

Proudly EMPOWERING
South Africans

Annual Report
2009



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Group achievements

Diluted core headline earnings per share up by 19%

Final dividend declared of 160 cents per share

Normalised operating profit up by 28%

Cash conversion ratio 81%

EBITDA margin up to 6,7%

Debtors at 35 days

Ranked SA's top empowered company listed on the JSE in terms of the Financial Mail's Top Empowerment Companies Survey rated by Empowerdex for 2008 and 2009

What shareholders can expect

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

Company overview

Our role in facilitating employment is highlighted by our continued organic growth

Company overview

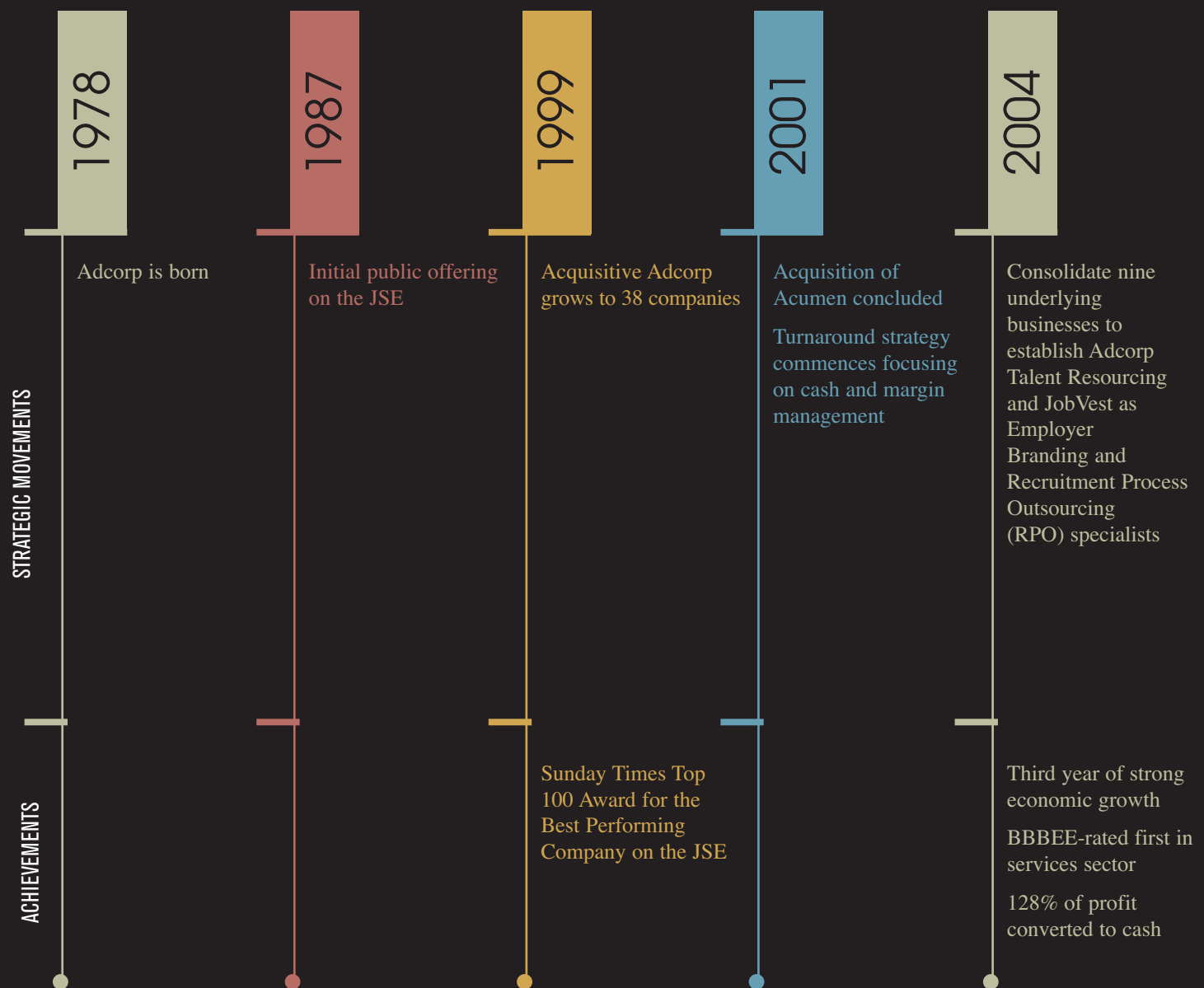
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Our history...



Entrepreneurial Adcorp with informal leadership style

Acquisitive; product-centric and EPS driven

2006

Strategy implemented to simplify the Group and focus on core business

Enterprise Development initiative established through a management buy-out of Simeka TWS and Graphicor

Acquired Employ-Rite

BBBEE first in services sector

Back to basics

2007

BBBEE transaction concluded with consortium comprising Wiphold, Simeka and Employee Share Option Plan (ESOP)

Acquired FMS Marketing Solutions

Acquired Capital Outsourcing Group

Sale of Research Surveys to TNS (UK)

Sale of Career Junction

20 years listed

BBBEE first in services sector

Leveraging the core; focus on innovation; integrating into the client environment

2008

Continued strong focus on organic growth and strategic acquisitions

Top listed empowerment company

30th year of successful trading

2009

Adcorp's Employment Index is launched which reflects the employment outlook in SA. It is compiled by looking at the drivers of employment in the macroeconomy, labour demand, labour supply and remuneration trends

SA's top empowered listed company and only company with a level 2 BEE score

22nd year anniversary as a JSE-listed company

Using market conditions to build a more robust, sustainable, market leading and dominant business model. Positioned well for economic upswing.

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Strategic priorities



Our mission...

To position the Group as the leading provider of human capital management and business process outsourcing services offering:

- comprehensive staffing and recruitment services and solutions;
- business process outsourcing (BPO) services; and
- relevant employee benefit, financial, wellness and lifestyle products and services to our sizeable contract workforce.

Strategic priorities

Adcorp's current strategic priorities are to:

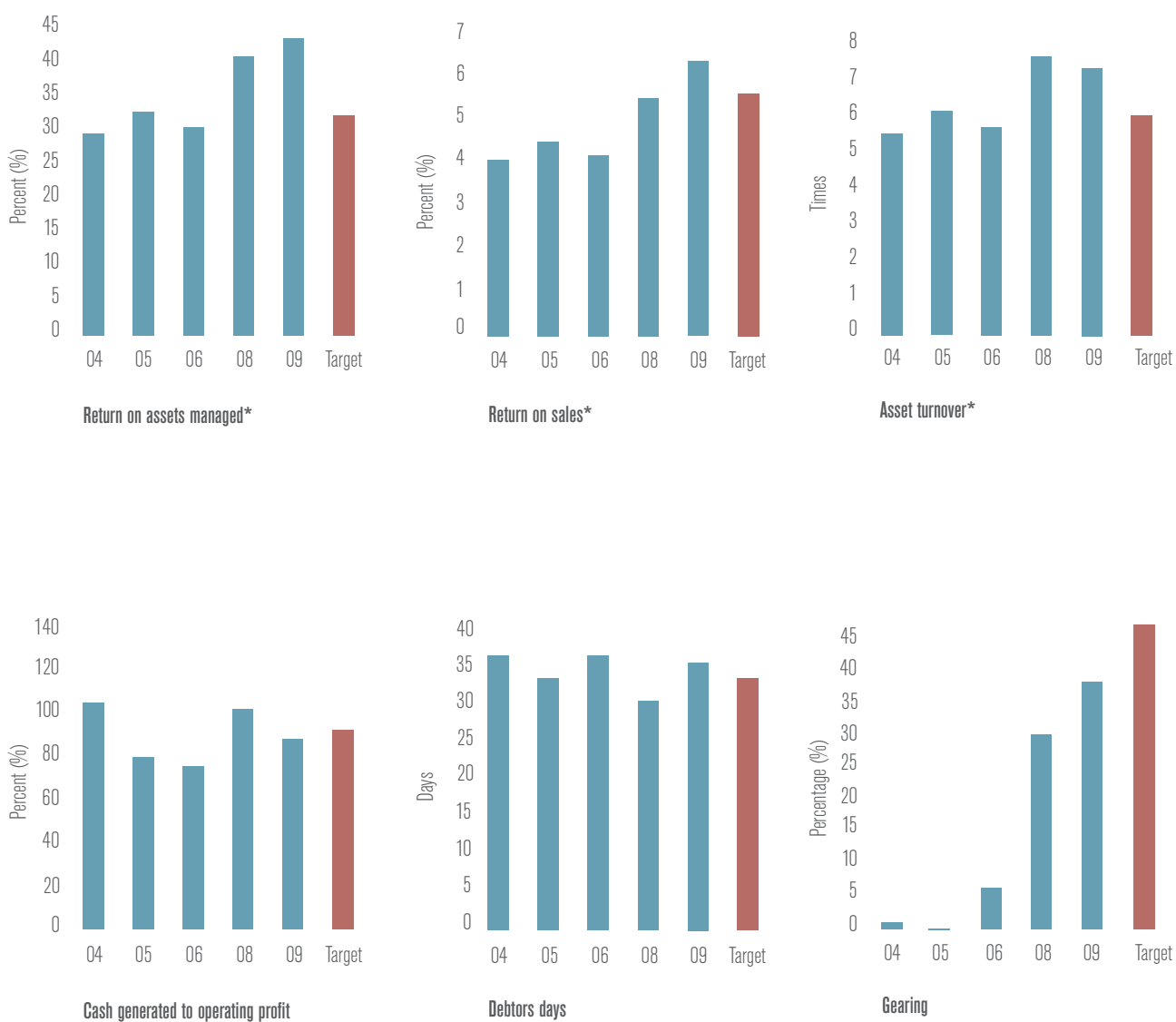
- protect top-line business as far as possible;
- realise the potential of identified productivity and efficiency improvement initiatives;
- focus on cash generation;
- seek out quality acquisitions;
- lobby for friendly regulation; and
- retain top talent.

The focus is to use existing market conditions to build a more robust, sustainable, market leading and dominant business model positioned well for the economic upswing.

Through a concerted focus on operational excellence, Adcorp has developed extraordinary relationships with its clients and candidates alike.

Empowering our people, empowering our clients and empowering our country.

Performance against stated targets



*2008 14 months annualised.

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What makes us who we are

ABOUT ADCORP

The Adcorp Group has a rich history dating back to 1978. It has been the leading listed staffing and business services company since 1987 and has received numerous awards for its achievements. Today, Adcorp's services are focused on key staffing activities, namely the recruitment, development and placement of people into positions of employment, be it on a permanent, temporary, flexi- and fixed-term contract basis. It also addresses the competitive positioning of its respective clients through its business process outsourcing and recruitment process outsourcing services.

AWARDS

ADCORP AWARDS

- Recognised as the "most empowered listed company in South Africa" in terms of the Financial Mail/Empowerdex Top Empowerment Companies Survey 2008 and 2009.
- Sunday Times/Business Times Top 100 Companies – recognised as one of the top 100 companies in South Africa.
- Ranked 1st in the Leadership Excellence Business Support Services category awarded by the Corporate Research Foundation (CRF).
- Category winner in the Annual Report Awards – "The benchmark for governance reporting in Africa".
- Investment Analysts Society of Southern Africa award for reporting and communications – Companies with a market capitalisation below R5 billion.

GROUP COMPANY AWARDS

Emmanuels

- Recruiter of the year – Junction Awards (Career Junction).
- Best HR Service Provider (Outsourcer) – KZN on Source Regional BPeSA Awards.
- Best HR Service Provider (Outsourcer) – Calling the Cape Regional BPeSA Awards.

Quest

Quest was National Winner and placed in the top three in the award for Best Contact Centre Support Professional – Workforce Planning; and for the prestigious Best Outsourcing Partner at the (EMEA) Europe, Middle East and Africa Contact Centre World Awards held in London – June 2008.

Capacity

Topco National Business Awards – Winner in the National Business Services Category.

DAV

PMR Diamond Arrow Award "Best Staffing Solutions Provider".

PMR Diamond Arrow Award "Best Office Staff Provider".

Career Junction Survey August "Recruiter of the Year Permanent Positions".

PMR Golden Arrow Award February "Outstanding Executive Search Consultancy".

CHAIRMAN'S AWARDS



Adcorp's premier event of the year is the Chairman's Awards. This event is dedicated to those employees that have earned recognition and honour for their hard work and commitment whereby individual employees and Group companies are recognised and rewarded for their exceptional achievements and contributions.

Adcorp prides itself on its solid performance and sustained growth achieved over the past years, all of which would not have been possible without the exceptional contribution of its people.

Left: Adcorp CEO, Richard Pike with 2009 Chairman's Award winner Stacey Niewenhuizen and alternate director, Gugu Duda

Group at a glance

		STAFFING	BUSINESS PROCESS OUTSOURCING	
SERVICE OFFERINGS	DIFFERENTIATORS			Company overview Executive reports Corporate governance Financial statements Shareholders' information
		FLEXIBLE	PERMANENT	
		- Temporary staffing assignments - Contract staffing solutions - Workforce optimisation - Learnership implementation and administration - Leadership and management development - Customised, strategically aligned, corporate training solutions - Comprehensive offering of business relevant, accredited education and training programmes	- Contingent database selection - Talent search - Executive search - Internet recruitment - Candidate assessment and selection - Turnkey managed staffing solutions	
		- Productivity-enhancing service offerings - Market leaders in differentiated recruitment practices - Learning as an integrated part of a flexible workforce management solution - Sophisticated workforce optimisation technology to unlock optimum client benefits - Database in excess of 250 000 candidates over all levels, skills sets and various industries - Measurable performance against defined service level agreements - Employment equity record of 68% PDI (previously disadvantaged individuals) placements - Credible black economic empowerment profile - Action-based training approach: learn – apply – measure - Fully accredited training offerings - Ability to measure efficiency of training in the working environment - Sustainability of benefits for clients - Ability to customise offerings	- Candidate sourcing spanning numerous leading, branded consultancies combining unrivalled knowledge, experience, databases and advertising reach - Intimate client relationships facilitating the development of unique human capital strategies and resource planning - Unique broad range of recruitment services enabling fully outsourced recruitment offerings	
KEY DRIVERS FOR GROWTH		- Growth in outsourcing of non-core functions by clients - Desire by organisations to match labour input costs to variable market demand - Rapid expansion of call centres in South Africa - Growth in learnerships established in terms of the Skills Development Act	- Growth in the South African economy, particularly the construction and infrastructure sectors - Critical shortage of key skills categories - Demand for exclusive single supplier, managed staffing solutions	
			- Growth in high-volume, fast turnaround recruitment projects - Employer branding achieves better results for less cost - Growth in the employee benefit industry - Rollout of new products and services to existing client base and temporary workforce	

Our proud history of empowerment

EMPOWERMENT

That South Africa is saddled with a legacy of severe socio-economic imbalance between predominantly white and black citizens is not a matter of dispute. The challenge lies in how to remedy this imbalance. In the private sector, the challenge has been to help remedy this imbalance through a policy and process of broad-based black economic empowerment (BBBEE).

BBBEE operates on seven levels: Shareholding; Management Control; Employment Equity; Skills Development; Procurement; Enterprise Development and Socio-economic Development.

Government has indicated that it intends to move away from a compulsory to an enabling policy of BBBEE. This places an enormous responsibility and obligation on companies such as Adcorp.

The Adcorp Group has for the last two years been recognised as the most empowered listed company in South Africa

The Group has a proud history of empowerment dating back as far as 1990. At a shareholding level, a Group-wide transaction was announced in 2007 that has significantly bolstered the empowerment credentials of the Group while also creating an opportunity for all Adcorp employees to share in the Group's financial fortunes. In terms of this BBBEE transaction, a consortium comprising women's grouping, Women Investment Portfolio Holdings (Wiphold), Simeka Group (Pty) Limited and an Adcorp employee share incentive trust own an effective 25,1% shareholding in Adcorp Holdings Limited. The Group's overall black ownership in terms of the BEE scorecard has been certified by Empowerdex to be 33,33%. Direct black female ownership in Adcorp Holdings is calculated to be 9,12%, using the modified flow-through principle. For the purposes of the scorecard, black female ownership is deemed to be 15,25% after the exclusion of the 40% shareholding that is classified as a Mandated Investment.



Because BBBEE has been a real part of who we are and what we do, we have incorporated it into every part of our business. This is why the Adcorp Group has for the last two years been recognised as the most empowered listed company in South Africa in terms of the Financial Mail/Empowerdex Survey. Furthermore, we have been rated as the most empowered company in our sector for the last four years. We are the only listed group in South Africa that has been rated as a level 2 BBBEE contributor in terms of the Department of Trade and Industry's BBBEE Code of Lead Practice. Something we are truly proud of.

Industry leaders



EMPLOYMENT INDEX

Since the birth of our new democracy in 1994, the South African staffing industry has grown exponentially. Largely due to relatively low barriers to entry, there has been a proliferation of agencies providing recruitment and related services. It is an environment with relatively high levels of competition and relatively low levels of industry knowledge sharing, especially regarding the industry's contribution to job creation and employment. Limited national quantitative employment data and information has exacerbated this problem.

In order to address this employment knowledge gap, Adcorp launched the Adcorp Employment Index™ in March 2009, which reflects the employment outlook in SA. It is compiled by looking at the drivers of employment in the macro-economy, labour demand, labour supply and remuneration trends. As employment takes on many forms, this comprehensive index encompasses statistics around permanent; temporary; fixed-term contracts; flexible staffing; and seasonal employment.

The index charts more than just the supply and demand for skills: it covers the macro-economic implications as well as the remuneration dynamics impacting the industry. This four-pronged approach allows for a holistic, scientifically validated and cross-referenced index that ultimately forms the quantitative and qualitative Adcorp Employment Index™.



ADCORP EMPLOYMENT INDEX

87,71

▼ -12,9%

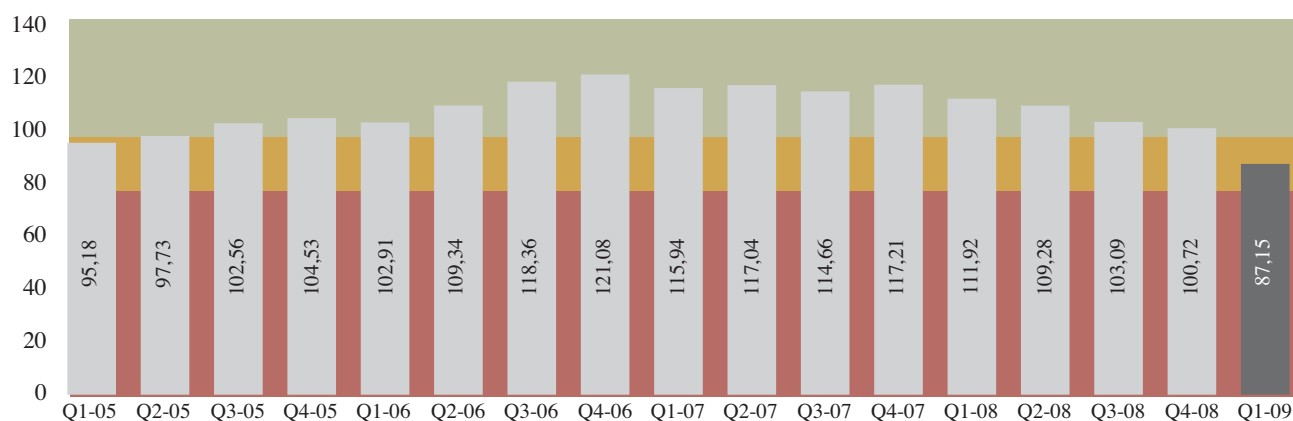
Legend of gauge:

Green – increase in employment

Yellow – holding on to current employees – retrenchments

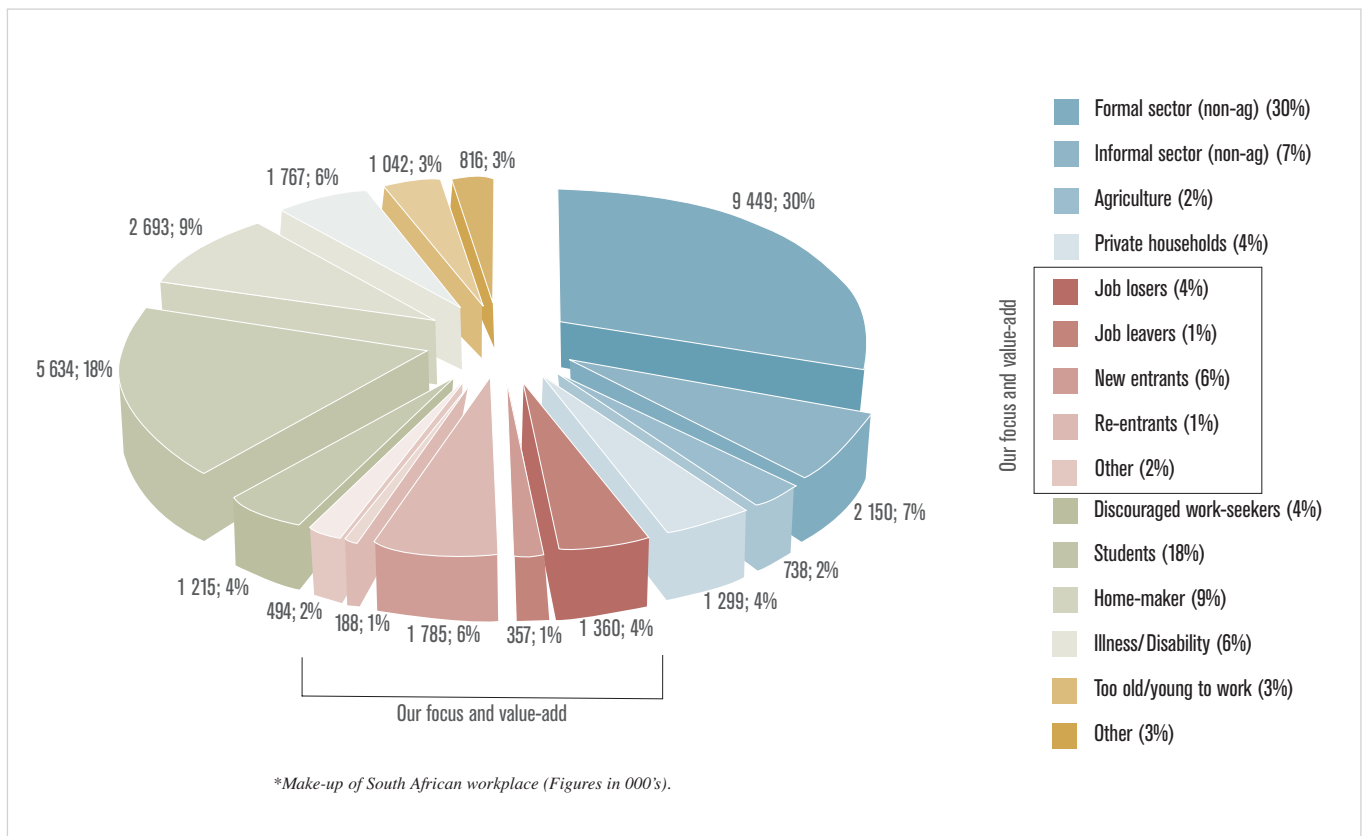
Red – large-scale retrenchment

ADCORP EMPLOYMENT INDEX



Our industry

THE MAKE-UP OF THE SA WORKPLACE



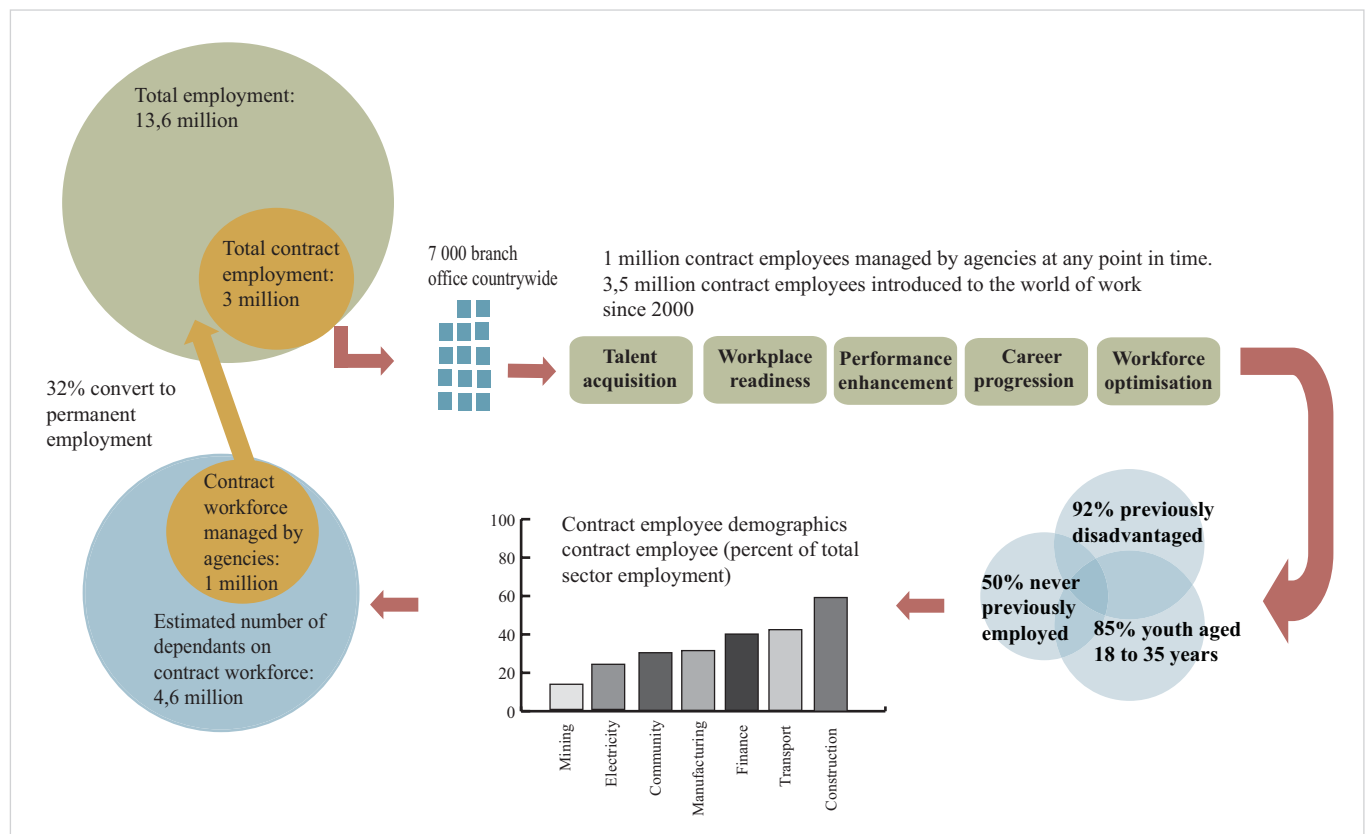
South Africa has close to 48 million citizens with a labour force of approximately 31 million and an unemployment rate of 23,5%.

