–	14 710	–
Share of post-acquisition reserves (net of dividends received)	1 205	1 264	–	–
Carrying values	18 403	1 490	14 713	3
Loans to associates	1 796	2 347	1 725	1 525
Total investment in associates	20 199	3 837	16 438	1 528
Directors' valuation of additional shares at cost	15 708	–	14 710	–
6. OTHER FINANCIAL ASSETS				
Total	2 109	2 381	4 328	4 600
PDI (Previously Disadvantaged Individuals) Share Trust				
– Adcorp shares	2 109	2 381	2 109	2 381
2002: 264 552 shares at R9,00				
2001: 264 552 shares at R6,35				
Loan to PDI Share Trust	–	–	2 219	2 219
	As at 31 December 2001		Charge to income statement for the year	As at 31 December 2002
7. DEFERRED TAXATION (ASSET)				
<i>Tax effect of:</i>				
– Deferred tax raised on leave pay provisions	2 235			2 235
– Excess tax allowances and depreciation charge	–		28	28
– Expenditure incurred but not allowable for tax purposes in the year in which it is incurred	4 245		237	4 482
– Computed losses	7 035		9 693	16 728
	13 515		9 958	23 473
– deferred tax disposed of	–		(2 042)	(2 042)
Total	13 515		7 916	21 431
	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
8. AMOUNTS DUE BY SUBSIDIARIES (SEE ANNEXURE A)	–	–	142 078	99 562

Notes to the financial statements *continued*

for the year ended 31 December 2002

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
9. TRADE AND OTHER RECEIVABLES	200 216	191 632	13 363	3 832
Trade debtors	182 828	178 939	2 907	–
Deposits and staff loans	841	1 115	49	–
Sundry	16 547	11 578	10 407	3 832
10. SHARE CAPITAL				
<i>Authorised</i>				
100 000 000 ordinary shares of 2,5 cents each (2001: 100 000 000)	2 500	2 500	2 500	2 500
<i>Issued</i>				
42 550 356 ordinary shares of 2,5 cents each (2001: 42 372 950) The unissued shares are under the control of the directors until the next annual general meeting subject to limitations.	1 064	1 059	1 064	1 059
Number of shares ('000)				
Opening balance	42 373	41 400	42 373	41 400
Shares issued	177	973	177	973
Shares in issue	42 550	42 373	42 550	42 373
Treasury shares (refer note 12)	(2 256)	(2 256)	–	–
Closing balance	40 294	40 117	42 550	42 373
11. SHARE PREMIUM	106 930	105 230	106 930	105 230
Balance at 1 January 2002	105 230	97 244	105 230	97 244
Arising from the issue of 177 406 shares (2001: 973 008)	1 700	7 986	1 700	7 986
12. COST PRICE OF SHARES HELD BY SUBSIDIARY				
2 255 979 shares (2001: 2 255 979) shares bought back in terms of special resolution in prior years.	(31 316)	(31 316)	–	–
13. NON-CURRENT INTEREST-BEARING LIABILITIES	1 002	1 137	–	–
<i>Secured loans</i>				
Capital repayable within one year is included in current non-interest-bearing liabilities Secured by mortgage bond over property (see note 2.4) The interest rate is the Standard Bank mortgage rate.	780	843	–	–
<i>Unsecured loans</i>	222	294	–	–
14. CASH DUE TO VENDORS				
Cash due to vendors arose from the purchase of 50,1% of Equal Access (Pty) Ltd	–	1 885	–	1 885
15. CURRENT NON-INTEREST-BEARING LIABILITIES	76 803	89 355	10 768	11 305
Trade creditors	76 743	89 347	10 768	11 305
Current portion of interest-bearing non-current liabilities	60	8	–	–

	As at 31 December 2001 R'000	Provisions raised R'000	Provisions utilised R'000	As at 31 December 2002 R'000
16. PROVISIONS – GROUP				
Leave pay	7 191	29 946	(25 957)	11 180
Bonuses	443	2 323	(2 299)	467
Other	4 550	17 798	(8 957)	13 391
Total	12 184	50 067	(37 213)	25 038

