

# ENRICHING HUMAN CAPITAL



Annual Report 2001



# C O N T E N T S

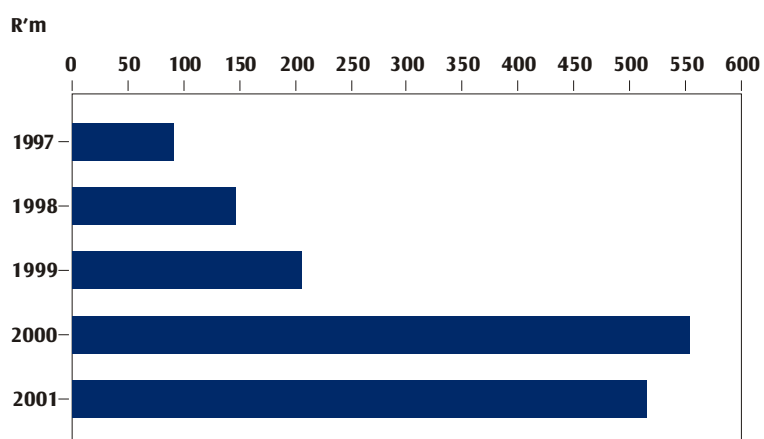
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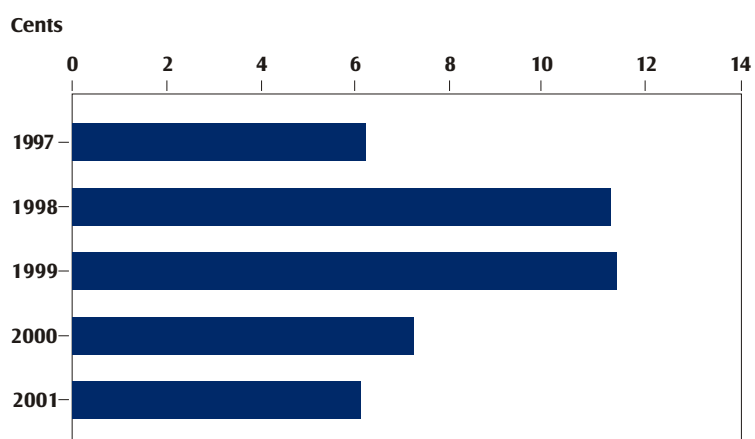
## SALIENT FEATURES

R'000	2001	2000
Turnover	515 950	551 106
Operating profit	39 005	37 518
(Loss)/profit before taxation	(1 039)	19 140
Shareholders' equity	437 017	445 657
Total assets	669 552	713 079
Net asset value per share (cents)	111.3	113.5
Earnings per share (cents)	(0.08)	2.53
Headline earnings per share (cents)	6.16	7.26
Weighted average number of shares in issue (thousands)	392 804	392 804
Fully diluted headline earnings per share (cents)	6.15	7.23
Fully diluted shares (thousands)	393 664	394 204
Number of employees	2 216	3 169

### TURNOVER

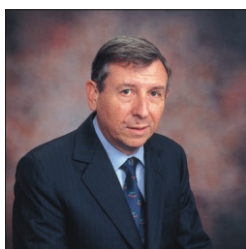


### FULLY DILUTED HEADLINE EARNINGS PER SHARE





## DIRECTORATE AND ADMINISTRATION



**Brian Buckham (63)**  
Chairman



**Hugh Brown (60)**  
(Acting) Chief Executive  
Officer  
CA(SA)



**Nico Booyens (34)**  
Financial Director  
B Com, CA(SA)



**Campbell Bomela (52)**  
(Non-Executive)



**Craig Duff (32)**



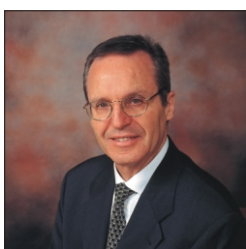
**Lenn Honey (36)**  
B Com(Hons), MBA



**Humphrey Borkum (56)**  
(Non-Executive)



**David Ferreira (39)**  
(Non-Executive)  
BA, LLB, MA(OXON),  
MSc(London)



**Hymie Levin (56)**  
(Non-Executive)  
B Com, LLB, LLM, H Dip  
Tax Law, H Dip Co Law



**Michael Sacks (59)**  
(Non-Executive)  
CTA, CA(SA), AICPA(ISR)

### COMPANY SECRETARY

Lilian Verster  
(ACIS)

### TRANSFER SECRETARY

Mercantile Registrars Limited  
11 Diagonal Street, Johannesburg 2001  
Registration Number: 87/03382/06

### AUDITORS

Moore Rowland

### BANKERS

ABSA Bank Limited  
Registration Number: 86/04794/06

### REGISTERED OFFICE

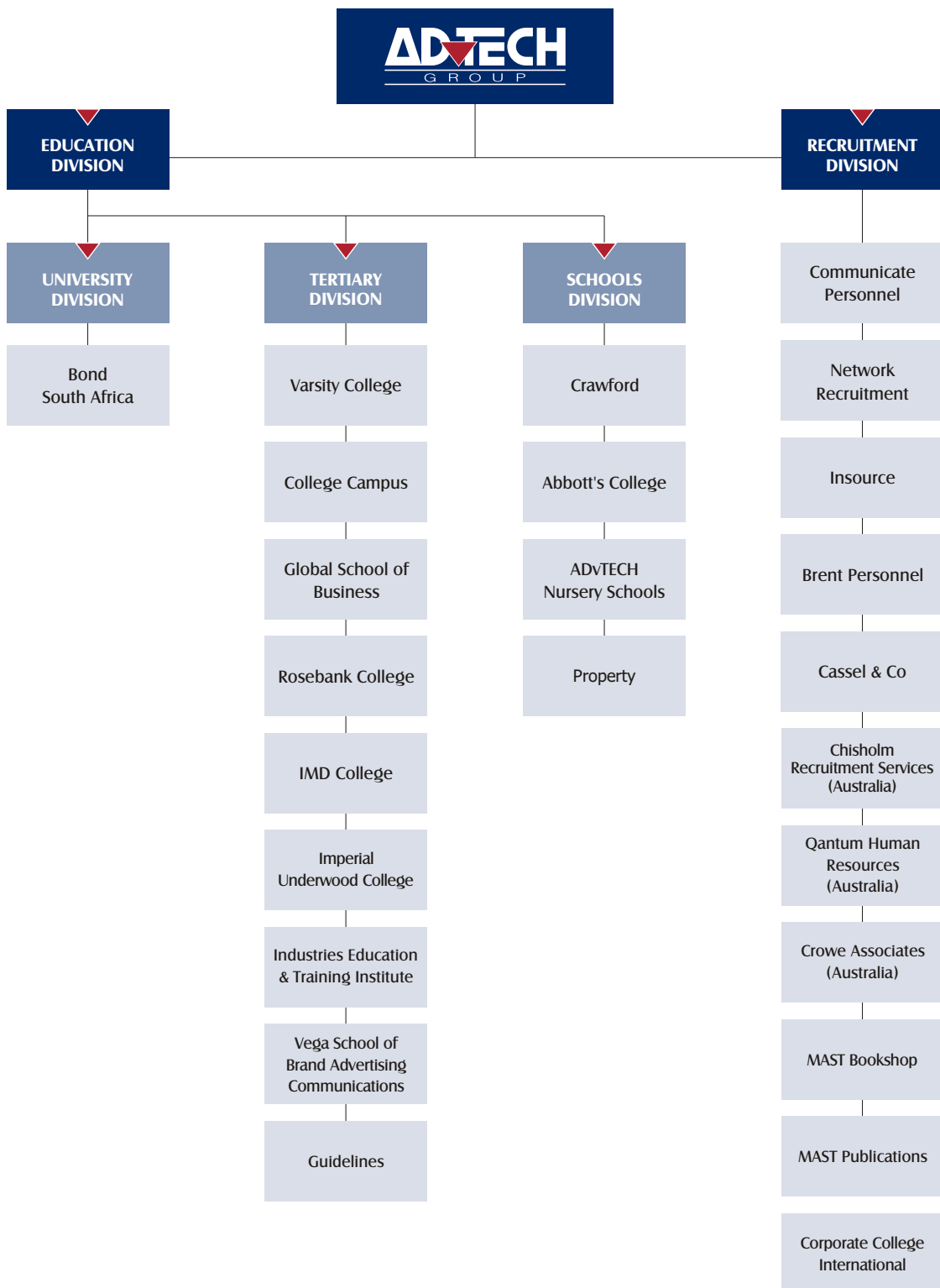
364 Kent Avenue  
Randburg 2194

### ATTORNEYS

HR Levin  
J Solomon



## GROUP STRUCTURE





## CHAIRMAN AND CEO'S REPORT AND OPERATING REVIEW

The year under review started with opportunistic offers being received for the company, which, combined with a tentative management restructure and costly and time consuming vendor litigation created a negative environment that adversely affected the Group. The outcome of this was a poor performance in the first six months of the financial year. Decisive action was taken to rectify the situation. The Board of Directors was reconstituted, management restructured and remotivated and activities appropriately focused on the Group's core businesses.

This resulted in an improvement in the second half of the year and as a consequence, headline earnings for the full financial year were 6.2c per share as compared to the restated figure of 7.2c per share for 2000.

As part of the restructuring exercise all operating entities with the Group were critically reviewed, and non-performing and non-core activities either closed down or sold. Divisions affected were:

- ADvTECH Skills, originally the founding company of the group, which was involved in training.
- Bryan Hattingh Executive Services and Independent Services which operated in recruitment and contracting.
- Time Systems which distributed planning diary systems.
- ADvTECH Multimedia provided multimedia material and systems.
- ADvTECH Learning which provided IT training services.
- LabourNet which provided services to companies on labour legislation.

The result of these changes was that restructuring and closure costs of R9.4m were incurred and a profit on sale of R3.5m was recorded. Included in the consolidated accounts for the year in respect of these Divisions is turnover of R56,5m and a loss of earnings before interest and tax of R1,1m.

The Recruitment Division of ADvTECH is now focused on its five profitable recruitment businesses in South Africa and three in Australia.

### FINANCING

During the year the Group's borrowings were reduced from R157m to R129m with gearing being reduced from 84% to 61%. The objective is to reduce gearing to below the self-imposed target of 50% by year-end. The Group is being comfortably managed within the constraints of its cash flow. Consideration is being given to methods to align group debt to the nature of its assets and to increase the proportion of long-term debt.

No dividend has been declared this year.

### EDUCATION DIVISION

The Education Division increased turnover by 22% and EBITDA by 21% as compared to the previous year, all through organic growth.

The Crawford and Abbott's School Division recorded pleasing results with a 31% increase in operating income on a turnover increase of 21%. For the 2001 academic year enrolments increased satisfactorily especially at the newly completed Preparatory School in Lonehill as well as the expansion at the La Lucia Campus. The matric results were outstanding, with all three Gauteng based Crawford Colleges being recognised by the Gauteng Department of Education as the top schools in the Province.