Nine and a half million people (30%) are employed in the formal sector. Two million people (7%) are employed in the informal sector. Close to 1,3 million people (4%) are employed in private households and 738 000 people (2%) are employed in the agricultural sector. Just over 4 million people (23,8%) are unemployed; 5,6 million people are in educational institutions; 13,5 million people are on social welfare; and we have 1,8 million people in South Africa that are disabled.

Adcorp and the South African staffing industry is predominantly focused on providing services to those new entrants, re-entrants; job leavers and those who have lost their jobs or 13% of the total

workforce. A proportion of those seeking employment find work through our permanent placement, recruitment advertising and response handling agencies. Others, especially those with limited qualifications and experience, find employment opportunities through our temporary and flexible staffing agencies often referred to as Temporary Employment Services (TES). In most of these cases these individuals go through a rigorous process of empowerment through our knowledge and experience transfer interventions. Throughout this process they have gainful employment accompanied by all elements related to decent work including compensation, benefits, personal development and protection of their rights. Around 40% of TES assignees are covered by Bargaining Council wage agreements and the balance fall under Sectoral Determinations or BCEA.

TEMPORARY EMPLOYMENT SERVICES' (TES) CONTRIBUTION TO EMPLOYMENT CREATION: THE PATH TO DECENT WORK IN SOUTH AFRICA



Temporary employment services (TES) represent a R26 billion industrial sector

TEMPORARY EMPLOYMENT SERVICES' (TES) CONTRIBUTION TO EMPLOYMENT CREATION: THE PATH TO DECENT WORK IN SOUTH AFRICA

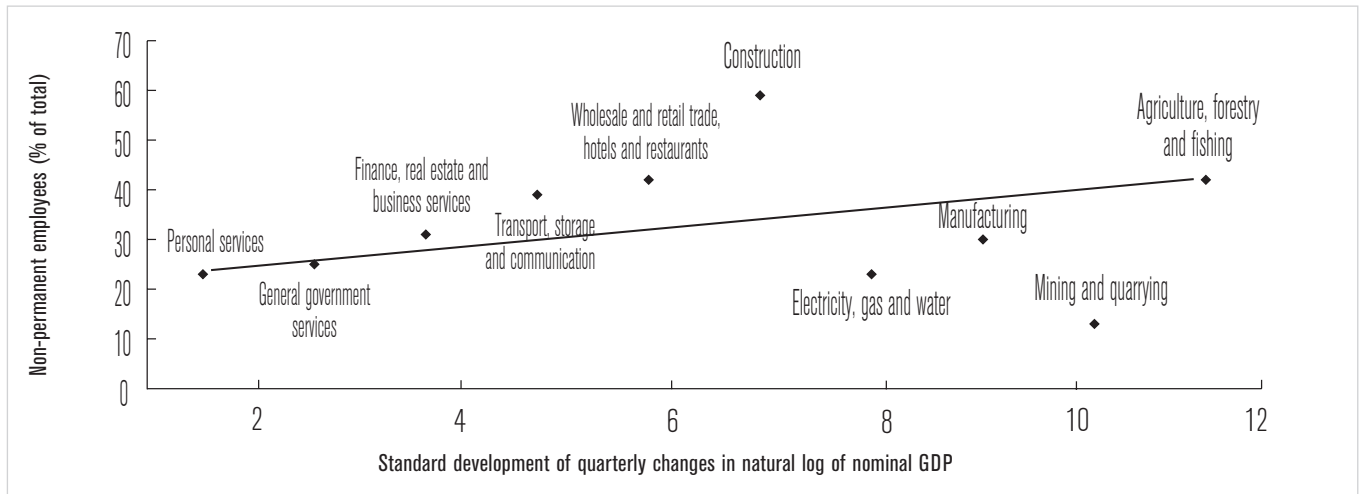
Temporary employment services represent a R26 billion sector with 5 120 businesses operating nearly 7 000 recruitment centres around South Africa. In 2008, the daily average headcount of contract employees was 902 350 (managed by agencies) or 2 739 315 (managed by agencies and by employers directly). Over the past decade, Services SETA figures indicate that employment agencies contributed R415 million to the National Skills Fund. Since 2000, contract employment agencies introduced

around 3,5 million temporary, part-time and contract employees into the South African work-force, approximately 2 million of whom were first-time job-seekers, 92% of whom are African, and 85% of whom are youth aged between 18 and 35. More than 32% of these employees secured traditional, permanent jobs within 12 months of commencing a contract assignment and 47% did so within a period of three years from commencement of a contract assignment. Contract employees represent 23,9% of total employment in South Africa, varying from 13% in the mining sector to 59% in the construction sector. In total, the industry supports 1 million people directly, and 3,6 million indirectly.

Our industry (continued)



CONTRACT LABOUR: A VITAL COMPONENT TO EFFECTIVELY COMPETE IN VOLATILE MARKETS



The presence of vibrant and competitive private sector intermediaries in the job facilitation process is an enormous national asset. The key advantages of this industry are as follows:

- Up-to-date nation-wide databases of job-seekers and available employment opportunities.
- Innovative and scientifically validated assessment tools and processes that assess job-seekers' "fit" and potential in different roles, companies and industries.
- Workplace readiness programmes that combine traditional classroom-style learning with on-the-job training in a real-world environment.
- Performance enhancement and career progression services that assist with organisations' performance objectives and employees' job mobility.
- Scalable technology and branch office infrastructures that support a large number and wide range of employment services, including payroll services, absenteeism management and accounting services, among others.
- Workforce scheduling services that allow organisations to match hourly, daily, weekly and other cyclical fluctuations in labour demand with skilled and available human resources.

- Workforce optimisation services that allow organisations to optimise their labour productivity and costs to achieve global competitiveness.

CONTRACT LABOUR: A VITAL COMPONENT TO EFFECTIVELY COMPETE IN VOLATILE MARKETS

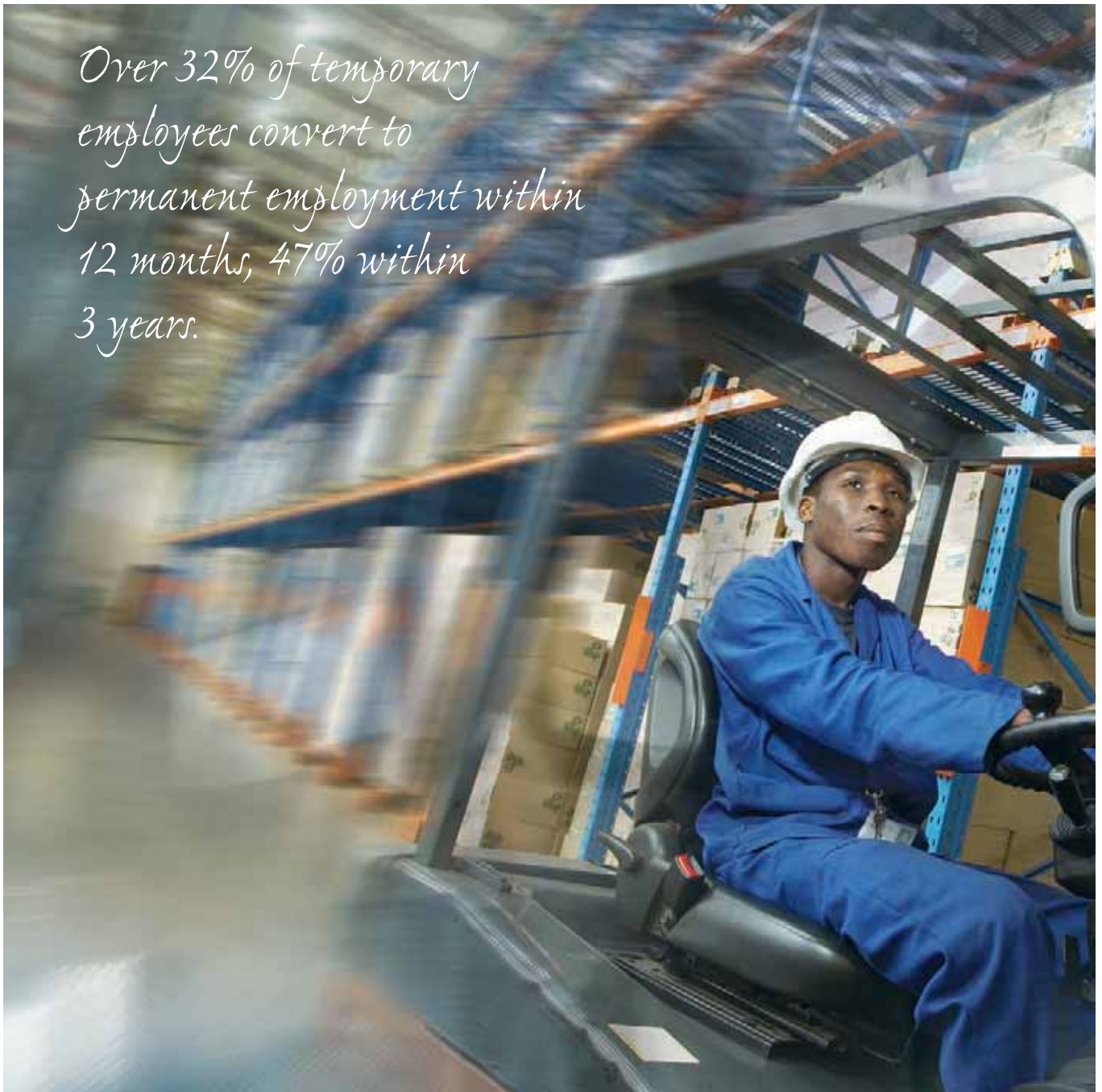
The above graph shows a strong relationship between economic volatility at the sector level, and the use of the contract employees in that sector.

The underlying basis for this relationship appears to be that the more volatile a particular sector, the more difficult it is to predict future output and demand levels in that sector, the greater the need to alter employment levels in light of changing business circumstances, and the higher the proportion of contract and other non-permanent employees.



Executive reports

Over 32% of temporary employees convert to permanent employment within 12 months, 47% within 3 years.



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Chairman's report

The Adcorp Group has continued to perform well over the past financial year despite tougher economic conditions.

Diluted core headline earnings per share were some 19% ahead of the prior year, which is a very encouraging result given the deteriorating economic climate.

This has been achieved through a process of proactive positioning whereby the focus of the Group has tended to be in those areas of the economy that are more robust and resilient in addition to having a well-constructed strategic agenda.

During the year under review, Adcorp has further entrenched itself as the leading provider of human capital management and business process outsourcing services in the South African economy and continues to play a meaningful and highly relevant role in the South African labour market.

Given the current unacceptably high unemployment rate in South Africa, coupled with the prospect of further substantial job losses resulting from the recent economic downturn, the Adcorp Group views its role as more critical than ever in terms of introducing new entrants into the formal job market as well as in terms of the significant role it plays in skills development.

Against this backdrop, there has been a strong lobby initiated by the trade union movement, and Cosatu in particular, in calling for a ban or stringent regulation of the practice of "labour broking" due to perceived exploitative labour practices perpetrated by this industry. The Cosatu torch in this regard has also been carried by the recently reappointed Minister of Labour.

What has been useful regarding the recent prominence and publicity this debate has received is that it has enabled the temporary employment services (TES) industry to showcase the positive role it plays in terms of job creation, productivity improvement and skills development which unfortunately, has largely been misunderstood by Government and the labour movement alike up until recently.

There now seems to be a far greater understanding and appreciation of the role of the industry by the Minister of Labour in particular and also an understating that, whilst there is potentially a minority rogue "labour broking" element guilty of certain exploitative labour practices, there is also a high proportion of industry players that make a positive and meaningful contribution to the South African economy and the South African workforce as a whole.

As such, it is likely that any impending legislation or regulation will hopefully have a positive bearing on the industry.

Much of this is credit to the representation the industry has received through the Confederation of Associations in the Private Employment Sector (CAPES) which represents the industry's interests in this regard in the National Economic Development and Labour Council (Nedlac) deliberations in terms of its affiliation with Business Unity South Africa (BUSA) as well as the opinion leading role that Adcorp has played in this matter.

Black economic empowerment (BEE) remains one of the major challenges facing the Group and one which the Adcorp Group has embraced and taken extremely seriously over the past years. Adcorp recently won the Financial Mail/Empowerdex Top Empowerment Companies 2009 Award as the most empowered company listed on the JSE Limited for the second year running and was rated as the only level 2 BEE contributor listed on the JSE.

This is an award we at Adcorp cherish and recognise the many proactive black economic empowerment initiatives the Group has embarked upon in the past years.

The Group has also committed itself to a high standard of corporate governance and transparency in the conduct of the affairs of the business.

In this regard, the Group recently won the 2009 Investment Analyst Society of Southern Africa award for the best presentation to the society for those companies with a market capitalisation under R5 billion and also was a 2008 category winner in the Annual Report Awards – "The benchmark for governance reporting in Africa".

During the past year, whilst arguably stronger than many other economies, South Africa has demonstrated that it is not immune to the ravages of the ongoing global recession. It is also hard to determine how deep and how protracted the current recession will be.

As such, the trading environment in which Adcorp finds itself is definitely tougher than in the recent past and much of the strategic focus is therefore on unlocking internal efficiencies, retention of existing business, offering value-for-money products and services to clients and on retaining top talent.



The strategic agenda is therefore relatively defensive in nature whilst also offering a measure of offensive tactics in those areas where we believe we can positively impact on the productivity and efficiencies of our clients.

Ironically, it is in tough economic times that clients tend to be more amenable to value-added propositions than in good times.

In facing the challenges ahead, I am confident that there is clarity of purpose and that the Group is well positioned to tackle whatever economic challenges may lie ahead.

In addition, the role that Adcorp plays in the economy and specifically in terms of job creation and skills development has long been an understated one and I believe that it is in times like these that these offerings come to the fore and are duly recognised.

Whilst I am under no illusions that the ensuing trading conditions will be substantially more difficult than we have endured in the past, I believe that the strategic path the Group has chosen as well as its unique positioning will stand us in good stead to weather whatever economic storm may blow our way.

Dr F Van Zyl Slabbert
Chairman

"I believe that the strategic path the Group has chosen as well as its unique positioning will stand us in good stead to weather whatever economic storm may blow our way".

Chief Executive's report



OVERVIEW

Despite tougher overall trading conditions, the Adcorp Group once again produced a solid financial performance for the year ended 28 February 2009.

In this regard, diluted core headline earnings for the year of 389,4 cents per share (2008: 327,4 cents per share) were some 19% ahead of comparable diluted core headline earnings per share for the prior year.

This result has been achieved due to the relatively strong positioning of the Group with regard to the relevance of its product and service offerings as well as the efficiency of its operations in relatively challenging economic times.

The strong blue-collar bias of the flexible staffing operations, the ongoing skills shortage, the sustainably differentiating value-adding product and service offerings, the blue-chip client base, selective industry exposure, proactive leadership focused on continuous productivity and efficiency improvement initiatives coupled with certain recent quality acquisitions, have all contributed to a financial performance that has been far more robust than general South African economic and employment data would suggest.

In this regard, the blue-collar flexible staffing, permanent recruitment and business process outsourcing (BPO) operations of the Group continued to perform well and to deliver strong earnings growth.

The financial performance of the white-collar flexible staffing businesses, however, was negatively affected by sustained volume and margin pressure emanating principally from the retail banking sector. In response, these businesses implemented timely downsizing and cost-cutting initiatives in order to limit the negative impact on Group profitability.

The EBITDA margin improved to an average 6,7% compared to the prior year average of 6,5%. This has been achieved by way of a sustained focus on improving operating margins as well as an improved mix of business, despite the adverse margin impact of the white-collar flexible staffing businesses.

Debtors' days outstanding slipped to an average 35 days outstanding compared to the previous year-end level of 30 days outstanding due primarily to late payment by three large public sector clients, which skewed the result.

Subsequent to the year-end, two of these overdue amounts outstanding have now been collected.

Given the deteriorating economic conditions experienced in the South African economy, the collection of debtors has definitely become more difficult as businesses try to conserve their cash resources by stretching credit terms.

As such, the urgency to pay particular attention to managing the cash-to-cash cycle of the business is now more important than ever and enjoys a prominent role on management's strategic agenda.

FINANCIAL TARGETING

Strategically, the Group adopted a philosophy of financial targeting in the 2002 financial year.

The key financial return criteria focused on by the Group's management team is return on assets managed ("ROAM"), which is benchmarked against a target to ensure the achievement of superior financial returns to shareholders well in excess of the firm's weighted average cost of capital ("WACC"). The WACC, in turn, is calculated with reference to an optimal capital structure introducing an ideal mix of debt and equity as reflected by the Group's gearing target.

In this regard, the Group once again exceeded its targets delivering a return on assets managed of 43,8% against a target of 33,0%.

In achieving this result, the return on sales ("ROS") or operating margin achieved was 6,2% versus a target of 5,5%, whilst the asset turnover ("ATO") ratio was 7,1 times versus a target of 6,0 times.

The philosophy of the Group has been to place major emphasis on the cash-generating potential of the operations. As such, a cash conversion target of 90% is the stated objective of management whereby the Group strives to convert 90% of its operating profit into cash. In this regard, the Group fell marginally short of its target whereby 81% of operating profit was converted into cash due to a deterioration in debtors days outstanding to 35 days versus a target of 33 days as previously mentioned.

Whilst remaining within the confines of the Group's financial year-end targeted gearing level of 47% versus an actual gearing level of 38%, the Group was able to declare a final dividend of 160 cents per share (2008 final dividend: 160 cents per share).

Combined with the interim dividend declared of 62 cents per share, this brought the total dividends declared for the year under review to 222 cents per share (2008: 215 cents per share), which represents a 3% increase in dividends.



The performance of the Group against stated financial targets for the year ended 28 February 2009 was as follows:

	Financial target	Year to Feb 2009	Year to Feb 2008
Return on assets managed (ROAM)	33,0%	43,8%	40,5%
Return on sales (ROS)	5,5%	6,2%	5,9%
Asset turnover (ATO) – times	6,0	7,1	6,8
Cash conversion ratio	90%	81%	141%
Debtors days	33	35	30
Interim gearing target*	47%	38%	31%
* Long-term gearing target set at 30%.			
A summary of dividends declared in respect of the year under review is as follows:			
Total dividends (cents)		222	215
Interim dividend (cents)		62	55
Final dividend (cents)		160	160

MACRO-ENVIRONMENT

Given the recent slowdown of the global economy and the resultant contraction in economic growth in South Africa, the priority remains not only to create more jobs in the economy but also to protect existing jobs in an environment where unemployment runs at unacceptably high levels.

Compounding this problem is the lack of reliable, objective and comprehensive statistics with regard to the employment market.

In order to assist in addressing this problem and to provide a “dip-stick” view of the state of the overall employment market in South Africa, Adcorp recently initiated an “Adcorp Employment Index™” which was first published in March 2009.

It is the intention to publish this index on a quarterly basis thus facilitating a better, holistic understanding of the complex South African employment environment.

As employment can take on many different forms, this comprehensive index encompasses statistics around permanent, temporary, fixed-term contracts, flexible staffing, and seasonal employment.

Adcorp’s Employment Index™ charts more than just the supply and demand of skills, it also covers the macroeconomic implications as

well as the remuneration dynamics impacting the industry. This approach allows for a holistic, scientifically validated and cross-referenced index.

The index uses the 2005 calendar year as the base year indexed at an average 100 points.

The latest published index in respect of the first quarter of 2009 reflects an index value of 87,7, which represented a quarter-on-quarter decline of 12,9% indicating that the overall environment for employment in South Africa has become much more negative and is expected to remain so until well into 2010.

What is evident, however, is that certain industry sectors have performed better than others with the construction, logistics and warehousing, communications and information technology, government and personal services sectors remaining relatively robust and showing net employment growth.

The sectors that are under substantial strain and show employment losses are mining, manufacturing, retail and wholesale trade as well as finance, real estate and business services.

The index also reflects that certain skills sets remain in high demand, particularly in the financial services, engineering, natural and physical sciences, medical and health, education as well as information and communication technology sectors.

Chief Executive's report (continued)

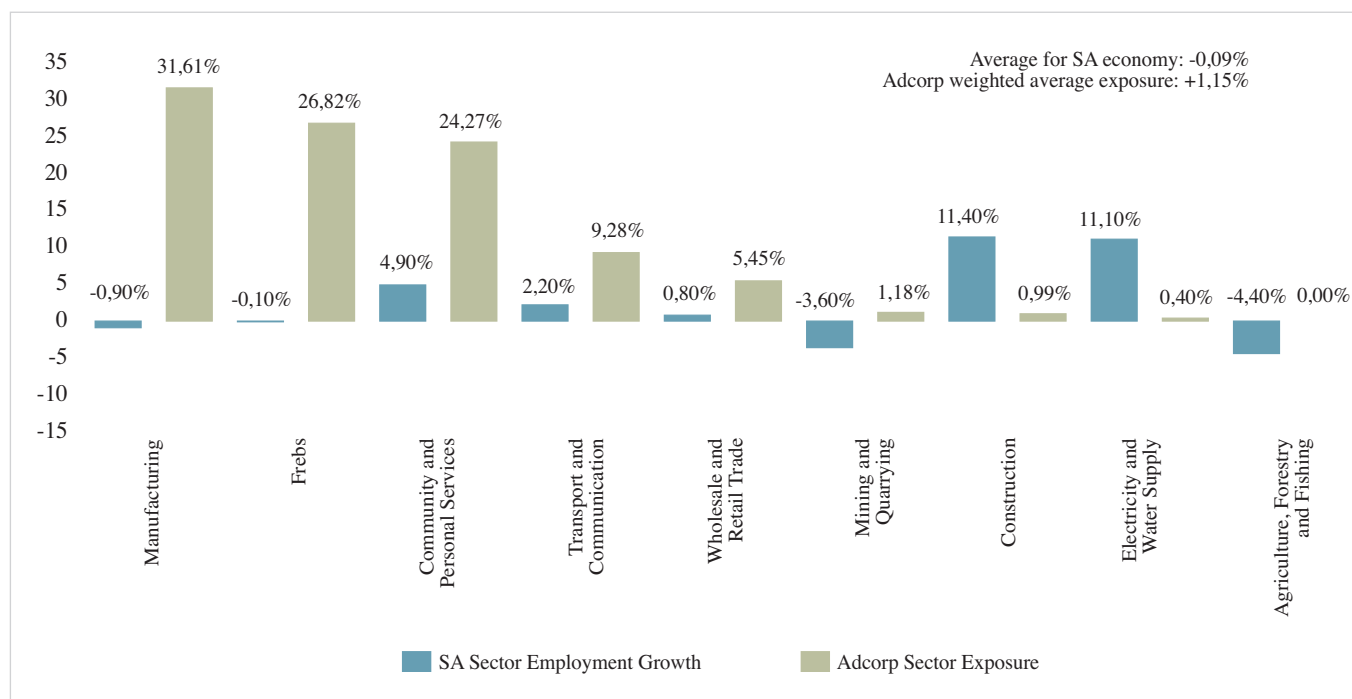
In terms of demand for priority skills, certain industrial sectors, such as mining, automotive and retail banking, show a stronger negative bias whereas sectors such as construction, wholesale and retail trade, transport and communications remain relatively robust in terms of employment prospects.

In addition, the skills shortage with regard to certain trades, such as engineers, artisans, construction workers, information and communication technology professionals, certain financial skills, general management and drivers, remain in relatively high demand.

Given the Adcorp Group's focus in the area of scarce skills as well as the Group's specific exposure to more robust industrial sectors, the performance of the Group should continue to outperform the performance of the average Adcorp Employment Index™ as has historically been the case.

The graph below depicts the revenue exposure of the Group to each constituent individual economic sector of the South African economy as plotted against 2008 employment growth for each of those industrial sectors.

ADCORP SALES SECTOR EXPOSURE VS SA SECTOR EMPLOYMENT GROWTH



As can be seen, the Group has limited exposure to sectors such as mining and agriculture where employment trends have been particularly negative but is well disposed to sectors such as Community (Public Sector) and Personal Services as well as Transport and Communication where employment trends remain relatively buoyant.

The Group also derives a high proportion of its revenues from the manufacturing sector which, although particular areas within the manufacturing sector are in decline, Adcorp has limited exposure to the weaker areas such as the manufacture of non-ferrous metals, petrochemicals and the automotive sector.

The Group's ability to outperform the average employment trends of the economy are therefore largely related to the selective industry exposure the Group operations have, the defensive nature of the dominant blue-collar operations which tend to demonstrate an element of counter-cyclicality in tough economic times as businesses seek to build flexibility into their cost and overhead structures through the use of contract labour, the market-leading position the Group enjoys, which generally provides for access to a better quality of business, proactive management in terms of driving internal efficiencies and the quality acquisitions the Group has recently made.

Whilst the expectation is that the economic cycle is unlikely to recover any time soon, this relatively defensive positioning of the Group should stand it in good stead to deal with these adverse economic conditions and to outperform the general economy.

Recently, the South African Government announced an initiative to create 500 000 public works programme jobs in an attempt to alleviate unemployment with a view to expanding this number by up to four million additional jobs by 2014.

Whilst the initiative is initially focused on creating temporary public works assignments, the objective is to ultimately transition these posts into permanent positions.

These initiatives will require specialised recruitment and assessment interventions, substantial skills development and training as well as payrolling and supervision which Adcorp could play a substantial role in if so required.

What is most encouraging about these initiatives is that it demonstrates a continued commitment by Government to job creation and skills development, which should positively impact the operations of the Adcorp Group in the medium to long-term.

In this regard, Adcorp is currently a major initiator of learnerships in terms of the Skills Development Act.

INDUSTRY DEVELOPMENTS

There has been much public debate recently, emanating principally from the trade union movement, with regard to the prospect of further regulation governing the atypical, contract labour or temporary employment services (TES) market.

The debate has primarily focused on the need to eradicate certain exploitative labour-broking practices carried on by various operatives within the industry as well as the entrenchment of the principle of “decent work” as defined by the International Labour Organisation (ILO).

According to the International Labour Organisation, “decent work” involves creating opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organise and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men.

Adcorp has taken an active role in these deliberations and is generally supportive of certain of the recommendations which, if dealt with appropriately, could be positive for the staffing industry as a whole.

The staffing industry plays a leading role in the South African economy in terms of job creation by way of introducing a significant number of first-time job seekers into the formal job market as well as by playing a leading role in the upskilling of thousands of employees through the formal learnership process.

Whilst the debate relating to this issue has spilled into the public domain, there have been many positive aspects to this in that it has enabled the industry as represented by the Confederation of Associations in the Private Employment Sector (CAPES) to showcase the positive role it plays in terms of facilitating job creation and skills development in the South African environment and has also substantially elevated the profile of Adcorp which has taken a leading role in forging opinion around this issue.