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
17. OPERATING PROFIT FROM OPERATIONS				
Operating profit is determined after allowing for the following items requiring separate disclosure:				
Amortisation of intangibles	(5 159)	(6 997)	–	–
Less: Auditors' remuneration	(1 618)	(1 440)	(256)	(57)
– fee for audit	(1 461)	(1 440)	(213)	(57)
– fee for other services	(157)	–	(43)	–
Depreciation	(14 966)	(16 026)	(391)	(332)
Leasing and rental of properties, motor vehicles, office furniture and equipment	(24 789)	(31 255)	(536)	(102)
Staff costs	276 713	230 542	10 438	8 624

Notes to the financial statements *continued*

for the year ended 31 December 2002

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
18. TAXATION				
SA normal – current	27 360	23 703	–	722
– underprovision prior year	(3)	1 372	–	–
Deferred taxation	(9 958)	(1 717)	–	672
Secondary tax on companies	1 404	–	1 404	–
	18 803	23 358	1 404	1 394
Standard tax rate	30,0	30,0	30,0	30,0
Actual tax charge for the year	18 803	23 358	1 404	1 394
Adjusted for the tax effect at the standard rate of the following items				
Capital losses not deductible for tax	(22 412)	–	(16 200)	–
Associated company profit already subject to tax	500	530	–	–
Impairment of assets not deductible	(445)	–	(82)	–
Goodwill amortised not deductible	(1 548)	(2 099)	–	–
Other permanent differences	1 460	2 481	9 973	12 862
Tax losses not recognised	(450)	–	(155)	–
Overprovision per year	3	(1 372)	–	–
Secondary tax on companies	(1 404)	–	(1 404)	–
Recomputed tax (credit)/charge at standard rate on (loss)/profit before tax	(5 493)	22 898	(6 464)	14 256
19. MINORITY SHAREHOLDERS' SHARE OF LOSSES				
Adcorp has assumed responsibility for minority shareholders' losses of R977 764 (2001: R331 403).				
20. EARNINGS PER SHARE				
The calculation of earnings per share is based on (losses)/earnings of R37 301 793 (2001: R51 689 148) and 40 200 812 ordinary shares (2001: 40 481 121) being the weighted average relative to the above earnings.				
	Cents	Cents		
Earnings per share	(92,8)	127,7	–	–
Loss/(profit) on sale of assets R83 791 (2001: R382 690)	0,2	(1,0)	–	–
Loss/(profit) on sale of businesses R74 705 762 (2001: R1 526 476)	185,9	(3,8)	–	–
Impairment of property and PDI Trust R1 482 930	3,7	–	–	–
Goodwill amortised: R5 159 581 (2001: R6 997 035)	12,8	17,3	–	–
Headline earnings per share	109,8	140,2	–	–
Diluted earnings per share 40 329 177 shares	109,4	126,7	–	–
Capital distribution per share – proposed	37,0	–	–	–
Dividend per share	28,0	28,0	–	–
Note:				
– The prior year headline earnings has been restated in accordance with circular 7/2002.				
– The dilution of shares results from the exercise of options in the employee share trust which are below the year-end market price.				

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
21. CONTINGENT LIABILITIES				
21.1 The company has given a guarantee restricted to R8,5 million in respect of the performance by a subsidiary on a long-term contract.				
21.2 The company has guaranteed payment to creditors in subsidiary companies amounting to R549 279 (2001: R1 397 million).				
22. COMMITMENTS	64 633	17 549	536	–
Operating leases – estimated future rentals of premises	58 527	17 549	–	–
– motor vehicles	100	–	–	–
– other equipment	6 006	–	536	–
	64 633	17 549		
– payable within one year	13 813	8 502	43	–
– payable thereafter within five years	50 820	9 047	493	–
23. RETIREMENT BENEFITS				
The group makes contributions to defined contribution schemes on behalf of its employees. These costs are charged to the income statement as they occur. The total contributed by the group for the 2002 year amounted to R9 375 576 (2001: R6 088 324). One company in the group has an obligation in respect of post-retirement contributions. These are not considered material and are adequately provided for.				
24. FINANCIAL INSTRUMENTS				
All financial assets and liabilities are of a non-long-term nature and are fairly valued except as otherwise disclosed.				
25. CAPITAL DISTRIBUTION				
A capital distribution of 37 cents per share was declared on 5 March 2003 and will be paid on 14 July 2003 if approved by shareholders in general meeting.				
26. CHANGE TO ACCOUNTING POLICIES				
26.1 Owner occupied property has been depreciated by 2,86% per annum				
26.2 Leave pay has been provided for based on days owing at current remuneration levels				
Adjustments to opening accumulated profit in respect of above prior year adjustments	10 233	–	83	–
Taxation effect of above adjustments	(1 446)	–	(25)	–
Net reduction in accumulated profit	8 788	–	59	–

