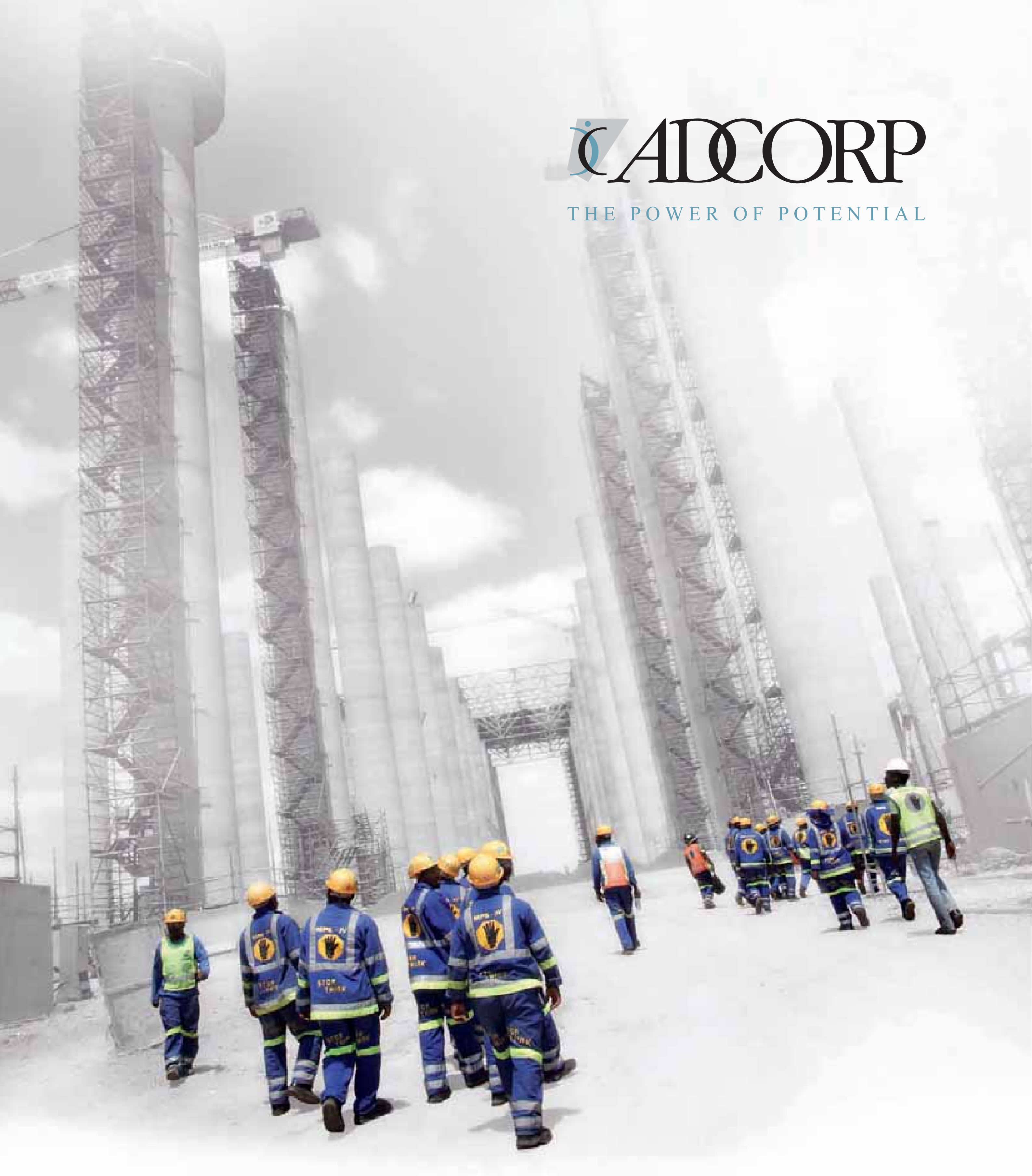
ADCORP

THE POWER OF POTENTIAL



SHAPING SA'S WORKFORCE

ANNUAL REPORT 2010

CONTENTS

Adcorp, a thought leader

IN ITS FIELD AND CONSIDERED AN

eminent authority

WITH REGARD TO THE SOUTH AFRICAN LABOUR MARKET

SALIENT FEATURES

- Normalised EBITDA down by 14%
- Normalised earnings per share down by 19%
- Cash conversion ratio 92%
- Balance sheet strengthened by R112,5 million capital raised
- 4 500 learnerships facilitated
- Scrip distribution with a cash dividend election of 115 cents per share

SA'S MOST EMPOWERED COMPANY*

- 2008 SA's most empowered company/Winner Support Services Sector
- 2009 SA's most empowered company/Winner Support Services Sector
- 2010 Placed 2nd Overall/Winner Support Services Sector