ACQUISITIONS

As previously reported to shareholders, the acquisition of Staff-U-Need became unconditional in August 2008. Given the specific focus of the business providing skilled and semi-skilled workers to the power-generation and engineering industries, it is expected to be an important contributor to the Group in the future. The business has integrated well into the Adcorp Group and is performing in line with expectations.

Other relatively recent acquisitions of the past two years, namely Capital Outsourcing Group and FMS Marketing Solutions, are performing well and according to expectations. Employ-Rite, which focuses on the automotive industry, had a difficult year due to the severe downturn in that industry. The impact of this on the Group was, however, limited due to its relatively small contribution to Group profits.

NORMALISED EARNINGS

The financial figures presented for the year ended 28 February 2009 have been significantly impacted by certain non-cash and mostly non-recurring adjustments required in compliance with International Financial Reporting Standards (IFRS). These adjustments are substantial and grossly misrepresent the true commercial and economic reality of the Group’s trading performance for the period under review.

Chief Executive's report (continued)

The impact of these adjustments on HEPS (headline earnings per share) is as follows:

	Year to Feb 2009 R'000	Year to Feb 2008 R'000
Impact of IFRS – non-cash flow items		
Amortisation of intangible assets	(55 234)	(42 864)
Share-based payments	(18 316)	(100 966)
Imputed interest charge	(4 282)	
Lease smoothing	(374)	(1 315)
Profit on disposal of part of continuing operations	–	48 236
Tax effects on above	15 409	13 382
IMPACT ON HEADLINE EARNINGS	(62 797)	(83 527)
Impairments	–	(6 645)
Loss on disposal of discontinued operations	–	(8 132)
IMPACT ON ALL EARNINGS	(62 797)	(98 304)
Impact on HEPS (cents)	(118,9)	(167,5)
Impact on EPS (cents)	(118,9)	(197,1)
% impact on HEPS	(30%)	(50%)

Excluding the impact of these IFRS adjustments, the normalised, abridged income statement for the year ended 28 February 2009 is as follows:

	Year to Feb 2009 R'000	Year to Feb 2008 R'000	% Change
Normalised abridged income statement for the year ended 28 February 2009			
REVENUE	4 837 123	3 938 881	23
Cost of sales	(3 724 735)	(2 986 575)	25
GROSS PROFIT	1 112 388	952 306	17
Other income	32 695	27 699	18
Admin, marketing and operating expenses	(844 557)	(746 041)	13
OPERATING PROFIT	300 526	233 964	28
Net interest paid	(28 850)	(19 331)	49
Share of profits from associates	18	875	
Profit before taxation	271 694	215 508	26
Taxation	(65 304)	(48 963)	33
PROFIT FOR THE YEAR	206 390	166 545	24
Weighted average shares (000's)	52 808	49 868	
Diluted weighted average shares (000's)	53 000	50 869	
Core headline earnings per share	390,8	334,0	17
Diluted core headline earnings per share	389,4	327,4	19

ERP SYSTEM IMPLEMENTATION

The implementation of the new Microsoft Dynamics AX ERP system has been successful with the majority of Group companies having now gone live on the system. The system will contribute positively to the quality, extent and relevance of management information as well as to operating efficiencies.

HUMAN RESOURCES

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

The key focus of this function is around the attraction and retention of top talent in the Group.

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

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

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

In addition, the Group human resources function is the custodian of the Group's social investment activities which are primarily focused on the development of human potential by way of extending a bursary scheme to disadvantaged individuals and communities as well as on the support of vegetable garden projects in disadvantaged communities.

OUTLOOK

The extent and duration of the recent, extreme turbulence in the world's major economies and its likely impact on the South African economy remain unclear.

The strategy of the Group during these uncertain times is to protect top-line business as far as possible, realise the full potential of a number of promising internal productivity and efficiency initiatives, focus on cash generation, retain our top people talent, positively influence industry regulation and seek out quality acquisitions.

Despite a troubled global and local economic outlook for the foreseeable future, certain mitigating factors should position the Group relatively well to weather the storm.

The defensive nature of the Group portfolio with its overweight exposure to blue-collar flexible staffing, the sizeable ongoing infrastructural spend in the country which consumes these workers, the persistent skills shortage, internal productivity projects and certain potentially lucrative market opportunities should all combine to stand the Adcorp Group in relatively good stead.

In addition, these conditions provide a unique opportunity to build a more robust, sustainable, market leading and dominant business model positioned advantageously for an economic upswing.

APPRECIATION

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



RL Pike
Chief Executive Officer



"The Adcorp Group views its role as more critical than ever in terms of introducing new entrants into the formal job market as well as in terms of the significant role it plays in skills development".

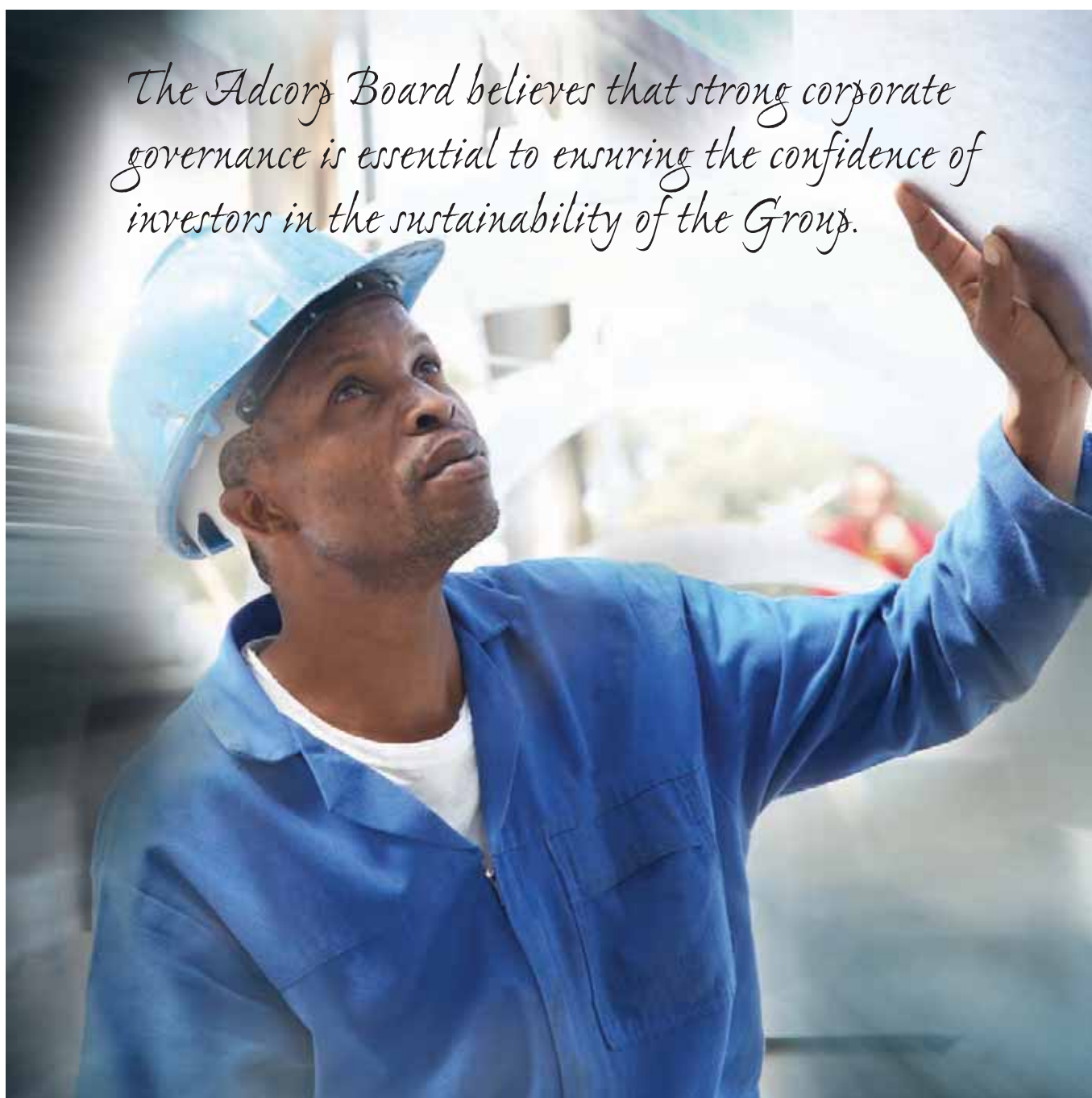
Dr F Van Zyl Slabbert
Chairman

"Despite tougher overall trading conditions, the Adcorp Group once again produced a solid financial performance for the year ended 28 February 2009".

Richard Pike
Chief Executive Officer



The Adcorp Board believes that strong corporate governance is essential to ensuring the confidence of investors in the sustainability of the Group.



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Board of directors



DR VAN ZYL SLABBERT (68)

Chairman

Non-Executive Director

MA, DPhil

Appointed 16 September 1994

Outside directorships held

CTP Caxton – Chairman

FirstRand – Director

Hollard Foundation – Chairman

Van Zyl graduated from Stellenbosch University. He lectured at Stellenbosch, Rhodes, UCT and Wits from 1964 to 1974. From 1974 to 1986 he was a member of Parliament and leader of the opposition party. In 1986 he formed IDASA with A Boraine to promote internal/external dialogue. Van Zyl received honorary doctorates from Simon Fraser University in Vancouver, Canada, University of Natal and University of Free State. He is currently involved with Soros philanthropy in Southern Africa and nine SADC countries. Van Zyl was recently elected Chancellor of the University of Stellenbosch.

RICHARD PIKE (47)

Chief Executive Officer

Executive Director

BCom (Hons), CA(SA)

Appointed 18 October 2000

No outside directorships held

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

CAMPBELL BOMELA (59)

Executive Director – Group Services

BCom, MBA

Appointed as a Non-Executive Director 11 March 2004

Appointed as an Executive Director 1 March 2006

Outside directorships held

Matlapeng Resources – Non-Executive Director
Masana Employee Share Trust

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

FAUNCE BURD (61)

Chief Financial Director

Executive Director

Appointed 9 September 2002

No outside directorships held

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

NELIS SWART (47)

Chief Operations Officer

Executive Director

MCom

Appointed 9 September 2002

Outside directorships held

Dreamworld Investments – Director
Magnolia Ridge Properties 360 – Director
Cilente Property Investments

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

RESIGNATIONS

G Duda – 7 November 2008

P Ward – 2 March 2009

APPOINTMENTS

G Duda – 10 March 2009

A Alback – 14 April 2009

**LOUISA MOJELA (52)**

Non-Executive Director
BCom

Appointed 1 June 2007

Outside directorships held

Wiphold, Distell Group, Sun International, ABB SA, African People Industrial Corporation, Afrisun Gauteng, Afrisun Leisure, Emfuleni Resorts, National Casino Resort Manco, Phaphama Holdings, SA Corporate Real Estate Fund Manager Limited, Skyprops 142, SA Airways, USB-ED Limited, Wiphold Financial Services No. 1 Limited, WIP Investments and WIP Three Investments.

Louisa is one of the founders and Group CEO of Women Investment Portfolio Holdings Limited (Wiphold). Louisa has held positions at Standard Corporate and Merchant Bank (SCMB), The Development Bank of Southern Africa (during which time she was seconded to the World Bank in Washington DC), and the Lesotho National Development Corporation. Louisa has completed an Executive Leadership Programme at Wharton School of Business at the University of Pennsylvania. In 2000 Louisa was selected as one of the 40 women from different continents and countries as "The Leading Women Entrepreneur of the World".

TRYPHOSA RAMANO (37)

Non-Executive Director
BCom, CA(SA)

Appointed 1 June 2007

Outside directorships held

Sasria, Women Investment Portfolio Holdings, Afrisun Leisure, Emfuleni Resorts, Legae Securities, USB Executive Development, DBSA, FSB of SA, Old Mutual Investment Group Property Investments, Real African Holdings and African Women Chartered Accountant.

Prior to joining Wiphold in November 2006, Tryphosa was the Chief Financial Officer and Executive Vice-President of SAA and has acted as President of SAA. She previously headed the Asset and Liability Division of the National Treasury where her focus was on the restructuring of state-owned assets, ensuring legislative compliance by public entities and monitoring

contingent liabilities of government. Tryphosa was instrumental in the listing of Telkom on the JSE and NYSE and enforcing the payment of R10 billion in dividends by public entities to government. Before joining government, Tryphosa was a portfolio manager and Head of the Institute of Excellence at RMB Asset Management.

GUGU PRIDE DUDA (32)

Alternate Director
BCom, CA(SA)

Appointed 1 June 2007

Outside directorships held

ABB South Africa and ABB Powertech.

Gugu recently joined Wipcapital as part of the Infrastructure Finance team. Prior to joining Wipcapital, she was Chief Financial Officer for Internet and Telephone Banking division at FNB. Her prior experience includes positions in finance, credit and risk at RMB and FirstRand.

AMANDA ALBACK (35)

Non-Executive Independent Director
BCom (Hons), CA(SA)

Appointed 14 April 2009

No outside directorships held

Amanda is a Chartered Accountant and completed her BCompt and BCompt Honours through Unisa and her articles with KPMG and Betty and Dickson Chartered Accountants. Amanda then studied for a Specialist Diploma in Auditing at RAU. She joined SAA as a Senior Manager – Passenger Revenue Accounting for a period of two years. Amanda then moved to Vodacom Service Provider as Executive Head – Financial Management before being offered a lateral transfer to her present position with the Vodacom Group as Executive Head of Financial Control. She is a Trustee of the Vodacom Pension and Provident Funds, and Chairs the Funds' Audit and Risk Committee.

She will be joining Spescom Limited as Chief Financial Officer, effective 1 August 2009.

Amanda is a member of SAICA, IRBA and the Management Board of African Women CA Forum responsible for the Marketing and Bursaries Portfolio.

MUTHANYI ROBINSON RAMAITE (39)

Non-Executive Director

Master's degree in Public Development Management, B.Luris, University of the North

Appointed 1 June 2007

Outside directorships held

Simeka Group, Vusani Property Investments, Khullela, Verge Management Services, Fintech, Gobodo Forensic & Investigative Accounting, Majestic Silver Trading, Newshelf 669, Golden Pond Trading 350, MRR Management, Ramaite Brothers Family Trust, Ramaite Properties, Simeka BSG, Simeka Management Services, Simeka Properties, Wescoal Holdings and Carbon Reductions SA.

Robinson studied at the University of the Witwatersrand and graduated with a master's degree in Public and Development Management. He then obtained a B.Luris at the University of the North.

Through his directorships and interest in the different areas of business, Robinson has been involved in a number of investment initiatives in the property, mining, aviation and ICT sectors, to mention a few. He has also made valuable contributions in various transformation and empowerment initiatives.

In his term of office as Director-General for the Department of Public Service and Administration (1999 to 2003) he served in various positions including Chairperson of the Directors-General Governance and Administration cluster of government, Board member of the State Information Technology Agency (SITA) and the Centre for Public Service Innovation (CPSI).

Corporate governance

COMPLIANCE WITH THE CODE OF CORPORATE PRACTICES AND CONDUCT

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

BOARD OF DIRECTORS

The board of directors as set out on pages 24 and 25 of the annual report consists of four executive directors and five non-executive directors of which one is independent. It is planned to appoint one additional independent non-executive member to the board in the near future. There is one black alternate director. The non-executive directors provide the board with independent judgement based on their significant range of skills and commercial experience. Five board members are black and four are women. The functions of Chairman and CEO are not performed by the same person.

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

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

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

Executive directors do not have service contracts, and employment is subject to a maximum of three months' notice with the exception of the CEO where the notice period is six months. Restraint agreements have been signed and all executive 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. One conflict of interest exists at present but this has been debated and approved by the board. All board directors have access to the advice of the company secretary and are at liberty to obtain external advice at the company's cost if necessary.

P Ward resigned from the board on 2 March 2009 and A Alback was appointed on 14 April 2009.

The Group places significant importance on the use of empowered suppliers and sourcing of services and supplies from empowered companies is encouraged and monitored.

BOARD MEETINGS

Board meetings were held quarterly during the year under review. Below is a schedule setting out the attendance at the meetings by the board members.

	Possible	Attended
Van Zyl Slabbert (<i>Chairman</i>)	4	3
C Bomela	4	4
FD Burd	4	4
GP Duda (alternate)	4	1
LM Mojela	4	2
RL Pike	4	4
MR Ramaite	4	3
T Ramano	4	4
PC Swart	4	4
PK Ward	4	4

For details of directors refer to pages 24 and 25.

AUDIT AND RISK COMMITTEE

Four meetings were held during the financial year and attendance is detailed below:

		Possible	Attended
P Ward (<i>Chairman</i>) Appointed: 1 June 2007 Resigned: 2 March 2009	Independent Non-Executive	4	4
Dr F Van Zyl Slabbert Appointed: 9 May 2006	Non-Executive	4	3
T Ramano Appointed: 5 May 2008 (<i>Acting chairman with effect from 4 May 2009</i>)	Non-Executive	4	4
A Alback Appointed: 14 April 2009	Independent Non-Executive	n/a	n/a
F Burd	Chief Financial Director (by invitation)	4	4
R Pike	Chief Executive Officer (by invitation)	2	2
P Bierman	Executive (by invitation)	4	4
R Tayob	Executive (by invitation)	4	4
Sizwe Ntsaluba vsp	Internal auditors	4	4
Deloitte & Touche	External auditors	4	4

A Alback was appointed to the audit and risk committee with effect from 14 April 2009 and P Ward resigned with effect from 2 March 2009.

Executive management together with both the external and internal auditors are in attendance at each meeting. Other members of staff attend as required. Executive attendees are not present during periodic discussions on executive openness, cooperation and effectiveness.

The Group's updated audit and risk committee charter was ratified by the board during the course of the financial period and complies with the Companies Act Amendment 2006. It is currently being further amended to allow for the early adoption of the recommendations contained in King III.

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.

The committee's main responsibility is to provide the board with additional assurance regarding the integrity and effectiveness of the Group's risk management framework and related internal controls, reporting and compliance systems applied within the Group and the operational implementation of corporate governance. Other duties include a review of the accounting policies, a recommendation to the board for the approval of the financial statements, a review of information systems and the review of the level and competency of financial management.

The Group's risk management framework has been completed and major risks identified. A formal response to mitigate these risks is in progress.

As required by the JSE, the company has appointed a Chief Financial Director. The position is currently held by FD Burd who is an executive director on the board of Adcorp and is deemed competent by the audit committee.

The external auditors have confirmed their independence and the audit committee is satisfied that the audit has been carried out by independent auditors, free of any scope restrictions.

The directors are satisfied that the audit committee has carried out its designated function as required by the Code of Corporate Practice and the Amendment to the Companies Act of 2006 and as mandated by the board.

Corporate governance (continued)

TRANSFORMATION COMMITTEE

The transformation committee was established in 2004 and consists of the members listed below. Two meetings were held and attendance was as follows:

		Possible	Attended
R Ramaite (<i>Chairman</i>)	Non-Executive	2	1
Appointed: 22 May 2008			
G Duda	Non-Executive	2	2
D Marsden	Non-Executive	2	1
C Bomela	Executive	2	2
A Ramsden	Executive		
	(by invitation)	2	1
W Smith	Executive		
	(by invitation)	2	2
J Boonzaaier	Executive		
	(by invitation)	2	2

Transformation is an ongoing Group focus and is discussed at all Adcorp board meetings as well as at all executive committee meetings.

The transformation committee is responsible for monitoring transformation at all levels within the Group as well as assisting with formulation of Group transformation policy and reviewing the implementation of these policies. In addition, the committee reviews progress on employment equity and skills development as well as corporate social investment. Adcorp has recently been awarded first place overall in the Financial Mail/Empowerdex Top Empowerment Companies Survey 2009 for the second year in a row.

REMUNERATION AND NOMINATIONS COMMITTEE

This committee met once during the year and consists of the following:

		Possible	Attended
R Ramaite (<i>Chairman</i>)	Non-Executive	1	1
Appointed: 5 March 2008			
Dr F Van Zyl Slabbert	Non-Executive	1	1
F Burd			
(<i>Group Financial Director</i>)		1	1
R Pike			
(<i>Chief Executive Officer</i>)		1	1

The remuneration committee is responsible for approving the remuneration of all board directors as well as the allocation of share options to employees. The committee is also responsible for reviewing senior management salary increases and bonuses. Independent external consultants and market comparisons are used to ensure that remuneration is market related and is linked to both individual and company performance. Directors' remuneration is fully disclosed on page 74.

EXECUTIVE COMMITTEE

The Adcorp executive committee is the most senior executive decision-making body in the Group. The committee is chaired by the Chief Executive Officer and comprises the Chief Financial Director, the Chief Operations Officer and the Executive Director – Group Services.

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

- Strategic planning and direction, monitoring of market trends and competitive activity.
- Structuring of the Group's portfolio of assets.
- Shaping and approving operational strategies, budgets and forecasts.
- Measuring, monitoring and taking proactive action on company performances.
- Monitoring and managing cash, cash collections and margins.
- Shaping and approving succession plans and senior management appointments.
- Group BEE structures, initiatives and transformation.
- Group reporting and reporting to shareholders.

INTERNAL CONTROL

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

GOING CONCERN

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

SOCIAL INVESTMENT

Adcorp established a formal Social Investment Programme in January 2001. The achievements of this programme as well as its purpose and future direction are covered more fully under the section on “Corporate social investment” on page 31.

NON-FINANCIAL MATTERS

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

Adcorp is committed to educating and supporting employees in the fight against HIV/Aids and will be launching an employee wellness product later this year which includes an HIV helpline.

Adcorp is concerned about employees’ safety and all reasonable steps are taken to ensure their safety.

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

STAKEHOLDER COMMUNICATION

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

The Group reports under International Financial Reporting Standards (“IFRS”) and, accordingly, the results for the period ended 28 February 2009 have been prepared in accordance with the Group’s accounting policies, which comply with IFRS. Details of the Group’s accounting policies are set out more fully in the financial statements.

YEAR-END

As previously advised, Adcorp changed its year-end from December to February. In order to facilitate this, the initial reporting period covered a 14-month period being 1 January 2007 to 29 February 2008. The Group is now back on a 12-month reporting cycle with the current reporting period being 1 March 2008 to 28 February 2009.

USE OF EMPOWERED SUPPLIERS

The Group places significant importance on the use of empowered suppliers and sourcing of services, and supplies from empowered companies is encouraged and monitored.

CLOSED TRADING PERIOD

Directors and managerial staff are precluded from trading in Adcorp shares from end February until the announcement of the annual results and again from 31 August until the announcement of the interim results.

HUMAN RESOURCES

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

- best practices in human resources;
- affirmative action;
- organisational culture; and
- black economic empowerment.

The transformation framework has followed the strategic business plan of the Group and its operating companies and divisions and is focused primarily on building capacity through focused development and skills transfer.

This is aimed at achieving sustained growth and profitability both now and in the future. In order to achieve strategic business objectives, the above transformation process is supported with a performance measurement system focused on measuring key objectives at all levels throughout the Group. The system facilitates effective planning, implementation and monitoring at board level and reflects the individual and collective commitment of all directors and senior managers to the process. A table setting out the number of employees and the employment equity status of the Group appears on page 30. In addition to 2 440 permanent employees, the Group has 70 000 to 75 000 contract and temporary employees on assignment at any one time. These temporary employees are placed in employment across a wide spectrum of businesses. Adcorp has a significant number of learnership contracts which also form part of the Group’s training initiatives and contributes significantly to the process of upskilling the country’s workforce. In addition, temporary contracts are a major conduit to permanent employment. Altogether 85% of temporary employees are black and of this number 50% have never been previously employed.

Employment equity – permanent staff

for the 12 months ended 31 March 2008*

	2008 R'000	2007 R'000
Total workforce	2 405	1 755
Total employees with disabilities	20	18
Workforce profile		
Race and gender profile		
Non-designated Group (includes foreign nationals)	263	180
White females	704	618
Black males	508	274
Black females	930	683
Occupational level profile		
Management (top, senior, middle and junior)	1 325	1 195
Non-management	1 080	560
Management profile by gender (top management, senior management, middle management, junior management)		
Females	960	945
Males	365	250
Management profile by race		
Black	610	535
White (includes foreign nationals)	715	660
Non-management profile by gender		
Females	702	379
Males	378	181
Non-management profile by race		
Black	828	422
White (includes foreign nationals)	252	138
Disability profile		
Management	11	9
Non-management	9	9
People with disabilities by gender		
Females	10	8
Males	10	10
Total employees before reporting cycle	1 755	1 810
<i>Add:</i> Recruits (including intake of Capital Outsourcing Group)	1 775	1 441
<i>Less:</i> Resignations	(11)	(103)
(Project staff) Non-renewal of contracts (contract employees)	(594)	(1 022)
Dismissals	(2)	(10)
Retirements (included in other)	–	–
(Disposal of Career Junction, Knovation) Other	(469)	(348)
Retrenchments	(14)	(13)
	2 440	1 755

* The skills development reporting period runs from 1 April 2007 to 31 March 2008 and the equity reporting period has been aligned to this.

Corporate social investment

Adcorp's corporate social investment (CSI) initiatives have evolved over the years and are currently focused mainly in the areas of vegetable garden projects, bursaries, scholarships and educational institution support as well as the support of certain special cause projects including the sponsorship of medical costs for a young cancer patient and the provision of a motorised wheelchair for a severely handicapped individual. Adcorp annually commits an amount in excess of 1% of its annual profits to CSI projects.

VEGETABLE GARDEN PROJECTS

The Adcorp Group has for many years supported a number of community-based vegetable garden projects which have been the flagship of the Group's corporate social investment programme.

There are currently 13 such sponsored all-weather, hydroponic tunnels which ensure continuous year-round vegetable production as well as a number of larger, adjacent shade netting and fenced-in areas.

These vegetable garden projects, which cover some 11 700 m² of arable area, are situated in Gauteng, the Western Cape and KwaZulu-Natal.

The latest such Adcorp project to be launched was the Tshedimoshos vegetable garden in Soweto which recently won two prestigious awards, namely the Gauteng Province's Best Household Producer of the Year Award and the Nestlé Community Nutrition Award for 2008.

The gardens provide unskilled, unemployed people, especially women and children in disadvantaged communities, with the basic know-how for growing vegetables whilst providing them with the opportunity to earn a living.

Vegetables propagated through these schemes are typically sold to the surrounding communities and hawkers whilst some of the fresh produce is also donated to children's homes and hospices.

Each project is provided with the necessary start-up finance for infrastructure, equipment, seed, fertilisers and training. Project participants are also provided with the necessary support and mentorship for an initial 18-month period to ensure that these projects become self-sustaining and to ensure appropriate skills transfer to the beneficiaries, after which the projects typically make the transition to autonomously run operations with Adcorp providing ad hoc support where necessary.