Notes to the financial statements *continued*

for the year ended 31 December 2002

Director name	Number of shares held as at 31/12/2002		Number of un-exercised options as at 31/12/2001	Number of options allocated during 2002	Number of options exercised during 2002	Number of options as at 31/12/2002	Option price	Date from which exercisable
	Beneficially held	Non-beneficially held						
27. DIRECTORS' SHAREHOLDING								
F van Zyl Slabbert	-	-	120 000	30 000	Nil	120 000 30 000	12,00 8,85	31/05/2002 31/05/2004
RL Pike	341 390	-	47 809	50 000	Nil	47 809 50 000	12,00 8,85	31/05/2002 31/05/2004
VC Baker	61 000	-	30 000	30 000	Nil	30 000 30 000	12,00 8,85	31/05/2002 31/05/2004
HW Barenblatt	75 000	15 936	60 000	30 000	Nil	60 000 30 000	12,00 8,85	31/05/2002 31/05/2004
FD Burd	16 275	-	2 500 2 500 2 500 60 000 30 000	30 000	Nil	2 500 2 500 2 500 60 000 30 000	6,80 10,00 10,00 12,00 12,00 8,85	31/05/2002 31/05/2001 31/05/2002 31/05/2002 31/05/2003 31/05/2004
M Liphosa	-	-	11 250 11 250 11 250 11 250 60 000 15 000	30 000	Nil	11 250 11 250 11 250 11 250 60 000 15 000 30 000	10,40 10,40 10,40 10,40 12,00 12,00 8,85	31/05/2000 31/05/2001 31/05/2002 31/05/2003 31/05/2002 31/05/2003 31/05/2004
RB McGregor	-	-	180 000 30 000	30 000	Nil	180 000 30 000 30 000	12,00 12,00 8,85	31/05/2002 31/05/2003 31/05/2004
PC Swart	-	-	55 000	30 000	Nil	55 000 30 000	12,00 8,85	31/05/2002 31/05/2004

Note: As at 31 March 2003 the above shareholdings remain unchanged.

	Salary R'000	Bonus/ profit share R'000	Medical aid and provident fund R'000	Other R'000	Directors' fees R'000	Total remu- neration R'000
28. DIRECTORS' EMOLUMENTS						
Directors (executive and executive connected)						
V Baker	568	374	106	77	–	1 125
H Barenblatt	1 590	300	198	–	–	2 088
F Burd	844	384	138	67	–	1 433
M Liphosa	590	158	117	50	–	915
R Marcus	443	–	74	44	–	561
R McGregor	729	374	139	97	–	1 339
R Pike	1 227	319	225	102	–	1 873
L Rouillard	362	36	30	4	–	432
A Rubinstein	182	60	–	7	8	257
N Swart	628	948	146	166	–	1 888
V Slabbert	611	153	111	97	–	972
	7 774	3 106	1 284	711	8	12 883
Non-executive directors						
D Baloyi	–	–	–	–	235	235
F Jacobz	–	–	–	–	24	24
F Khanyile	–	–	–	–	20	20
P Ngwenya	–	–	–	–	8	8
S Sebotsa	–	–	–	–	22	22
S Shonhiwa	–	–	–	–	33	33
Total	–	–	–	–	342	342