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

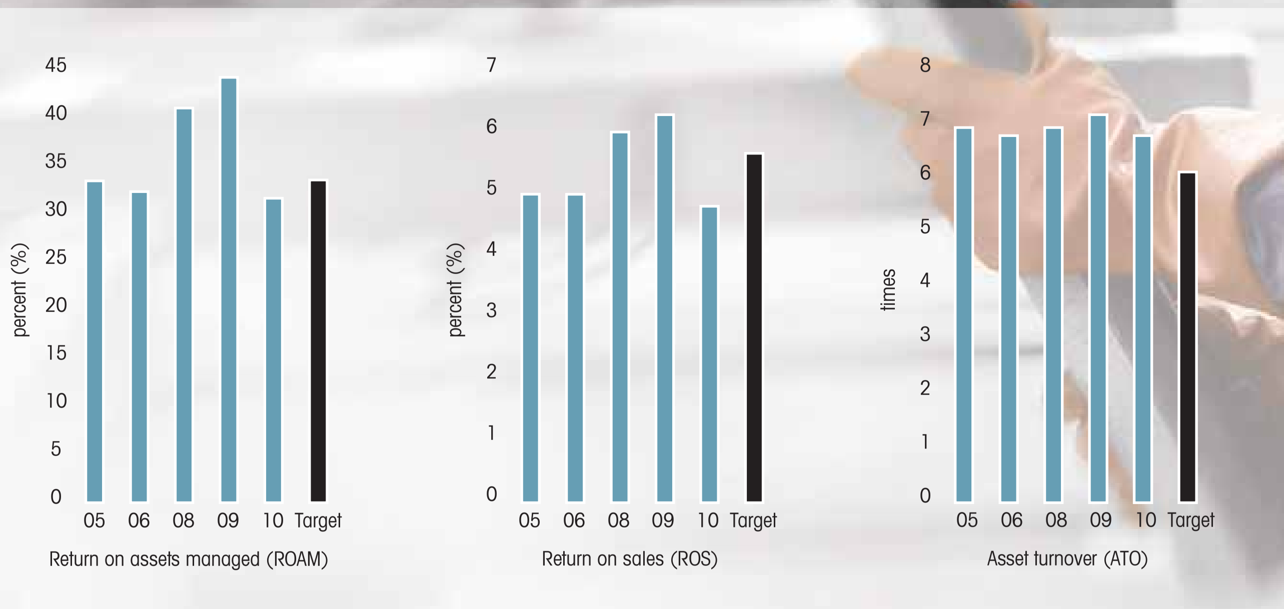
**Consistently rated one of SA's most empowered companies on the Johannesburg Securities Exchange in terms of the Financial Mail's Top Empowered Companies Survey rated by empowerdex.*

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)** and **TRAINING** services; and
- relevant **EMPLOYEE BENEFIT, FINANCIAL, WELLNESS** and **LIFESTYLE** products and services to our sizeable contract workforce.

PERFORMANCE AGAINST STATED TARGETS



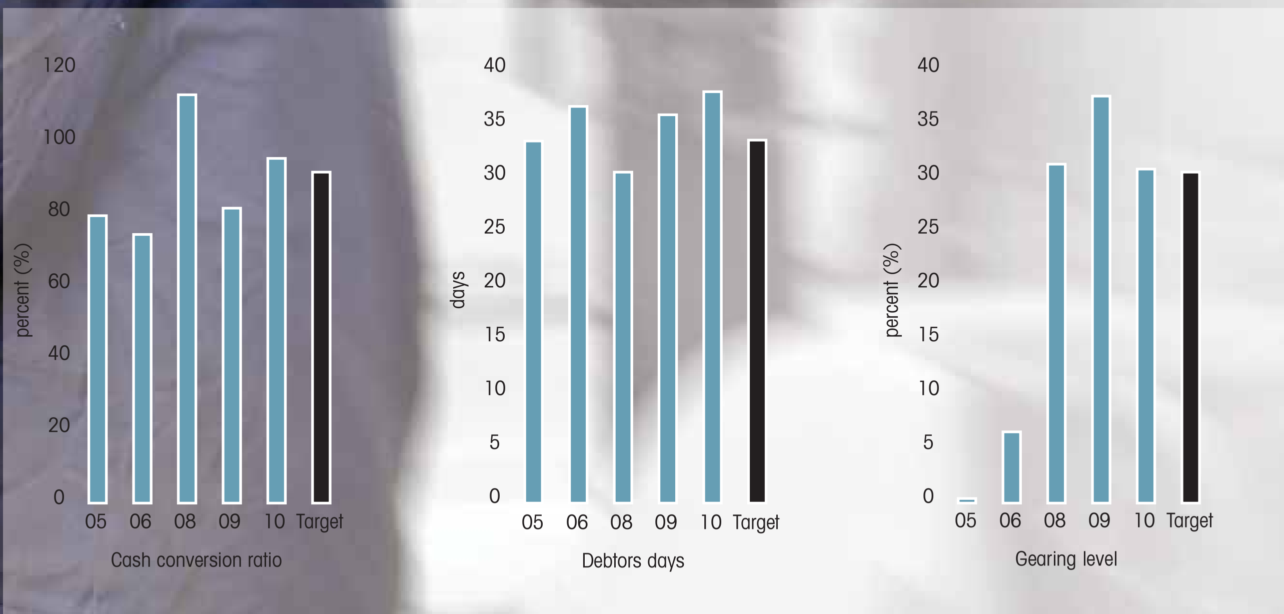
STRATEGIC PRIORITIES

ADCORP'S CURRENT STRATEGIC PRIORITIES ARE TO:

- exploit new business opportunities;
- focus on new industry sectors;
- further automate and optimise back office processing to achieve lowest cost provider status;
- focus on identification and mitigation of key risk areas;
- enhance the cash-to-cash cycle;
- extract benefits of Microsoft Dynamics Ax system;
- play the leading role in NEDLAC negotiations regarding Labour broking;
- leverage and commercialise learnerships; and
- drive empowerment.