The Abbott's Colleges had a very successful year and with the introduction of their Career Targeting concept were able to provide focused education for pupils wishing to obtain entry into the University faculties of their choice. This provides a strong model for expansion into other centres in the future.

The Nursery Schools were able to maintain their enrolment and profitability in spite of changes in the market.

Enrolments in general have been satisfactory for the 2002 academic year and as a result a further increase in operating income is expected for the Education Division during this period.

Bond South Africa enjoyed a solid expansion in the number of student enrolments but profitability was disappointing due to extensive staff restructuring and a decline in exchange rates that mainly affected the MBA operation. Performance from Bond is expected to improve considerably in the coming financial year.

Varsity College, which operates on a national basis through seven colleges was the largest profit contributor to the Education Division. A further strong performance is expected in the coming year and the Board is reviewing exciting expansion projects for this brand.

Vega School of Advertising produced exceptionally good results and growth. Other Tertiary colleges, consisting of College Campus, Rosebank College, IMD and Global School of Business maintained their excellent rates of profitability and met their budgets. Two new colleges have opened this year and offer prospects for growth after the developmental stage.

Effective from 1<sup>st</sup> January 2002 the Mast Bookshop and Publications Division have been sold by the Recruitment Division to the Education Division. Although the bookshop makes a contribution to group earnings its function is seen as being more strategic in the supply of books to the Education Division operations. The Publications Division performed well but was affected by the significant drop in the Rand exchange rate towards the end of the financial year. An improved contribution is expected for the coming year from Publications.

The Education Division contributed 77% of the Group's EBITDA this year.



## CHAIRMAN AND CEO'S REPORT AND OPERATING REVIEW CONTD.

### RECRUITMENT DIVISION

This Division houses the Group's recruitment operations both in South Africa and Australia. In South Africa all brands (Communicate, Brent, Network Recruitment, Cassel and Co and Insource) were profitable despite difficult market conditions and several vendors exiting these businesses. Litigation against the vendors of the Communicate Group further disrupted operations during this period but all entities have since been consolidated and are now operating satisfactorily.

The Australian operations which incorporate Crowe, Chisholm and Qantum produced very poor results attributable to the conditions prevailing in the Australian economy and the recruitment industry in that country. New management has been installed and the outlook for the Australian economy looks more optimistic this year.

The performance for the first few months of the 2002 year has been disappointing and will adversely affect the results of the division for the first six months. An improvement is expected in the second half of the year.

### PENDING LITIGATION

Litigation against several vendors was initiated during the year and two major actions were awaiting arbitration at year-end. One is against Graeme Crawford for alleged breach of restraint of trade agreement and it is expected that the matter will be arbitrated later during the current financial year. The other is against the vendors of the Communicate Group for alleged irregular actions during the earn out period as well as breach of restraint of trade agreements.

The Group's claims exceed R100m in aggregate and are material to the company. No recoveries have been taken account of and all expenses related to the actions have been written off. It is proving difficult to get the defendants in the second action to conform to the dispute resolution agreement timeously. No members of the board or professional firms associated with them are involved in pursuing these actions other than in the capacity as director.

### HUMAN RESOURCES

The Group has actively participated in and continues to support the government's legislation initiatives, such as Employment Equity, Skills Development, Economic Empowerment and recent amendments to labour and employment legislation. To further enhance the Group's human capital strategy it appointed a HR Executive, an EXCO member, to centralise and facilitate a human resources strategy and capability throughout the Group.

### BOARD ACTIVITIES

During the year under review there were significant changes to AdvTECH's board of directors. Resignations were received from Neill Davies, Renney Plit and Marina Welihockyj. Rob Childs joined the board in June but resigned later in the year. We would like to take this opportunity to thank Neill Davies and Renney Plit for their support and contribution to the company over many years. Lenn Honey, one of AdvTECH's key executives joined the board in June as an executive director.

Michael Sacks and Hugh Brown also joined the board in June as non-executive directors. In the period from their appointment to the time of writing, they have both made significant contributions to the group in providing stability and strategic direction.

Hugh Brown accepted the position as acting CEO during the latter half of the year.

The consulting firm appointed to conduct the search and evaluation of a new CEO has identified excellent candidates and it is anticipated that an appointment will be made shortly.

One of AdvTECH's key strengths is the quality and commitment of its staff and once again under difficult conditions they have made strong contributions during the year under review, and we would like to thank them for their input through this difficult period.

### PROSPECTS

The results for the second six months of the year under review showed a strong improvement, which is expected to carry through into the 2002 financial year. The nature of the education business is such that at this time once enrolments have been established, reasonably accurate forecasts of earnings can be made for the year and these reflect a gratifying improvement on last year. The recruitments division's results are more difficult to forecast and whilst the results for the first half year are expected to be disappointing an improvement is anticipated in the second half year.

A meaningful improvement in real earnings is anticipated for the coming year.

**BD BUCKHAM**  
Chairman

**HF BROWN**  
Acting CEO

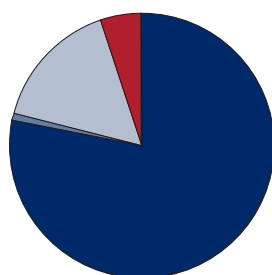


## VALUE ADDED STATEMENT *for the year ended 31 December 2001*

Value added is the wealth created by the Group and its employees by purchasing, processing and re-selling products and services. This statement shows how the value added was shared by those responsible for its achievement.

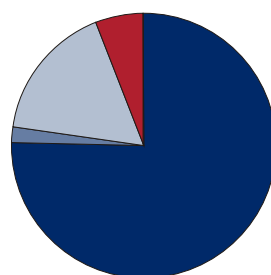
R'000	2001	%	2000	%
Turnover	515 950		551 106	
Cost of products and services	224 218		259 085	
<b>TOTAL WEALTH CREATED</b>	<b>291 732</b>	<b>100</b>	<b>292 021</b>	<b>100</b>
Applied as follows:				
<b>TO REMUNERATE EMPLOYEES</b> (Salaries, wages and other benefits)	228 797	78	220 502	76
<b>TO THE STATE</b> Government taxation	1 748	1	7 083	2
<b>TO REWARD PROVIDERS OF CAPITAL</b> Distributions	-	-	11 784	4
Interest paid	45 543	16	36 417	13
<b>RETAINED IN THE GROUP FOR FUTURE GROWTH</b> To maintain the group - depreciation	15 961	5	18 083	6
To expand the group - net earnings retained	(317)	0	(1 848)	(1)
	<b>291 732</b>	<b>100</b>	<b>292 021</b>	<b>100</b>

**31 DECEMBER 2001**



■ To remunerate employees	78%
■ To the State	1%
■ To reward providers	16%
■ Retained in the Group for future growth	5%

**31 DECEMBER 2000**



■ To remunerate employees	76%
■ To the State	2%
■ To reward providers	17%
■ Retained in the Group for future growth	5%





# SEGMENTAL REPORTING *for the year ended 31 December 2001*

R'000	Education 2001	Recruitment 2001	Total 2001
Turnover	324 654	191 296	515 950
EBITDA	44 557	12 998	57 555
EBIT	29 395	9 610	39 005
Profit after taxation	17 247	(17 261)	(14)
FUNDS EMPLOYED			
Fixed assets	297 830	5 022	302 852
Goodwill	5 461	236 288	241 749
Development costs	2 609	-	2 609
Deferred tax asset	15 236	22 402	37 638
Investments	798	814	1 612
Share purchase trust loan	5 835	5 835	11 670
	327 769	270 361	598 130
Current assets	28 518	42 904	71 422
	356 287	313 265	669 552
Current liabilities	(56 981)	(43 834)	(100 815)
Total funds employed	299 306	269 431	568 737

R'000	Education 2000	Recruitment 2000	Total 2000
Turnover	267 073	284 033	551 106
EBITDA	36 893	19 000	55 893
EBIT	23 184	14 331	37 515
Profit after taxation	21 313	(9 872)	11 441
FUNDS EMPLOYED			
Fixed assets	280 551	9 113	289 664
Goodwill	7 043	267 406	274 449
Development costs	2 965	-	2 965
Deferred tax asset	14 993	14 328	29 321
Investments	655	805	1 460
Share purchase trust loan	5 876	5 874	11 750
	312 083	297 526	609 609
Current assets	36 731	66 739	103 470
	348 814	364 265	713 079
Current liabilities	(33 990)	(74 223)	(108 213)
Total funds employed	314 824	290 042	604 866



## CORPORATE GOVERNANCE

### CORPORATE GOVERNANCE REPORT

The directors of ADVTECH Limited endorse, support and promote corporate governance as contained in the King Report, and believe that the Company has complied with those principles, with the exception of the requirement of the Chairman to be non-executive.

During the year, the Company appointed Hugh Brown (a non-executive director) as the Acting CEO, while recruitment of a permanent CEO was taking place. Once a new CEO is appointed the Chairman's role will change to that of a non-executive Chairman.

The company also intends complying with the second report from the King committee (King II) from its effective implementation.

#### Board of Directors

The board, as at 31 December 2001, comprised nine directors, being the executive Chairman, supported by three executive directors and five non-executive directors. Details of the board of directors appear on page 12 of this report

Mr Rob Childs (CEO), Mr Lenn Honey (executive) and Messrs Hugh Brown and Michael Sacks (non-executives) were appointed to the board on 29 June 2001. Hugh Brown was subsequently appointed Acting CEO on the resignation of Mr Rob Childs during October 2001. Mr Renney Plit resigned from the Board on 30 April 2001 and Mr Neill Davies and Mrs Marina Welihockyj resigned from the board at the AGM of the company held on 28 June 2001.

The board is responsible to shareholders to direct and control the business in a profitable manner and delegates responsibility for the proper management, control, and compliance to the Executive Committee (EXCO). The board has determined the levels of such delegated authority based on materiality and monitors compliance via regular reports from EXCO.

The Executive Committee currently comprises the following members: Brian Buckham, Hugh Brown, Nico Booyens, Craig Duff, Lenn Honey, Alex Isaakidis and Shaun Schwanzer.

The board meets a minimum of 4 times a year, while EXCO meets fortnightly. Eleven board meetings were held during the past year. The agenda of board meetings usually cover:

- Confirmation of minutes and matters arising and the noting of written resolutions;
- Review of financial results and cash flow projections;
- Review of operations;
- Approval of annual budgets and capex;
- Disposals, new ventures and acquisitions.

All directors have access to the advice and services of the company secretary, and are entitled to seek independent and professional advice in the furtherance of their duties at the company's expense.

Shareholders submit the names and credentials of proposed directors to the board, which reviews the proposals and votes on the nominations. Mr David Ferreira was nominated and unanimously appointed to the board with effect from 6 March 2002.