BURSARIES/SCHOLARSHIPS

Adcorp introduced a bursary programme in 2007 supporting six learners from the Nourivier area of the Northern Cape province. This year, the Adcorp Bursary Programme, targeting learners in grades 7 to 12, has been expanded to other provinces.

A total of 36 such bursaries have been awarded to learners from the Western Cape, KwaZulu-Natal and Gauteng. The value of the individual bursaries range from R5 000 to R20 000 per annum per learner and are granted for an initial one-year period renewable each year dependent on academic achievement. The bursaries cover tuition, accommodation, as well as sporting and academic excursions.

CHRISTMAS WISH LIST

Adcorp recently responded to the 94.7 Highveld Stereo 2008 Christmas Wish-List appeal whereby the urgent need was identified for a sponsor to assist in covering the medical expenses of a young child born with a malignant tumour in his left eye requiring chemotherapy and extensive surgery. Adcorp responded to the

Corporate social investment (continued)



appeal offering a full sponsorship of these medical costs. Unfortunately, the young patient, Baby Declan, has since passed away.



Du Toit family overjoyed with wish

KATIEGO KALAMANE
TEARS were flowing in the morning traffic, yesterday, as the life of a baby boy who was born with cancer was changed for the better.

The 94.7 Highland Stream's The Radio-Listening team is once again helping those less fortunate through its annual Christmas Wish List, and yesterday the team granted the wish of Declan du Toit, six months, and his parents.

The Du Toit family were wishing for someone to pay Declan's outstanding medical bills. The wish came true when Adcorp offered to pay R145 000 on the outstanding bills, as well as R52 000 for the his medical trust fund.

Declan was diagnosed with cancer, which appeared to be growing behind his eye, 10 days after his birth. He is currently undergoing radiation therapy.

Declan's mother, Gillian, said they were overwhelmed and happy. She said they felt blessed that Adcorp offered to help. "We feel like a lot of weight has been removed

For the past nine years he has been predominantly housebound and forced to make do with an aged, manual wheelchair which has rendered him highly dependent on family and friends.

The new self-propelled wheelchair has allowed Joshua to become far more independent and to again earn a steady income. He has plans to provide a home-based accounting service focusing on small businesses.

Local man's life expands with new hi-tech wheelchair

Johannesburg-based company AdCORP donated a wheelchair worth more than R40 000 to Soshanguve Black L. resident, Joshua Rashopola.

Joshua's dream of becoming a chartered accountant was dashed in 2000 when he was involved in a serious motor accident that robbed him of both of his legs.

He has become mostly housebound and forced to make do with a defective wheelchair for the past nine years, relying on his family and friends to transport him.

The new wheelchair will allow him to move around on his own.

He plans to open a home-based business.

Campbell Bomela, executive director at AdCORP, commended his company for helping Joshua and claim they would like to extend their help to other needy people.

AdCORP is also playing a vital role in the face of rising food prices.

They have seven vegetable gardens, including the recently launched R300 000 Tshedimoshu vegetable garden project in Soweto.

Vegetables are sold to the community and hawkers, while some are donated to children's homes and hospitals.



Joshua in his new wheel chair surrounded with his family.

WHEELCHAIR DONATION

The latest beneficiary of Adcorp's Corporate Social Investment programme is Pretoria-based quadriplegic, Joshua Rashopola, who was recently presented with a high-tech fully motorised wheelchair by Adcorp.

Joshua's dreams of becoming a chartered accountant were dashed in 2000 when he was involved in a serious motor accident that robbed him of the use of his arms and legs. At that time he had much to look forward to. He was working for an accounting company, had a steady girlfriend and drove his own car.

OTHER PROJECTS

A number of Adcorp subsidiary companies also participate in social upliftment projects, such as Emmanuel's Advance, which provides financial support to the Eldorado Park and Lenasia Life Colleges, Capacity which supports one of the Group vegetable garden projects in Tembisa as well as supporting a disadvantaged crèche in Richards Bay, whilst Premier Personnel supports a brick-making project in Limpopo province.



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Six-year review

	IFRS*					SA GAAP*
	2009	2008**	2006	2005	2004	2003
INCOME STATEMENT						
Revenue (R'000)	4 837 123	4 430 105	2 700 216	2 359 652	1 980 116	1 667 235
Operating profit before IFRS adjustments, depreciation and amortisation (R'000)	326 048	284 499	149 603	131 655	99 323	85 735
Operating profit including discontinued operations (R'000)	226 602	108 723	125 165	116 407	85 493	67 942
Profit/(loss) before taxation (R'000)	194 155	168 171	136 460	102 139	78 465	17 016
Effective tax rate (%)	19,5	18,3	23,5	30,5	23,0	39,2
Profit/(loss) for the period (R'000)	144 073	126 968	105 620	67 129	59 333	(9 089)
Core headline earnings (R'000)	206 390	183 080	108 077	65 185	56 917	(8 802)
BALANCE SHEET						
Fixed and other non-current assets (R'000)	845 422	675 449	138 372	119 723	141 541	132 791
Current assets (R'000)	868 178	714 485	511 496	438 307	349 035	294 081
Total assets (R'000)	1 713 600	1 389 934	649 868	558 030	490 576	426 872
Ordinary shareholders' interest (R'000)	803 481	667 750	310 703	249 706	215 945	186 707
Minority and BEE shareholders' interest (R'000)	421	421	82	2 456	3 070	788
Interest and non-interest-bearing non-current liabilities (R'000)	214 620	156 694	1 586	5 541	6 887	–
Deferred taxation (R'000)	35 050	38 540	3 424	1 777	–	–
Current liabilities (R'000)	660 028	526 529	334 073	298 550	264 674	239 377
Total equity and liabilities (R'000)	1 713 600	1 389 934	649 868	558 030	490 576	426 872
PROFITABILITY						
Return on assets managed (%)	43,9	42,0	32,0	33,4	30,7	29,6
Return on equity (%)	19,6	22,2	37,5	28,5	29,2	(4,5)
Return on sales (operating margin) (%)	6,2	5,8	4,9	4,9	4,3	4,3
EBITDA/revenue (%)	6,7	6,4	5,5	5,6	5,0	5,1
Number of employees	2 440	1 755	1 810	1 569	1 658	1 611
LIQUIDITY						
Cash generated by operations to operating profit (%)	80,6	101,7	74,9	79,4	102,9	131,9
Current ratio	1,3	1,5	1,5	1,5	1,3	1,2
Gearing (%)	37,8	30,4	6,0	–	0,6	11,9
Debtors days	35	30	36	33	36	38
STATISTICS						
Weighted average number of shares in issue ('000)	52 808	49 122	42 882	41 730	40 302	40 031
Core headline earnings per share (cents)	390,8	372,7	252,0	195,1	158,2	96,4
Earnings/(loss) per share (cents)	272,8	258,5	251,8	156,2	141,2	(22,0)
Total capital distribution/annual dividend per share (cents)	222	215	168	140	105	64
Dividend/capital distribution cover (times) based on core HEPS	1,8	1,7	1,4	1,4	1,5	1,5
Net asset value per share (cents)	1 483	1 315	716	592	531	466

* The 2005 to 2009 year results have been prepared in accordance with International Financial Reporting Standards (IFRS). The transition date to IFRS was 1 January 2004 resulting in the 2004 figures being restated to reflect IFRS adjustments. The 2003 figures have been prepared in accordance with South African statements of General Accepted Accounting Practice (SA GAAP, which was effective at 31 December 2004).

** The 2008 year represents 14 months and not 12 months due to the fact that Adcorp changed its year-end from December to February.

Definitions

CASH GENERATED BY OPERATING ACTIVITIES TO OPERATING PROFIT

Cash generated by operations as a percentage of operating profit.

CORE HEADLINE EARNINGS

Headline earnings excluding non-cash flow IFRS adjustments and profit on disposal of continuing business.

CURRENT RATIO

Total current assets divided by total current liabilities.

DEBTORS DAYS

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

DIVIDEND/CAPITAL DISTRIBUTION COVER

Headline earnings divided by the annual dividend/capital distribution.

EBITDA/TURNOVER

Operating profit before IFRS adjustments, depreciation and amortisation as a percentage of revenue.

EARNINGS PER SHARE

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

GEARING

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) ADJUSTMENTS

IFRS adjustments include non-cash flow items such as share-based payments, amortisation of intangibles and lease smoothing.

NET ASSET VALUE PER SHARE

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

RETURN ON ASSETS MANAGED

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

RETURN ON EQUITY

Profit for the year after IFRS adjustments divided by average equity of shareholders.

RETURN ON SALES (OPERATING MARGIN)

Operating profit (before goodwill amortisation prior to 2004) divided by revenue.

Approval of the annual financial statements

TO THE MEMBERS OF ADCORP HOLDINGS LIMITED

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

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

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

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

It is the responsibility of the independent auditors to report on the annual financial statements. Their response to the members is set out on page 38.

The annual financial statements for the 12-month period ended 28 February 2009 set out on pages 33 to 81 were approved by the board of directors on 15 July 2009 and are signed on its behalf by:



RL Pike
Chief Executive Officer

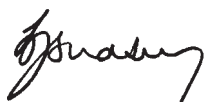


FD Burd
Chief Financial Director

Johannesburg
15 July 2009

Certification by company secretary

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



L.J. Sudbury
Company secretary
Appointed 8 March 2006

Johannesburg
15 July 2009

28 Sloane Street
Bryanston
2021

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Report of the independent auditors

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADCORP HOLDINGS LIMITED

We have audited the annual financial statements and Group annual financial statements of Adcorp Holdings Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 28 February 2009, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity and cash flow statement and the consolidated cash flow statement for the financial year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 39 to 81.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the Group as at 28 February 2009, and of their financial performance and their cash flows for the financial year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.



Deloitte & Touche

Per RC Campbell

Partner

21 July 2009

Registered Auditors

Buildings 1 and 2

Deloitte Place

The Woodlands

20 Woodlands Drive

Woodmead

Sandton

2196

National executive: GG Gelink – Chief Executive, AE Swiegers – Chief Operating Officer, GM Pinnock – Audit, DL Kennedy – Tax & Legal and Financial Advisory, L Geeringh – Consulting, L Bam – Corporate Finance, CR Beukman – Finance, TJ Brown – Clients & Markets, NT Mtoba – Chairman of the Board.

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

Directors' report

for the 12 months ended 28 February 2009 and 14 months ended 29 February 2008

The directors have pleasure in submitting their report and financial statements for the year ended 28 February 2009.

NATURE OF BUSINESS

Adcorp Holdings Limited is an investment holding company whose subsidiaries and associates carry on business, mainly in South Africa, in the permanent recruitment and flexible staffing sectors as well as business process outsourcing.

OVERVIEW

Shareholders are reminded, as announced in March 2007, that the company has changed its financial year-end from December to February. As such, the financial results presented herewith for the previous period are for the 14 months ended 29 February 2008, while the current reporting period is for the year ended 28 February 2009.

IFRS non-cash flow adjustments have significantly impacted the reported results, whilst the change in the reporting period makes comparison difficult. The table below sets out the normalised earnings for the year ended 28 February 2009 as well as the comparative figures for the 12 months ended February 2008.

"Normalised" earnings for the 12 months periods as indicated (derived from audited and reviewed results)	Year to 28 February 2009 R'000	Year to 29 February 2008 R'000	% change
Revenue	4 837 123	3 938 881	23
Cost of sales	(3 724 735)	(2 986 575)	25
Gross profit	1 112 388	952 306	17
Other income	32 695	27 699	18
Administrative, marketing, selling and operating expenses	(844 557)	(745 693)	13
Operating profit	300 526	234 312	28
Net interest paid	(28 850)	(19 331)	49
Share of profits from associates	18	875	–
Profit before taxation	271 694	215 856	26
Taxation	(65 304)	(49 311)	32
Profit for the year	206 390	166 545	24
Core headline earnings per share – cents	390,8	334,0	17
Diluted core headline earnings per share – cents	389,4	327,4	19

The Adcorp Group once again produced a solid financial performance for the year ended 28 February 2009, despite tougher overall trading conditions.

In this regard, diluted core headline earnings for the year of 389,4 cents per share (2008: 327,4 cents per share) were some 19% ahead of diluted core headline earnings per share for the comparable prior year.

This result has been achieved due to the relatively strong positioning of the Group with regard to the relevance of its product and service offerings as well as the efficiency of its operations in relatively challenging economic times.

The strong blue-collar bias of the flexible staffing operations, the ongoing skills shortage, the sustainably differentiating value-adding product and service offerings, the blue-chip client base, selective industry exposure, proactive leadership focused on continuous productivity and efficiency improvement initiatives, coupled with certain recent quality acquisitions, have all contributed to a financial performance that has been far more robust than general South African economic and employment data would suggest.

In this regard, the blue-collar flexible staffing, permanent recruitment and business process outsourcing (BPO) operations of the Group continued to perform well and to deliver strong earnings growth.

The financial performance of the white-collar flexible staffing businesses, however, was negatively affected by sustained volume and margin pressure emanating principally from the retail banking sector. In response, these businesses implemented timely downsizing and cost-cutting initiatives in order to limit the negative impact on Group profitability.

The EBITDA margin improved to an average 6,7% compared to the prior year average of 6,5%. This has been achieved by way of a sustained focus on improving operating margins as well as an improved mix of business, despite the adverse margin impact of the white-collar flexible staffing businesses.

Debtors days outstanding slipped to an average 35 days outstanding compared to the previous year-end level of 30 days outstanding due primarily to late payment by three large public sector clients which skewed the result. The collectability of these balances is not considered to be at risk but rather is the result of inefficiencies and processing problems on the client side. Were these debtors to be excluded from the calculation, average debtors days outstanding would have been 32 days, generally indicating a healthy collections pattern within the Group.

As reported to shareholders earlier in the year, the acquisition of Staff-U-Need became unconditional at the end of July 2008. Given the specific focus of the business on the power-generation and engineering industries, it is expected to be an important contributor to the Group in the future. The business has integrated well into the Adcorp Group and is performing in line with expectations.

Directors' report (continued)

for the 12 months ended 28 February 2009 and 14 months ended 29 February 2008

Other relatively recent acquisitions of the past two years, namely Capital Outsourcing Group and FMS Marketing Solutions are performing well and according to expectations. Employrite, which focuses on the automotive industry, had a difficult year due to the severe downturn in that industry. The impact of this on the Group was, however, limited due to its relatively small contribution to Group profits.

The implementation of the new Microsoft Dynamics AX ERP system has been successful with the majority of Group companies having now gone live on the system. The system will contribute positively to the quality, extent and relevance of management information as well as to operating efficiencies.

There has been much public debate recently, emanating principally from the trade union movement, with regard to the prospect of further regulation governing the atypical or contract labour market.

The debate has primarily focused on the need to eradicate certain exploitative labour broking practices carried on by various operatives within the industry as well as the entrenchment of the principle of "decent work" as defined by the International Labour Organisation (ILO).

Adcorp has taken an active role in these deliberations and is generally supportive of certain of the recommendations which, if dealt with appropriately, could be positive for the staffing industry as a whole.

The industry plays a leading role in the South African economy in terms of job creation by way of introducing a significant number of first-time job-seekers into the formal job market as well as by playing a leading role in the upskilling of thousands of employees through the formal learnership process.

Given a scarcity of reliable employment data, Adcorp, in conjunction with the *Sunday Times*, recently initiated the "Adcorp Employment Index" which was first published in March 2009. It is the intention to publish this index on a quarterly basis thus facilitating a better, holistic understanding of the complex South African employment environment.

For the second year running the Adcorp Group was recently voted the most empowered company listed on the JSE in terms of the Financial Mail Top Empowerment Company Survey for 2009. In terms of this survey, Adcorp was the only company ranked as a Level 2 contributor.

FINANCIAL OVERVIEW

International Financial Reporting Standards ("IFRS") adjustments have had a significant impact on the figures presented for the year ended February 2009 mainly due to the non-cash flow amortisation of intangibles arising from acquisitions made during the past two years. The comparative year ending 29 February 2008 has been similarly affected but, in addition, non-cash flow share-based payments arising from the BBBEE deal concluded in May 2007 further impacted these profits. In order to make the figures comparable, non-cash flow IFRS adjustments have been eliminated in "Normalised core headline earnings" for the current year as well as the prior financial year and period.

For the year ended 28 February 2009 diluted core headline earnings amounted to 389,4 cents per share, which equates to a 19% increase year on year compared with 327,4 cents per share for the comparative year. Core headline earnings for the current year were 390,8 cents per share, which is a 17% increase compared with the 334,0 cents per share for the prior year. Headline earnings per share at 271,9 cents represents an increase of 63% over the 166,5 cents for the previous year, however this percentage has been impacted by IFRS adjustments.

The table below sets out the abridged cash flow for the year ended 28 February 2009 as well as the 12-month comparative period.

	Audited year ended 28 February 2009 R'000	Unaudited year ended 29 February 2008 R'000
Cash generated by operations before working capital changes (Increase)/decrease in working capital	326 827 (84 542)	257 819 71 744
Cash generated by operations	242 285	329 563
Net interest paid	(28 689)	(19 278)
Taxation paid	(50 713)	(57 518)
Free cash generated by operations	162 883	252 767
Net dividend paid	(126 637)	(91 441)
Cash inflows from operations	36 246	161 326
Cash outflows from investing activities	(231 892)	(282 706)
Cash inflows from financing activities	195 414	150 642
Net (decrease)/increase in cash and cash equivalents	(232)	29 262
Net cash and cash equivalents at the beginning of the year/period	(50 505)	(79 767)
Net cash and cash equivalents at the end of the year/period	(50 737)	(50 505)
Free cash generated by operations per share – cents	308,4	506,9

The reduction in cash generated by operations of R242,3 million compared with R329,6 million for the prior year was largely due to non-payment by three large public sector clients as mentioned above. The resultant cash conversion ratio was 81%. Group borrowings, including the preference share loan, as at 28 February 2009 of R302,1 million compared with R205,2 million for the previous year, resulted in an increase in the Group's gearing from 31% to 38%.

Staff-U-Need ("SUN") was acquired with effect from 27 July 2008 and, as previously advised, was funded by a combination of borrowings and shares issued. As at 28 February 2009, R35 million is owing to the SUN vendors and this amount will be paid in September 2009 dependent on certain hurdles being met. In

terms of IAS 34 requirements the profit from this entity included in Group profits for the year ended February 2009 is R21,0 million. This profit has been arrived at after deduction of the interest attributable to the borrowings required to fund the cash portion of the purchase price as well as the amortisation charges arising from the valuation of the intangible assets acquired. Had SUN been acquired with effect from 1 March 2008 on the same basis as above, the amount of profit that would have been included in Group profits for the year would have been R23,7 million.

OUTLOOK

The extent and duration of the recent, extreme turbulence in the world's major economies and its likely impact on the South African economy remains unclear.

The strategy of the Group during these uncertain times is to protect top line business as far as possible, realise the full potential of a number of promising internal productivity and efficiency initiatives, focus on cash generation, retain our top people talent, positively influence industry regulation and seek out quality acquisitions.

Despite a troubled global and local economic outlook for the foreseeable future, certain mitigating factors should position the Group relatively well to weather the storm.

SHARE CAPITAL

Movements in share capital during the period are shown below:

	Number 000's	R'000
Opening balance 1 January 2007		
Issued shares	43 382	1 085
Acquisitions of subsidiaries (ordinary shares created) 7 009 448 shares at 2,5 cents	7 009	175
Employee share scheme (ordinary shares created) 439 896 shares at 2,5 cents	440	11
Opening balance 1 March 2008		
Issued shares	50 831	1 271
Acquisitions of subsidiaries (ordinary shares created) 3 234 571 shares at 2,5 cents	3 235	81
Employee share scheme (ordinary shares created) 152 750 shares at 2,5 cents	153	3
Closing balance 28 February 2009	54 219	1 355

SHARE PREMIUM

Movements in share premium during the period are shown below:

	2009 R'000	2008 R'000
Opening balance	283 070	57 630
(2008: 3 200 shares) ordinary shares created at a premium of R3,225 per share	–	10
– Employee combined option/deferred payment scheme 10 000 (2008: 40 000) ordinary shares created at a premium of R8,825 per share	88	353
– Employee combined option/deferred payment scheme 750 ordinary shares created at a premium of R10,3750 per share	8	–
– Employee combined option/deferred payment scheme (2008: 10 611) ordinary shares created at a premium of R11,875 per share	–	126
– Employee combined option/deferred payment scheme 120 000 (2008: 93 000) ordinary shares created at a premium of R11,975 per share	1 437	1 114
– Employee combined option/deferred payment scheme 22 000 (2008: 78 000) ordinary shares created at a premium of R12,975 per share	285	1 012
2 790 697 ordinary shares created at a premium of R25,7750 per share to purchase FMS Marketing Solutions	–	71 930
4 000 000 ordinary shares created at a premium of R35,9750 per share to purchase Capital Outsourcing Group	–	143 900
218 750 ordinary shares created at a premium of R31,9750 per share to purchase Capital Outsourcing Group	–	6 995
3 234 571 ordinary shares created at a premium of R30,8250 per share to purchase Staff-U-Need	99 706	–
Closing balance 28 February 2009	384 594	283 070

DIVIDEND

On 6 May 2009, the board declared a dividend of 160 cents (2008: 160 cents) per share which, together with the interim dividend of 62 cents per share, results in a total distribution in respect of the financial year ending 28 February 2009 of 222 cents per share.

The dividend of 160 cents per share will be paid on 3 August 2009.

Directors' report (continued)

for the 12 months ended 28 February 2009 and 14 months ended 29 February 2008

STRATE

Adcorp dematerialised its issued shares with effect from 9 July 2001 since 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 can be traded. Adcorp's company secretary may be contacted should a shareholder require advice on the dematerialisation of their share certificates.

ADCORP EMPLOYEE SHARE OPTION SCHEME

The old Adcorp Employee Share Option Scheme was introduced in 1987 and expanded during 1989 to include a share purchase scheme and again in 1994 to allow for the creation of a combined option/deferred payment scheme.

Under this scheme options to purchase shares have been granted on 267 244 shares as at 28 February 2009. These options have already vested and may therefore be paid for and converted into shares at any time at the option of the relevant employees.

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

Opening balance 1 March 2008			Date option granted	Option granted/(cancelled)/(exercised) 2008				Closing balance 28 February 2009				
Quantity	Price (R)	Value (R)		Quantity granted	Forfeited	Quantity cancelled	Quantity exercised	Price (R)	Value (R)	Quantity	Price (R)	Value (R)
33 000	6,35	209 550	31/05/03	–	–	–	–	6,35	–	33 000	6,35	209 550
20 000	8,85	177 000	31/05/02	–	–	–	(10 000)	8,85	(88 500)	10 000	8,85	88 500
750	10,40	7 800	31/05/98	–	–	–	(750)	10,40	(7 800)	–	10,40	–
29 244	11,90	348 004	31/05/01	–	–	–	–	11,90	–	29 244	11,90	348 004
212 000	12,00	2 544 000	31/05/00	–	–	–	(120 000)	12,00	(1 440 000)	92 000	12,00	1 104 000
125 000	13,00	1 625 000	31/05/04	–	–	–	(22 000)	13,00	(286 000)	103 000	13,00	1 339 000
419 994		4 911 354		–	–	–	(152 750)		(1 822 300)	267 244		3 089 054

NEW ADCORP EMPLOYEE SHARE SCHEME

Under the new Adcorp Employee Share Scheme eligible employees received conditional allocations of Share Appreciation Rights (SARs). The scheme also makes provision for the allocation of performance shares (PFs).

The SARs provide employees, at the date the rights vest, with the right to receive shares equal to the appreciation in the share price since grant date. In the event of the share price decreasing, no value is inherent in the shares and as a result no benefit is due to the employee. The vesting of the shares is subject to various non-market-related performance criteria. All SARs and PFs expire after six years from grant date.

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

The quantities shown below are the number of shares allocated to which the holders are entitled to the appreciation in the share price from grant date to exercise date. The number of shares that will be exercised to cover this commitment depends on the share price at the time. As at 28 February 2009 the value inherent in the above 7 843 000 shares was R0,56 million based on the share price of that date of R20,50 per share. This would have required the issue of 27 282 shares in order to discharge this commitment in full. There is no amount payable by participants on exercise. They will receive shares equal in value to the increase in the share price between the grant date and the exercise date.

Opening balance 1 March 2008			Date option granted	Current year movement 2008				Closing balance 28 February 2009				
Quantity	Price (R)	Value (R)		Quantity granted	Forfeited	Converted shares exercised	Quantity exercised	Price (R)	Value (R)	Quantity	Price (R)	Value (R)
161 000	18,15	2 922 150	22/11/05	–	79 500	(621)	(2 500)	18,15	(45 375)	238 000	18,15	4 319 700
1 900 000	26,31	49 989 000	30/04/06	–	–	–	–	–	–	1 900 000	26,31	49 989 000
2 850 000	32,31	92 083 500	01/03/07	–	–	–	–	–	–	2 850 000	32,31	92 083 500
100 000	37,80	3 780 000	30/11/07	–	–	–	–	–	–	100 000	37,80	3 780 000
–	31,02	–	01/03/08	2 755 000	–	–	–	–	–	2 755 000	31,02	85 460 100
5 011 000		148 774 650		2 755 000	79 500	(621)	(2 500)		(45 375)	7 843 000		235 632 300

ADCORP EMPOWERMENT SHARE TRUST

The trust owns 42 802 Adcorp shares of which 30 302 shares were unallocated as at 28 February 2009 as a result of employees leaving the Group. These will be reallocated during 2009. All the allocated options have vested and therefore can be paid for and the shares transferred into the employee's name at any time at the option of the employee:

2004	12 500
Unallocated	30 302

Total 42 802

Movements for the year in the Adcorp Empowerment Share Trust:

Opening balance 2008			Option granted/(cancelled)/(exercised) 2008					Closing balance 28 February 2009				
Quantity	Price (R)	Value (R)	Date option granted	Quantity granted	Forfeited	Quantity cancelled	Quantity exercised	Price (R)	Value (R)	Quantity	Price (R)	Value (R)
12 500	8,85	110 625	–	–	–	–	–	8,85	–	12 500	8,85	110 625
12 500		110 625	–	–	–	–	–		–	12 500		110 625
30 302									unallocated	30 302		
42 802		110 625	–	–	–	–	–	–	–	42 802		110 625

ADCORP EMPLOYEE SHARE TRUST ESTABLISHED 2007

As advised in the circular to shareholders dated 12 April 2007, Adcorp concluded a BBBEE transaction which allows for up to 10% of Adcorp shares to be owned by Adcorp employees, the majority of whom are previously disadvantaged individuals.

The Employee Share Trust owns 6 729 140 Adcorp "A" shares on behalf of the employees of Adcorp. These shares are represented by units which were allocated to all Adcorp employees in the Group at the time of the initial allocation, which was August 2007. Units which are forfeited due to employees leaving early are reallocated to new employees, however the total number of "A" shares does not change. In 2017 a percentage of the "A" shares will convert to Adcorp ordinary shares depending on the amount of the notional debt that has been repaid at that time. Based on the amount of the notional debt that has been paid down as at 29 February 2008 and using the same share price at that date, the theoretical number of shares that would have vested is nil. This is due to the significant fall-off in share prices.