29. CHANGES TO THE BOARD DURING 2002

Director name	Date of resignation
V Baker	06/09/2002
D Baloyi	06/09/2002
H Barenblatt	06/09/2002
F Burd	06/09/2002
F Jacobsz	06/09/2002
M Lekota	06/09/2002
M Liphosa	06/09/2002
R Marcus	06/09/2002
R McGregor	06/09/2002
M Ngwenya	06/09/2002
L Rouillard	06/09/2002
A Rubinstein	06/09/2002
S Shonhiwa	06/09/2002
I Skosana	31/01/2002
P Swart	06/09/2002
Director name	Date of re-appointment
V Baker	09/09/2002
H Barenblatt	09/09/2002
F Burd	09/09/2002
M Liphosa	09/09/2002
R McGregor	09/09/2002
S Shonhiwa	09/09/2002
P Swart	09/09/2002
Director name	Date of appointment
F Khanyile	09/09/2002
S Sebotsa	09/09/2002

Annexure A

Details of subsidiaries and associates

for the year ended 31 December 2002

Name of subsidiary	Nature of business	Authorised share capital	
		R 2002	R 2001
Act Personnel (Pty) Ltd	Recruitment	4 000	4 000
Adcorp Financial Graphics (Pty) Ltd	Financial graphics	100	100
Adcorp Investment Trading (Pty) Ltd	Investments	1 000	1 000
Adcorp Management Services (Pty) Ltd	Accounting	4 000	4 000
Adcorp Recruitment KZN (Pty) Ltd	Recruitment	1 000	1 000
Adcorp Social Investment Trading (Pty) Ltd	Investment	1 000	–
Admark Personnel Selection (Pty) Ltd	Recruitment	60 000	60 000
Admark Recruitment Advertising (Pty) Ltd	Recruitment advertising	30 000	30 000
Admark Recruitment Advertising Namibia (Pty) Ltd	Dormant	1 000	1 000
Altolevel Recruitment Advertising (Pty) Ltd	Recruitment advertising	100	100
Altraine (Pty) Ltd	Investments	1 000	1 000
Boston City Campus (Pty) Ltd	Education	1 000	1 000
Boston Franchising (Pty) Ltd	Education	4 000	4 000
Capacity Outsourcing (Pty) Ltd	Flexible staffing	4 000	4 000
Charisma Nursing Agency (Pty) Ltd	Recruitment	1 000	1 000
D@bility (Pty) Ltd	Recruitment	1 000	1 000
DAV Professional Placement Group (Pty) Ltd	Recruitment	1 000	1 000
Effective Recruitment Advertising (Pty) Ltd	Recruitment advertising	4 000	4 000
Ethoz Human Value Optimisation (Pty) Ltd	Recruitment	1 000	–
Emmanuels Staffing Services (Pty) Ltd	Recruitment	1 000	1 000
Equal Access Global (Pty) Ltd	Recruitment	1 000	1 000
Extra Expertise (Pty) Ltd	Recruitment	2 000	2 000
Graphicor (Pty) Ltd	Graphic design	100	100
Grey Appointments (Pty) Ltd	Recruitment	10 000	10 000
Ikhwezi Staffing Solutions (Pty) Ltd	Recruitment	1 000	1 000
Kit Hodge & Company (Pty) Ltd	Marketing	1 000	1 000
Knovation @ Adcorp (Pty) Ltd	Training	4 000	4 000
Knovation Consulting (Pty) Ltd	Consulting	1 000	1 000
Peak Personnel (Pty) Ltd	Dormant	4 000	4 000
PR Connections (Pty) Ltd	Consulting	1 000	1 000
Premier Personnel (Pty) Ltd	Recruitment	100	100
Production Management Institute of Southern Africa (Pty) Ltd	Training	100	100
Ptn 2 of Erf 32 Endenburg (Pty) Ltd	Property investment	1 000	1 000
Quest Holdings (Pty) Ltd	Recruitment	10 000	10 000
Quest Hospitality (Pty) Ltd	Recruitment	4 000	4 000
Quest Permanent Appointments (Pty) Ltd	Recruitment	100	100
Quest Personnel (Pty) Ltd	Recruitment	100	100
Research Surveys (Pty) Ltd	Marketing research	20 000	20 000
SA Education Loans (Pty) Ltd	Education loans	4 000	4 000
Sebroms (Pty) Ltd	Property investment	2 000	2 000
Simeka Recruitment Advertising (Pty) Ltd	Advertising recruitment	4 000	4 000
Simeka TWS Communications (Pty) Ltd	Public relations	4 000	4 000
Stand 948, Melville (Pty) Ltd	Property investment	1 000	1 000
Stratagem Training Services (Pty) Ltd	Training	100 000	100 000
The Design and Media Company (Pty) Ltd	Design and media	4 000	4 000
Warwick Institute (Pty) Ltd	Training	100	100
Total subsidiaries			
Name of associate			
Astbury Jones Ltd	Recruitment	100 000	–
Baricorp (Pty) Ltd	Property investment	1 000	1 000
Career Junction (Pty) Ltd	Recruitment	400 000	400 000
Customer Equity Company (Pty) Ltd*	Marketing research	1 000	1 000
Equitable Solutions (Pty) Ltd*	Call centres	1 000	–
Klatrade 200074 (Pty) Ltd trading as Connectivity	Training	1 000	1 000
Sandton Group Ltd	Recruitment	100 000	–
Total associates			