One-third of all directors (excluding the Chief Executive Officer) retire by rotation annually. In addition, all directors appointed by the board are subject to election by shareholders at the first opportunity after their initial appointment. None of the current directors hold fixed term contracts.

#### Board Committees

##### Remuneration Committee

The remuneration committee currently has two members being Michael Sacks (Chairman of the Committee) and Hugh Brown.

This committee ensures that the remuneration and performance incentives of directors and senior management are appropriate for their responsibilities, taking into account the size of the company, the industry and the importance of retaining management of appropriate calibre. The committee meets at least twice a year to consider and authorise the remuneration of the executive directors and senior managers of the Group. No director is involved in determining his own remuneration. Directors' emoluments are shown in note 2 to the annual financial statements.

The committee also reviewed the Group Share Incentive Scheme during the year, which resulted in a revised scheme being drawn up to be submitted for approval by the shareholders at the Annual General Meeting.

##### Audit committee

The audit committee consists of an independent non-executive Chairman, non-executive directors, the acting CEO and the Group Financial Director. The current members of the audit committee are: Michael Sacks (Chairman), Hymie Levin, Hugh Brown and Nico Booyens, and by invitation, representatives of the external auditors and the Group Internal Audit Manager attend meetings.

The committee meets periodically, but at least twice a year, to consider the internal and external audit plan and to review the interim and annual financial results before submission to the board as well as matters raised by the auditors. It also reviews the adequacy and effectiveness of accounting systems and internal controls. Both external and internal auditors have free access to the Chairman of the committee.



## CORPORATE GOVERNANCE CONT'D.

### INTERNAL FINANCIAL CONTROLS

#### Internal Control

The board has overall responsibility for the systems of internal financial controls. The board of directors through the Audit Committee and EXCO, reviews the effectiveness of the systems of internal control, although it should be understood that such systems are designed to provide reasonable but not absolute assurance against misstatements or losses.

The responsibility for the adequacy, extent and operation of these systems is delegated to the EXCO.

In all material aspects EXCO is satisfied that internal controls are adequate. During the year some breakdowns in controls did occur, but the key areas were identified and addressed and corrective action instituted. The competency level of all accounting staff was reviewed and upgraded, where necessary, to ensure compliance and the effective management and control of risk.

The key features of the internal control framework are as follows:

- a) Effective control over strategic and financial issues by the board of directors.
- b) A comprehensive system of financial reporting to the board of directors and senior management based on an annual budget and forecast. Periodic reports of actual results together with key performance indicators are produced and reviewed.
- c) Management control is formalised at all levels. Compliance with policies and procedures is regularly reviewed.
- d) The values of trust, honesty and integrity of personnel in responsible positions are of high importance in the Group. A policy of recruiting and promoting suitably experienced personnel is implemented.
- e) The capital investment programme is subject to stringent formalised review procedures.
- f) The external auditors, Moores Rowland, contribute an independent perspective on certain aspects of the internal financial control system arising from their audit work and report their findings to the Audit Committee.

#### Internal Audit

The Internal audit function was re-established during the year with the appointment of an Internal Audit manager. It has been established to independently examine and evaluate the activities of the Company as a service to the board in particular and EXCO in general. The internal audit function reviews the reliability and integrity of financial and operating information and the extent of compliance to internal control systems, utilisation of resources, assesses the means of safeguarding assets, and the conduct of the operations. Internal audit also recommends improvements in procedures and systems to prevent waste, extravagance and fraud and draws attention to any failure to take remedial action.

The internal audit function is independent of management and the internal audit manager has unrestricted access to the chairman of the audit committee.

### RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements and other information contained in this report were prepared under the direction of management, which is responsible for the integrity and objectivity thereof.

The board of directors accepts responsibility for ensuring that the financial statements are prepared in a way which reasonably reflects the financial position of the company and Group. The financial statements have been prepared in conformity with generally accepted accounting practice.

Moores Rowland are engaged as auditors to express an independent opinion on the financial statements. Their audit is conducted in accordance with South African Auditing Standards and includes a review of internal controls and a test of transactions to the extent necessary to allow them to report on the fairness of the operating results and financial position of the Group and its subsidiaries. Their report is set out on page 11.

The board of directors is of the opinion that the business will continue to operate as a going concern in the next financial year.

### COMPANY SECRETARY

The secretary of the company is Mrs IJ Verster.

### RESPONSIBILITY FOR HUMAN RESOURCES REPORTING

The Group has actively participated in and continues to support the government's legislation initiatives, such as Employment Equity, Skills Development, Economic Empowerment and recent amendments to labour and employment legislation.

To further enhance the Group's human capital strategy it appointed a HR Executive who is a member of EXCO to centralise and facilitate a human resources capability throughout the Group.



## APPROVAL OF THE FINANCIAL STATEMENTS

The annual financial statements and Group annual financial statements which appear on pages 12 to 32 were approved by the board on 6 March 2002 and are signed on its behalf by:

**BD Buckham**  
Chairman

**HF Brown**  
Acting Chief Executive Officer

**JNP Booyens**  
Group Financial Director

## REPORT OF THE INDEPENDENT AUDITORS

*To the members of ADVTECH Limited*

We have audited the annual financial statements and Group annual financial statements of ADVTECH Limited set out in pages 12 to 32 for the year ended 31 December 2001. 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, the financial statements fairly present, in all material respects, the financial position of the company and the Group at 31 December 2001 and the results of their operations and cash flows for the year then ended in accordance with generally accepted accounting practice, and in the manner required by the Companies Act.

**Moares Rowland**  
Registered Accountants and Auditors  
Chartered Accountants (SA)  
Johannesburg  
6 March 2002

## CERTIFICATE BY SECRETARY

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

**IJ Verster (ACIS)**  
Secretary



## DIRECTORS' REPORT

*To the members of ADVTECH Limited*

Your directors have pleasure in submitting their report which forms part of the Group annual financial statements for the year ended 31 December 2001.

### NATURE OF BUSINESS

The Group has been refocused towards its core competencies and several non-performing and non-core activities, particularly those in the Recruitment division, were either sold or closed.

The nature of the business comprises:

1. Formal education from pre-primary to post-graduate levels.
2. Recruitment and related services in the fields of technology, finance and engineering.
3. Subscription services for local and overseas publications.

### FINANCIAL RESULTS

The results for the year ended 31 December 2001 are set out in the financial statements and a full commentary thereon is provided in the Chairman and CEO's Report.

In order to provide a meaningful presentation, certain comparatives have been regrouped.

Furthermore, in order to provide a proper appreciation of the Group's performance for the period under review, adjustments have been made to the 2000 comparatives to take into account unaccounted costs and charges as well as the effects of a change in accounting policy at a division. This information was only determined during the corrective action initiative in mid year. The impact of these prior year adjustments was to reduce 2000 comparative headline earnings as follows:

	R'000
Write off of share purchase trust loan	2 512
Unaccounted costs and charges	5 106
Effect of change in accounting policy	3 129
Reduction in operating profit	<u>10 747</u>
Taxation thereon	3 224
	<u>7 523</u>
 Reduction in headline earning per share (cents)	 <u>1.9</u>

Fixed assets acquired during the year are reflected in note 11.2. Segmental Reporting is disclosed on page 8 of the annual financial statements.

### SHARE CAPITAL AND SHARE PREMIUM

During the year under review no changes took effect in the issued shared capital.

### DIVIDEND

No dividend has been declared for the year ended 31 December 2001.

### DIRECTORS AND SECRETARY

The directors of the company are:

BD Buckham	(Chairman)	HR Levin*
HF Brown	(Acting CEO)	HJ Borkum*
JNP Booyens	(Financial)	MI Sacks*
CN Duff		C Bomela*
DL Honey		DK Ferreira*

\* Non-Executive

Mr DL Honey, Mr MI Sacks, Mr HF Brown and Mr DK Ferreira were appointed to the Board since the last Annual General Meeting. In terms of the Company's Articles of Association, these directors retire from office at the conclusion of the Annual General Meeting, and may be re-appointed at the meeting. Mr R Plit, Mrs M Welihocky and Mr NO Davies all resigned from the Board during the year.

The secretary of the company is Mrs LJ Verster. Her business address is 364 Kent Avenue, Randburg 2194, and her postal address is PO Box 2369, Randburg 2125.



## DIRECTORS' REPORT CONTD.

To the members of AdvTECH Limited

### SUBSIDIARY COMPANIES

Details of interests in subsidiary companies are set out in note 14 which forms part of this report.

### DIRECTORS' REMUNERATION

	Services As Directors	Basic Remuneration	Fringe Benefits	Performance Bonus	Other	Provident Fund Contributions	Total Remuneration Expense
NON-EXECUTIVE DIRECTORS	240 000	180 029					420 029
EXECUTIVE DIRECTORS	185 000	2 756 190	730 261	847 274	* 1 746 237	407 041	6 672 004
<b>TOTALS - 2001</b>	425 000	2 936 219	730 261	847 274	* 1 746 237	407 041	7 092 033
<b>TOTALS - 2000</b>	360 000	3 418 313	734 828	1 598 000	-	386 446	6 497 587

\* Included under Other are the restraint of trade payments and settlements made to past directors.

During the year 11 700 000 new share options were allocated to Executive Directors at a price of 23c per share.

These options may be exercised over 2, 4 and 6 years from date of allocation (to a maximum of 1/3 per exercise date), and no payment is made until the options are exercised.