The focus is to enhance our market positioning through sophistication, technological advances and strategic initiatives that will provide a significant value add for clients.

Adcorp will continue its drive in empowering and shaping the South African workforce through operational excellence, training and skills development.



WHAT MAKES US WHO WE ARE

ABOUT ADCORP

The Adcorp Group was founded in 1978 as a recruitment advertising business. In 1987, the Group listed on the Johannesburg Securities Exchange (JSE). Subsequent to its listing, the Group acquired interests in a market research business as well as a public relations consultancy prior to making a number of sizeable acquisitions in the human capital management (staffing and training) space during the 1990s.

Over the past 10 years, the Group has developed to become South Africa's leading provider of human capital management and business process outsourcing services (BPO) with a proud tradition of creating value for our shareholders, providing quality service to our clients, innovating unique product and service solutions, developing and upskilling our sizeable candidate base, trailblazing in terms of black economic empowerment, converting a high proportion of our profit into cash, paying generous dividends and adhering to the highest standards of corporate governance.

The Group is a thought leader in its field and is considered as an eminent authority with regard to the South African labour market.

GROUP COMPANY 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 and rated 2nd overall in 2010.
- 2009 – Sunday Times/Business Times Top 100 Companies – recognised as one of the top 100 companies in South Africa.
- 2009 – Ranked 1st in the Leadership Excellence Business Support Services category awarded by the Corporate Research Foundation (CRF).
- 2009 – Category winner in the Annual Report Awards – "The benchmark for governance reporting in Africa".
- 2009 – Investment Analysts Society of Southern Africa award for reporting and communications – Companies with a market capitalisation below R5 billion.

ADCORP TALENT RESOURCING

- Best Colour Advert for BP – Sunday Times Advertising Awards.

EMMANUELS

- 2009 – Best HR Service Provider (Outsourcer) (BPeSA Western Cape).
- 2009 – Best HR Service Provider (Outsourcer) (BPeSA KZN).
- 2009 – Recruiter of the Year (Junction Awards).

STAFF U NEED

- Rotek engineering – Managing Director Award for outstanding accomplishment and contribution to Safety in Rotek engineering.

QUEST

- BPeSA Best Outsourced Training Solution 2009; Gauteng, Western Cape and KwaZulu-Natal.

CAPACITY

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

DAV

- Recruiter of the year Permanent Positions "Career Junction Survey August 2009".
- Highest Rated Executive Search Company in SA "PMR Diamond Arrow Award December 2009".
- 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.

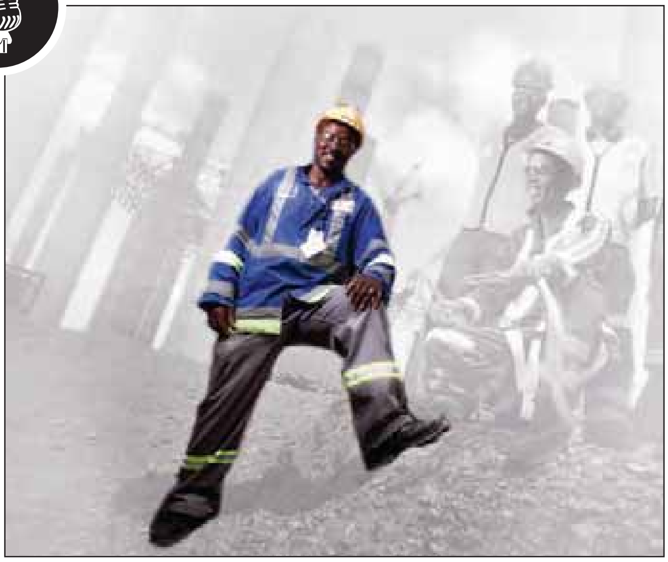
Adcorp prides itself on its solid performance and sustained growth achieved over the past years, all of which would not have been possible without the exceptional contribution of its people.

OUR PROUD HISTORY OF EMPOWERMENT

EMPOWERMENT

The Adcorp Group has for the previous two years been recognised as the most empowered listed company in South Africa in terms of the Financial Mail/Empowerdex Survey, and has recently been ranked second overall in respect of the 2010 survey. Furthermore, we have been rated as the most empowered company in our sector for the previous five years.

The Group has a proud history of empowerment dating back as far as 1990. The Group's overall black ownership in terms of the BEE scorecard has been certified by Empowerdex to be 33,54%.