* Owned by subsidiary companies

Issued share capital		Number of shares held		Cost of investment		Indebtedness (to)/by the subsidiary	
R	R			R'000	R'000	R'000	R'000
2002	2001	2002	2001	2002	2001	2002	2001
1	1	1	1	-	-	-	-
100	100	100	100	3 992	4 123	23	649
100	100	100	100	-	-	-	-
400	400	400	400	-	(808)	40 285	35 492
100	100	100	100	117	117	1 871	1 959
100	-	100	-	-	-	-	-
10 000	10 000	10 000	10 000	2	(413)	-	-
30 000	30 000	30 000	30 000	-	(2 444)	(607)	5
				31	31	-	-
1	1	1	1	-	-	-	-
100	100	100	100	-	(4)	1 488	1 409
100	100	100	100	-	-	-	-
100	100	100	100	-	-	-	-
100	100	100	100	-	-	-	-
4 000	4 000	4 000	4 000	-	-	-	-
100	100	100	100	407	407	10 325	1 416
100	100	50	50	25	25	1 672	820
100	100	100	100	7 270	7 221	(2 410)	-
100	100	100	100	56	56	(2 213)	(954)
100	-	60	-	932	-	1 548	-
100	100	100	100	438	461	4 832	-
1 000	1 000	501	501	-	3 003	-	4 426
1 000	1 000	1 000	1 000	-	-	-	-
100	100	100	100	31 923	33 235	(7 987)	-
10 000	10 000	5 000	10 000	481	1 002	448	-
100	100	100	55	-	-	-	747
1 000	1 000	1 000	1 000	600	600	3 658	-
100	100	100	100	29 285	93 702	27 870	434
100	100	100	100	23	4 740	581	-
100	100	100	100	1	722	-	-
100	100	100	100	5 341	5 599	363	929
100	100	100	100	3 534	2 907	(1 959)	4 133
100	100	100	100	4 975	5 200	6 792	-
100	100	100	100	87	-	1 606	-
10 000	10 000	10 000	10 000	2 880	2 823	37 222	27 123
200	200	200	200	-	-	-	-
100	100	100	100	-	-	271	171
100	100	100	100	-	-	-	-
200	200	200	200	7 786	7 365	2 036	210
100	100	100	100	-	-	-	-
1 000	1 000	1 000	1 000	-	-	-	-
2 000	2 000	2 000	2 000	1	1	2 331	1 282
4 000	4 000	4 000	4 000	925	925	(7 611)	1 557
100	100	100	100	180	180	17 771	17 199
100 000	100 000	100 000	100 000	105	105	173	-
4 000	4 000	4 000	4 000	-	-	1 699	555
100	100	100	100	-	-	-	-
				101 397	170 881	142 078	99 562
1 000	-	333	-	4 061	4 061	-	-
2	2	1	1	-	-	-	822
50 000	50 000	12 500	12 500	-	-	1 564	1 525
400	400	100	100	-	-	-	-
1 000	-	49	-	1 000	-	32	-
1 000	1 000	475	475	-	-	200	-
1 000	-	333	-	10 647	10 647	-	-
				15 708	14 710	1 796	2 347