### DIRECTORS' INTEREST

As at 31 December 2001, the directors' beneficial and non-beneficial, direct and indirect interests in the issued share capital of the Company was 10.5% (21.4% - 2000) in the aggregate and per director as follows:

NAME	BENEFICIALLY				NON-BENEFICIALLY			
	DIRECT		INDIRECT		DIRECT		INDIRECT	
	2001	2000	2001	2000	2001	2000	2001	2000
C BOMELA	-	-	-	-	-	-	-	-
JNP BOOYENS	15,000	15,000	-	-	-	-	-	-
H BORKUM	250,000	50,000	-	-	-	-	-	-
HF BROWN*	-	-	800,000	-	-	-	-	-
BD BUCKHAM	26,622,650	26,392,650	2,667,255	2,667,255	970,276	970,276	-	-
NO DAVIES**	-	-	-	-	-	-	-	50,740
C DUFF	-	-	877,514	877,514	-	-	-	-
DL HONEY*	959,196	-	-	-	513	-	-	-
H LEVIN	7,906,427	7,082,553	-	-	93,573	93,573	-	-
RD PLIT**	-	1,022,465	-	264,155	-	-	-	-
MI SACKS*	-	-	-	-	-	-	-	-
M WELIHOCKY**	-	6,324,173	-	31,620,865	-	4,216,115	-	-
<b>TOTALS</b>	<b>35,753,273</b>	<b>40,886,841</b>	<b>4,344,769</b>	<b>35,429,789</b>	<b>1,064,362</b>	<b>5,279,964</b>	<b>-</b>	<b>50,740</b>

\* New Director

\*\* Resigned



# INCOME STATEMENTS *for the year ended 31 December 2001*

R'000	Notes	GROUP		COMPANY	
		2001	2000	2001	2000
Turnover		515 950	551 106	-	-
Operating profit/(loss)	2	39 005	37 518	(3 718)	(843)
Net dividend income		-	3 558	-	3 125
Net interest (paid)/received	3	(11 615)	(4 298)	1 146	(1 452)
Equity accounted earnings		798	937	-	-
Profit/(loss) before exceptional items		28 188	37 715	(2 572)	830
Exceptional items	4	(29 227)	(18 575)	(1 283)	-
(Loss)/profit before taxation		(1 039)	19 140	(3 855)	830
Taxation	5	1 025	(7 699)	402	345
(Loss)/profit after taxation		(14)	11 441	(3 453)	1 175
Attributable to outside shareholders		303	1 505	-	-
(Loss)/profit attributable to ordinary shareholders		(317)	9 936	(3 453)	1 175
Distribution to shareholders		-	11 784	-	11 784
Retained loss for the year		(317)	(1 848)	(3 453)	(10 609)
Earnings per ordinary share (cents)	6.1	(0.08)	2.53		
Headline earnings per ordinary share (cents)		6.16	7.26		
Fully diluted earnings per ordinary share (cents)	6.2	(0.08)	2.52		
Fully diluted headline earnings per ordinary share (cents)		6.15	7.23		

# STATEMENT OF CHANGES IN EQUITY *for the year ended 31 December 2001*

R'000	Share Capital	Share Premium	Non-Distributable Reserves	Retained Earnings	Outside Shareholders	Total
Balance at beginning of the year	3 928	353 166	27 938	68 146	2 167	455 345
Prior year adjustment - (per note 4)				(7 523)		(7 523)
- taxation				(754)		(754)
Retained loss for the year				(317)		(317)
Goodwill written-off			(9 936)			(9 936)
Translation reserves			2 369			2 369
Outside shareholders for the year					303	303
Balance at year end	3 928	353 166	20 371	59 552	2 470	439 487

BALANCE SHEETS *at 31 December 2001*

R'000	Notes	GROUP		COMPANY	
		2001	2000	2001	2000
<b>ASSETS</b>					
<b>Non-current assets</b>		598 130	609 609	406 074	391 042
Fixed assets	11	302 852	289 664	108	135
Intangible assets	12	244 358	277 414	2 621	2 621
Investments	13	1 612	1 460	-	-
Investments in subsidiaries	14	-	-	285 670	285 670
Loan to share purchase trust		11 670	11 750	11 670	11 750
Deferred taxation	10	37 638	29 321	7	-
Indebtedness of holding company and subsidiaries	14	-	-	105 998	90 866
<b>Current assets</b>		71 422	103 470	1 672	15 361
Inventories	15	4 250	3 605	-	-
Accounts receivable		44 680	67 271	26	16
Prepayments		9 071	11 333	62	-
Taxation		2 870	7 991	815	355
Cash resources and liquid instruments		10 551	13 270	769	14 990
<b>Total assets</b>		669 552	713 079	407 746	406 403
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>		439 487	447 823	359 911	363 365
Ordinary share capital	7.1	3 928	3 928	3 928	3 928
Ordinary share premium	7.2	353 166	353 166	353 166	353 166
Non-distributable reserve	8	20 371	27 938	-	-
Distributable reserve					
- Retained earnings		59 552	60 624	2 817	6 271
Outside shareholders' interest		2 470	2 167	-	-
<b>Interest bearing debt</b>		129 250	157 043	34 000	15 000
Interest bearing debt - medium term	9.5	39 989	63 567	-	-
- short term	9.5	89 261	93 476	34 000	15 000
<b>Current liabilities</b>		100 815	108 213	13 835	28 038
Accounts payable		68 942	59 710	2 554	2 125
Bank overdraft		-	-	11 225	14 129
Vendor for acquisition of business		8 793	29 445	-	-
Deferred income		23 024	7 274	-	-
Shareholders for dividend		56	11 784	56	11 784
<b>Total equity and liabilities</b>		669 552	713 079	407 746	406 403




**CASH FLOW STATEMENTS** *for the year ended 31 December 2001*

R'000	Notes	GROUP		COMPANY	
		2001	2000	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated/(utilised) by operations	20.1	45 612	60 366	(4 948)	2 336
Utilised to (increase)/decrease working capital	20.2	48 253	(7 794)	437	(9 350)
Cash generated/(utilised)by operating activities		93 865	52 572	(4 511)	(7 014)
Net interest (paid)/received		(11 615)	(4 053)	1 147	(1 451)
Taxation paid	20.3	(3 414)	(11 594)	(65)	-
Dividends paid	20.4	(11 729)	-	(11 729)	-
Net cash inflow/(outflow) from operating activities		67 107	36 925	(15 158)	(8 465)
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to fixed assets	20.5	(35 383)	(62 912)	(32)	(189)
Goodwill and trademarks		(8 949)	(2 621)	-	(2 621)
Proceeds on disposal of fixed assets		3 615	1 723	5	-
Investments		130	(183 450)	-	(244 442)
Net cash outflow from investing activities		(40 587)	(247 260)	(27)	(247 252)
CASH FLOWS FROM FINANCING ACTIVITIES					
(Decrease)/increase in long-term liabilities		(26 798)	91 498	19 000	15 000
Proceeds from shares issued		-	156 926	-	156 925
(Increase)/decrease in inter-company loans		220	(63 448)	(15 132)	11 025
Creditors for acquisition of businesses settled		(2 773)	(39 867)	-	-
Net cash (outflow)/inflow from financing activities		(29 351)	145 109	3 868	182 950
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2 831)	(65 226)	(11 317)	(72 767)
Cash disposed		112	10 496		77 156
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		13 270	68 000	861	(3 528)
CASH AND CASH EQUIVALENTS AT END OF YEAR		10 551	13 270	(10 456)	861



## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

The principal accounting policies and the disclosures made in the annual financial statements conform with South African generally accepted accounting practices.

The financial statements and Group financial statements are prepared on the historical cost basis and incorporate the following principal accounting policies, applied on a basis consistent with that of the previous year:

#### 1.1 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate those of the company and its subsidiaries. Operating results of subsidiaries acquired or disposed of during the financial year are included from the date effective control was acquired or up to date of disposal or discontinuance. All inter-group balances and transactions have been eliminated on consolidation.

#### 1.2 JOINT VENTURES

Joint ventures are those entities which are not subsidiaries and over which the Group exercises joint control. Joint ventures are accounted for using the equity method.

#### 1.3 TRANSLATION OF FINANCIAL STATEMENTS PREPARED IN FOREIGN CURRENCIES

Balance sheets of consolidated foreign entities are translated into rand at rates of exchange ruling at year end. The related income statement and cash flow statement are translated at the weighted average rate of exchange for the year. Any translation gains or losses are taken directly to non-distributable reserves.

#### 1.4 REVENUE RECOGNITION

##### 1.4.1 TURNOVER

Turnover comprises the invoiced amount of tuition fees, goods supplied and services rendered to customers, net of value added tax. Revenue is recognised at the date the services are rendered and/or in terms of contractual obligations.

##### 1.4.2 NET DIVIDEND INCOME

Dividend income is brought to account to the extent of dividends received and/or accrued, net of costs.

##### 1.4.3 INTEREST

Interest is recognised on a time proportional basis.

#### 1.5 EXCEPTIONAL ITEMS

Exceptional items are those amounts which are relevant to explain the performance of the Group for the year under review.

#### 1.6 INVESTMENTS

Investments are stated at cost and are written down where the directors are of the opinion that there is a permanent diminution in value.

#### 1.7 FIXED ASSETS AND DEPRECIATION

##### OWNED

Land and buildings are classified as an asset and are not investment properties, therefore they are not depreciated in accordance with AC 123. Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on the straight line basis at rates which will reduce the cost of the assets to estimated residual values over their expected useful lives.

The annual rates used for this purpose are:

Computer equipment	33,3%
Furniture, fittings and office equipment	10 - 20%
Motor vehicles	20%
Leasehold improvements	Period of lease

Borrowing costs incurred relating to the development of properties are capitalised and included in the cost of properties until completion. The capitalisation rate used to determine the borrowing cost capitalised is the prevailing average borrowing rate.



## NOTES TO THE FINANCIAL STATEMENTS CONTD.

### LEASED

Assets subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. These assets are depreciated in accordance with the policy relating to fixed assets. Finance charges are amortised over the duration of the lease agreements. Operating lease rentals are charged against profits as incurred.

### 1.8 INTANGIBLE ASSETS

#### 1.8.1 GOODWILL

Goodwill arising prior to 1 September 2000 was written-off directly against Share Premium account. Goodwill and premium on acquisition of subsidiaries, represents the excess of the cost of acquisition over the net book value of the assets acquired at date of acquisition. Goodwill is amortised over its useful life not exceeding 20 years.

#### 1.8.2 TRADEMARKS

Trademarks arising prior to 1 September 2000 were written-off directly against the Share Premium account. Trademarks are amortised over their useful lives.

#### 1.8.3 DEVELOPMENT COSTS

All direct costs from the commencement to the completion of development are capitalised. These costs are amortised over the period of the expected benefit, commencing when a revenue stream is produced.

### 1.9 INVENTORIES

Inventories, which comprises merchandise for resale, is valued at the lower of cost, determined either at selling price less an average mark up percentage or on a first-in first-out basis, and net realisable value.

### 1.10 FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the rate of exchange ruling on the transaction date, or at forward cover rates where forward cover contracts are considered to be integral to the transaction. Assets and liabilities in foreign currencies are translated at approximate rates of exchange ruling at year end except where these are subject to forward exchange contracts. All transaction differences are taken to income in the year in which they arise.

### 1.11 DEFERRED TAXATION

Deferred taxation is provided at current rates using the balancesheet liability method. Full provision is made for all temporary differences between the taxation base of an asset or liability and its balance sheet carrying amount with the exception of those amounts treated as permanent differences.

### 1.12 RETIREMENT BENEFITS

The Group operates pension and provident funds to which some employees belong. The funds are both defined contribution plans and do not require to be actuarially valued. Current contributions to the pension and provident funds are charged against profits when incurred. The company has no liabilities in respect of post retirement medical aid contributions or benefits.

### 1.13 RELATED PARTY TRANSACTIONS

Related party transactions exist between the company and its subsidiaries. All transactions are concluded at arms length.