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.

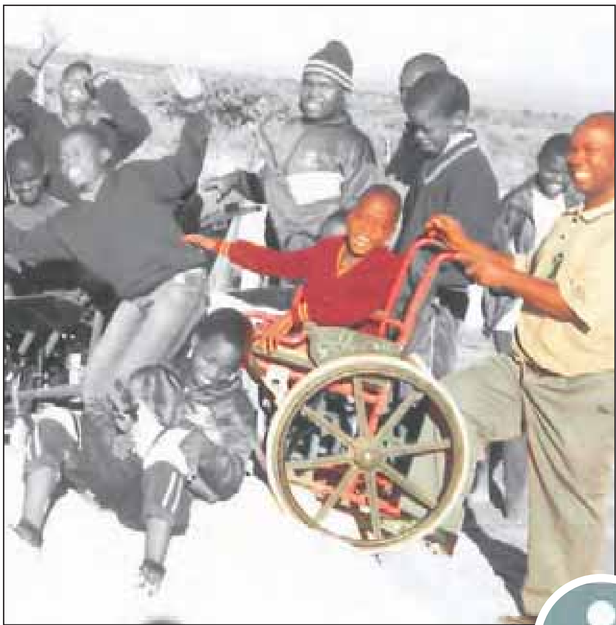
The Group has a proud history of empowerment dating back as far as 1990. At a shareholding level, a Group-wide transaction was announced in 2007 that has significantly bolstered the empowerment credentials of the Group while also creating an opportunity for all Adcorp employees to share in the Group's 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 33,54%. 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 15,90% 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 previous two years been recognised as the most empowered listed company in South Africa in terms of the Financial Mail/Empowerdex Survey, and has recently been ranked second overall in respect of the 2010 survey. Furthermore, we have been rated as the most empowered company in our sector for the last five years. Adcorp 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.

CORPORATE SOCIAL INVESTMENT

Social investment is a vital part of our identity at Adcorp and we are proud to so positively impact as many lives as we do. Each year we invest 1% of our annual profits back into society through schemes and projects we believe will provide the greatest benefit to the greatest number of people.

In order to align our projects with our core business – human capital – we have refocused our efforts in the past year to emphasise high school educational assistance and bursary schemes. While the bursary component spearheads our CSI efforts, the gardens and hydroponic tunnels we have established across the country over the past three years command a great deal of our time and effort, and a source of great pride to the Group.



In addition to these, we are also engaged in a series of ad hoc projects that we were unable to turn our back on once we had been made aware of them.

BURSARY SCHEMES

Adcorp is currently responsible for the educational needs of 132 previously disadvantaged children between grades 7 and 12 at a total cost of R401 000. While each applicant's situation is carefully assessed and assistance is awarded on merit, where possible we give preference to children from rural areas whose parents or caregivers are financially stressed.

To qualify for a grant the child must have attained an average of at least 55% for three years prior to application. While school grades in the face of poverty are at best a blunt indicator of ability, we hope this minimum indicates an enthusiasm for study that will see the student through to matric – and beyond. Furthermore, we link the amount of assistance we give to the child's grades, so a child that does well at school will benefit with increased scholastic support that could include, for example, excursions, school uniforms and sports equipment.

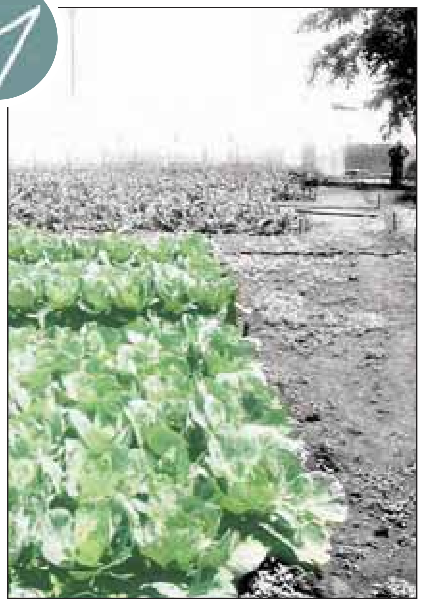
To ensure that the maximum benefit is made of the money we make available, we always pay it directly to the school. We also monitor each child's needs throughout the year, and through twice yearly academic test results.

GARDENS

For the past several years, Adcorp's main CSI focus has been vegetable gardens and hydroponic tunnels, which are able to supply a range of vegetables throughout the year. Not only do the garden projects, which cover in the region of 11 700 m^2 in Gauteng, Western Cape and KwaZulu-Natal, provide food for the unskilled, unemployed people who work in them, they also provide the opportunity for these people to make a living through the sale of the produce.

Adcorp provided the finance for the necessary infrastructure, equipment, seed, fertiliser and training, as well as sufficient mentorship and support for the gardens for the first 18 months to ensure their sustainability and that the beneficiaries received the necessary skills to continue what we had helped start.