Notice of annual general meeting

Notice is hereby given that the annual general meeting of the shareholders of Adcorp Holdings Limited will be held at The Atrium, Corner Rustenburg Road and 7th Avenue, Melville, on 18 June 2003 at 12:00 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 2002.
2. To elect F Khanyile as a director of the company.
3. To elect S Sebotsa as a director of the company.
4. To re-elect H Barenblatt as a director of the company.
5. To re-elect F Burd as a director of the company.
6. To re-elect R McGregor as a director of the company.
7. Subject to not less than 75% of the votes cast by shareholders, present in person or by proxy at the annual general meeting, being cast in favour of this ordinary resolution, to resolve that the directors of the company be and are hereby authorised, by way of a general authority, to issue all or any of the authorised but unissued ordinary shares of 2,5 cents each in the capital of the company for cash as they in their discretion deem fit, subject to the following limitations:
 - This authority will not extend beyond 15 months from the date of this meeting or the date of the next annual general meeting, whichever is the earlier date.
 - Issues in terms of the authority will not in the aggregate in any one financial year exceed 15% of the number of ordinary shares in issue prior to any such issue.
 - A press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue, representing, on a cumulative basis within any one financial year, 5% or more of the number of ordinary shares in issue prior to such issue.
 - In determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 business days prior to the date that the price of the issue is determined or agreed to by the directors of the company.
 - Any such issue will only be made to public shareholders, as defined in paragraph 4.2.6 of the JSE Listings Requirements and not to related parties.
8. Resolved that 330 000 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") for the allotment and issue of shares in terms of the Adcorp Holdings Limited Share Purchase Scheme and the Adcorp Empowerment Share Incentive Scheme.
9. That the remaining unissued ordinary shares in the capital of the company be placed under the control of the directors of the company as a general authority to them, to allot and issue such shares at their discretion in terms of and subject to the provisions of section 221 of the Companies Act and the rules and requirements of the JSE Securities Exchange South Africa ("JSE").
10. Resolved that the directors of the company shall be entitled to pay, by way of a reduction of share premium in lieu of a dividend, an amount equal to the amount which directors of the company would have declared and paid out of profits in respect of the company final dividend for the year ending 31 December 2002, subject to the following limitation:
 - that the maximum amount by which the share premium will be reduced in terms of this authority, will not exceed R14,9 million.

The company's directors undertake that they will not implement the proposed capital reduction, unless:

- the company and the Adcorp Group will be able to repay its debts in the ordinary course of business;
- the consolidated assets of the company and the Adcorp Group fairly valued according to generally accepted accounting practice and on a basis consistent with the last financial year of the company, exceed its consolidated liabilities;
- the directors in the company that hold shares in the company intend to vote their shares in favour of this resolution and recommend that shareholders do the same;
- the company and the Adcorp Group have adequate share capital and reserves;
- the company and the Adcorp Group have sufficient working capital for their requirements; and
- the sponsor of the company provides a letter to the JSE on the adequacy of working capital in terms of section 2.14 of the listings requirements.

In compliance with section 5.113 of the listings requirements of the JSE the following information is furnished:

- directors' names refer page 22 of this report;
- directors' addresses: F van Zyl Slabbert – 27 Kilkenny Road, Parkview, 2193; RL Pike – 4 Tambotie Close, Morningside, Sandton, 2057; VC Baker – 13 Bridgewater, 11th Street, Rivonia, 2128; H Barenblatt – 89 Kloof Road, Bantry Bay, 8001; FD Burd – Plot 40, Corner Coach Lane and Trotting Close, Witpoort, 1685; KF Khanyile – 150 Mowbray Road, Greenside, 2193; M Liphosa – 54 Judith Road, Emmarentia, 2195; R McGregor – 4 Celtis Crescent, Fourways Gardens, 2055; S Shonhiwa – 12 Martinique Jade Close, Calderwood Road, Lonehill, 2062; S Sebotsa – 15 Waterford Avenue, Parkview, 2193; P Swart – 3 Zambesi Road, Emmarentia Ridge, 2195;