## NOTES TO THE FINANCIAL STATEMENTS CONTD.

### 1.14 FINANCIAL INSTRUMENTS

#### FINANCIAL ASSETS

The Group's principal financial assets are bank balances and cash, trade receivables and Investments. Trade receivables are stated at the nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Investments are stated at cost less any impairment losses, where the investments' carrying amounts exceed their estimated recoverable amounts.

#### FINANCIAL LIABILITIES

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Significant financial liabilities include finance lease obligations, interest-bearing bank loans and overdrafts, and trade and other payables.

Interest-bearing bank loans and overdrafts are recorded at the amounts outstanding at year end. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instruments to the extent that they are not settled in the period in which they arise.

### 1.15 CONCENTRATION OF CREDIT RISK

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of realistic allowances for doubtful receivables. The company and the Group have no significant concentrations of credit risk.

### 1.16 LIQUIDITY RISK

The Group has significant banking facilities and reserve borrowing capacity including liquid resources.

### 1.17 COMPARATIVE FIGURES

In order to provide a meaningful presentation certain comparatives have been regrouped. The Group's 2000 year comparatives have been adjusted to take into account unaccounted costs and charges as well as the effect of a change in accounting policy at a division. Details have been provided in the Directors' Report (page 12).

### 1.18 CHANGE IN ACCOUNTING POLICY

The change in accounting policy relates to the recognition of revenue on invoice date at the LabourNet division as opposed to recognising revenue on a time proportion basis.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

R'000	GROUP		COMPANY	
	2001	2000	2001	2000
<b>2. OPERATING PROFIT</b>				
<b>IS STATED AFTER TAKING INTO ACCOUNT:</b>				
<b>INCOME</b>		3 598	7 844	13 266
Profit on realisation of fixed assets	-	40	5	-
Dividends received	-	3 558	-	3 125
Expenses charged out to subsidiary companies	-	-	7 839	10 141
<b>EXPENDITURE</b>				
Auditors' remuneration	1 705	2 527	74	149
- Current year audit fees	1 665	1 696	64	149
- Prior year underprovision audit fees	38	795	10	-
- Other services	2	36	-	-
Depreciation of fixed assets	18 193	18 083	58	54
Owned				
- Computer equipment & software	6 512	7 720	38	38
- Furniture fittings & equipment	7 897	6 406	20	16
- Motor vehicles	856	981	-	-
- Video equipment courses & masters	160	208	-	-
Leased				
- Leasehold improvements	2 242	1 660	-	-
- Leased furniture fittings & equipment	64	86	-	-
- Leased computer equipment & software	210	892	-	-
- Leased motor vehicles	252	130	-	-
Directors' emoluments	7 092	6 498	480	210
- For services as directors	425	360	480	210
- For managerial and other services	6 667	6 138	-	-
Operating lease charges	20 180	16 990	-	-
- Premises	18 395	16 782	-	-
- Equipment	1 785	208	-	-
Remuneration for services	2 769	802	-	-
- Administrative	142	772	-	-
- Secretarial	6	30	-	-
- Managerial	1 221	-	-	-
- Other	1 400	-	-	-
Loss on sale of fixed assets	694	719	-	-
<b>3. NET (PAID)/RECEIVED INTEREST</b>				
Net (paid)/received interest	(11 615)	(11 782)	1 146	1 452
Capitalised interest		7 484		-
	(11 615)	(4 298)	1 146	(1 452)

NOTES TO THE FINANCIAL STATEMENTS CONTD.

R'000	GROUP		COMPANY	
	2001	2000	2001	2000
<b>4. EXCEPTIONAL ITEMS</b>				
Litigation costs	(10 175)	(14 445)	(1 288)	-
Goodwill amortisation	(13 834)	-	-	-
Restructuring costs	(393)	-	-	-
Discontinued operations	(9 035)	(4 130)	-	-
Profit on sale of divisions	4 210	-	5	-
Exceptional items before taxation	(29 227)	(18 575)	(1 283)	-
Taxation	4 709	-	385	-
Exceptional items after taxation	(24 518)	(18 575)	898	-

During the year, it was decided to close down Bryan Hattingh Executive Services, Time Systems and ADvTECH Learning. Costs incurred for Bryan Hattingh Independent Services and ADvTECH Skills after disposal as well as rentals for previously terminated operations have been treated as discontinued operations. Discontinued operations caused a tax loss of R2 710 000 made up of SA normal taxation and deferred taxation.

**5. TAXATION****5.1 TAXATION CHARGE**

Current tax - SA normal	6 193	1 196	(394)	(345)
- foreign	1 069	3 194	-	-
Deferred tax	(8 317)	3 256	(8)	-
Prior year tax	30	53	-	-
<b>TOTAL TAXATION</b>	<b>(1 025)</b>	<b>7 699</b>	<b>(402)</b>	<b>(345)</b>

Estimated tax losses carried forward at year end were R23 495 017.

R'000	GROUP		
	SA Normal	Foreign	Total
<b>5.2 RECONCILIATION OF CURRENT TAX CHARGE - Year 2001 - 31 December 2001</b>			
Tax on income at normal rate	177	511	334
Adjusted for Permanent differences	(1 409)	20	(1 389)
Disallowable expenditure	737	20	757
Non-taxable income	(6 296)		(6 296)
Amortisation goodwill	4 150		4 150
Timing differences	7 779	538	8 317
Allowance for future expenditure	(3 423)	-	(3 423)
Deferred and prepaid expenditure	513	(67)	446
Income received in advance	4 611	-	4 611
Increase in provision for bad debts	348	-	348
Capitalised finance leases	31	(3)	28
Amortisation of trademarks	(4 259)		(4 259)
Estimated tax losses carried forward	7 048		7 048
Other	2 887	608	3 495
Current tax	6 193	1 069	7 262



## NOTES TO THE FINANCIAL STATEMENTS CONTD.

R'000	GROUP		
	SA Normal	Foreign	Total
<b>5.2 RECONCILIATION OF CURRENT TAX CHARGE - Year 2000 - 31 December 2000</b>			
Tax on income at normal rate	2 456	3 714	6 170
Adjusted for			
Permanent differences	1 444	31	1 475
Disallowable expenditure	2 116	31	2 147
Non-taxable income	(3 958)	-	(3 958)
Amortisation goodwill	4 263	-	4 263
Dividends received	(977)	-	(977)
Timing differences	(2 704)	(551)	(3 255)
Allowance for future expenditure	(287)	-	(287)
Deferred and prepaid expenditure	(489)	-	(489)
Income received in advance	1 406	(103)	1 303
Increase in provision for bad debts	449	-	449
Capitalised finance leases	(62)	-	(62)
Amortisation of development costs	67	(37)	30
Amortisation of trademarks	(4 259)	-	(4 259)
Other	471	(411)	60
Current tax	1 196	3 194	4 390

R'000	COMPANY	
	2001	2000
<b>RECONCILIATION OF CURRENT TAX CHARGE</b>		
Tax on income at normal rate	(1 156)	249
Adjusted for		
Permanent differences	754	(594)
Disallowable expenditure	754	344
Dividends received	-	(938)
Timing differences	8	-
Prepaid Expenses	(18)	-
Provision for leave pay	26	-
Current tax	(394)	(345)
Effective tax rate	10.2%	(41.6%)

NOTES TO THE FINANCIAL STATEMENTS CONTD.

R'000	GROUP		COMPANY	
	2001	2000	2001	2000

**6. EARNINGS PER SHARE****6.1 EARNINGS PER ORDINARY SHARE**

Earnings per ordinary share has been calculated on net income after taxation of (R317 659) (2000: 9 936 312) and the weighted average number of shares in issue during the period of 392 804 065 (2000: 392 804 065).

**6.2 FULLY DILUTED EARNINGS PER ORDINARY SHARE**

The dilution of 0,01 cents per share (2000: 0.1 cents) is due to the potential future issue of shares to settle the purchase price of acquisitions.

**7. ORDINARY SHARE CAPITAL AND PREMIUM****7.1 SHARE CAPITAL**

Authorised

500 000 000 shares of 1 cent each

(2000: 500 000 000 shares of 1 cent each)

500 000 000 N shares of 0.01 cent each

(2000: 500 000 000 N shares of 0.01 cent each)

5 000	5 000	5 000	5 000
50	50	50	50
5 050	5 050	5 050	5 050

Issued

392 804 065 shares of 1 cent each

(2000: 392 804 065 shares of 1 cent each)

3 928	3 928	3 928	3 928
3 928	3 928	3 928	3 928

**7.2 SHARE PREMIUM**

At the beginning of year

Movements during the year

Premium on shares issued

Goodwill and trademarks written off

353 166	595 847	353 166	353 166
353 166	197 398	353 166	197 398
-	242 681	-	-
-	155 768	-	155 768
-	(242 681)	-	-
353 166	353 166	353 166	353 166

The unissued shares are under the control of the directors subject to the provisions of the Companies Act and the requirements of the JSE Securities Exchange South Africa.





# NOTES TO THE FINANCIAL STATEMENTS CONTD.

R'000	GROUP		COMPANY	
	2001	2000	2001	2000
<b>8. NON DISTRIBUTABLE RESERVE</b>				
Opening balance at the beginning of the year	27 938	18 783	-	-
Restructuring reserve	-	7 246	-	-
Goodwill written-off	(9 936)	-	-	-
Translation reserve	2 369	1 909	-	-
	20 371	27 938	-	-
<b>9. INTEREST BEARING DEBT</b>				
<b>9.1 Instalment sale and finance lease agreements</b>				
Secured by motor vehicles, furniture and fittings and computer equipment having a book value of R2 349 123 (2000: R2 148 254)	3 008	4 340	-	-
Less: Current portion of long-term liabilities	(850)	(2 486)	-	-
	2 158	1 854	-	-
The liabilities bear interest at rates varying between prime overdraft rate and prime plus 1% per annum (2000: prime overdraft and prime plus 1% per annum) and are payable in monthly instalments of R179 776 (2000: R174 421) including interest.				
<b>9.2 Compulsory convertible loan.</b>				
Secured by security bonds over properties having a cost of R240 141 937	59 083	82 403	-	-
Less: Current portion of long-term liabilities	(21 252)	(20 690)	-	-
	37 831	61 713	-	-
The loan is payable bi-annually bearing a variable interest rate currently 12,5% (2000: 13,25%)				
<b>9.3 Bankers acceptances</b>	79 000	45 000	34 000	15 000
Less: Current portion of bankers acceptances	(79 000)	(45 000)	(34 000)	(15 000)
	-	-	-	-
The loan bears interest at the base rate plus 1.5% admin charge, which varies between 12,5% and 13.25%				
<b>9.4 Bank balances</b>	(11 841)	25 300	-	-
Less: Current portion of funding	11 841	(25 300)	-	-
	-	-	-	-
Overdraft balance bears interest at the prime rate				
<b>9.5 Total long-term liabilities</b>	129 250	157 043	34 000	15 000
Less: Current portion of long-term liabilities	(89 261)	(93 476)	34 000	15 000
	39 989	63 567	-	-