Our commitment to the garden projects remains solid and this year we have set aside R300 000 for their benefit. But while we will ensure their ongoing success, we feel they have reached a level of autonomy such that we can begin to focus our attention elsewhere.



AD HOC PROJECTS

The d'Almeida family

Radio station 94.7's annual charity drive known as the Christmas Wish List brought to our attention the plight of Teresa d'Almeida, an abused wife and mother of four who had been evicted from her home and was living in a back room at her sister's house.

Her eldest two boys, having no beds to sleep in, were forced to stay with their alcoholic father, and the elder boy had to drop out of his computer studies class at school because he had no computer at home. Primary school education for the 10-year-old daughter, too, was in jeopardy because of her mother's shortage of money.

The plight of the d'Almeida family was one we felt we could not turn our back on, and we agreed to pay R46 000 for the boys' schooling at Jeppe High School for 2010. Furthermore, we pledged to continue funding their education until they completed school on condition that their results proved their diligence.

We felt that living with their alcoholic father was not conducive to the boys' studies, and we therefore also provided a bunk bed to go in their mother's residence. In addition, we provided vouchers for Pick n Pay that would entitle Teresa to R3 600 worth of groceries per month for a year.

We also insisted on reinstating the boy into his computer classes and we bought the family a R7 000 computer and printer to enable his studies in this subject as well as provide a fundamental learning tool for the other children.

The younger daughter's primary school fees, amounting to R4 000 for the year, were also provided.

Alfred Nedzivhani – taxi rank trader

The annual 94.7 Cycle Challenge provides a creative platform for money to be raised in aid of worthy causes. In November last year, Adcorp sponsored an ice-cream bicycle to the tune of R20 000 to support the CHOC cow challenge, an initiative created by the childhood cancer organisation. This initiative involved 65 sponsored riders in cow suits taking part in the race on ice-cream bicycles with the funds going to the support and care of children afflicted with cancer. The sponsorship opportunity caught the eye of Campbell Bomela, head of Adcorp CSI, because it was a light-hearted way to raise funds for a serious and often tragic ailment.

After the cycle race, a decision was taken to buy the bicycle – which had been adorned with the Adcorp logo – with the full R5 000 going to CHOC. The bicycle was then donated to Alfred Nedzivhani, an informal trader selling fruit, sweets and loose cigarettes in the Randburg Taxi Rank.

Alfred was taken completely by surprise by the gift, which included a fridge and freezer that he keeps at his stall at the rank. The entrepreneur, who came to Johannesburg from Venda in 1995 in search of a better life, had begun hawking his wares to commuters as a way to make ends meet when he found he could only command a pittance from the casual work he was offered. With the ice-cream bicycle and the fridge-freezer combination, Alfred's possible range of wares

JOSHUA RASHOPOLA

"Since Joshua opened for business the MJ Xpress Café has gone from strength to strength with an average of 20 customers per day and an increasingly healthy balance sheet. So positive is the outlook that Joshua is talking about opening a second café in a new premises and expanding his offering to include online tax returns".

was broadened to include ice-creams and cold drinks, dramatically increasing his potential to make a decent living.

Joshua Rashopola

In 2000, 30-year-old Joshua Rashopola, a recent accountancy graduate employed by Deloitte & Touche, was involved in a serious motor accident. The accident left this promising young man a quadriplegic, and what could have been one of this country's greatest success stories had instead turned into a tragedy – until, in early 2009, his story was brought to Adcorp's attention.

Our first interaction with Joshua was when we provided him with a R40 000 state-of-the-art motorised wheelchair to replace his battered manual chair. Joshua recalls the moment as one in which he regained his independence and at last felt a spark of interest in living after a bleak nine years of being totally dependent on others.

During follow-up visits with this highly educated man, we felt we needed to do more for him. Joshua's idea of opening an internet café in a room attached to his home made sense on many levels, not the least of which was his accountancy background and his natural entrepreneurial spirit. That his home is within walking distance of the TUT campus in Soshanguve outside Pretoria was another positive factor, as was the social interaction such a business would ensure for this often isolated man. What we could never have imagined was how much Joshua would teach and empower the students and residents in his community with the three desktop computers, iBurst connection and fax-scanner-printer that Adcorp donated.

Such a donation would have been irresponsible without ensuring the premises was secure, and for this reason Adcorp also installed burglar proofing and palisade fencing on the premises, bringing the total spent on this project to almost R100 000.

Since Joshua opened for business, the MJ Xpress Café has gone from strength to strength with an average of 20 customers per day and an increasingly healthy balance sheet. So positive is the outlook that Joshua is talking about opening a second café in a new premises and expanding his offering to include online tax returns.

Adcorp's CSI policy is to have projects self-sustaining within 18 months, and our time with Joshua is almost up. However sorry we will be to have our contact with him minimised, we are proud of his achievement and the part we have played in it.

Action for Blind and Disabled Children

When Paul Drake of the organisation Action for Blind and Disabled Children called Adcorp asking for a donation in 2009, we were determined to assist. "Action" is a non-governmental organisation that gives blind and disabled youths, typically aged from 16 to 22, the skills to be independent and functional members of society.