- major shareholders refer page 29 of this report;
- no material changes to report on;
- directors' interests in securities refer to page 54 of this report;
- share capital refer page 50 note 10 of this report;
- the directors, whose names are set out on page 22 of this report, collectively and individually accept full responsibility for the accuracy of the information contained in this resolution and certify that to the best of their knowledge and belief that there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable queries in this regard;
- there are no legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the company is aware other than those disclosed on page 53 note 21) which may have or have had a material effect on Adcorp Group's financial position over the last 12 months;
- the capital reduction will not exceed 20% of the issued share capital of the company.

The effect on earnings per share, net asset value and tangible asset value per share is as follows:

- Earnings per share – nil
- Net asset value per share – 521 cents (before 588 cents)
- Tangible net asset value per share – nil

11. Resolved that Deloitte & Touche be appointed as joint group auditors and Charter Financial & Auditing Incorporated be re-appointed as joint group auditors.
12. To transact such other business as may be transacted at an annual general meeting.

AS SPECIAL RESOLUTIONS

13. To resolve that the company be and is hereby authorised to purchase 2 255 979 of its own shares, currently held by its subsidiary (Adcorp Management Services (Pty) Limited) at the value at which the subsidiary purchased the shares of R31 316 395 and to cancel these shares thereafter. The shares will not be purchased on the open market, as they do not form part of the company's listed shares and accordingly will not influence the share price of the company. Application will be made to the JSE for the termination of the listing of these shares.

In compliance with section 5.90 of the listings requirements of the JSE the following information is furnished:

- directors' names refer page 22 of this report;
- directors' addresses – refer page 58 resolution 10;
- major shareholders refer page 29 of this report;
- no material changes to report on;
- directors' interests in securities refer to page 54 of this report;
- share capital refer page 50 note 10 of this report;
- the directors, whose names are set out on page 22 of this report, collectively and individually accept full responsibility for the accuracy of the information contained in this special resolution and certify that to the best of their knowledge and belief that there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable queries in this regard;
- there are no legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the company is aware, other than those disclosed on page 53 note 21) which may have or have had a material effect on Adcorp Group's financial position over the last 12 months;
- the shares are to be repurchased from Adcorp Management Services (Pty) Limited, a wholly owned subsidiary of the company and which currently holds 2 255 979 of the company's shares. In terms of section 5.89 (a) no shareholders are precluded from voting;
- the purchase price of the shares will be paid from the working capital of the company;
- the effect on earnings per share, net asset value and tangible net asset value per share is nil. The reason for this is that the shares were originally purchased by the subsidiary in 2000 and 2001 and have been housed as treasury shares since then.

After considering the effects of the repurchase the directors are of the opinion that:

- the company and the Adcorp Group will be able in the ordinary course of business to respectively pay their debts for a period of 12 months after the date of this notice;
- the consolidated assets of the company, fairly valued in accordance with Generally Accepted Accounting Practice, will exceed the consolidated liabilities of the company for a period of 12 months after the date of this notice; and
- the issued share capital, reserves and working capital of the company and the Adcorp Group will be adequate for the purposes of the business of the company and the Adcorp Group respectively, for a period of 12 months after the date of this notice to meet the Adcorp Group's current and foreseeable future requirements.

The reason for this special resolution is to grant the directors of the company the authority to enable the company to acquire the shares held by its subsidiary, Adcorp Management Services (Pty) Limited, in the capital of the company and the effect thereof will be to allow the directors to facilitate the acquisition by the company of shares in the capital of the company held by its subsidiary.