Interest bearing debt comprises a combination of medium term loan agreements and short term finance. Notwithstanding the classification, the loans have been secured by security bonds to facilitate the registration of mortgage bonds over the Group's fixed property.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

R'000	GROUP		COMPANY	
	2001	2000	2001	2000
<b>10. DEFERRED TAXATION</b>				
Opening deferred tax asset	29 321	17 045	-	-
Movement during the year	8 317	12 276	7	-
Closing balance	37 638	29 321	7	-
The balance comprises:				
Prepaid expenses	(2 721)	(3 170)	(18)	-
Allowance for future expenditure (S24C)	(4 953)	(1 530)	-	-
Fees received in advance	6 907	2 297	-	-
Capitalised finance leases	142	115	-	-
Bad debts provision	3 032	2 572	-	-
Doubtful debt allowance	(758)	(643)	-	-
Provision for leave pay	1 656	1 641	25	-
Trademarks (S11G(a))	28 309	32 568	-	-
Estimated tax loss carried forward	7 048	-	-	-
Other	(1 025)	(4 529)	-	-
	37 638	29 321	7	-



# NOTES TO THE FINANCIAL STATEMENTS CONTD.

R'000	GROUP			COMPANY		
	Cost	Accumulated depreciation	Book value	Cost	Accumulated depreciation	Book value
<b>11. FIXED ASSETS</b>						
<b>11.1 31 DECEMBER 2001</b>						
<b>OWNED</b>						
Land and buildings	252 805	-	252 805	-	-	-
Computer equipment	27 496	20 566	6 930	120	78	42
Furniture, fittings and equipment	42 928	23 345	19 583	97	31	66
Motor vehicles	5 146	2 789	2 359	-	-	-
Video equipment, courses and masters	237	31	206	-	-	-
Leasehold improvements	27 250	6 365	20 885	-	-	-
	355 642	53 094	302 768	217	109	108
<b>LEASED</b>						
Computer equipment	1 719	1 635	84	-	-	-
Furniture, fittings and equipment	-	-	-	-	-	-
Motor vehicles	226	226	-	-	-	-
	1 945	1 861	84	-	-	-
	357 587	54 955	302 852	217	109	108
<b>31 DECEMBER 2000</b>						
<b>OWNED</b>						
Land and buildings	233 565	-	233 565	-	-	-
Computer equipment	32 262	22 304	9 958	93	38	55
Furniture, fittings and equipment	37 742	17 128	20 614	96	16	80
Motor vehicles	5 015	2 243	2 772	-	-	-
Video equipment, courses and masters	3 562	3 160	402	-	-	-
Leasehold improvements	25 726	4 233	21 493	-	-	-
	337 872	49 068	288 804	189	54	135
<b>LEASED</b>						
Computer equipment	1 647	1 449	198	-	-	-
Furniture, fittings and equipment	467	201	266	-	-	-
Motor vehicles	696	300	396	-	-	-
	2 810	1 950	860	-	-	-
	340 682	51 018	289 664	189	54	135

R'000	GROUP		COMPANY	
	2001	2000	2001	2000
<b>11.2 RECONCILIATION OF FIXED ASSETS</b>				
Net book value at beginning of year	289 664	247 136	135	-
- Additions	35 383	62 912	31	189
- Translation differences	403	103	-	-
- Disposals	(4 405)	(2 404)	-	-
- Depreciation	(18 193)	(18 083)	(58)	(54)
Net book value at end of year	302 852	289 664	108	135

NOTES TO THE FINANCIAL STATEMENTS CONTD.

R'000	GROUP		COMPANY	
	2001	2000	2001	2000
<b>12. INTANGIBLE ASSETS</b>				
<b>12.1 GOODWILL</b>				
Carrying value at beginning of the year	274 449	-	2 621	-
Plus: Goodwill on acquisition	-	288 893	-	-
Less: Diminution in purchase price	(7 643)	-	-	-
Goodwill on operations discontinued	(11 223)	-	-	-
Amortisation for the year	(13 834)	(14 444)	-	-
Carrying value at end of the year	241 749	274 449	2 621	2 621
<b>12.2 DEVELOPMENT COSTS</b>				
Carrying value at beginning of the year	2 965	450	-	-
Plus: Additions	-	3 090	-	-
Less: Amortised for year	(356)	(575)	-	-
Carrying value at end of the year	2 609	2 965	-	-
<b>TOTAL INTANGIBLE ASSETS CARRYING VALUE AT END OF THE YEAR</b>	<b>244 358</b>	<b>277 414</b>	<b>2 621</b>	<b>2 621</b>

NOTES TO THE FINANCIAL STATEMENTS CONTD.

R'000	GROUP		COMPANY	
	2001	2000	2001	2000
<b>13. INVESTMENTS</b>				
<b>13.1 UNLISTED SHARES AT COST LESS</b>				
<b>AMOUNTS WRITTEN OFF:</b>				
- 26% (39 100 shares) interest in Rhino Management (Pty) Ltd Directors' valuation R722 000	722	722	-	-
- 5,8% (2 500 shares) interest in Weimershoek No 81 (Pty) Limited Directors' valuation R82 000	82	82	-	-
- Investment in call account	10	-	-	-
<b>13.2 JOINT VENTURE</b>				
- 60% (2000: 60%) proportional share interest in the Varsity College/ St Charles College joint venture	798	656	-	-
	1 612	1 460	-	-
<b>13.3 INVESTMENT IN JOINT VENTURE</b>				
<b>13.3.1</b> The Group's proportionate share of the assets and liabilities of the joint venture is as follows:				
Fixed assets	913	853	-	-
Current assets	915	888	-	-
	1 828	1 741		
Deduct: Current liabilities	(1 030)	(804)	-	-
	798	937	-	-
<b>13.3.2</b> The Group's proportionate share of the results of the joint venture is as follows:				
Turnover	3 602	3 517	-	-
Income before taxation	798	937	-	-
<b>13.3.3</b> The Group's proportionate share of the cash flow of the joint venture is as follows:				
Cash inflow from operating activities	339	109	-	-
Cash outflow from investing activities	(211)	(164)	-	-
Cash inflow from financing activities	1	(8)	-	-
	129	(63)	-	-

NOTES TO THE FINANCIAL STATEMENTS CONTD.

	Issued share capital		Proportion held directly or indirectly		Interest of holding company			
	31 Dec 2001 R	31 Dec 2000 R	31 Dec 2001 %	31 Dec 2000 %	Shares 31 Dec 2001 R'000	31 Dec 2000 R'000	Owing 31 Dec 2001 R'000	31 Dec 2000 R'000
<b>14. INVESTMENT IN SUBSIDIARIES</b>								
<b>- HOLDING COMPANY</b>								
<b>Direct</b>								
ADvTECH Education (Pty) Ltd	2	2	100	100	41 228	41 228	99 655	87 613
ADvTECH Resource Holdings (Pty) Ltd	3 150 023	3 150 023	100	100	244 442	244 442	6 343	3 253
<b>Indirect</b>								
ADvTECH Training (Pty) Ltd	2	2	100	100	-	-	-	-
Strategic Connection (Pty) Ltd	100	100	100	100	-	-	-	-
Leartron (Pty) Ltd	310 010	310 010	100	100	-	-	-	-
Time Systems SA (Pty) Ltd	1 000	1 000	100	100	-	-	-	-
ADvTECH Resourcing (Pty) Ltd	10	10	100	100	-	-	-	-
Business Learning Systems (Pty) Ltd	1 000	1 000	100	100	-	-	-	-
Lexpress Data (Pty) Ltd	100	100	100	100	-	-	-	-
TimeMaster (Pty) Ltd	100	100	100	100	-	-	-	-
Triumph Holdings Ltd (2)	4	4	100	100	-	-	-	-
Crowe Associates (Pty) Ltd (1)	16	16	100	80	-	-	-	-
Hamlora (Pty) Ltd (1)	10	10	100	100	-	-	-	-
Chisholm (Pty) Ltd (1)	9	9	100	100	-	-	-	-
Quantum (Pty) Ltd (1)	433	433	100	70	-	-	-	-
HC Leon (Pty) Ltd	100	100	100	100	-	-	-	-
Resource Development International (Pty) Ltd	200	200	100	100	-	-	-	-
Bryan Hattlingh Independent Services (Pty) Ltd	1	1	100	100	-	-	-	-
Sight and Sound Education (Pty) Ltd	150	150	100	100	-	-	-	-
					285 670	285 670	105 998	90 866

Results of the subsidiaries so far as it concerns members of the company. Aggregate loss after tax R6 million (2000: Income R16,0 million). All companies are incorporated in the Republic of South Africa except as indicated (1) Australia (2) British Virgin Islands

R'000	GROUP		COMPANY	
	2001	2000	2001	2000
<b>15. INVENTORIES</b>				
Books	3 279	2 802	-	-
Time Systems and accessories	894	791	-	-
Other	77	12	-	-
	4 250	3 605	-	-



## NOTES TO THE FINANCIAL STATEMENTS CONTD.

## 16. FOREIGN CURRENCY EXPOSURE

16.1 The Group has entered into the following forward exchange contracts to cover foreign commitments not yet due, and they accordingly do not relate to specific liabilities in the balance sheet.

Nature of monetary item	Foreign currency	2001 Foreign currency '000	2000 Foreign currency '000	2001 Rand equivalent (at forward cover rate) R'000	2000 Rand equivalent (at forward cover rate) R'000
Trade credit	Danish Kroner	-	171	-	157
Trade credit	US Dollars	239	298	2 739	2 290
Trade credit	British Pounds	73	109	1 201	1 208
Trade credit	Other	-	-	-	-
		312	578	3 940	3 655

## 16.2 UNCOVERED AND UNHEDGED FOREIGN LIABILITIES

Nature of monetary item	Foreign currency	Foreign currency '000	Foreign currency '000	Rand equivalent (at forward cover rate) R'000	Rand equivalent (at forward cover rate) R'000
Trade credit	Danish Kroner	-	13	-	12
Trade credit	US Dollars	14	28	167	215
Trade credit	British Pounds	5	15	91	166
Trade credit	Other	143	-	858	-
		162	56	1 116	393

R'000	GROUP		COMPANY	
	2001	2000	2001	2000
<b>17. COMMITMENTS</b>				
<b>17.1 CAPITAL COMMITMENTS</b>				
Capital expenditure commitments to be incurred				
Capital expenditure approved by the directors:				
Contracted but not provided for	2 827	6 511	-	-
Not contracted for	7 147	16 020	-	-
	9 974	22 531	-	-
Capital commitments will be financed by existing facilities and working capital.				
<b>17.2 OPERATING LEASE COMMITMENTS</b>				
Commitments under operating leases are as follows:				
Due within one year	15 949	6 244	-	-
Due thereafter	85 838	96 968	-	-
	101 787	103 212	-	-

## 18. CONTINGENT LIABILITIES

Unlimited suretyship on behalf of a subsidiary for overdraft facilities granted, which at 31 December 2000 had not been utilised.