The students, some of whom board at the Roodepoort, Johannesburg west, premises, go through an MS Office specialist certificate course initially, after which they can move onto more specialist training such as the Customer Relations Management Systems course and call centre training.

The training is aimed at giving the students a sense of self worth through their ability to earn their own living, and indeed to contribute to the well-being of their families.

Adcorp took the decision to sponsor an individual's education rather than to simply hand over a lump sum of cash to the organisation and, on Paul's suggestion, we initially funded the final stages of Thulani Ntozini's education. Thulani has since left Action and now, instead of queuing up each month to get his R1 010 state grant, he earns R5 000 a month from making use of his education and his own potential.

Thulani's success was such that we decided in February this year to fund the entire 18-month study programme of another blind student, Edgar, a young man in his early 20s. He is a boarder at Action and is currently enrolled in the MS Office specialist certificate course. We have agreed to entirely fund his course and living expenses to the tune of R9 000 for 2010, and we look forward to watching him go from strength to strength over the course of his studies.

Bongane Zim

Bongane is an orphan who lives with his aunt in Tsakane, Brakpan. He is 15 years old and a keen gymnast who is totally committed to his sport. He travels great distances by foot to ensure he gets to gym practices and competitions. In 2008, he took part in an Acrobatic Gymnastic competition in Glasgow and was placed 5th overall in the 11 to 16 age group.

His continued efforts, hard work and dedication has paid off when he was recently selected to represent South Africa in the 2010 trials to be held in Poland. Many of his hopes and aspirations hang on the premise that he will have sufficient funding to support his achievements.

Adcorp believes Bongane's hard work and dedication must be recognised and rewarded, particularly where his commitment levels exceed expectations. Adcorp has decided to sponsor his trip to Poland to compete in the World Age Group Games. This sponsorship of R25 000 has been made in conjunction with a non-profit organisation, Dinaledi.

Adcorp takes pride in recognising the power of potential, particularly when it comes to the underprivileged, which led to the sponsorship of Bongane Zim.

BONGANE ZIM

"His continued efforts, hard work and dedication has paid off when he was recently selected to represent South Africa in the 2010 trials to be held in Poland".

GROUP AT A GLANCE

SERVICE OFFERINGS

STAFFING

CAPACITY outstaffing that works
employ rite
CAPITAL OUTSOURCING GROUP effective staffing solutions
PMI
CHARISMA!
Quest Staffing Solutions Value. Insight. Partnering.
emmanuels
staff U need

FLEXIBLE

- 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
- Productivity-enhancing service offerings
- Market leaders in differentiated recruitment practices

ADCORP SEARCH PARTNERS
GREY_CONSULTING accounting, finance and risk recruitment specialists
D·A·V PROFESSIONAL PLACEMENT GROUP
Premier Personnel

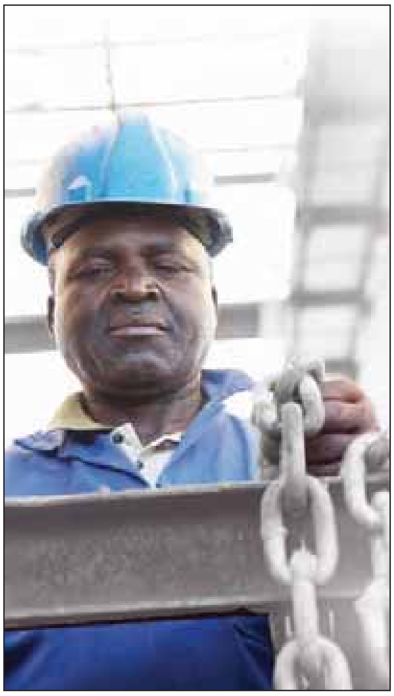
PERMANENT

- Contingent database selection
- Talent search
- Executive search
- Internet recruitment
- Candidate assessment and selection
- Turnkey managed staffing solutions

BUSINESS PROCESS OUTSOURCING

FMS MARKETING SOLUTIONS
ATR Innovative Recruitment Outsourcing ADCORP TALENT RESOURCING
JobVest Partnering with Leaders

- Strategic staffing advisory services
- Recruitment advertising
- Employer branding
- Role profiling
- Candidate response management
- Psychometric assessment and selection
- Talent management
- Recruitment process outsourcing (RPO)
- Tender management
- Payroll outsourcing
- Mass recruitment and response handling for large-scale projects
- Added-value services to policyholders of insurance companies and members of affinity groups

DIFFERENTIATORS	KEY DRIVERS FOR GROWTH	
• 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 in excess of 70% 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	• Growth in outsourcing of non-core functions by clients • Desire by organisations to match labour input costs to variable market demand • Growth in learnerships established in terms of the Skills Development Act • Access to new industry sectors • Opportunities in other African countries	
• 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	• 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	
• Reliability and consistency of service delivery with regard to added value services to policy holders • Diverse talent pool uniquely positioned to match the demands of the market • Dominant market position • Unique, market-leading product and service offerings • A people-centred organisation with a culture of deliberate curiosity staffed by talented professionals • Extraordinary relationships with clients • Cutting-edge thinking supported by technical and process excellence • Equipped to handle high volumes and select the best candidates in quick turnaround times • Brands the employer thereby creating an identity which will attract employees who will relate to the skill and culture requirements • Unique subcontracted provider network • Role profiling, candidate assessment and selection profiling within a quantifiable, consistent, scientifically verified and legally compliant framework	• Product innovation with regard to specific financial services offerings • 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	