SUBSIDIARIES AND ASSOCIATES

Details of the company's operating subsidiaries and associates are set out in Annexure A on pages 80 and 81.

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

	2009 R'000	2008 R'000
Total profit after taxation	204 596	206 903
Total losses after taxation	(2 674)	(5 946)
	201 922	200 957

SIGNIFICANT SHAREHOLDERS

Details of significant shareholders are included on page 84.

SPECIAL RESOLUTIONS

No special resolutions were passed during the year ended 28 February 2009.

STATUTORY INFORMATION

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

DIRECTORS' REMUNERATION AND INTEREST

Details of directors' remuneration and interests appear in notes 47 and 48 on pages 74 and 75 of the annual financial statements.

SUBSEQUENT EVENTS

No subsequent event to report on.

DIRECTORATE AND SECRETARY

The names of the directors and company secretary are set out on pages 24, 25 and 37 respectively. Changes to the directorate during 2008/09 are detailed on pages 24 and 26.

Balance sheets

as at 28 February 2009 and 29 February 2008

		GROUP		COMPANY	
	Notes	2009 R'000	2008 R'000	2009 R'000	2008 R'000
ASSETS					
Non-current assets		845 422	675 449	654 066	657 310
Property, plant and equipment	4	59 807	57 549	–	910
Intangible assets	5	209 087	182 270	–	–
Goodwill	6	555 208	402 980	–	–
Investment in subsidiaries	7	–	–	653 072	653 072
Investment in associates	8	100	270	–	–
Other financial assets	9	1 170	–	994	1 103
Derivative financial instrument	10	702	3 141	–	–
Deferred taxation	11	19 348	29 239	–	2 225
Current assets		868 178	714 485	488 872	293 225
Trade and other receivables and prepayments	12	685 943	565 002	–	5 912
Amounts due from vendor	13	–	250	–	250
Amounts due by subsidiary companies	14	–	–	488 872	286 763
Assets classified as held-for-sale	15	845	845	–	–
Taxation prepaid		330	564	–	–
Cash resources		181 060	147 824	–	300
Total assets		1 713 600	1 389 934	1 142 938	950 535
EQUITY AND LIABILITIES					
Capital and reserves		803 902	668 171	604 781	533 324
Share capital	16	1 355	1 271	1 776	1 692
Share premium	17	384 594	283 070	384 594	283 070
Treasury shares	18	(592)	(701)	–	–
Non-distributable reserve	19	–	–	119 918	119 918
Foreign currency translation reserve	20	(372)	(688)	–	–
Accumulated profit		418 496	384 798	98 493	128 644
Equity attributable to equity holders of the parent		803 481	667 750	604 781	533 324
BEE shareholders' interest	21	421	421	–	–
Non-current liabilities		249 670	195 234	78 755	–
Other non-current liabilities	22	2 700	4 230	–	–
Long-term loan	23	78 755	–	78 755	–
Redeemable preference shares – interest bearing	24	130 000	150 000	–	–
Obligations under finance lease	25	3 165	2 464	–	–
Deferred taxation	11	35 050	38 540	–	–
Current liabilities		660 028	526 529	459 402	417 211
Non-interest-bearing current liabilities		388 791	322 135	216 495	235 728
Trade and other payables	26	257 918	239 369	–	11 557
Amounts due to subsidiary companies	14	–	–	216 299	215 263
Amounts due to vendor	27	32 353	–	–	–
Provisions	28	83 737	74 785	–	7 151
Taxation		14 783	7 633	196	1 757
Liabilities classified as held-for-sale	15	–	348	–	–
Interest-bearing current liabilities		271 237	204 394	242 907	181 483
Current portion of other – non-current liabilities	22/25	3 138	2 260	–	–
Current portion of long-term loan	23	32 871	–	32 871	–
Current portion of redeemable preference shares	24	3 431	3 805	–	–
Bank overdrafts		231 797	198 329	210 036	181 483
Total equity and liabilities		1 713 600	1 389 934	1 142 938	950 535

Income statements

for the 12 months ended 28 February 2009 and 14 months ended 29 February 2008

		GROUP		COMPANY	
	Notes	2009 R'000	2008 R'000	2009 R'000	2008 R'000
CONTINUING OPERATIONS					
Revenue	29	4 837 123	4 430 105	–	285
Cost of sales	31	(3 724 735)	(3 349 604)	(48)	(78)
Gross profit		1 112 388	1 080 501	(48)	207
Other income	32	32 695	31 620	27 306	47 754
Administration expenses		(305 615)	(401 595)	(23 074)	(127 802)
Marketing and selling expenses		(451 956)	(448 173)	(3 581)	(4 108)
Other operating expenses		(160 910)	(153 548)	(1 490)	(3 422)
Operating profit/(loss)	33	226 602	108 805	(887)	(87 371)
Interest received	34	19 782	7 869	25 102	10 529
Interest paid	35	(52 914)	(29 574)	(25 759)	(19 202)
Dividends received		–	–	56 797	209 988
Share of profits from associates		18	1 512	–	–
Impairment of investment		–	–	–	(6 726)
Impairment of loans		–	(145)	36 988	(12 961)
Profit on disposal of property and equipment		667	409	–	–
Profit on disposal of operations and subsidiaries		–	48 633	–	43 495
Profit before taxation		194 155	137 509	92 241	137 752
Taxation	36	(50 082)	(40 855)	(13 773)	(11 066)
Profit for the period from continuing operations		144 073	96 654	78 468	126 686
DISCONTINUED OPERATIONS					
Profit for the period from discontinued operations	37	–	30 314	–	–
Profit for the period		144 073	126 968	78 468	126 686
Profit for the period attributable to ordinary shareholders		144 073	126 968	78 468	126 686
Earnings per share					
Basic (cents)	38	272,8	258,5	–	–
Diluted (cents)	38	271,8	253,4	–	–
Distribution to shareholders during the year		222	181	–	–
Interim dividend (cents)		62	55	–	–
Final dividend (cents) in respect of prior year		160	126	–	–

Statements of changes in equity

for the 12 months ended 28 February 2009 and 14 months ended 29 February 2008

	Share capital R'000	Share premium R'000	Treasury shares R'000	Foreign currency translation reserve R'000	Non-distributable reserve R'000	Accumulated profit R'000	Attributable to equity holders of the parent R'000	Minority share-holders' interest R'000	BEE share-holders' interest R'000	Total R'000
GROUP										
Balance at 31 December 2006	1 085	57 630	(1 010)	–	–	252 998	310 703	5	77	310 785
Issue of ordinary shares under employee share option scheme	11	2 615	–	–	–	–	2 626	–	–	2 626
Acquisition of BEE shareholders and minority interest	–	–	–	–	–	3	3	(5)	(77)	(79)
Issue of ordinary shares for the acquisition of subsidiaries	175	222 825	–	–	–	–	223 000	–	–	223 000
Issue of "A" ordinary shares in terms of BBBEE transaction	–	–	(168)	–	–	–	(168)	–	421	253
Foreign currency translation reserve	–	–	–	(688)	–	–	(688)	–	–	(688)
Fair value adjustment of derivative financial instrument – interest rate cap	–	–	–	–	–	1 332	1 332	–	–	1 332
Treasury shares sold	–	–	388	–	–	60	448	–	–	448
Recognition of BBBEE and staff share-based payments	–	–	–	–	–	95 268	95 268	–	–	95 268
Dividend distributions	–	–	89	–	–	(91 831)	(91 742)	–	–	(91 742)
Profit for the period	–	–	–	–	–	126 968	126 968	–	–	126 968
Balance as at 29 February 2008	1 271	283 070	(701)	(688)	–	384 798	667 750	–	421	668 171
Issue of ordinary shares under employee share option scheme	3	1 818	–	–	–	–	1 821	–	–	1 821
Issue of ordinary shares for the acquisition of subsidiaries	81	99 706	–	–	–	–	99 787	–	–	99 787
Foreign currency translation reserve	–	–	–	316	–	–	316	–	–	316
Fair value adjustment of derivative financial instrument – interest rate cap	–	–	–	–	–	(1 756)	(1 756)	–	–	(1 756)
Recognition of BBBEE and staff share-based payments	–	–	–	–	–	18 316	18 316	–	–	18 316
Dividend distributions	–	–	109	–	–	(126 935)	(126 826)	–	–	(126 826)
Profit for the period	–	–	–	–	–	144 073	144 073	–	–	144 073
Balance as at 28 February 2009	1 355	384 594	(592)	(372)	–	418 496	803 481	–	421	803 902
COMPANY										
Balance at 31 December 2006	1 085	57 630	–	–	119 918	(1 479)	177 154	–	–	177 154
Issue of ordinary shares under employee share option scheme	11	2 615	–	–	–	–	2 626	–	–	2 626
Issue of "A" ordinary shares in terms of BBBEE transaction	421	–	–	–	–	–	421	–	–	421
Issue of ordinary shares for the acquisition of subsidiaries	175	222 825	–	–	–	–	223 000	–	–	223 000
Recognition of BBBEE and staff share-based payments	–	–	–	–	–	95 268	95 268	–	–	95 268
Dividend distributions	–	–	–	–	–	(91 831)	(91 831)	–	–	(91 831)
Profit for the period	–	–	–	–	–	126 686	126 686	–	–	126 686
Balance as at 29 February 2008	1 692	283 070	–	–	119 918	128 644	533 324	–	–	533 324
Issue of ordinary shares under employee share option scheme	3	1 818	–	–	–	–	1 821	–	–	1 821
Issue of ordinary shares for the acquisition of subsidiaries	81	99 706	–	–	–	–	99 787	–	–	99 787
Recognition of BBBEE and staff share-based payments	–	–	–	–	–	18 316	18 316	–	–	18 316
Dividend distributions	–	–	–	–	–	(126 935)	(126 935)	–	–	(126 935)
Profit for the period	–	–	–	–	–	78 468	78 468	–	–	78 468
Balance as at 28 February 2009	1 776	384 594	–	–	119 918	98 493	604 781	–	–	604 781

Cash flow statements

for the 12 months ended 28 February 2009 and 14 months ended 29 February 2008

		GROUP		COMPANY	
	Notes	2009 R'000	2008 R'000	2009 R'000	2008 R'000
OPERATING ACTIVITIES					
Profit before taxation and dividends		194 155	168 170	92 241	137 752
Adjusted for:					
Dividends received		–	–	(56 797)	(209 988)
Depreciation		25 522	25 603	235	528
Impairment of assets, loans and goodwill		–	11 645	(36 988)	19 687
Amortisation of intangible assets		56 083	47 738	–	–
Amortisation of financial asset		130	–	–	–
Profit on disposal of businesses		–	(90 866)	–	(43 495)
Profit on disposal of property and equipment		(667)	(409)	–	–
Fair value adjustments		4 281	77	–	–
Share of profits from associates		(18)	(1 511)	–	–
Share-based payments expense		18 316	101 966	3 834	92 478
Non-cash portion of operating lease rentals		374	1 399	57	308
Other non-cash flow income		(38)	–	–	–
Interest paid		48 632	29 497	25 759	19 202
Interest received		(19 943)	(7 880)	(25 102)	(10 529)
Cash generated by operating activities before working capital changes		326 827	285 429	3 239	5 943
(Increase)/decrease in trade and other receivables and prepayments		(72 533)	(75 540)	5 043	(538)
(Decrease)/increase in trade and other payables and provisions		(12 009)	58 892	85 259	(7 671)
Net movement in holding and fellow subsidiaries' intercompany accounts		–	(5 510)	(248 492)	(193 035)
Cash generated/(utilised) by operations		242 285	263 271	(154 951)	(195 301)
Interest paid		(48 632)	(29 497)	(25 759)	(19 202)
Interest received		19 943	7 880	25 102	10 529
Taxation paid	49	(50 713)	(65 956)	(16 632)	(11 020)
Dividend paid	50	(126 638)	(91 441)	(70 029)	118 247
Net cash generated/(utilised) by operating activities		36 245	84 257	(242 269)	(96 747)
INVESTING ACTIVITIES					
Additions to property, equipment and intangible assets	51	(58 060)	(62 458)	(68)	(434)
Proceeds from sale of property and equipment		904	6 552	–	–
Inflow on disposal of businesses	52	–	96 943	–	49 919
Acquisition of businesses	53	(174 985)	(447 931)	–	(184 365)
BEE transactional costs		–	(6 875)	–	(6 875)
Paid to BEE shareholders		–	(79 100)	–	–
Vendor loan repayments		250	(36)	250	750
Net cash (utilised)/generated by investing activities		(231 891)	(492 905)	182	(141 005)
FINANCING ACTIVITIES					
Issue of shares		101 608	226 074	101 608	147 494
Net proceeds from issue of “A” ordinary shares		–	252	–	–
Payment for financial instrument purchased		–	(941)	–	–
Purchase of financial asset		(1 300)	–	–	–
Long-term loan raised		120 000	225 000	120 000	–
Long-term loan repaid		(28 374)	(75 000)	(8 374)	–
Decrease in non-current interest-bearing liabilities		3 480	1 259	–	–
Net cash generated by financing activities		195 414	376 644	213 234	147 494
Net decrease in cash and cash equivalents		(232)	(32 004)	(28 853)	(90 258)
Net cash and cash equivalents at the beginning of the period		(50 505)	(18 501)	(181 183)	(90 925)
Net cash and cash equivalents at the end of the period	54	(50 737)	(50 505)	(210 036)	(181 183)

Company overview

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Segment report

for the 12 months ended 28 February 2009 and 14 months ended 29 February 2008

	Central costs	Staffing	BPO	Discontinued	Total
REVENUE					
– 2009 (R'000)	–	4 604 249	232 874	–	4 837 123
– 2008 (R'000)	–	4 191 683	238 422	–	4 430 105
Operating profit/(loss)					
– 2009 (R'000)	(29 528)	236 479	19 651	–	226 602
– 2008 (R'000)	(118 188)	205 112	21 881	(82)	108 723
EBITDA					
– 2009 (R'000)	(22 245)	295 715	52 578	–	326 048
– 2008 (R'000)	(24 935)	253 734	55 782	(82)	284 499
EBITDA profit margin					
– 2009 (%)	–	6,4	22,6	–	6,7
– 2008 (%)	–	6,1	23,4	6,4	6,4
EBITDA contribution to Group profit					
– 2009 (%)	(6,8)	90,7	16,1	–	100
– 2008 (%)	(8,8)	89,2	19,6	–	100
Asset carrying value					
– 2009 (R'000)	8 092	1 335 722	369 786	–	1 713 600
– 2008 (R'000)	9 345	1 075 825	298 038	6 726	1 389 934
Liabilities carrying value					
– 2009 (R'000)	225 480	492 069	192 149	–	909 698
– 2008 (R'000)	201 947	291 539	227 929	348	721 763
Depreciation and amortisation					
– 2009 (R'000)	381	51 048	29 327	–	80 756
– 2008 (R'000)	469	40 632	31 310	–	72 411
Additions to property and equipment					
– 2009 (R'000)	341	16 558	10 664	–	27 563
– 2008 (R'000)	362	23 675	13 452	–	37 489

Note

No segmental information is provided in respect of geographical analysis as the Group operates mainly in South Africa. Refer to note 30 for further details regarding business segments. Revenue shown above is external revenue.

Notes to the annual financial statements

for the 12 months ended 28 February 2009 and 14 months ended 29 February 2008

1. ACCOUNTING FRAMEWORK

The Group applies all applicable International Financial Reporting Standards (IFRS) in preparation of the financial statements. Consequently, all IFRS statements that were effective at 28 February 2009 and are relevant to its operations have been applied.

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

New and revised standards

IFRS 3: Business Combinations – certain revisions to accounting for business combinations applicable to the Group's financial year commencing March 2009.

IFRS 8: Operating Segments – new standard dealing with segment reporting applicable to the Group's financial year commencing March 2009.

In May 2008 the IASB released a number of improvements to a whole range of existing accounting standards. These improvements will be applicable to the Group financial year commencing March 2009.

New interpretations

IFRIC 12: Service Concession Arrangements – applicable to the Group's financial year commencing March 2008.

IFRIC 13: Customer Loyalty Programmes – applicable to the Group's financial year commencing March 2009.

IFRIC 14: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – applicable to the Group's financial year commencing March 2008.

The impact of the adoption of the above standards and interpretations still needs to be considered, but is not expected to have a material impact on the financial results.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and incorporate the following principal accounting policies. In all material respects, these policies have been followed by all companies in the Group. The accounting policies are consistent with the prior year. The adoption of IFRS 7: Financial Instruments requires additional disclosures and this has been dealt with in the financial statements.

Basis of consolidation

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

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

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

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

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date.

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

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

Investment in associates

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

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

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

Taxation

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

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

Notes to the annual financial statements (continued)

for the 12 months ended 28 February 2009 and 14 months ended 29 February 2008

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

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

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

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

Property and equipment

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

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

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

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

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

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at a cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Goodwill

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

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

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

Non-current assets held-for-sale

Non-current assets and disposal groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Impairment of assets (excluding goodwill)

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

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

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

Revenue recognition

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

Revenue is recognised at the date the services are rendered.

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

Dividend income

Dividend revenue from investment is recognised when the shareholder's right to receive payment has been established.

Investment income

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

Cost of sales

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

Leases

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

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

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

Foreign currency transactions

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

Employee benefits

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

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for the 12 months ended 28 February 2009 and 14 months ended 29 February 2008

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

All employee benefits cease on termination of employment.

Provisions

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

Share-based payments

The Group has complied with the requirements of IFRS 2: Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied retrospectively to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005 and to all liabilities for share-based transactions existing at 1 January 2005. The standard therefore applies to share options granted in 2004, 2005, 2006 as well as those granted in 2008 and 2009.

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

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

Financial instruments

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

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

Trade and other receivables

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

Trade and other payables

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

Investments

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

Cash and cash equivalents

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

Bank borrowings

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

Equity instruments

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

Derivative financial instruments and hedge accounting

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

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

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, as either fair value hedges, cash flow hedges, or net hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedging relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the “other gains and losses” line of the income statement if applicable.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the Group's accounting policies

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

Provision for credit losses

The provision was measured at the Group's best estimate of future unrecoverable trade receivables, taking into account circumstances prevailing at year-end. Details of the provision are provided in note 12.

Provision for leave pay

In making its judgement, the provision for leave pay was measured at the Group's best estimate of the expenditure required to settle the obligation at balance sheet date in accordance with the Basic Conditions of Employment Act. Details of the provision for leave pay are provided in note 28.

Revenue recognition

Judgement is involved in determining an appropriate revenue recognition policy and ensuring that this is compliant with IAS 18: Revenue.

Recoverable amounts from government

The Group exercised judgement in determining whether the learnerships amounts are recoverable from government as well as when these amounts are recoverable. Details of these learnerships are detailed in note 12.

Purchase price allocation relating to acquisitions

The Group has exercised judgement in determining the purchase price allocation, intangible assets and resulting goodwill relating to the acquisition of the business of Staff-U-Need (Pty) Limited. The free cash flow method was used and the key estimates involved were growth rates, discount rate, as well as return on the contracts or key customer relationships.

Recognition of deferred tax assets

The Group has exercised judgement in determining whether deferred tax assets should be recognised. Judgement is involved in determining the extent to which it is probable that taxable profit in the various subsidiaries will be available against which the deferred tax assets will be utilised. Details of these deferred tax assets are provided in note 11.

Key sources of estimation uncertainty

Impairment of goodwill

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

Share-based payments

Determining the value of share-based payments to be expensed requires an estimation using the Black-Scholes pricing model. The model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural consideration. Details of share-based payments and assumptions used are provided in note 45.

Residual values and useful lives of assets

The Group exercised judgement in determining the useful lives of all assets and determining the residual values of these assets.

Notes to the annual financial statements (continued)

for the 12 months ended 28 February 2009 and 14 months ended 29 February 2008

	Land, buildings and leasehold improvements 2009 R'000	Computer and office equipment, furniture and fittings 2009 R'000	Capitalised leased assets 2009 R'000	Total 2009 R'000	Total 2008 R'000
4. PROPERTY, PLANT AND EQUIPMENT GROUP					
Balance at the beginning of the period	16 765	37 729	3 900	58 394	32 775
Assets at cost	23 315	106 488	4 302	134 105	87 649
Accumulated depreciation	(6 550)	(68 759)	(402)	(75 711)	(54 874)
Current year movements					
Additions	4 856	21 702	1 005	27 563	37 489
Acquisitions through business combinations	–	606	–	606	15 795
Disposal – sale of business	–	–	–	–	(52)
Cost	–	–	–	–	(200)
Accumulated depreciation	–	–	–	–	148
Reclassified as held-for-sale	(845)	–	–	(845)	(845)
Cost	(845)	–	–	(845)	(845)
Accumulated depreciation	–	–	–	–	–
Disposals	–	(352)	(37)	(389)	(2 010)
Cost	–	(10 680)	(1 043)	(11 723)	(6 628)
Accumulated depreciation	–	10 328	1 006	11 334	4 618
Depreciation	(4 027)	(20 313)	(1 182)	(25 522)	(25 603)
Net book value at the end of the period	16 749	39 372	3 686	59 807	57 549
Represented by:					
Assets at cost	27 326	118 116	4 264	149 706	133 260
Accumulated depreciation	(10 577)	(78 744)	(578)	(89 899)	(75 711)
Net book value at the end of the period	16 749	39 372	3 686	59 807	57 549
COMPANY					
Balance at the beginning of the period	229	681	–	910	1 004
Assets at cost	422	4 043	–	4 465	4 031
Accumulated depreciation	(193)	(3 362)	–	(3 555)	(3 027)
Additions	–	68	–	68	434
Depreciation	(35)	(200)	–	(235)	(528)
Transferred to another company	(194)	(549)	–	(743)	–
Assets at cost	(422)	(4 111)	–	(4 533)	–
Accumulated depreciation	228	3 562	–	3 790	–
Disposals	–	–	–	–	–
Cost	–	–	–	–	–
Accumulated depreciation	–	–	–	–	–
Net book value at the end of the period	–	–	–	–	910
Represented by:					
Assets at cost	–	–	–	–	4 465
Accumulated depreciation	–	–	–	–	(3 555)
Net book value at the end of the period	–	–	–	–	910

The registers of land and buildings are open for inspection at the registered office of the company and its subsidiaries. The Group's obligations under finance lease (refer to note 25) are secured by the lessor's title to the leased assets, which have a carrying amount of R3,7 million.

	Capitalised development 2009 R'000	Trade- marks 2009 R'000	Accredi- tation of programmes 2009 R'000	Customer base 2009 R'000	Other 2009 R'000	Total 2009 R'000	Total 2008 R'000
5. INTANGIBLE ASSETS							
GROUP							
Balance at the beginning of the period	45 099	4 148	875	130 944	1 204	182 270	44 218
Assets at cost	45 099	10 178	968	177 261	3 140	236 646	45 942
Accumulated amortisation	–	(6 030)	(93)	(46 317)	(1 936)	(54 376)	(1 724)
Additions	–	–	178	4 400	491	5 069	773
Additions from internal developments	25 428	–	–	–	–	25 428	20 193
Acquisitions through business combinations	–	2 400	–	50 003	–	52 403	170 092
Cost	–	2 400	–	50 003	–	52 403	170 092
Accumulated amortisation	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	(268)
Cost	–	–	–	–	–	–	(354)
Accumulated amortisation	–	–	–	–	–	–	86
Amortisation expense	–	(200)	(199)	(55 056)	(628)	(56 083)	(47 738)
Impairment	–	–	–	–	–	–	(5 000)
Net book value at the end of the period	70 527	6 348	854	130 291	1 067	209 087	182 270
Represented by:							
Assets at cost	70 527	12 578	1 146	231 664	3 631	319 546	236 646
Accumulated amortisation	–	(6 230)	(292)	(101 373)	(2 564)	(110 459)	(54 376)
Net book value at the end of the period	70 527	6 348	854	130 291	1 067	209 087	182 270

The capitalised development represents costs incurred to date on the development of the Dynamix AX ERP System. The system is currently in the process of development and is not available for use. No amortisation has been recorded for the current year. Once the asset is available for use, it is intended to amortise the software over its estimated useful life of 10 years. R5,7 million interest was capitalised on this project during the 12 months to February 2009.

In the current year, a trademark was acquired in the purchase of Staff-U-Need. This trademark is amortised over its estimated useful life which is seven years.

Accreditation of programmes represent costs incurred to date on accrediting training programmes with the relevant training authorities. Once the asset is available for use, it is amortised over its estimated useful life of four years.

Customer base represents the customer bases purchased on acquisition of businesses. The various customer bases acquired are amortised over their estimated useful life which ranges from three to seven years. Other intangible assets are recognised on the acquisition of Margie Middleton and Associates being learning programmes, NQF accreditations, methodologies and tool development. The asset is amortised over its estimated useful life of five years.

Amortisation of intangible assets is disclosed in operating profit (refer to note 33).

Notes to the annual financial statements (continued)

for the 12 months ended 28 February 2009 and 14 months ended 29 February 2008

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
6. GOODWILL				
Cost				
Opening balance	429 061	67 606	–	–
Additional amounts recognised from business combinations during the period	152 228	362 518	–	–
Derecognised on disposal of subsidiaries	–	(1 063)	–	–
Closing balance	581 289	429 061	–	–
Impairment				
Opening balance	(26 081)	(26 081)	–	–
Impairment of goodwill during the period	–	–	–	–
Closing balance	(26 081)	(26 081)	–	–
Carrying amount				
At the end of the period	555 208	402 980	–	–

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

	GROUP		
	2009 R'000	2008 R'000	
Staffing	392 569	240 341	
Business process outsourcing	162 639	162 639	
	555 208	402 980	

The Group tests goodwill annually for impairment.

The recoverable amounts of the CGUs are determined based on the value-in-use calculation which uses the cash flow projections based on financial budgets approved by management covering a five-year period assuming a growth of 10% per annum. The key assumptions for the discounted cash flow valuation method are those regarding the discount rate, growth rate and expected changes to selling prices and direct costs during the period.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management. The rate used to discount the forecast cash flows is 11,06% (2008: 13,02%).

During the year Adcorp acquired the business of Staff-U-Need. As a result of this acquisition an amount of R151,61 million was recognised as goodwill. This goodwill was allocated to the Staffing CGU.

During the year Adcorp also acquired additional goodwill amounting to R0,484 million in relation to Capital Outsourcing Group (Pty) Limited which was acquired last year.

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
7. INVESTMENT IN SUBSIDIARIES				
(for details refer to Annexure A)				
Shares at cost less amounts written off	–	–	653 072	653 072
Shares at cost	–	–	659 798	659 798
Less: Provision for impairment of investment	–	–	(6 726)	(6 726)
Directors' valuation	–	–	1 113 023	1 807 042

The investment in Research Surveys has been impaired as the business was sold and the company is now dormant.