14. To resolve 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 and the JSE Listings Requirements from time to time which are:

Notice of annual general meeting *continued*

- that this general authority shall be valid until the next annual general meeting of the company (whereupon this approval shall lapse unless it is renewed at the aforementioned annual general meeting) provided that it shall not extend beyond 15 months from the date of this special resolution;
- the repurchase of shares is implemented on the JSE “open market”;
- the repurchase of shares in any one financial year shall be limited to a maximum of 20% of the company’s share capital of the relevant class;
- repurchases may not be made at a price more than 10% above the weighted average of the market value for the relevant class of shares for five business days immediately preceding the date on which the repurchase is agreed; and
- an announcement containing full details of such repurchases of shares must be published as soon as the company and/or any of its subsidiaries have acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue, and a further announcement for each 3% acquired thereafter.

After considering the effects of the maximum repurchase the directors are of the opinion that:

- the company and the Adcorp Group will be able in the ordinary course of business to respectively pay their debts for a period of 12 months after the date of this notice;
- the consolidated assets of the company, fairly valued in accordance with Generally Accepted Accounting Practice, will exceed the consolidated liabilities of the company for a period of 12 months after the date of this notice; and
- the issued share capital, reserves and working capital of the company and the Adcorp Group will be adequate for the purposes of the business of the company and the Adcorp Group respectively, for a period of 12 months after the date of this notice to meet the Adcorp Group’s current and foreseeable future requirements.

The reason for this special resolution is to grant the directors a general authority for the acquisition by the company and/or a subsidiary of its own shares and the effect thereof will be to allow the directors to facilitate the acquisition by the company and/or any of its subsidiaries of shares in the capital of the company. The directors have no definite intention of effecting a repurchase, but this position will be continually re-examined having regard to prevailing circumstances.

15. Resolved that the articles of association of the company be and are hereby amended by the insertion of a new article 6A after the existing article 6 to read:

“6A Uncertificated securities

The provision of section 91A of the Act, all rules, regulations, requirements and conditions of the JSE Securities Exchange South Africa and the provisions of all other relevant legislation shall, notwithstanding the provisions of these articles of association (including without limitation articles 6, 8 and 12 hereof) apply in respect of uncertificated securities (as that phrase is defined in section 91A(1) of the Act).”

The reason for this special resolution is to amend the articles of association of the company pursuant to the recent introduction of new section 91A to the Companies Act. The effect of this special resolution is to make provision in the articles of association of the company for the introduction and implementation of Share Transactions Totally Electronic (STRATE), being the electronic settlement system recently implemented by the JSE.

Shareholders who have not dematerialised their shares with a Central Securities Depository Participant (“CSDP”) or broker and/or who own shares in “own-name” dematerialised form are entitled to attend and to vote at the meeting. Any such shareholder is entitled to appoint a proxy or proxies to attend and speak and vote at the meeting. A proxy need not be a shareholder of the company. Proxy forms should be forwarded to reach the offices of the transfer secretaries at least 24 hours before the time appointed for the meeting.

Shareholders who have dematerialised their shares and who do not own shares in “own-name” dematerialised form, should contact their CSDP or broker to make necessary arrangements to attend and/or vote at the meeting. This must be done in accordance with the agreement entered into between the shareholder and the CSDP or broker.

By order of the board



Merle Millar
Secretary

19 May 2003

Administration

ADCORP HOLDINGS LIMITED

Registration number 1974/001804/06
Founded 1968, listed 1987

SECRETARY AND REGISTERED OFFICE

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2nd Floor, The Atrium
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CORPORATE AND LEGAL ADVISOR

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Illovo 2041
Tel 011 268 0800
Fax 011 268 0840

Larry A Marks

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AUDITORS

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Fax 011 887 8058

Deloitte & Touche

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Gallo Manor
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Tel 011 806 5000
Fax 011 806 5111

TRANSFER SECRETARIES

Computershare Investor Services Limited
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70 Marshall Street
Johannesburg
2001
Tel 011 370 5000
Fax 011 370 5271

COMMERCIAL BANKERS

First Rand Bank of Southern Africa Limited
Registration number 1905/001225/06

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

Nedbank Limited
Registration number 1951/000009/06

SPONSORS

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The permutations are endless at

AICORP
HOLDINGS

www.adcorp.co.za