INDUSTRY LEADERS – ADCORP TECHNOLOGY SOLUTIONS

Adcorp has recognised the imperative to develop certain new business initiatives which will significantly complement Adcorp's traditional recruitment, staffing and BPO business activities. In addition to their commercial viability in their own right, these initiatives will have the added advantage of significantly differentiating Adcorp's traditional business offerings in a highly fragmented and competitive market place. Importantly, these initiatives will also enable our clients to better achieve their inherent human capital goals, being quality, efficiency, compliance and mitigation of risk.

The underlying business case for the development of these initiatives has been underpinned by the following considerations:

- Assisting our clients to fully comply with all prevailing and relevant labour legislation.
- Assisting our clients with the identification of significant risks in the employment environment as well as the development of appropriate risk mitigation strategies, particularly as such risks relate to the use of contract workers.
- Assisting our clients achieve optimal productivity, efficiency and cost benefits in the deployment and hiring of their workforce.
- Assisting our clients by providing appropriate and cost-effective technologies to optimise the sourcing of quality candidates.

Product development has focused on the use of technology and web enablement with the advantage that these initiatives add a high degree of sophistication and benefit to the traditional offerings of the Group.

In this regard, the following initiatives have recently been rolled out:

Skillstream (South Africa) – An industry-leading vendor management solution (VMS) for the effective (cost, risk, time and quality) management (source, onboard, remunerate and invoice) of a client's diverse workforce. Skillstream is the VMS of choice of the world's leading staffing companies and Adcorp has exclusive rights to the product in Africa.

ADfusion – An industry-leading recruitment processing solution that enables client self-sufficiency through a predetermined candidate selection and matching ability facilitating the creation of client-owned databases allowing clients to actively participate in their own direct sourcing of candidates.

ADtime – An automated time-sheet system which facilitates the automation and authorisation of hours worked by contractors providing for vastly improved accounting and internal controls in both the client and Adcorp environment. Prior to ADtime, the recording of contract hours worked was essentially a manual process prone to error and fraud.

Instant Talent – A web-enabled, direct recruitment and placement model.

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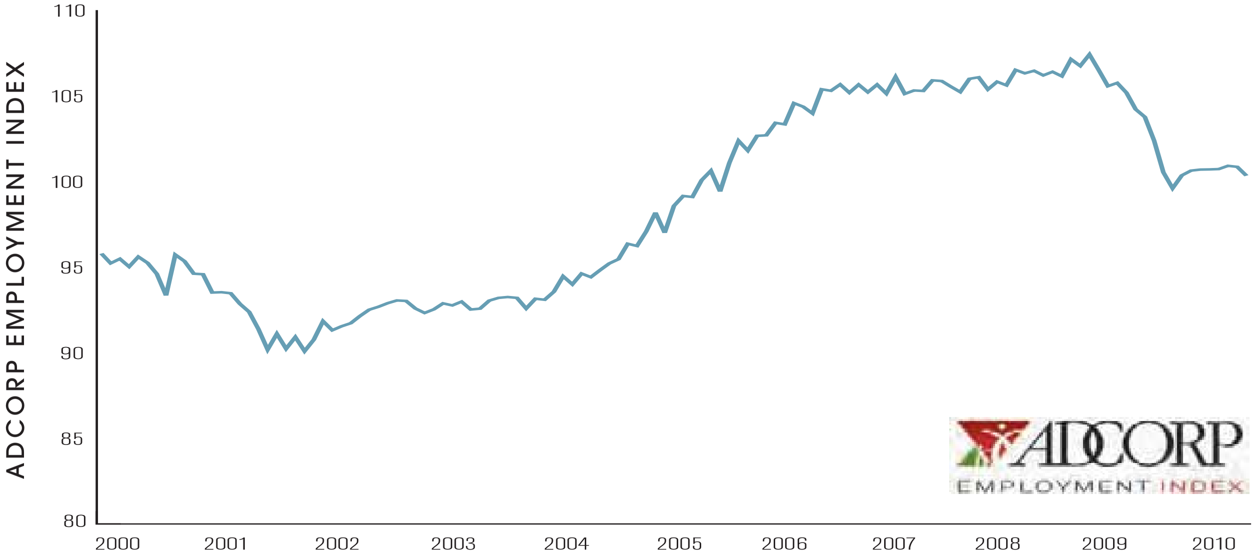
These initiatives will also enable our clients to better achieve their inherent human capital goals, being quality, efficiency, compliance and mitigation of risk.

INDUSTRY LEADERS – ADCORP EMPLOYMENT INDEX



On a monthly basis, the Group publishes the **Adcorp Employment Index**. The index is a representative indicator of employment trends in the South African economy.