The directors' valuation is determined by reference to the market capitalisation of the Group at the financial reporting date.

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
8. INVESTMENT IN ASSOCIATES				
(for details of the Group refer to Annexure A)				
Carrying values at the beginning of the period	270	3 189	–	1 528
Increase/(decrease) in investment	(188)	368	–	–
Share of current period earnings (net of dividends received)	18	1 212	–	–
Investment disposed	–	(4 499)	–	(1 528)
	100	270	–	–
Total investment in associates	100	270	–	–
Directors' valuation	100	270	–	–
Summarised financial information in respect of the Group's associates is set out below:				
Total assets	179	143	–	–
Total liabilities	(8)	(8)	–	–
Net assets	171	135	–	–
Total revenue	58	194	–	–
Total profit for the period	36	89	–	–
9. OTHER FINANCIAL ASSETS				
PDI (previously disadvantaged individuals) Share Trust	–	–	994	1 103
Adcorp shares				
42 802 at R7,965 (2008: 42 802 shares at R7,965)	–	–	341	341
Loan to PDI Share Trust	–	–	653	762
Held-to-maturity investment carried at amortised cost				
Raising fee	1 170	–	–	–
	1 170	–	994	1 103
A raising fee of R1,3 million was paid to Standard Bank to cover the R120 million of the term loan and in terms of IAS 39 needs to be disclosed as a financial asset. This asset is amortised over the period of the loan which is five years. At year-end an amount R0,130 million was amortised to the income statement.				
10. DERIVATIVE FINANCIAL INSTRUMENT				
Derivatives designated and effective as hedging instruments carried at fair value	702	3 141	–	–
Interest rate cap	702	3 141	–	–
Details are shown below:				
Inception date:	25 May 2007			
Termination date:	31 May 2010			
Nominal cost of cap:	R941 351			
The financial instrument is a designated hedge, which was purchased to cover R100 million of the redeemable preference shares. The current effective interest rate on the cap is 13%. The fair value of the financial instrument was determined by an independent party using market data and the effective interest rate method.				

	As at 29 Feb 2008 R'000	Reallocation of deferred tax R'000	Total R'000	Charged to the income statement R'000	Restructure R'000	Arising on business combination R'000	As at 28 Feb 2009 R'000
11. DEFERRED TAXATION							
GROUP							
Tax effect of:							
Deferred tax raised on provisions	25 438	(4 371)	21 067	(3 762)	4 203	–	21 508
Excess tax allowances and depreciation charge	181	–	181	(241)		–	(60)
Expenditure incurred but not allowable for tax purposes in the period in which it is incurred	(38 797)	704	(38 093)	14 857		(14 655)	(37 891)
Rate change adjustment	2 174	(2 701)	(527)	135	312	–	(80)
Operating lease timing adjustments	897	(199)	698	270	–	–	968
Computed losses	1 315	3 025	4 340	(1 814)	–	–	2 526
Other	(509)	3 542	3 033	(1 191)	(4 515)	–	(2 673)
	(9 301)	–	(9 301)	8 254	–	(14 655)	(15 702)
						28 Feb 2009 R'000	29 Feb 2008 R'000

	As at 29 Feb 2008 R'000	Reallocation of deferred tax R'000	Total R'000	Charged to the income statement R'000	Sold on restructure R'000	As at 28 Feb 2009 R'000
COMPANY						
Tax effect of:						
Deferred tax raised on provisions	2 074	230	2 304	1 282	(3 586)	–
Rate change adjustment	(79)	–	(79)	–	79	–
Operating lease timing adjustments	236	(236)	–	16	(16)	–
Other	(6)	6	–	–	–	–
	2 225	–	2 225	1 298	(3 523)	–
					28 Feb 2009 R'000	29 Feb 2008 R'000

Analysed as:		
Deferred tax assets	–	2 225
Deferred tax liabilities	–	–
	–	2 225

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS	685 943	565 002	–	5 912
Trade debtors	566 379	498 732	–	–
Provision for credit losses	(6 535)	(12 822)	–	–
Deposits and staff loans	4 307	3 327	–	72
Other	121 792	75 765	–	5 840
The Group partakes in learnerships that are registered with the Services Seta and receives government grants in order to develop its employees.				
During the current period the Group incurred training expenses of R12 520 336 (2008: R5 799 198) that have been claimed from the Services Seta.				
Included in other receivables are amounts due from the Services Seta in respect of learnerships that the Group has engaged in:	4 701	5 896	–	–
Opening balance	5 896	9 797	–	–
Acquired through business combination	–	598	–	–
Claims submitted	12 521	5 799	–	–
Grants received	(13 716)	(10 298)	–	–
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:	566 379	498 732	–	–
Domestic	528 761	475 711	–	–
Foreign	37 618	23 021	–	–
The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:	566 379	498 732	–	–
Agriculture, hunting, forestry and fishing	–	7 830	–	–
Community, social and personal services	137 629	89 223	–	–
Construction	41 912	2 992	–	–
Manufacturing	142 728	143 884	–	–
Financial intermediation, insurance, real estate and business services	151 790	134 408	–	–
Electricity, gas and water supply	2 266	9 675	–	–
Transport, storage and communication	52 673	41 495	–	–
Mining and quarrying	6 797	9 675	–	–
Wholesale and retail, repair of motor vehicles, motor cycles, personal and household goods, and hotels and restaurants	30 584	59 549	–	–

Debtors days outstanding at end February 2009 was 35 days. No interest is charged on the trade receivables for the first 60 days from the date of the invoice, thereafter interest may be charged on the outstanding balance. The Group has provided for all receivables that are considered to be doubtful.

Before accepting any new customer, the Group uses an external credit bureau to assess the potential customers' credit quality and defines credit limit by customer.

Trade receivables are provided as security for the redeemable preference share loan and the term loan as disclosed in notes 24 and 23 respectively.

Notes to the annual financial statements (continued)

for the 12 months ended 28 February 2009 and 14 months ended 29 February 2008

	GROUP				COMPANY			
	Gross R'000	Impairment 2009 R'000	Gross R'000	Impairment 2008 R'000	Gross R'000	Impairment 2009 R'000	Gross R'000	Impairment 2008 R'000
12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS <i>continued</i>								
The ageing of trade receivables at the reporting date was:	566 379	6 535	498 732	12 822	–	–	–	–
Not past due	409 964	–	392 119	633	–	–	–	–
Past due 0 – 30 days	90 379	35	72 204	924	–	–	–	–
Past due 31 – 60 days	24 888	69	15 058	967	–	–	–	–
Past due 61 – 120 days	17 274	81	13 136	4 781	–	–	–	–
Past due 121 – 365 days	23 565	6 041	6 038	5 340	–	–	–	–
More than one year	309	309	177	177	–	–	–	–
Movement in the provision for credit losses during the period under review was as follows:								
Closing balance		6 535	–	12 822	–	–	–	–
Balance at the beginning of the period		12 822	–	3 763	–	–	–	–
Acquisition through business combination		–	–	2 523	–	–	–	–
Impairment loss/(gain) recognised		(6 287)	–	6 536	–	–	–	–

	GROUP		COMPANY	
	Maximum payments 2009 R'000	2008 R'000	Fair value of maximum payments 2009 R'000	2008 R'000
13. AMOUNTS DUE FROM VENDOR				
Amounts receivable				
Within one year	–	250	–	250
In the second to fifth year inclusive	–	–	–	–
Fair value adjustments	–	250	–	250
Fair value of maximum payments	–	250	–	250
The above represents the payments that are to be received from LR Resources in respect of the sale of Knovation (Pty) Limited.				

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
14. AMOUNTS DUE TO/(BY) SUBSIDIARY COMPANIES (for details refer to Annexure A)			272 573	71 500
			488 872	286 763
Amounts due by subsidiary companies			488 872	323 751
Less: Provision for impairment of loans			–	(36 988)
Amounts due to subsidiary companies			(216 299)	(215 263)
Included in the above is a provision for the impairment of intercompany loans amounting Rnil (2008: R36 988).				
15. ASSETS/LIABILITIES CLASSIFIED AS HELD-FOR-SALE				
Assets	845	845	–	–
Liabilities	–	(348)	–	–
15.1 Property held-for-sale The Group intends to dispose of one of its properties situated at 22 Swart Street, Kempton Park. The property was previously used in the Group's staffing operations. Property, plant and equipment	845	845	–	–
15.2 Marketing business Liabilities held-for-sale	–	(348)	–	–
Trade and other payables	–	–	–	–
Taxation	–	(348)	–	–
Provisions	–	–	–	–
Net assets/(liabilities) classified as held-for-sale	845	497	–	–
16. SHARE CAPITAL				
Authorised				
183 177 151 ordinary shares of 2,5 cents each (2008: 83 177 151)	4 579	2 079	4 579	2 079
16 822 849 "A" ordinary shares of 2,5 cents each (2008: 16 822 849)	421	421	421	421
	5 000	2 500	5 000	2 500
Issued				
54 219 381 ordinary shares of 2,5 cents each (2008: 50 831 439)	1 355	1 271	1 355	1 271
16 822 849 "A" ordinary shares of 2,5 cents each (2008: 16 822 849)	–	–	421	421
	1 355	1 271	1 776	1 692
The unissued shares are under the control of the directors until the next annual general meeting subject to limitations. Number of shares ('000)	54 176	50 788	54 219	50 831
Opening balance	50 831	43 382	50 831	43 382
Issue of ordinary shares under employee share option plan	153	440	153	440
Issue of ordinary shares for the acquisition of subsidiaries	3 235	7 009	3 235	7 009
Shares in issue	54 219	50 831	54 219	50 831
Share Trust consolidated	(43)	(43)	–	–

Notes to the annual financial statements (continued)

for the 12 months ended 28 February 2009 and 14 months ended 29 February 2008

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
17. SHARE PREMIUM	384 594	283 070	384 594	283 070
Balance at 1 March 2008	283 070	57 630	283 070	57 630
Arising from the issue of 153 371 ordinary shares under employee share option plan (2008: 439 896)	1 818	2 615	1 818	2 615
Arising from the issue of 3 234 571 ordinary shares for the acquisition of subsidiaries (2008: 7 009 448)	99 706	222 825	99 706	222 825
18. TREASURY SHARES	(592)	(701)	–	–
Adcorp Empowerment Share Trust consolidated 42 802 shares (2008: 42 802)	(533)	(1 010)	–	–
Dividends on treasury shares	109	89	–	–
Nil shares redeemed (2008: 31 200)	–	388	–	–
Adcorp Employee Benefit Trust consolidated 6 729 140 shares (2008: 6 729 140)	(424) (168)	(533) (168)	– –	– –
19. NON-DISTRIBUTABLE RESERVE	–	–	119 918	119 918
Unrealised profit arising on sale of BEE companies into new entity during 2004	–	–	119 918	119 918
20. FOREIGN CURRENCY TRANSLATION RESERVE	(372)	(688)		
Opening balance	(688)	–		
Arising from business combination	–	30		
Arising on translation of foreign operation	316	(718)		
Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into rand amounts are brought to account by entries made directly to the foreign currency translation reserve.				

21. BEE SHAREHOLDERS' INTEREST

In terms of the new BEE transaction, Adcorp has created and issued a total of 16 822 849 "A" ordinary shares to its new empowerment shareholders at a par value of 2,5 cents per share, of which 6 729 140 are owned by a company called Moody Blue Trade and Investment 93 (Pty) Limited (Moody Blue), which in turn is wholly owned by the Adcorp Employee Benefit Trust. The remaining "A" ordinary shares are held by BBBEE enterprises.

These shares carry full voting rights and have been funded by a notional debt based on the 90-day VWAP at the time of issue plus interest and reduced by dividends.

In terms of this structure, a 10% shareholding has been made available for the benefit of all full-time Adcorp Group employees, an 8,25% stake has been allocated to women's empowerment grouping, Wiphold, and 6,25% has been allocated to empowerment business, Simeka Group.

At the end of 10 years the "A" shares will convert to Adcorp ordinary shares based on the value of the notional debt that will have been paid down at that date.

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
21. BEE SHAREHOLDERS' INTEREST <i>continued</i>				
Issued				
16 822 849 "A" ordinary shares of 2,5 cents each (2008: 16 822 849)	421	421	–	–
The fair value of the option in terms of the new BBBEE deal was calculated using the Black-Scholes option pricing model. The inputs into the model are set out below:				
The total value of the option is R133 million. Details of amounts to be expensed over the 10-year period are as follows:				
Current year	5 320	84 233		
Year 3 – year 9 (Expense of R5 320 million per annum)	37 240	47 880		
Year 10	887	887		
Basis of option valuation				
Weighted average share price (R)	38,10	38,10		
Weighted average exercise price (R)	29,91	29,91		
Expected volatility (%)	31,98	31,98		
Expected life (years)	9,83	9,83		
Risk-free rate (%)	8,15	8,15		
Expected dividend yield (%)	6,22	6,22		
	Number of shares 2009	Number of shares 2008	Weighted average exercise price 2009 R	Weighted average exercise price 2008 R
Adcorp Employee Benefit Trust				
Outstanding at the beginning of the period	6 729 140	–	–	–
Issued during the period	–	6 729 140	29,91	29,91
Exercised during the period	–	–	–	–
Outstanding at the end of the period	6 729 140	6 729 140	29,91	29,91
Exercisable at the end of the period	–	–	–	–
	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
22. OTHER NON-CURRENT LIABILITIES				
Operating lease timing adjustment	3 977	4 875	–	–
Current portion	1 277	645	–	–
Non-current portion	2 700	4 230	–	–

Notes to the annual financial statements (continued)

for the 12 months ended 28 February 2009 and 14 months ended 29 February 2008

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
23. LONG-TERM LOAN				
SECURED – AT AMORTISED COST				
Bank loans	111 626	–	111 626	–
Current portion	32 871	–	32 871	–
Non-current portion	78 755	–	78 755	–
The Group acquired a loan of R120 million from Standard Bank on 22 July 2008 to finance the acquisition of Staff-U-Need. Interest is charged at an inclusive rate, meaning a rate of interest equal to the Johannesburg Inter Bank Agreed Rate (JIBAR) plus 285 (two hundred and eighty-five) basis point per annum (nominal annual compounded quarterly). The loan is repayable over five years. The loan is secured by a charge over the trade receivables and credit balances held by First Rand Bank Limited of the following companies in the Group: Adcorp Management Services (Pty) Limited Adcorp Fulfilment Services (Pty) Limited Adcorp Staffing Solutions (Pty) Limited Capital Outsourcing Group (Pty) Limited Production Management Institute of Southern Africa (Pty) Limited				
24. REDEEMABLE PREFERENCE SHARES – INTEREST BEARING				
Redeemable preference shares issued	150 000	225 000	–	–
Redeemable preference shares redeemed	(20 000)	(75 000)	–	–
	130 000	150 000	–	–
Interest accrued – current	3 431	3 805	–	–
	133 431	153 805	–	–

225 000 redeemable cumulative variable rate preference shares were issued on 10 July 2007. The shares are redeemable on 30 June 2012 or earlier at Adcorp's option.

The Group has designated its redeemable cumulative preference shares as financial liabilities as required by IAS 39: Financial Instruments: Recognition and Measurement. The preference shares have a fixed interest payment and mature on 30 June 2012. To reduce the fair value risk of changing interest rates, the Group has entered into an interest rate cap. An interest rate cap economically hedges the fair value interest rate risk of redeemable cumulative preference shares. The cap's notional cost is R941 351 and fixes the interest cost on R100 million of the cumulative redeemable preference shares. The cap matures on 31 May 2010.

25. OBLIGATIONS UNDER FINANCE LEASES

Finance leases relate to equipment and vehicles with a lease term of five years. The Group has options to purchase the equipment for a nominal amount at the conclusion of the lease agreements. The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

	Minimum lease payments		Present value of minimum lease payments	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Within one year	2 219	2 012	1 861	1 615
Later than one year and not later than five years	3 611	2 789	3 165	2 464
	5 830	4 801	5 026	4 079
Less: Future finance charges	(804)	(722)	–	–
Present value of finance lease obligations	5 026	4 079	5 026	4 079
Current portion	1 861	1 615	1 861	1 615
Non-current portion	3 165	2 464	3 165	2 464
	5 026	4 079	5 026	4 079

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
26. TRADE AND OTHER PAYABLES	257 918	239 369	–	11 557
Trade creditors	46 340	42 623	–	–
VAT	47 368	45 049	–	5 728
Accruals	102 747	88 652	–	2 849
Other	61 463	63 045	–	2 980

The average credit period on trade and other payables is 30 days. No interest is incurred on trade and other payables unless payment is effected timeously. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

27. AMOUNTS DUE TO VENDOR				
Amount payable				
Within one year	35 000	–	–	–
In the second to fifth year inclusive	–	–	–	–
	35 000	–	–	–
<i>Less:</i> Future finance charges	(2 647)	–	–	–
Present value of amount payable	32 353	–	–	–
Current portion	32 353	–	–	–
Non-current portion	–	–	–	–
	32 353	–	–	–

The above represents the estimated payments that are expected to be made to Staff-U-Need (Pty) Limited. The purchase price will be determined over the next financial year on an earn-out basis.

	As at 29 Feb 2008 R'000	Provisions raised 2009 R'000	Provisions acquired 2009 R'000	Provisions utilised 2009 R'000	Sold on restructure 2009 R'000	As at 28 Feb 2009 R'000
28. PROVISIONS						
GROUP						
Leave pay	41 673	117 122	2 980	(114 201)	–	47 574
Bonuses	28 974	77 616	4 073	(77 117)	–	33 546
Other	4 138	59 326	480	(61 327)	–	2 617
Total	74 785	254 064	7 533	(252 645)	–	83 737
COMPANY						
Leave pay	284	364	–	–	(648)	–
Bonuses	6 867	3 063	–	(6 672)	(3 258)	–
Total	7 151	3 427	–	(6 672)	(3 906)	–

Leave pay

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

Bonuses

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

Notes to the annual financial statements (continued)

for the 12 months ended 28 February 2009 and 14 months ended 29 February 2008

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
29. REVENUE				
Continuing operations				
Revenue from the rendering of services	4 837 123	4 430 105	–	285
	4 837 123	4 430 105	–	285
30. BUSINESS AND GEOGRAPHICAL SEGMENTS				
For management purposes, the Group is currently organised into three operating divisions – central costs, staffing and business process outsourcing. These divisions are the basis on which the Group reports its primary segment information.				
The principal activities are as follows:				
- Central costs – Holding company and head office function including Group research and tendering services, as well as human resources. - Staffing – Permanent recruitment, flexible staffing both temporary and contract work, advertising and response handling. - Business process outsourcing – Outsourcing of certain non-core specialised business functions. - No segmental information is provided in respect of geographical analysis as the Group operates primarily in South Africa.				
31. COST OF SALES				
The analysis of cost of sales is as follows:	(3 724 735)	(3 349 604)	(48)	(78)
Course material	(1 814)	(1 753)	–	–
Lecturing	(4 804)	(5 047)	–	–
Criminal and credit checks	(6 196)	(9 350)	–	–
Media	(121 111)	(108 445)	–	–
Placements	(24 660)	(6 912)	–	–
Production	(740)	(1 737)	–	–
Project costs	(75 809)	(39 478)	–	–
Protective clothing	(9 385)	(9 887)	–	–
Temporary employee costs	(3 418 397)	(3 104 269)	–	–
Transportation costs	(24 347)	(24 936)	–	–
Other	(37 472)	(37 790)	(48)	(78)
Attributable to:	(3 724 753)	(3 349 604)	(48)	(78)
Continuing operations	(3 724 753)	(3 349 604)	(48)	(78)
32. OTHER INCOME	32 695	31 622	27 306	47 754
Corporate management fee	8 615	–	18 000	45 000
Bad debts recovered	331	52	–	–
Media rebates and commissions received	–	–	–	–
Royalties received	–	–	–	–
Training levies recovered	9 637	12 247	–	–
Other	14 112	19 323	9 306	2 754
Attributable to:	32 695	31 622	27 306	47 754
Continuing operations	32 695	31 620	27 306	47 754
Discontinued operations	–	2	–	–

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
33. OPERATING PROFIT/(LOSS)				
Operating profit/(loss) is determined after allowing for the following items requiring separate disclosure:				
Amortisation (refer to note 5)	(56 083)	(47 738)	–	–
Auditors' remuneration	(3 789)	(5 599)	(1 048)	(2 270)
– fee for audit	(4 544)	(3 972)	(1 028)	(1 045)
– fee for audit (prior year over-/(underprovision))	755	(725)	–	(323)
– fee for other services	–	(902)	(20)	(902)
Consulting fees	(37 293)	(25 094)	(1 463)	(647)
Depreciation (refer to note 4)	(25 522)	(25 603)	(235)	(528)
Foreign exchange gains	7 883	4 056	–	–
Government grants in respect of learnerships	12 521	5 799	–	–
Directors' emoluments – executive directors	(14 483)	(18 380)	–	(11 603)
– non-executive directors	(2 331)	(2 402)	(1 166)	(2 402)
Leasing and rentals – properties and premises	(37 433)	(38 446)	(1 034)	(2 290)
– office furniture and equipment	(13 020)	(12 535)	(115)	(137)
– motor vehicles	(900)	(569)	–	–
Staff costs	(532 581)	(546 133)	(11 728)	(12 508)
Share-based payments expense*	(18 316)	(101 966)	(3 834)	(92 478)
34. INTEREST RECEIVED	19 782	7 880	25 102	10 529
Group loans	–	–	17 113	10 529
Bank deposits	11 295	5 856	–	–
Other	8 487	2 024	7 989	–
Fair value adjustments	–	–	–	–
Attributable to:	19 782	7 880	25 102	10 529
Continuing operations	19 782	7 869	25 102	10 529
Discontinued operations	–	11	–	–
35. INTEREST PAID	(52 914)	(29 574)	(25 759)	(19 202)
Bank overdrafts	(37 906)	(12 450)	(25 759)	(11 027)
Interest on preference share loan	(13 411)	(10 224)	–	–
Other	2 685	(6 823)	–	(8 175)
Fair value adjustments	(4 282)	(77)	–	–
Attributable to:	(52 914)	(29 574)	(25 759)	(19 202)
Continuing operations	(52 914)	(29 574)	(25 759)	(19 202)

* The share-based payments expense recorded in the company is net of amounts charged to subsidiaries.

Notes to the annual financial statements (continued)

for the 12 months ended 28 February 2009 and 14 months ended 29 February 2008

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
36. TAXATION				
SA normal tax – current	46 137	50 779	196	3 369
– (over)/underprovision prior year	(1 973)	(124)	2 182	(858)
Deferred taxation	(8 119)	(18 939)	(1 298)	(2 304)
Rate change	(135)	(2 180)	–	79
Secondary tax on companies	14 172	11 451	12 693	10 780
Capital gains tax	–	216	–	–
	50 082	41 203	13 773	11 066
Attributable to:				
Continuing operations	50 082	40 855	13 773	11 066
Discontinued operation	–	348	–	–
	50 082	41 203	13 773	11 066
Standard tax rate (%)	28	29	28	29
Normal tax at standard rate	54 363	48 961	25 827	39 948
Adjustment for the tax effect at the standard rate of the following items:				
Exempt income:				
– Dividends received	–	–	(15 903)	(60 897)
– Capital profit on disposal of businesses	–	(27 467)	–	(12 612)
– Associated company profit already subject to tax	(5)	(438)	–	–
Non-deductible items charged against income:				
– Capital losses/(profits)	–	1 607	–	–
– Dividend on preference share loan	3 755	2 908	–	–
– Interest on bridging loan	–	2 371	–	2 371
– Impairment of assets and investments	–	3 377	(10 308)	5 709
– Share-based payments	5 128	29 570	1 073	26 819
Special allowances claimed:				
– Learnerships	(23 600)	(21 738)	–	–
Tax losses not recognised	(154)	671	–	(1 244)
Capital gains tax	–	216	–	–
Other permanent differences	(3 442)	(8 106)	391	113
Rate change adjustment	(135)	(2 180)	–	79
Secondary tax on companies	14 172	11 451	12 693	10 780
Actual tax charge for the period	50 082	41 203	13 773	11 066
Reconciliation of estimated tax losses available in the Group:				
Estimated losses at the beginning of the period	16 441	46 762	–	–
Tax losses raised – current period	1 980	702	–	–
Net tax losses utilised	(9 399)	(27 217)	–	–
Tax loss disposed	–	(1 685)	–	–
Tax loss revised on assessment	–	(2 121)	–	–
	9 022	16 441	–	–
Which consists of:				
Losses recognised	9 022	12 511	–	–
Losses not recognised	–	3 930	–	–
	9 022	16 441	–	–

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
37. DISCONTINUED OPERATIONS				
The Group disposed of its marketing research business at the beginning of the current period, as was disclosed in the previous year's annual report.				
Revenue	–	–	–	–
Cost of sales	–	–	–	–
Gross profit	–	–	–	–
Other income	–	42 235	–	–
Expenses	–	(11 573)	–	–
Profit before taxation	–	30 662	–	–
Taxation	–	(348)	–	–
Profit for the period from discontinued operations	–	30 314	–	–
Cash flows from discontinued operations				
Net cash flows from operating activities	–	(48 708)	–	–
Net cash flows from investing activities	–	46 275	–	–
Net cash flows from financing activities	–	–	–	–
Net cash flows	–	(2 433)	–	–
38. EARNINGS PER SHARE				
The calculation of earnings per share is based on earnings of R144 073 222 (2008: R126 967 830) and ordinary shares of 52 807 733 (2008: 49 122 217) being the weighted average number of shares relative to the above earnings.				
Profit per share	272,8	258,5	–	–
Continuing operations	272,8	196,8	–	–
Discontinued operations	–	61,7	–	–
Diluted earnings per share is based on 52 999 656 (2008: 50 108 585) weighted diluted number of shares.				
Profit per share	271,8	253,4	–	–
Continuing operations	271,8	192,9	–	–
Discontinued operations	–	60,5	–	–
Reconciliation of diluted number of shares				
Ordinary shares	52 807 733	49 122 217	–	–
Adcorp Employee Share Scheme – shares matured	191 923	986 368	–	–
Diluted number of shares	52 999 656	50 108 585	–	–

Notes to the annual financial statements (continued)

for the 12 months ended 28 February 2009 and 14 months ended 29 February 2008

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
38. EARNINGS PER SHARE <i>continued</i>				
Reconciliation of headline earnings				
Continuing operations				
Profit for the period	144 073	96 654	–	–
Impairment of goodwill and investments	–	145	–	–
Profit on sale of property, plant and equipment (net of taxation)	(480)	(290)	–	–
Discontinued operations				
Profit for the period	–	30 314	–	–
Impairment of investments, intangible assets and loans	–	11 500	–	–
Profit on sale of property and equipment (net of taxation)	–	(42 233)	–	–
Headline earnings	143 593	96 090	–	–
Reconciliation of core headline earnings				
Adjusted for:				
Amortisation of intangible assets	55 234	46 808	–	–
Share-based payments and transaction costs	18 316	101 966	–	–
Imputed interest charge	4 282	–	–	–
Lease smoothing	374	1 399	–	–
Profit on disposal of continuing operations	–	(48 633)	–	–
Tax effects on above	(15 409)	(14 550)	–	–
Core headline earnings	206 390	183 080	–	–
Headline earnings per share – cents	272,1	195,6	–	–
Diluted headline earnings per share – cents	271,1	191,8	–	–
Core headline earnings per share – cents	391,1	372,7	–	–
Diluted core headline earnings per share – cents	389,6	365,4	–	–
<i>Note</i>				
– The dilution of shares results from the exercise of options in the Employee Share Scheme and Empowerment Share Trust which are below the year-end market price.				
– Headline earnings per share are based on earnings adjusted for profit on sale of asset.				
39. CONTINGENT LIABILITIES – GROUP AND COMPANY				
39.1 The bank has guaranteed payment to creditors on behalf of the company amounting to R3,988 million (2008: R3,827 million).				
39.2 The bank has guaranteed payments to creditors on behalf of the Group amounting to R9,155 million (2008: R8,977 million).				
40. CAPITAL COMMITMENTS				
Computer software (refer to note 5)	–	15 225	–	–
Property	–	1 939	–	–
Total commitments	–	17 164	–	–

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
41. RETIREMENT BENEFITS				
The Group makes contributions on behalf of all permanent employees to defined contribution schemes which are governed by the Pension Funds Act of 1956 on behalf of its employees. These costs are charged to the income statement as they occur.				
Total contribution by the Group for the period	33 583	33 337	267	2 390
42. OPERATING LEASE ARRANGEMENTS				
The Group as lessee				
Minimum lease payments under operating leases recognised as an expense in the year	48 076	23 717	1 149	2 596
At the balance sheet date, the Group has outstanding commitments under non-cancellable operating leases which fall due as follows:	69 344	106 015	–	12 845
Within one year	30 398	36 243	–	2 287
In the second to fifth years inclusive	38 946	69 772	–	10 558
After five years	–	–	–	–
Average lease terms (months)	49	58	–	54
43. FINANCIAL RISK MANAGEMENT				
Liquidity risk				
This is the risk of not being able to generate sufficient cash to meet commitments to borrowers, depositors and other creditors at any point in time.				
The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Borrowing facilities are reflected in note 56.				
Credit risk				
The Group maintains cash, cash equivalents and short-term investments with various financial institutions. The Group's policy is designed to limit exposure with any one institution and ensure a high credit standing for the financial institution with which such transactions are executed.				
Credit risk with respect to trade accounts receivable is limited due to the blue-chip nature of the Group's client base. Credit assessments are done and continually updated on all the Group's clients.				
Other financial assets/liabilities				
The directors consider that the carrying amount of trade and other receivables and payables approximates their fair value.				
44. DIVIDEND PAID				
An interim dividend of 55 cents per share was declared on 17 October 2007 and was paid to shareholders on 10 December 2007	–	27 953	–	27 953
A final dividend of 160 cents per share was declared on 7 May 2008 and was paid to shareholders on 1 September 2008	–	81 346	–	81 346
An interim dividend of 55 cents per share was declared on 22 October 2008 and was paid to shareholders on 8 December 2008	33 535	–	33 535	–
A final dividend of 160 cents per share was declared on 6 May 2009 and will be paid to shareholders on 3 August 2009 (Dividend paid based on 54 219 381 shares in issue at 29 May 2009)	86 751	–	86 751	–

Notes to the annual financial statements (continued)

for the 12 months ended 28 February 2009 and 14 months ended 29 February 2008

45. SHARE-BASED PAYMENTS

Employee share option plan

The Group operates three employee share option plans of which two have been discontinued and are in the process of winding down.