Vendors in respect of outstanding put options

R'000

30% in Quantum Human Resources (Pty) Ltd, exercisable after 31 December 2003.

4 685

20% in Crowe Associates (Pty) Ltd, exercisable after 31 December 2001.

3 808

8 493

NOTES TO THE FINANCIAL STATEMENTS CONTD.**19. ADVTECH SHARE INCENTIVE SCHEME**

Share options allocated as at 31 December 2000:	21 774 500
Options cancelled in respect of participants leaving the company's employ:	(4 742 500)
Executives options cancelled	<u>(5 560 000)</u>
	11 472 000
Share options set aside for participants but not legally allocated:	<u>4 440 400</u>
	<u>15 912 400</u>

During the year the Remuneration Committee decided to regularise and review the options allocated and those set aside for employees. The original offer of options had been made during 1997 and 1999, at offer prices of R1.90 and R2.00, and at the current share price the options were no longer attractive to employees. The Remuneration Committee, with the approval of the board, made alternative offers to employees holding options and to whom options had been set aside for:

- Offer 1: To retain the full number of options originally offered, but at a revised price of R1.50;  
 Offer 2: To accept one third of the original options at the ruling price on the issue date of 29 January 2002, being 31c;  
 Offer 3: An alternative cash offer of 5c for every share option cancelled that could have qualified for Offer 2.

This offer was made to participants of the 15 912 400 shares above.

Arising from the offer the following options were legally allocated on 29 January 2002:

In terms of offer 1. @ 150c per share	3 311 500
In terms of offer 2. @ 31c per share	2 261 500
In terms of offer 3. Participants holding	
5 816 400 shares accepted the cash offer and cancelled the options, or did not respond to the offer.	
	<u>5 573 000</u>
Share options allocated @23c per share during the year to executives who did not participate in the above offer.	<u>11 700 000</u>
	<u>17 273 000</u>

These options are exercisable in tranches of 1/3 after  
2, 4 and 6 years respectively after the issue date.

The rules of the ADVTECH Limited Employee Share Incentive Scheme (1998) were also reviewed by the Remuneration Committee during the year, and found to be unsuitable for present conditions. A revised straight option scheme has been drawn up and approved by the board and will be submitted for approval at the Annual General Meeting of the Company to be held on 25 June 2002. The revised scheme document will be available for inspection by shareholders fourteen days prior to the AGM.

The existing scheme limits the number of options which may be granted to 15% of the total number of shares in issue from time to time, the 2002 scheme increases this to 20% in line with maximums imposed by the JSE Securities Exchange SA.



NOTES TO THE FINANCIAL STATEMENTS CONTD.

R'000	GROUP		COMPANY	
	2001	2000	2001	2000
<b>20. NOTES TO THE CASH FLOW STATEMENT</b>				
<b>20.1 CASH GENERATED BY OPERATIONS</b>				
(Loss)/profit before taxation	(1 039)	19 140	(3 855)	830
Discontinued operations	-	4 130	-	-
Goodwill amortisation	13 834	14 445	-	-
Depreciation net of profit and loss on disposal of fixed assets	19 244	18 762	54	54
Net interest paid/(received)	11 615	11 537	(1 147)	1 452
Interest capitalised	-	(7 484)	-	-
Other	1 958	(164)	-	-
	45 612	60 366	(4 948)	2 336
<b>20.2 UTILISED TO (INCREASE)/DECREASE WORKING CAPITAL</b>				
Increase in inventories	(644)	(394)	-	-
Decrease/(Increase) in accounts receivable	25 369	(10 578)	(8)	(11 307)
Increase in accounts payable	23 528	3 178	429	1 957
Decrease/(Increase)	48 253	(7 794)	437	(9 350)
<b>20.3 RECONCILIATION OF TAXATION PAID</b>				
Balance at beginning of year	7 991	787	(399)	(10)
Adjusted for: prior year adjustment	(1 034)	-	-	-
Disposal of divisions	(239)	-	-	-
Current charge	(7 262)	(4 390)	1 148	(345)
Balance at end of year	(2 870)	(7 991)	(814)	355
Cash amounts paid	(3 414)	(11 594)	(65)	-
<b>20.4 RECONCILIATION OF DIVIDENDS PAID</b>				
Balance at beginning of year	(11 784)	-	(11 784)	-
Per income statement	-	(11 784)	-	(11 784)
Capitalisation award	-	-	-	-
Balance at end of year	55	11 784	55	11 784
Cash amounts paid	(11 729)	-	(11 729)	-
<b>20.5 ADDITIONS TO FIXED ASSETS</b>				
Computer equipment	(4 249)	(7 857)	(26)	(93)
Development costs	-	-	-	-
Furniture and equipment	(9 215)	(10 187)	(6)	(96)
Leasehold improvements	(1 710)	(2 478)	-	-
Video equipment, courses and masters	(60)	(149)	-	-
Leased assets	(92)	(123)	-	-
Motor vehicles	(818)	(1 024)	-	-
Land and buildings	(19 239)	(41 094)	-	-
	(35 383)	(62 912)	(32)	(189)



## SHAREHOLDERS' ANALYSIS

Class of Shareholder	Number of Shareholders	% of Shareholders	Number of Shares	% of Total Shares
Individuals	1 523	45.0%	30 334 001	7.7%
Nominee Companies or Trusts	38	1.1%	29 925 751	7.6%
Investment Companies	9	0.3%	11 005	0.0%
Companies and Close Corporations	39	1.2%	45 240 164	11.5%
Pension/Provident Funds	3	0.1%	650	0.0%
Trustee of a trust & other Corporate Bodies	21	0.6%	17 007 304	4.3%
Central Securities Depositories (STRATE)	1 750	51.7%	270 285 190	68.8%
	3 383	100%	392 804 065	100%

### Range of Shareholding (Certificated Register)

1 - 10 000	2 759	81.6%	4 984 326	1.3%
10 001 - 100 000	450	13.3%	14 948 277	3.8%
100 001 - 500 000	88	2.6%	20 758 420	5.3%
500 001 - 1 000 000	30	0.9%	21 790 391	5.5%
more than 1 000 000	56	1.7%	330 322 651	84.1%
	3 383	100%	392 804 065	100%

To the best knowledge of the directors and after reasonable enquiry, as at 31 December 2001 the spread of shareholders was as follows:

### Shareholder Spread

Public shareholding	3 373	99.7%	222 954 614	56.8%
Non-public shareholding	10	0.3%	169 849 451	43.2%
Directors	7	0.2%	40 098 042	10.2%
Trustees of Share Incentive Scheme	1	0.0%	23 499 722	6.0%
Holding / controlling 10% or more	2	0.1%	106 251 687	27.0%
	3 383	100%	392 804 065	100%

### Major Shareholders

According to the information available to the Company after reasonable enquiry, the following shareholders (other than directors) are directly or indirectly interested in 5% or more of ADVTECH's share capital.

	Number of Shares Held	% of Shares Held
Old Mutual	64 337 774	16.4%
Sanlam	34 204 292	8.7%
ADVTECH Share Incentive Scheme	23 499 722	6.0%
Welihockyj/ Meridian / Basfour199	41 913 913	10.7%



## SHARE INFORMATION

R'000	2001	2000
Closing price at year end (cents)	26	29
Total transactions on JSE for the financial year	3 677	3 105
Total shares traded	168 645 092	173 032 019
Total value of shares traded (R)	67 009 087	79 021 000
Average price per share (cents)	40	46
Shares in issue	392 804 065	392 804 065
Percentage volume traded to shares in issue	43%	44%
PE ratio	5.34	2.58
Actuaries' index for sector	137.64	199.79

## SHAREHOLDERS' DIARY

<b>Annual General Meeting</b>	25 June 2002
<b>Preliminary announcement of annual results</b>	8 March 2002
<b>Annual Report</b>	31 May 2002
<b>Interim results for the six months ending 30 June 2002</b>	31 August 2002



## NOTICE TO SHAREHOLDERS

Notice is hereby given that the Annual General Meeting of ADVTECH Limited will be held at 364 Kent Avenue, Ferndale, Randburg, on 25 June 2002 at 09h00 to transact the following business:

1. To receive and adopt the Group annual financial statements for the year ended 31 December 2001, and to receive and adopt the reports of the directors and of the auditors for the year then ended.
2. To elect the directors in the place of:
  - 2.1 Mr BD Buckham
  - 2.2 Mr HR Levin

who retire by rotation in terms of the company's articles of association and, being eligible, offer themselves for re-election.

3. To elect:
  - 3.1 Mr HF Brown
  - 3.2 Mr DL Honey
  - 3.3 Mr MI Sacks
  - 3.4 MR DK Ferreira

who had been appointed as directors since the last annual general meeting and who, in terms of the company's articles of association, retire from office at the conclusion of the annual general meeting, and being eligible, offer themselves for re-election.

4. To appoint auditors for the ensuing financial year.
5. To confirm the directors' fees for the past financial year.
6. To approve the ADVTECH Share Incentive Scheme (2002). (**ORDINARY RESOLUTION**).

The salient features of the scheme are annexed to this notice and the full scheme documents will be available for inspection at the company's registered office from 11 June 2002.

"RESOLVED THAT The ADVTECH Limited Share Incentive Scheme, as amended be and is hereby amended by replacing the existing scheme with the scheme which is tabled at this meeting and initialled by the chairman for identification purposes."

**Participants of the ADVTECH Limited Share Incentive Scheme are excluded from voting on this resolution.**

7. To place the unissued shares of the company under the control of the Directors, subject to the Companies Act and the JSE Securities Exchange South Africa regulations.
8. In order to provide the directors with flexibility to issue the unissued ordinary shares for cash as and when suitable situations arise, to consider and if deemed fit, to pass, with or without modification, the following resolution as an **ORDINARY RESOLUTION**.

"RESOLVED THAT the directors of ADVTECH be and are hereby authorised by way of a general authority to issue all or any of the authorised but unissued ordinary shares in the capital of ADVTECH for cash, as and when the directors consider it appropriate, to persons qualifying as public shareholders excluding related parties, subject to the limitations imposed by the JSE's Listings Requirements:

that this authority shall not extend beyond 15 months from the date that this authority is given;

that a paid press announcement providing full details including the effect on net asset value and earnings per ordinary share respectively, will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% or more of the number of shares of that class of ADVTECH's issued share capital in issue, prior to the issues;

that the number of ordinary shares issued for cash shall not in the aggregate in any one financial year exceed 15% of the number of ADVTECH's issued ordinary share capital, adjusted, if applicable, to take into account the existence or issue of shares that are compulsorily convertible into shares, or a rights issue (announced and irrevocable and underwritten) or shares issued in terms of a concluded transaction;

The securities must be of a class already in issue;

that in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of the class of shares in question, as determined over the 30 days prior to the date that the price of the issue is determined or agreed by the directors."