The original employee share schemes were replaced by a new share scheme in 2006 as changes in tax, accounting and regulatory treatment of share-based payments has rendered the old schemes suboptimal.

1. Adcorp original Employee Share Option Scheme and Adcorp Empowerment Trust

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

2. New Adcorp Employee Share Scheme

Under the new scheme, eligible employees receive conditional allocations of share appreciation rights (SARs) or performances shares (PFs). The SARs provide employees, at the date the right vests, with the right to receive shares equal to the appreciation in the share price since grant date while the PFs vest depending on performance.

Both SARs and PFs vest two years after the grant date. The vesting of the shares is subject to various non-market-related performance criteria and may vary between option holders. All SARs and PFs expire after six years from grant date.

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

	Number	Grant date	Expiry date	Exercise price (R)	Fair value at grant date (R)
Issued 31 May 2004	103 000*	24/06/04	31/05/14	13,00	3,28
Issued 31 May 2005	238 000	22/11/05	31/05/11	18,15	6,78
Issued 31 May 2006	1 900 000	30/04/06	31/05/12	26,31	4,30
Issued 1 March 2007	2 850 000	1/04/07	31/03/13	32,31	4,04
Issued 1 December 2007	100 000	1/12/07	30/11/13	37,80	5,98
Issued 1 March 2008	2 755 000	3/01/08	28/02/10	31,02	4,96

* Old Adcorp Employee Share Option Scheme.

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

	2009	2008
Weighted average share price (R)	31,01	32,50
Weighted average exercise price (R)	31,02	32,31
Expected volatility (%)	26,86	21,15
Expected life (years)	2,000	2,000
Risk-free rate (%)	9,59	8,02
Expected dividend yield (%)	6,00	6,00

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

The following reconciles the outstanding share options granted under the employee share schemes at the beginning and end of the financial period:

	Number of share options 2009	Weighted average exercise price 2009 (R)	Number of share options 2008	Weighted average exercise price 2008 (R)
Adcorp Employee Share Option Scheme				
Outstanding at the beginning of the period	118 000	12,14	234 000	12,10
Forfeited during the period	—	—	2 000	13,00
Exercised during the period	(22 000)	13,00	(118 000)	11,31
Adjustment prior period	40 000	8,85	—	—
Outstanding at the end of the period	136 000	11,33	118 000	12,14
Exercisable at the end of the period	136 000	11,33	118 000	12,14

Notes to the annual financial statements (continued)

for the 12 months ended 28 February 2009 and 14 months ended 29 February 2008

	Sale of services		Holding company management fees		Accounting and marketing fees		Rental	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000	2009 R'000	2008 R'000	2009 R'000	2008 R'000
46. RELATED PARTIES								
The Group did not enter into any transactions with Group parties other than those with subsidiaries which were eliminated on consolidation.								
All transactions took place on an arm's length basis.								
46.1 Trading transactions								
During the period, Group entities entered into the following transactions:								
Adcorp Holdings Limited	–	–	(45 000)	(45 000)	526	976	–	–
Subsidiaries of Adcorp Holdings Limited	14 978	47 348	18 000	45 000	61 790	60 824	–	–

GROUP

	2009 R'000	2008 R'000
46.2 Compensation paid to key management (which excludes payments to directors set out in note 47 below)		
Short-term employment benefits	26 361	18 679
Share-based payments	92	552
Total	26 453	19 231

	Salary R'000	Bonus/ profit share R'000	Medical aid/ provident fund R'000	Allow- ances R'000	Sundry R'000	Direc- tors' fees R'000	Total cost to company 2009 R'000	Total cost to company 2008 R'000	Profit on share options 2009 R'000	Profit on share options 2008 R'000	Total remu- neration 2009 R'000	Total remu- neration 2008 R'000
47. DIRECTORS' EMOLUMENTS												
Executive												
H Barenblatt*	–	–	–	–	–	–	–	2 500	–	565	–	3 065
F Burd	1 407	1 994	299	5	–	–	3 705	3 323	–	–	3 705	3 323
M Liphosa*	–	–	–	–	–	–	–	1 304	–	566	–	1 870
R McGregor*	–	–	–	–	–	–	–	4 112	–	572	–	4 684
R Pike	1 827	2 982	470	263	–	–	5 542	4 958	–	–	5 542	4 958
PC Swart	1 336	2 119	369	149	26	–	3 999	3 964	–	148	3 999	4 112
C Bomela	1 170	999	–	225	–	–	2 394	1 998	–	–	2 394	1 998
	5 740	8 094	1 138	642	26	–	15 640	22 159	–	1 851	15 640	24 010
Non-executive directors												
F Khanyile*	–	–	–	–	–	–	–	102	–	172	–	274
G Negota*	–	–	–	–	–	–	–	16	–	–	–	16
S Sebotsa*	–	–	–	–	–	–	–	16	–	–	–	16
S Shonhiwa*	–	–	–	–	–	–	–	11	–	–	–	11
MR Ramaite	–	–	–	–	–	88	88	51	–	–	88	51
PK Ward*	–	–	–	–	–	143	143	134	–	–	143	134
T Ramano	–	–	–	–	–	123	123	51	–	–	123	51
GP Dudu	–	–	–	–	–	–	–	17	–	–	–	17
LM Mojela	–	–	–	–	–	65	65	41	–	–	65	41
F van Zyl Slabbert	996	697	186	115	17	–	2 011	1 953	–	566	2 011	2 519
	996	697	186	115	17	419	2 430	2 392	–	738	2 430	3 130

*Resigned: H Barenblatt resigned 21 February 2007
G Negota resigned 28 February 2007
M Liphosa resigned 28 February 2007

S Sebotsa resigned 28 February 2007
S Shonhiwa resigned 28 February 2007
PK Ward resigned 10 June 2009

R McGregor resigned 28 February 2007
F Khanyile resigned 21 February 2008

Directors' shareholding at 28 February 2009	Number of unexercised options as at 29/02/2008	Number of options granted in 2008/9	Number of options exercised during 2008/9	Number of options as at 28/02/2009	Option price (R)	Date from which exercisable
48. DIRECTORS' SHAREHOLDING						
C Bomela	250 000	—	—	250 000	26,31	31/05/08
	150 000	—	—	150 000	32,31	28/02/09
	—	300 000	—	300 000	31,02	28/02/10
FD Burd	30 000	—	—	30 000	18,15	31/05/07
	250 000	—	—	250 000	26,31	31/05/08
	300 000	—	—	300 000	32,31	28/02/09
	—	300 000	—	300 000	31,02	28/02/10
RL Pike	50 000	—	—	50 000	18,15	31/05/07
	350 000	—	—	350 000	26,31	31/05/08
	350 000	—	—	350 000	32,31	28/02/09
	—	350 000	—	350 000	31,02	28/02/10
PC Swart	30 000	—	—	30 000	6,35	31/05/05*
	30 000	—	—	30 000	13,00	31/05/06*
	30 000	—	—	30 000	18,15	31/05/07
	250 000	—	—	250 000	26,31	31/05/08
	300 000	—	—	300 000	32,31	28/02/09
	—	300 000	—	300 000	31,02	28/02/10
F Van Zyl Slabbert	200 000	—	—	200 000	26,31	31/05/08
	200 000	—	—	200 000	32,31	28/02/09
	—	200 000	—	200 000	31,02	28/02/10

* Old Adcorp Employee Share Option Scheme.

As at 28 February 2009 the share price was R20,50 per share resulting all options above R20,50 having no value at that date.

Directors' interest in shares	Number of shares held as at 29 Feb 2008 Beneficially held	Number of shares held as at 28 Feb 2009 Beneficially held
RL Pike	249 630	249 630
FD Burd	100	100
MR Ramaite	15 000	15 000

Notes to the annual financial statements (continued)

for the 12 months ended 28 February 2009 and 14 months ended 29 February 2008

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
49. TAXATION PAID				
Amount (unpaid)/prepaid at the beginning of the period	(7 417)	3 032	(1 757)	514
Amount charged to income statement	(50 082)	(41 203)	(13 773)	(11 066)
Adjustment for deferred tax charged to income statement	(7 667)	(19 893)	(1 298)	(2 225)
Taxation liability disposed	–	(3 860)	–	–
Taxation acquired	–	(11 449)	–	–
Amount (prepaid)/unpaid at the end of the period	14 453	7 417	196	1 757
Net cash payment	(50 713)	(65 956)	(16 632)	(11 020)
50. DIVIDEND PAID				
Amounts declared and paid	(126 934)	(91 831)	(126 935)	(91 831)
Received on treasury shares	109	89	109	90
Received from subsidiaries	–	–	56 797	209 988
Net cash (payments)/receipts before cash from associates	(126 826)	(91 742)	(70 029)	118 247
Received from associates	188	301	–	–
Net cash (payments)/receipts	(126 638)	(91 441)	(70 029)	118 247
51. ADDITIONS TO PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS				
Land and buildings – replacement	(4 856)	(9 840)	–	–
Furniture and computer equipment – replacement	(22 707)	(31 772)	(68)	(434)
Accreditation of programmes	(178)	(653)	–	–
Customer lists	(4 891)	–	–	–
Computer software (in progress) – expansion	(25 428)	(20 193)	–	–
	(58 060)	(62 458)	(68)	(434)
52. NET CASH FLOW ON DISPOSAL OF BUSINESSES				
Goodwill	–	1 063	–	–
Property and equipment	–	4 133	–	–
Intangibles	–	268	–	–
Trade, other receivables and prepayments	–	20 081	–	–
Investment in associate	–	4 536	–	–
Trade and other payables	–	(26 933)	–	–
Provisions	–	(2 908)	–	–
Long-term liabilities	–	(7)	–	–
Loans	–	13 441	–	–
Deferred taxation	–	76	–	–
Taxation	–	3 860	–	–
Cash and cash equivalents	–	2 774	–	–
Book value of net assets sold	–	20 384	–	–
Profit on disposal of operations and subsidiaries	–	90 866	–	–
Consideration	–	99 717	–	–
Less: Cash and cash equivalents disposed of	–	(2 774)	–	–
Net cash inflow on disposal	–	96 943	–	–

Subsidiary acquired	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Cost of acquisition R'000
53. ACQUISITION OF BUSINESSES				
2009				
Staff-U-Need	Flexible staffing	01/08/08	–	209 095
Capital Outsourcing Group (Pty) Limited	Flexible staffing	01/06/07	100	484*
Adcorp Flexible Staffing Solutions (Pty) Limited	Flexible staffing	01/01/07	100	133*
			–	209 712
* Refer to note 6.				
2008				
Employ-Rite (Pty) Limited – final transaction costs	Flexible staffing	01/12/06	–	95
Adcorp Flexible Staffing Solutions (Pty) Limited	Flexible staffing	01/01/07	25	24 729
JobVest (Pty) Limited	Permanent staffing	various	5	2
FMS Marketing Solutions (Pty) Limited	Business process outsourcing	01/01/07	100	231 363
Capital Outsourcing Group (Pty) Limited	Flexible staffing	01/06/07	100	258 699
				514 888

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Total purchase consideration for all businesses combinations	209 712	514 888	–	256 365
Less: Non-cash consideration for Adcorp Flexible Staffing Solutions (Pty) Limited	(133)	–	–	–
Less: Amount owing to vendor	(29 234)	–	–	–
Add: Interest	1 163	–	–	–
Less: Shares issued in respect of FMS Marketing Solutions (Pty) Limited and Capital Outsourcing Group (Pty) Limited	–	(79 000)	–	(72 000)
Less: Cash and cash equivalents acquired	(6 523)	12 043	–	–
Cash outflow on acquisition of businesses	174 985	447 931	–	184 365

	Staff-U-Need R'000	Capital Outsourcing Group (Pty) Limited R'000	Adcorp Flexible Staffing Solutions (Pty) Limited R'000	Total R'000
The fair value of the assets and liabilities acquired in respect of the various acquisitions in the period are as follows:				
Property, plant and equipment	606	–	–	606
Software	63	–	–	63
Trade and other receivables	47 939	–	–	47 939
Cash and cash equivalents	6 523	–	–	6 523
Trade and other payables	(27 799)	–	–	(27 799)
Provisions	(7 532)	–	–	(7 532)
Identified intangibles arising on acquisition through valuation	19 800	–	–	19 800
Deferred taxation arising on intangibles acquired	52 340	–	–	52 340
Resulting goodwill arising on acquisition	(14 655)	–	–	(14 655)
	151 610	484	133	152 227
Total consideration	209 095	484	133	209 712

Notes to the annual financial statements (continued)

for the 12 months ended 28 February 2009 and 14 months ended 29 February 2008

53. ACQUISITION OF BUSINESSES continued

In complying with purchase accounting IFRS 3, the Group determined the fair value of the assets and liabilities acquired on the acquisition of businesses. Valuations were performed, using the excess earning method and relief from royalty method to determine the value of the intangibles.

The resulting difference between the identified tangible assets, intangible assets and liabilities was attributable to goodwill. Details of the amount of intangible assets and resulting goodwill arising on each business combination is set out in the table on page 77.

Staff-U-Need ("SUN") was acquired with effect from 27 July 2008 and was funded by a combination of borrowings and shares issued. As at 28 February 2009, R35 million is owing to the SUN vendors and this amount will be paid in September 2009, dependent on certain hurdles being met. Included in net profit for the period is R21,0 million attributable to the additional business generated by SUN. Had this business combination been effected 1 March 2008, the revenue of the Group would be R4,968 million and net profit R196,8 million. The directors of the Group consider these pro forma numbers to represent an approximate measure of the performance of the combined Group on annualised basis and to provide a reference point for comparison in future periods.

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
54. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:				
Cash resources	181 060	147 824	–	300
Bank overdrafts	(231 797)	(198 329)	(210 036)	(181 483)
	(50 737)	(50 505)	(210 036)	(181 183)

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

55. FINANCIAL INSTRUMENTS

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2008. The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 22 to 25, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the notes. The Group's executive management committee reviews the capital structure on an annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 30% determined as the proportion of net debt to equity. The current higher gearing ratio target of 38% results from the acquisitions made in the financial period.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in the accounting policies on pages 49 to 53.

GROUP

COMPANY

2009
R'0002008
R'0002009
R'0002008
R'000**55. FINANCIAL INSTRUMENTS** *continued***55.1 Categories of financial instruments****Financial assets**

Amortised cost

1 170

–

–

–

Derivative instruments in designated hedge
accounting relationships

702

3 141

–

–

Loans and receivables (including cash resources)

867 003

713 076

559 174

293 225

Financial liabilities

Amortised cost (including bank overdraft)

776 128

600 457

608 263

408 303

The following table details the Group's remaining contractual
maturity for its financial liabilities:

Within one year

561 508

443 763

529 508

193 040

Later than one year and not later than five years

214 620

156 694

78 755

215 263

More than five years

–

–

–

–

55.2 Financial risk management objectives

The Group's executive and head office treasury function provides services to the business, coordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports, which analyse exposures by degree and magnitude of risks. These risks include market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The head office treasury function reports regularly to the executive, which monitors risks and policies implemented to mitigate risk exposures.

55.3 Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate cap contracts. Hedging activities are evaluated to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for a year would decrease/increase by R1 539 000 after tax.

The Group has used an interest rate cap contract for fixing the interest cost on R100 million of the redeemable preference share loan of R130 million, which was owing at 28 February 2009. This contract enabled the Group to mitigate the risk of cash flow exposures on the issued variable rate debt. The fair value of the interest rate cap at the reporting date was determined by discounting the future cash flows at the applicable market rates.

56. GROUP OVERDRAFT FACILITIES

The Group had the following overdraft facilities as at 28 February 2009:

ABSA R50 million

First National Bank R150 million

Total overdraft facility R200 million

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

57. SUBSEQUENT EVENTS

No subsequent event to report on.

Annexure A: Details of subsidiaries and associates

Name of subsidiary	Nature of business/status	Authorised share capital		Issued share capital	
		Feb 2009	Feb 2008	Feb 2009	Feb 2008
Adcorp Accountability (Pty) Limited*	Dormant	4 000	4 000	200	200
Adcorp Communication Solutions (Pty) Limited	Sold	–	10 000	–	10 000
Adcorp Flexible Staffing Solutions (Pty) Limited	Dormant	10 000	10 000	10 000	10 000
Adcorp Fulfilment Services (Pty) Limited	Holding company	10 000	10 000	9 000	9 000
Adcorp Management Services (Pty) Limited	Holding company	4 000	4 000	400	400
Adcorp Staffing (Pty) Limited*	Dormant	4 000	4 000	1	1
Adcorp Staffing Solutions (Pty) Limited	Holding company	4 000	4 000	100	100
Adcorp Support Services (Pty) Limited	Dormant	1 000	–	100	–
Adcorp UK Limited	Dormant	3 384	3 384	308	308
Business Employee and Management Training (Pty) Limited*	Training	1 000	1 000	100	100
Capacity Outsourcing (Pty) Limited*	Dormant	4 000	4 000	200	200
Capital Outsourcing Group (Pty) Limited*	Flexible Staffing	100 000	100 000	10 600	10 600
Capital Outsourcing Group (Pty) Limited – Australia*	Flexible staffing	100	100	100	100
Capital Outsourcing Group – Malawi*	Flexible staffing	10 000	10 000	10 000	10 000
Capital Outsourcing Group Limitada – Mozambique*	Flexible staffing	–	–	–	–
Capital Outsourcing Group (UK) Limited – United Kingdom	Flexible staffing	1 000	1 000	1	1
Charisma Healthcare Solutions (Pty) Limited*	Dormant	1 000	1 000	100	100
D/@bility (Pty) Limited	Deregistered	–	–	–	–
DAV Professional Placement Group (Pty) Limited	Dormant	1 000	1 000	100	100
Emmanuel's Staffing Services (Pty) Limited*	Dormant	1 000	1 000	100	100
Employ-Rite (Pty) Limited	Dormant	1 000	1 000	100	100
FMS Marketing Solutions (Pty) Limited	Dormant	1 000	1 000	1 000	1 000
Funerary Marketing Solutions (Pty) Limited	Dormant	1 000	1 000	100	100
Ikhwezi Staffing Solutions (Pty) Limited*	Dormant	1 000	1 000	100	100
JobVest (Pty) Limited (70% owned)	Recruitment	4 000	4 000	2 000	2 000
Knovation (Pty) Limited	Sold	–	–	–	–
Premier Personnel (Pty) Limited	Dormant	100	100	100	100
PMI of South Africa (Pty) Limited	Training	100	100	100	100
Quest Flexible Staffing Solutions (Pty) Limited*	Dormant	100	100	100	100
Quest Holdings (Pty) Limited	Dormant	10 000	10 000	10 000	10 000
Research Surveys (Pty) Limited	Dormant	20 000	20 000	200	200
Sibanye Staffing (Pty) Limited	Dormant	1 000	1 000	1 000	1 000
Stand 948 Melville (Pty) Limited	Deregistered	–	1 000	–	100
Subtotal negative					
Subtotal positive					
Total subsidiaries					
Name of associate					
Career Junction (Pty) Limited	Sold	–	–	–	–
The Customer Equity Company (Pty) Limited	Sold	–	–	–	–
Private Sector Finance**	Financial services	–	–	–	–
Klatrade 200074 (Pty) Limited	Training	1 000	1 000	1 000	1 000
Shopper Behaviour Research (Pty) Limited	Sold	–	–	–	–
Sishayele Contact Centre Solutions (Pty) Limited	Sold	–	–	–	–
Thetha Call Centre Staffing (Pty) Limited	Sold	–	–	–	–
Subtotal negative					
Subtotal positive					
Total associates					

* Owned by subsidiary companies.

** Joint-venture operation between Capital Outsourcing Group (Pty) Limited and PSF Sector Finance.

Number of shares held		Cost of investment (before write-downs)		Indebtedness (to)/ by the subsidiary		Attributable profit/(loss)	
Feb 2009	Feb 2008	R'000 Feb 2009	R'000 Feb 2008	R'000 Feb 2009	R'000 Feb 2008	R'000 Feb 2009	R'000 Feb 2008
200	200	—	—	—	14 845	287	(1 875)
7 500	7 500	—	—	—	—	—	(2 706)
7 500	7 500	357 469	357 469	—	—	—	—
9 000	9 000	59	59	96 873	6 840	54 916	1 014
400	400	—	—	9 886	6 814	(2 466)	1 328
1	1	—	—	—	2 880	4 207	8 050
100	100	12 855	12 855	369 085	154 217	20 603	6 538
100	—	—	—	—	—	—	—
308	308	—	—	—	—	—	—
100	100	—	—	—	—	4 409	2 139
200	200	—	—	32	60 220	21 400	21 948
10 600	10 600	—	—	—	5 895	44 984	19 893
100	100	—	—	—	—	(28)	(312)
10 000	10 000	—	—	—	—	720	2
—	—	—	—	—	—	1 825	9
1	1	—	—	—	—	(208)	(189)
100	100	—	—	—	6 993	758	5 591
—	—	—	—	—	—	—	1 920
100	100	7 270	7 270	—	15 104	9 467	6 604
100	100	—	—	—	4 260	7 393	21 701
100	100	41 478	41 478	—	2 124	3 249	4 777
1 000	1 000	231 363	231 363	—	2 684	13 933	20 715
100	100	—	—	—	—	—	—
100	100	—	—	—	—	—	—
2 000	1 400	3	3	12 996	8 230	4 042	465
—	—	—	—	—	—	—	(842)
100	100	1 946	1 946	—	—	—	—
100	100	629	629	(1 412)	2 082	4 142	2 603
100	100	—	—	—	30 563	8 289	32 874
10 000	10 000	—	—	(197 031)	(197 031)	—	—
200	200	6 726	6 726	(17 856)	(18 232)	—	48 732
650	650	—	—	—	—	—	—
—	100	—	—	—	—	—	(22)
				(216 299)	(215 263)	(2 674)	(5 946)
		659 798	659 798	488 872	323 751	204 596	206 903
		659 798	659 798	272 573	108 488	201 922	200 957
—	—	—	—	—	—	—	813
—	—	—	—	—	—	—	—
—	—	35	222	—	—	—	54
750	500	65	48	—	—	18	45
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	600
—	—	—	—	—	—	—	—
		—	—	—	—	18	1 512
		100	270	—	—	—	—
		100	270	—	—	18	1 512

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Administration



ADCORP HOLDINGS LIMITED

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

SECRETARY AND REGISTERED OFFICE

L Sudbury
Block A, 28 on Sloane
Sloane Street
Bryanston, 2021
PO Box 70635, Bryanston, 2021
Tel 011 244 5300
Fax 011 244 5310
Email info@adcorp.co.za

AUDITORS

Deloitte & Touche
The Woodlands
20 Woodlands Drive
Woodmead
Sandton
2196
Private Bag X6
Gallo Manor, 2052
Tel 011 806 5000
Fax 011 806 5111

LEGAL ADVISORS

Roodt Inc Attorneys
Registration number 2003/016254/21
Block A, Eton Road Office Park
7 Eton Road
Sandhurst, 2196
PO Box 78894, Sandton, 2146
Tel 011 685 0000
Fax 011 685 0001

Rudolph Burnstein and Associates
Registration number 2008/017666/21
Block A, Eton Road Office Park
7 Eton Road
Sandhurst, 2196
PO Box 78894, Sandton, 2146
Tel 011 669 7600
Fax 011 669 7601

TRANSFER SECRETARIES

Link Market Services SA (Pty) Limited
Registration number 2000/007239/07
11 Diagonal Street
Johannesburg, 2001
PO Box 4844
Johannesburg, 2000
Tel 011 630 0800
Fax 086 674 1960

COMMERCIAL BANKERS

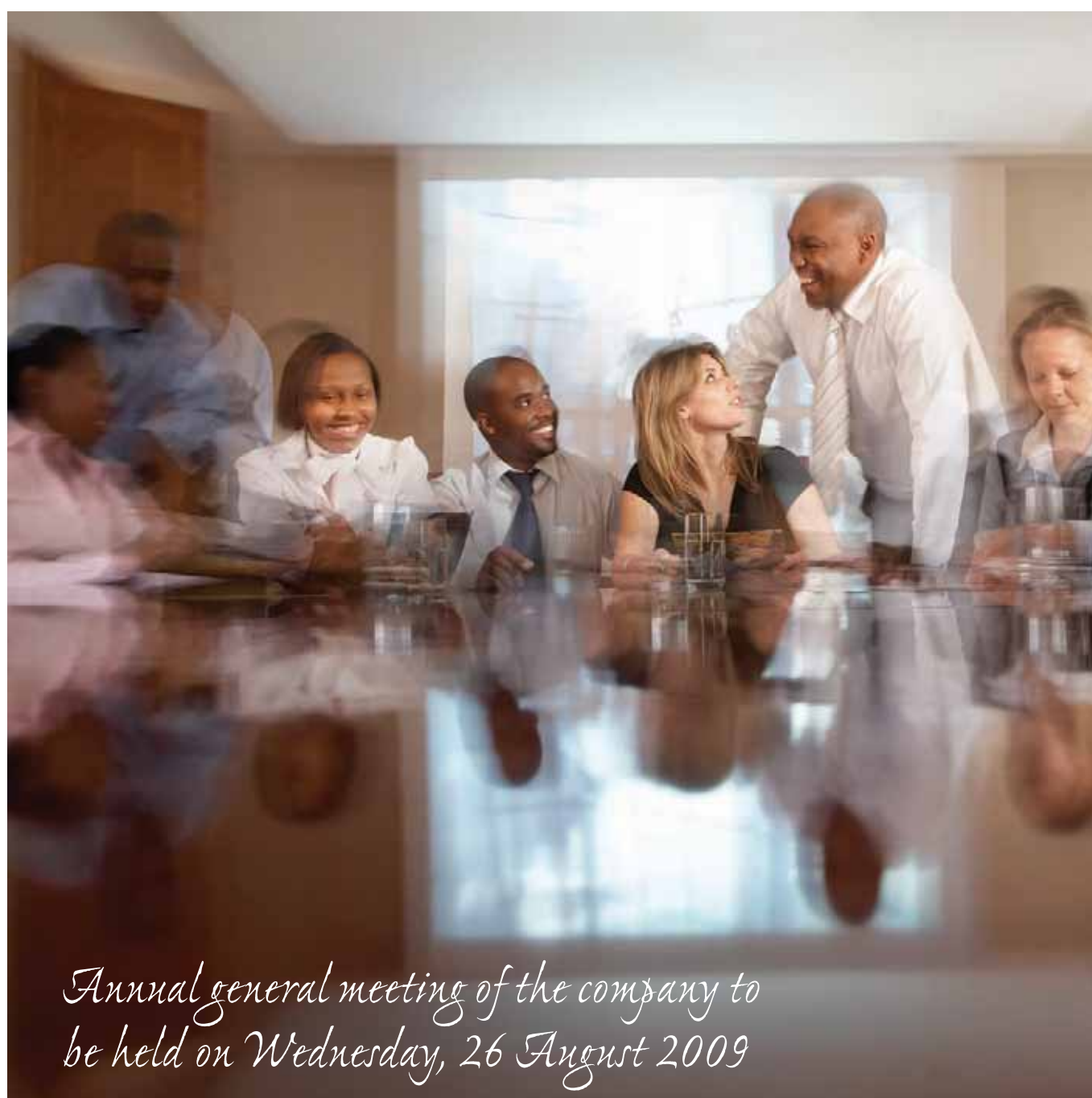
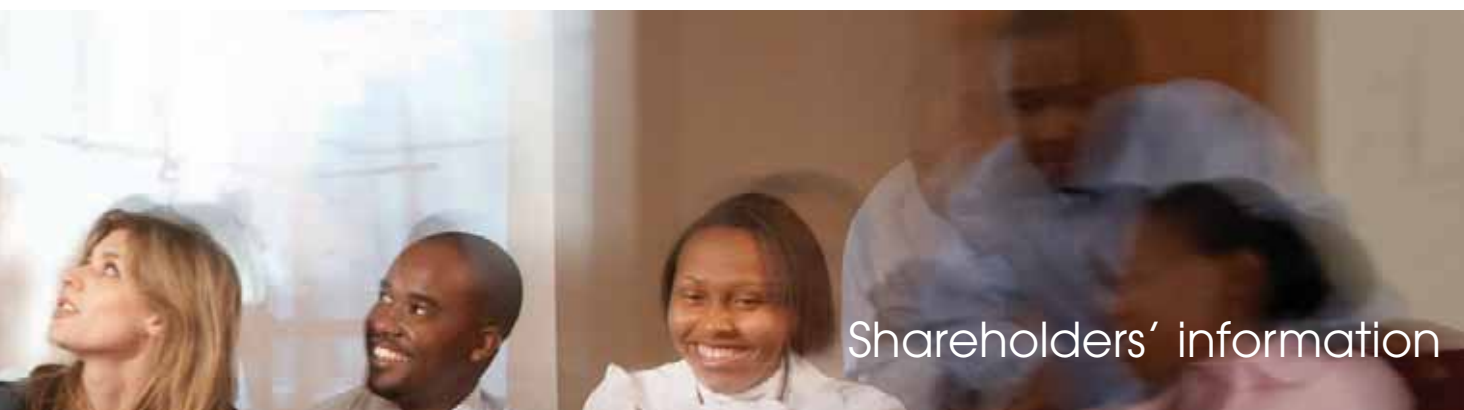
FirstRand of Southern Africa Limited
Registration number 1905/001225/06

ABSA Bank Limited
Registration number 1986/004794/06

The Standard Bank of South Africa Limited
Registration number 1962/000738/06

SPONSORS

Deloitte & Touche Sponsor Services (Pty) Limited
The Woodlands
20 Woodlands Drive
Woodmead
Sandton
2196
Private Bag X6
Gallo Manor, 2052
Tel 011 806 5616
Fax 011 806 5666



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Shareholder analysis and diary

	Number of shareholders	% of total shareholders	Number of shares	% of shares
1. ANALYSIS OF SHAREHOLDINGS				
1 – 1 000	799	48,22	324 099	0,60
1 001 – 10 000	574	34,64	2 008 006	3,70
10 001 – 100 000	184	11,10	6 872 394	12,68
100 001 – 1 000 000	91	5,49	27 181 162	50,13
1 000 001 – and above	9	0,54	17 833 720	32,89
Totals	1 657	100,00	54 219 381	100,00

2. DISTRIBUTION OF SHAREHOLDERS				
Banks	12	0,72	3 618 276	6,67
Close corporations	25	1,51	56 617	0,10
Individuals	1275	76,95	35 206 251	64,93
Insurance companies	16	0,97	1 751 364	3,23
Collective investment schemes and mutual funds	37	2,23	4 989 702	9,20
Nominees and trusts	198	11,95	2 731 709	5,04
Pension funds and medical schemes	64	3,86	4 217 309	7,78
Private companies	28	1,69	1 586 063	2,93
Adcorp share trust	1	0,06	19 288	0,04
The company	1	0,06	42 802	0,08
Totals	1 657	100,00	54 219 381	100,00

3. SHAREHOLDER SPREAD				
Share trust	1	0,06	19 288	0,04
Directors	3	0,18	264 730	0,49
The company	1	0,06	42 802	0,08
Non-public	5	0,30	326 820	0,60
Public	1 652	99,70	53 892 561	99,40
Totals	1 657	100,00	54 219 381	100,00

4. MAJOR SHAREHOLDERS (5% AND MORE OF THE SHARES IN ISSUE)				
Investec Asset Management			5 124 256	9,45

SHAREHOLDERS' DIARY FOR 2009

Financial year-end	February
Annual general meeting	09:00 Wednesday, 26 August 2009

Reports

Interim results	October
Reviewed annual results	May
Audited annual financial statements	July

FINAL DIVIDEND

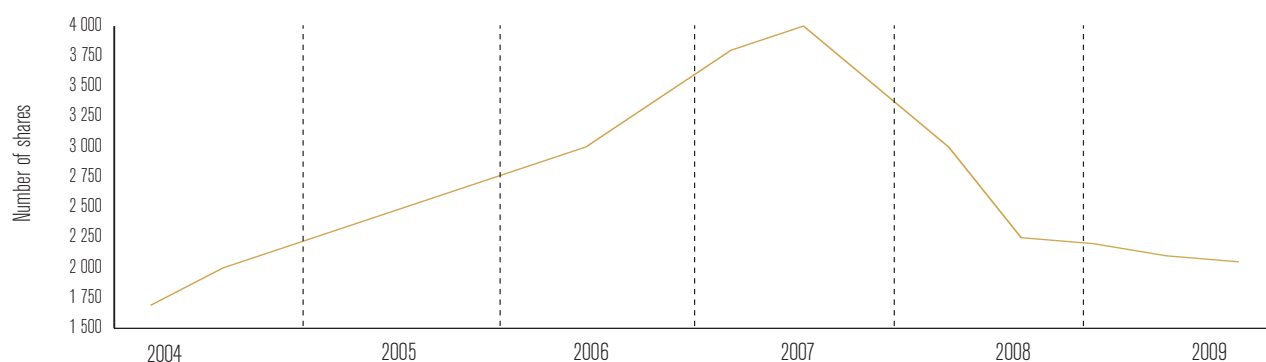
Final dividend of 160 cents per share (2008: 160 cents per share) was declared on 6 May 2009 payable to shareholders recorded in the register of the company at the close of business on the record date appearing below. The salient dates pertaining to the final dividend are as follows:

Last day to trade cum final dividend	Friday, 24 July 2009
First day to trade ex final dividend	Monday, 27 July 2009
Record date	Friday, 31 July 2009
Payment date	Monday, 3 August 2009

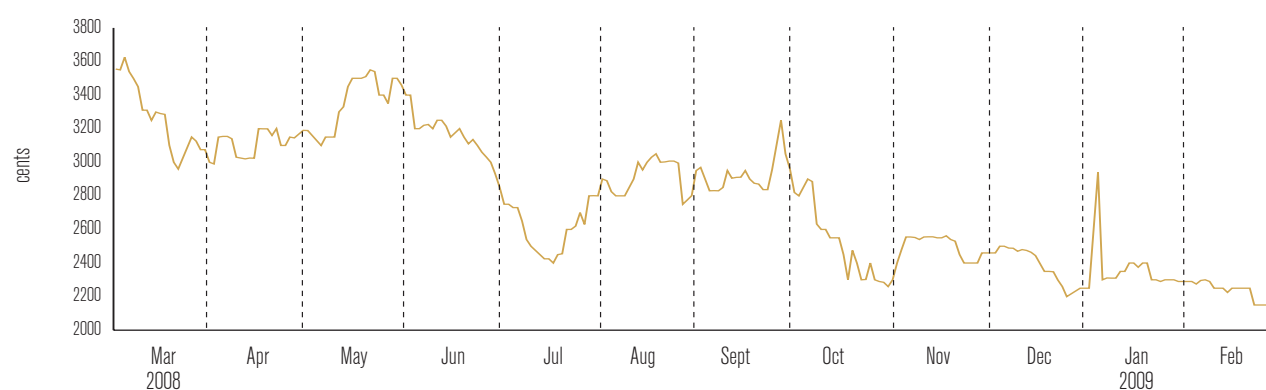
No share certificates may be dematerialised or rematerialised between Monday, 27 July 2009 and Friday, 31 July 2009, both days inclusive.

Dividend cheques will be posted and electronic payments made, where applicable, to certificated shareholders on the payment date. Dematerialised shareholders will have their account with Central Securities Depository Participant or broker credited on the payment date.

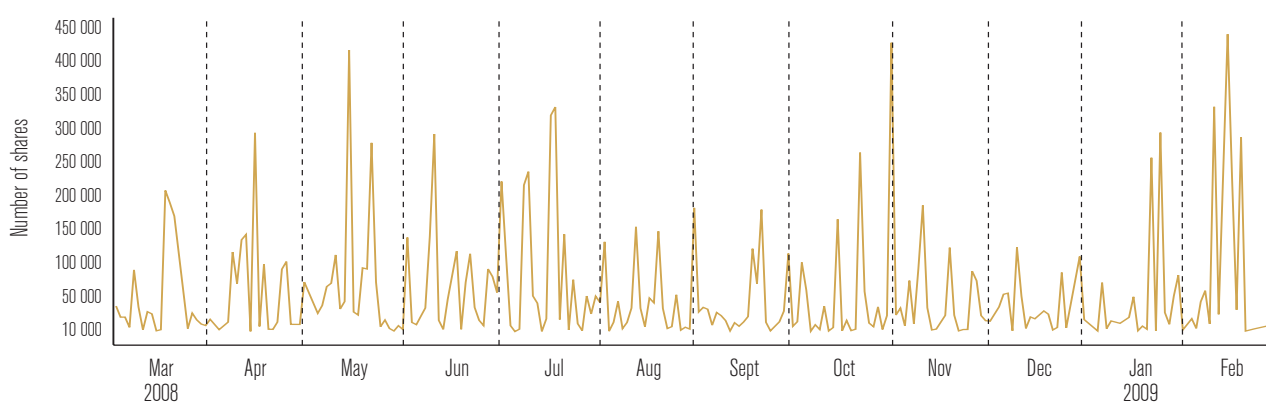
FIVE-YEAR SHARE PRICE PERFORMANCE



ADCORP PRICE CHART – DAILY CLOSING PRICE



ADCORP VOLUME CHART – 1 MARCH 2008 TO 29 FEBRUARY 2009



Adcorp Holdings stats from 1 March 2008 to 28 February 2009

	2009	2008
Closing price of Adcorp Holdings (at 28 February) (cents)	2 050	3 555
Total number of trades (million)	13,9	25,0
Total value traded (million rands)	385,5	917,2
Price of shares traded – highest (cents)	3 625	4 500
Price of shares traded – lowest (cents)	2 000	2 900
Total value traded as % of year-end market cap	34,7	50,8
Total value traded as % of average market cap	26,4	51,5

Notice of annual general meeting



ADCORP HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1974/001804/06)

Share code: ADR

ISIN: ZAE000000139

("Adcorp" or "the company")

Notice is hereby given that the annual general meeting of the shareholders of Adcorp Holdings Limited will be held at Block A, 28 on Sloane, Sloane Street, Bryanston, Johannesburg, on Wednesday, 26 August 2009 at 09:00 to consider and, if deemed fit, to pass, with or without modification, the following resolutions:

AS ORDINARY RESOLUTIONS

1. To receive, approve and adopt the audited annual financial statements for the period ended 28 February 2009.
2. To elect Amanda Alback as a director of the company (CV on page 25).
3. To re-elect Frederik Van Zyl Slabbert as a director of the company (CV on page 24).
4. To resolve that 1 500 000 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 Act. These shares are specifically for the issue of shares in order to meet Adcorp's commitment in terms of the Adcorp Employee Share Trust.
5. To resolve that 10% of the 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).
6. To resolve that Deloitte & Touche be reappointed as auditors of the Group with David Uys as lead partner until the next annual general meeting.
7. To transact such other business as may be transacted at an annual general meeting.

SPECIAL RESOLUTION

Resolved that the directors of the company be and are hereby authorised by way of a general authority to facilitate the repurchase by the company, or any of its subsidiaries, of shares in the capital of the company, as they in their discretion, from time to time, deem fit. The repurchase will be in accordance with the provisions of the Act, the JSE Listings Requirements and the articles of association of Adcorp, from time to time, which are:

- the repurchase of securities being effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- this general authority shall be valid only until the company's next annual general meeting, or for 15 months from the date of this special resolution, whichever period is shorter;
- an announcement will be published as soon as the company has acquired ordinary shares constituting, on a cumulative basis, 3% or every 3% thereafter, of the number of ordinary shares in issue prior to the acquisition pursuant to which the aforesaid 3% threshold is reached, containing full details of such shares;
- any general repurchase shall not in the aggregate in any one financial year exceed 20% of the company's ordinary issued share capital;
- in determining the price at which ordinary shares issued by the company will be acquired by the company and/or its subsidiaries in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be no more than 10% above the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the five trading days immediately preceding the date of repurchase of such ordinary shares by the company and/or its subsidiaries; and
- the sponsor of the company provides a letter to the JSE on the adequacy of working capital in terms of section 2.12 of the JSE Listings Requirements, before the share repurchase commences.

Having considered the effect of the maximum repurchase of 20% of the company's issued share capital in any one financial year, the directors are of the opinion that:

- the company's and the Group's consolidated assets, fairly valued according to generally accepted accounting practice and on a basis consistent with the last financial year of the company, will, after such payment, exceed their consolidated liabilities for a period of 12 months following the date of the annual general meeting;
- the company's and the Group's ordinary share capital and reserves will, after such payment, be sufficient to meet their needs for a period of 12 months following the date of the annual general meeting;
- the company and the Group will, after such payment, have sufficient working capital to meet its needs for a period of 12 months following the date of the annual general meeting;
- the company may, at any point in time, only appoint one agent to effect any repurchase on the company's behalf;
- the company may only undertake a repurchase of securities if, after such repurchase, it still complies with the shareholder spread requirements as set out in the JSE Listings Requirements; and
- the company or its subsidiaries may not repurchase securities during a prohibited period, as defined in the JSE Listings Requirements.

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

The effect of this special resolution and the reason therefore is to grant the company and its subsidiaries a general approval in terms of the Companies Act No. 61 of 1973, as amended, for the acquisition by the company of its own shares and/or acquisition by a subsidiary of shares in the company, which general approval shall be valid until the next annual general meeting of the company, provided that this general authority shall be valid only until the company's next annual general meeting or for 15 months from the date of special resolution number 1, whichever period is shorter. Such general authority will provide the board with the flexibility to repurchase shares should same be in the interest of the company at the time while the general authority subsists.

OTHER DISCLOSURES IN TERMS OF SECTION 11.26 OF THE JSE LISTINGS REQUIREMENTS

- Directors and management (pages 24 and 25)
- Major shareholders of Adcorp (page 84)
- Directors' interests in securities (page 75)
- Share capital of Adcorp (page 61)

MATERIAL CHANGE

There have been no material changes in the affairs or financial position of Adcorp and its subsidiaries since the date of signature of the audit report and the date of this notice.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on pages 24 and 25 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the special resolutions and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all such information as required by law and the JSE Listing Requirements.

LITIGATION STATEMENT

In terms of section 11.26 of the Listings Requirements of the JSE, the directors, whose names are given on pages 24 and 25 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 14 months, a material effect on the Group's financial position.

VOTING AND PROXIES

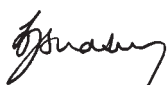
If you are a certificated or own name dematerialised shareholder and unable to attend the annual general meeting of ordinary shareholders to be held on Wednesday, 26 August 2009 at 09:00 at the premises of the company on Block A, 28 on Sloane, Sloane Street, Bryanston, Johannesburg, and wish to be represented thereat, you must complete and return the attached forms of proxy in accordance with the instructions therein to be received by the transfer secretaries by not later than 09:00 on Tuesday, 25 August 2009.

Notice of annual general meeting (continued)

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

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

By order of the board



L.J. Sudbury

Company secretary

15 July 2009



Form of proxy

ADCORP HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1974/001804/06)

Share code: ADR

ISIN: ZAE000000139

("Adcorp" or "the company")

For use at the annual general meeting of shareholders of Adcorp Holdings Limited to be held at 09:00 on Wednesday, 26 August 2009.

For use by the certificated holders or holders of dematerialised shares in their own name at the annual general meeting to be held at 09:00 on Wednesday, 26 August 2009 at the premises of the company on Block A, 28 on Sloane, Sloane Street, Bryanston, Johannesburg.

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

For the annual general meeting

I/We

(Name/s in block letters)

of

(Address in block letters)

being a member/s of the abovementioned company and holding shares in Adcorp Holdings Limited, and entitled to vote, do hereby appoint (refer to note 1 at the end of this proxy form):

or, failing him/her,

Richard Pike of Block A, 28 on Sloane, Sloane Street, Bryanston, Johannesburg, or failing him, the Chairman of the meeting as my/our proxy(ies) to vote on a poll on my/our behalf at the annual general meeting of the company to be held at 09:00 on Wednesday, 26 August 2009 and at any adjournment thereof.

Please indicate with an "X" in the spaces below how you wish your proxy to vote in respect of the resolutions to be proposed, as contained in the notice of the abovementioned annual general meeting.

*I/We desire my/our proxy to vote on the resolutions to be proposed, as follows:

	For	Against	Abstain
Ordinary resolution 1 (Adopt audited financial statements)			
Ordinary resolution 2 (Elect Amanda Alback)			
Ordinary resolution 3 (Re-elect Frederik Van Zyl Slabbert)			
Ordinary resolution 4 (Employee share scheme shares placed under control of directors)			
Ordinary resolution 5 (10% of unissued shares placed under the control of directors)			
Ordinary resolution 6 (Reappointment of Deloitte & Touche – lead partner D Uys)			
Ordinary resolution 7 (Transact other business)			
Special resolution (General authority to repurchase shares)			

Signed by me/us this _____ day of _____ 2009

Signature

Assisted by me (where applicable) (see note 4 on reverse of proxy form)

Full name/s of signatory if signing in a representative capacity (see note 5 on reverse of proxy form)

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

Notes

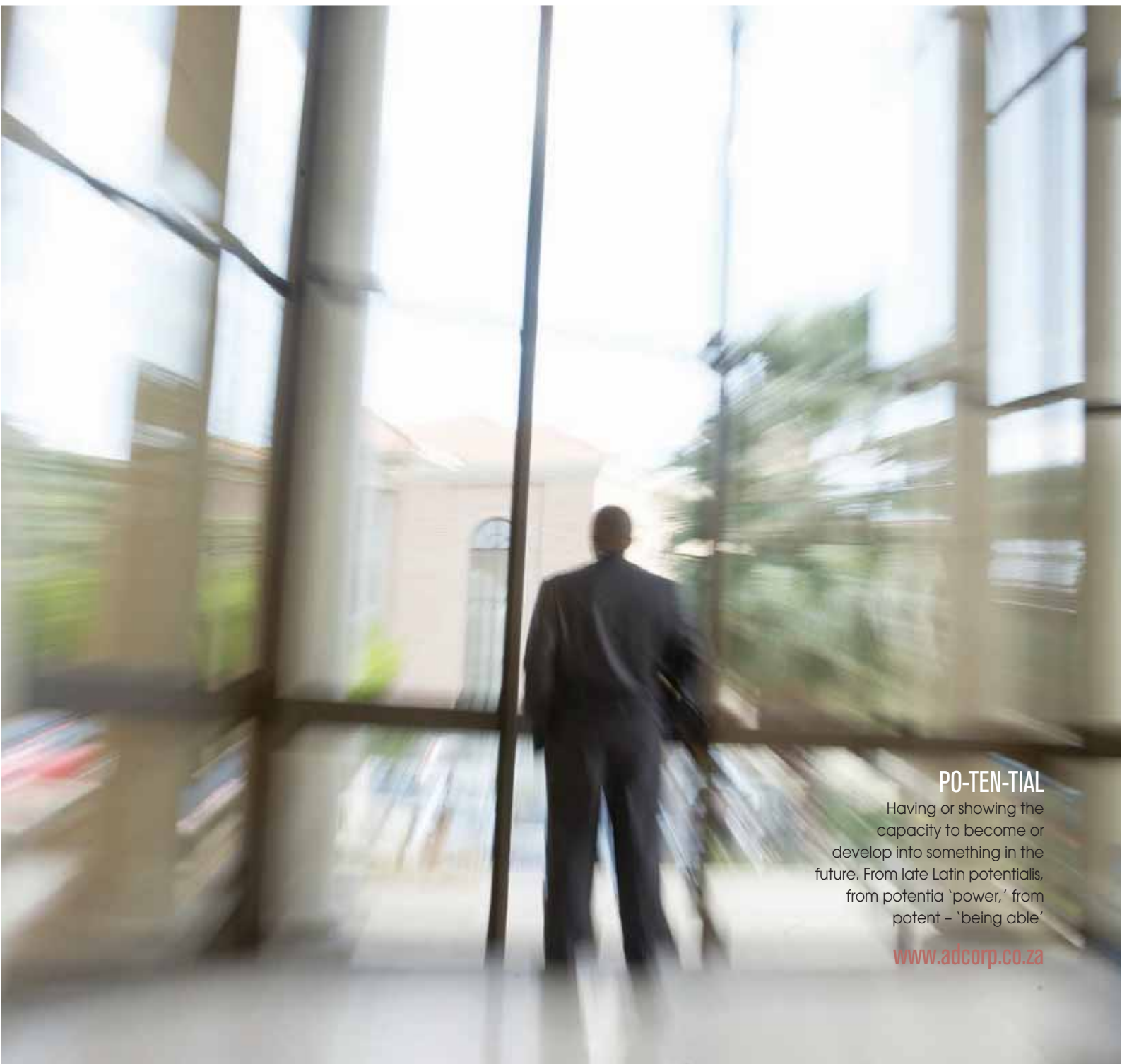
1. A member entitled to attend and vote at the abovementioned meeting is entitled to appoint one or more proxies to attend, speak and, on a poll, vote in his/her stead or abstain from voting. The proxy need not be a member of the company.
 2. To be valid, this form of proxy must be completed and returned to the company's transfer secretaries, Link Market Services (SA) (Pty) Limited, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000), to be received by not later than 09:00 on Tuesday, 25 August 2009.
 3. In the case of a joint holding, the first-named only need sign.
 4. The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless that authority has already been recorded by the company.
 5. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing capacity are produced or have been registered with the transfer secretaries.
-



FSC – The FSC (Forest Stewardship Council) is a system of forest certification and product labelling. It identifies wood and wood-based products from well-managed forests. It is applicable to suppliers of wood products from certified forests who wish to label as FSC. For more information visit <http://www.fsc.org>



PEFC – The PEFC (Programme for the Endorsement of Forest Certification schemes) provides a framework for the development of and mutual recognition of national or sub-national forest certification schemes that have been developed locally according to international recognised requirements for sustainable forest managements. For more information visit <http://www.pefc.org>



PO-TEN-TIAL

Having or showing the capacity to become or develop into something in the future. From late Latin potentials, from potentia 'power,' from potent - 'being able'

www.adcorp.co.za