In terms of the JSE's Listings Requirements, the approval of 75% of the votes cast by the shareholders present or represented by proxy at this general meeting is required for the authority in this ordinary resolution 2 to become effective.



## NOTICE TO SHAREHOLDERS CONTD.

9. That the general authority for the Company to repurchase its own shares, as approved by the changes to the Articles of Association by special resolution on 20 December 1999, and subject to the provisions of the Companies Act and the JSE Securities Exchange South Africa, be renewed and extended until the conclusion of the next Annual General Meeting. Accordingly, to consider and if deemed fit, to pass with or without modification, the following as a **SPECIAL RESOLUTION**.

"RESOLVED THAT ADVTECH, or a subsidiary, be and is hereby authorised, by way of a general authority, to acquire ordinary shares of 1 cent each ("ordinary shares") issued by ADVTECH, in terms of sections 85 and 89 of the Companies Act, 1973 (Act 61 of 1973), as amended, and in terms of the Listings Requirements from time to time of the JSE Securities Exchange South Africa ("the Listings Requirements"), it being recorded that the Listings Requirements currently require, inter alia, that the Company may make a general repurchase of securities only if:

the general authority shall not extend beyond 15 months from the date of passing of this special resolution number 1;

in determining the price at which the ordinary shares issued by the ADVTECH Group are acquired by it or its subsidiary in terms of this general authority, the maximum price at which such shares may be acquired will be 10% above the weighted average of the market value for such ordinary shares for the five business days immediately preceding the date of repurchase of such shares;

any such repurchase of ordinary shares shall be implemented on the open market of the JSE;

the company is authorised thereto by its Articles of Association; and

the company publishes an announcement when it has cumulatively repurchased 3% of the initial number (the number of that class of shares in issue at the time that general authority is granted) of the relevant class of securities, and for each 3% in aggregate of the initial number of that class acquired thereafter. Such announcement must be made not later than 08h30 on the business day following the day on which the relevant threshold is reached or exceeded."

The board has considered the impact of a repurchase of 20% of ADVTECH shares, being the maximum permissible of a particular class in any one financial year, under a general authority in terms of the JSE's Listings Requirements, and is of the opinion that such repurchase will not result in:

The Company and the Group in the ordinary course of business being unable to pay its debts for a period of 12 months after the date of this Notice of General Meeting;

the liabilities of the Company and the Group exceeding the assets of the Company and the Group for a period of 12 months after the date of the Notice of General Meeting, calculated in accordance with the accounting policies used in the audited financial statements for the period ended 31 December 2001;

the ordinary capital and reserves of the Company and the Group for a period of 12 months after the date of the Notice of General Meeting being materially affected; and

the working capital of the Company and the Group for a period of 12 months after the date of this Notice of General Meeting being materially affected.

At the present time the directors have no specific intention with regard to the utilisation of this authority which will only be used if the circumstances are appropriate.

### REASON AND EFFECT

The reason for and effect of the special resolution is to grant the directors of ADVTECH a general authority in terms of the Act, for the acquisition by ADVTECH or any subsidiary of ADVTECH, of ADVTECH shares. Such general authority will provide the board with the flexibility, subject to the requirements of the Act and the JSE Securities Exchange South Africa, to repurchase ADVTECH shares should it be in the interests of ADVTECH at any time while the general authority exists. This general approval shall be valid until its variation or revocation of such general authority by special resolution by any subsequent general meeting of ADVTECH, provided that the general authority shall not be extended beyond 15 months from the date of passing of this special resolution.

10. To transact such business as may be transacted at an annual general meeting.

By order of the board

Lilian Verster  
Secretary  
25 April 2002



## ADVTECH LIMITED SHARE INCENTIVE SCHEME 2002 ("the scheme")

### SALIENT FEATURES

#### 1. INTRODUCTION

- 1.1 The terms and conditions of the scheme are recorded in the deed constituting ADVTECH Limited Employee Share Incentive Trust ("the trust").
- 1.2 A summary of the salient features of the scheme (as amended) is set out below.
- 1.3 For the purposes of the scheme, "group" comprises ADVTECH Limited ("ADVTECH") its subsidiaries and any other entity controlled or jointly controlled by ADVTECH from time to time (collectively "the group").

#### 2. NUMBER OF ORDINARY SHARES TO MADE AVAILABLE FOR THE PURPOSES OF THE SCHEME

- 2.1 The aggregate number of shares which may be made available for the purposes of the scheme together with any other scheme which has been established to incentivise employees of the group shall not be more than 20% of the issued capital from time to time of ADVTECH, equating to 78 732 900 ordinary shares on 1 March 2002.
- 2.2 The aggregate number of shares which may be acquired by any one participant under the scheme together with any scheme which has been established to incentivise employees of the group shall not be more than 2% of the issued share capital from time to time of ADVTECH, presently equating to 7 873 290 ordinary shares on 1 March 2002.
- 2.3 The percentages and numbers set out in 2.1 and 2.2 shall not be exceeded without prior authority of the shareholders of ADVTECH in general meeting and the approval of the JSE Securities Exchange South African ("JSE").

#### 3. THE ADVTECH LIMITED SHARE INCENTIVE TRUST

- 3.1 The board of directors of ADVTECH ("the board") shall be entitled to appoint, remove and replace the trustees of the trust. There shall at all times be a minimum of two trustees in office. The trustees may not be participants under the scheme. The current trustees are MI Sacks and CH Boule.
- 3.2 In accordance with the provisions of the Companies Act, 1973 ("the Act"), the trust will be funded out of its own resources, loans by the group in accordance with the provisions of section 38(2)(b) of the Act, loans by third parties and/or any other resource which is available to the trust.

#### 4. PARTICIPANTS AND MANNER OF PARTICIPATION

Participants in the scheme may be officers or other employees of the group, including directors and non-executive directors, selected by the board. Participants may be offered the opportunity to acquire shares in terms of the so-called credit sale scheme and the so-called option scheme.

#### 5. CREDIT SALE SCHEME

The salient features of the credit sale scheme are set out hereunder

- 5.1 under this scheme, shares ("scheme shares") are sold by the trust to participants on the basis that ownership thereof passes to participants on conclusion of the contract of sale but the purchase price need not be paid immediately. The amount due (together with interest thereon, if any see 5.4) is hereinafter referred to as the "share debt";
- 5.2 the amount payable by a participant for his scheme shares shall, in respect of the allocation, be at the middle market price at which ADVTECH shares are traded on the JSE on the trading day immediately preceding the day on which the remuneration committee makes its written recommendation to the board to make an offer to acquire to a participant;
- 5.3 scheme shares will be registered in the names of participants and will be pledged in favour of, and retained by, the trust as security for payment of the share debt;
- 5.4 subject to certain limitations, a participant's outstanding share debt will bear interest at such rate (if any), as may from time to time be determined by the board. Dividends on scheme shares will be paid to the trust and be applied in payment of such interest, and as to any excess-
  - 5.4.1 in payment to the trust by way of reduction of the share debt; and
  - 5.4.2 as to any balance (if any), to the relevant participant;



## ADVTECH LIMITED SHARE INCENTIVE SCHEME 2002 CONTD. ("the scheme")

- 5.5 unless the board otherwise resolves at any time, notwithstanding that any scheme shares are paid for, in whole or in part, at any time by the participant concerned, no scheme shares shall be released from the scheme or from the pledge until a period calculated from the date of the actual acceptance of an offer for scheme shares or deemed date of acceptance and
  - 5.5.1 not less than 2 years have elapsed, in which event not more than 33 $\frac{1}{3}$ % of the relevant shares shall be released;
  - 5.5.2 not less than 4 years have elapsed, in which event not more than 66 $\frac{2}{3}$ % of the relevant shares shall be released;
  - 5.5.3 not less than 6 years have elapsed, in which event not more than 100% of the relevant shares shall be released;
- 5.6 the whole of the share debt must be paid by a participant by not later than the sixth anniversary of the acceptance date;
- 5.7 if a participant's employment with the group terminates
  - 5.7.1 by reason of his summary dismissal or on grounds of his proven dishonest, fraudulent or grossly negligent conduct, the sale in respect of such of the participants' scheme shares which were not released in terms of 5.5 above will be deemed to have been cancelled on the basis that the participant shall be refunded in respect of any amount actually paid in reduction of the liability for such scheme shares;
  - 5.7.2 as a result of his death, he or his executors shall be entitled to pay the whole or any part of his share debt in respect of shares which may be released on the date of the termination of his employment and take delivery of the shares so paid for within 12 months after such termination and the sale of his remaining scheme shares will be deemed to have been cancelled on the basis that the participant shall be refunded in respect of any amount actually paid in reduction of the liability for such scheme shares;
  - 5.7.3 as a result of his retirement or disability, he shall be entitled to pay the whole or any part of his share debt in respect of shares which may be released on the date of the termination of his employment and take delivery of the shares so paid for within 3 months after such termination and the sale of his remaining scheme shares will be deemed to have been cancelled on the basis that the participant shall be refunded in respect of any amount actually paid in reduction of the liability for such scheme shares;
  - 5.7.4 for any reason other than the above, the participant will be entitled within 2 (two) months after such termination to pay the balance of his share debt attributable to those scheme shares which were capable of being released to him at the date of such termination and the sale of his remaining scheme shares will be deemed to have been cancelled on the basis that the participant shall be refunded in respect of any amount actually paid in reduction of the liability for such scheme shares,

## 6. SHARE OPTION SCHEME

The salient features of the scheme relating to share options are set out hereunder

- 6.1 The trustees shall, if the board so directs, offer employees options ("share options") to purchase or subscribe for ordinary shares. Each share option shall confer upon the holder thereof the right to purchase or subscribe for ordinary shares upon the terms and conditions summarised below;
- 6.2 The amount payable by a participant for his scheme shares shall be calculated in accordance with the provisions of 5.2 above;
- 6.3 Share options may not be exercised any time but will only be released to a participant mutatis mutandis in accordance with the provisions of 5.5 above;
- 6.4 Share options will lapse, inter alia, if they remain unexercised after the sixth anniversary of the date upon which the offer is made;
- 6.5 If an option holder's employment with the group terminates the provisions contained in 5.7 will mutatis mutandis apply;
- 6.6 Provision is made for appropriate adjustments to be made to the rights of participants in the event of re-organisation of ADVTECH, a reduction of its share capital or a consolidation or subdivision of its shares.

**Existing participants who are also shareholders may not vote at the annual general meeting for the approval of the scheme.**

**ADvTECH LIMITED**

Registration Number: 1990/001119/06  
(Incorporated in the Republic of South Africa)

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