Adcorp possesses many rich sources of fine-grained data both from within the Group, such as permanent and temporary placements, job search times and work applications from specific industrial sectors, as well as data relating to skills development levies, unemployment insurance claims, labour relations cases and the like.

Adcorp's data is readily available with no material delays in data collection and is reliable due to the use of population measures rather than sample survey methodologies. Comprising a relatively high proportion of temporary, part-time and other "atypical" employment types, Adcorp data tends to have a leading-indicator relationship with broader employment.

Outside of the **Adcorp Employment Index**, the primary other source of employment data in South Africa is Statistics SA's Quarterly Labour Force Survey (QLFS, Statistical Release P0211), which is a survey of the labour market activities of a sample of individuals aged between 15 and 64 years. This data is subject to many deficiencies. The survey results are released between four and six weeks after the end of each quarter, with the result that the data is a belated guide to underlying economic and employment trends. Due to small sample sizes, many of the survey results are unreliable.

As such, the **Adcorp Employment Index** is now considered the definitive and most reliable indication of employment trends in the South African economy.

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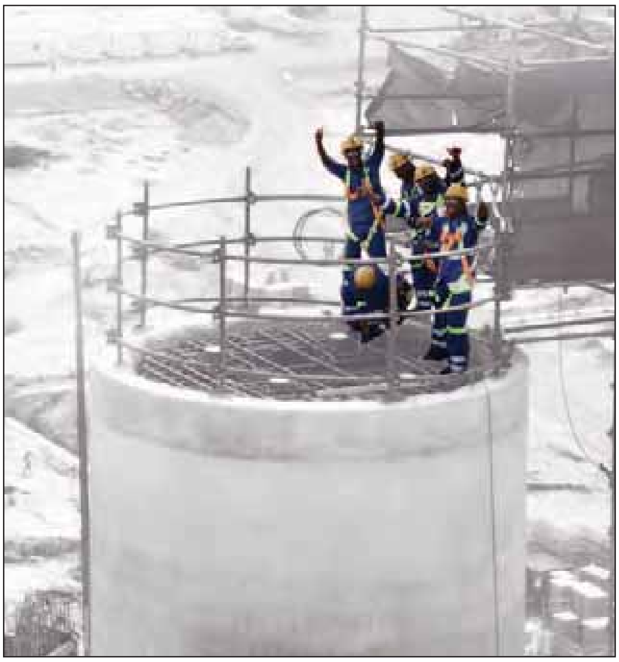


EXECUTIVE REPORTS

"The challenge for the ensuing year will be for the Adcorp Group to return to positive profit growth, which should be bolstered by the return to positive economic growth of the South African economy".

JJ Njeke

Incoming Chairman

"Despite tougher overall trading conditions, the Adcorp Group once again produced a solid financial performance for the year ended 28 February 2010".

Richard Pike

Chief Executive Officer

INCOMING CHAIRMAN'S REPORT

It is with a sense of pleasure and anticipation that I will be assuming the role of Chairman of the board of directors of Adcorp Holdings Limited with effect from 1 July 2010.

It is too daunting a task to contemplate filling the ample shoes of Dr Frederik van Zyl Slabbert, Adcorp's previous Chairman, who sadly passed away recently and who held the post of Adcorp Chairman for the past fifteen years. I convey our condolences to the family and also a word of gratitude for the years of service devoted to the affairs of Adcorp.

Whilst my first goal as Chairman is to familiarise myself with Adcorp's operations and management team and to understand the complexities of the business, the industry and the socio-political environment in which the industry finds itself, it is also my immediate aim to assist the executive management team in achieving their stated strategic goals and objectives and to provide guidance and support wherever appropriate.

The Adcorp Group turned in a satisfactory financial performance during the past financial year in an extremely tough trading environment. Whilst the financial results for the year ended 28 February 2010 were down on the previous year's levels of profitability, they were generally in line with market expectations, buoyed somewhat by the sound performance of the blue-collar contracting, business process outsourcing (BPO) and training businesses within the Group.

The challenge for the ensuing year will be for the Adcorp Group to return to positive profit growth, which should be bolstered by the return to positive economic growth of the South African economy, although prospects for overall economic growth are expected to be relatively muted and will be dependent to an extent on a sustained global economic recovery.

"Whilst black economic empowerment (BEE) continues to remain a challenge for many South African companies, it is an area that Adcorp takes extremely seriously and an area in which I hope to be able to make a useful contribution".

Of concern for our country with a current unsustainably high level of unemployment and a desire to create a high volume of new jobs, is the fact that employment levels were deeply affected by the recent economic downturn, with an estimated 960 000 jobs being wiped out, a figure that amounts to approximately 40% of the jobs created since 2000. Employment is currently at the lowest point it has been since the 3rd quarter of 2005 despite the ameliorating effects of the state infrastructural spend and preparations for the FIFA World Cup which rely on a large number of blue-collar contract workers.

The scourge of unemployment can be attributed to a number of root causes including slow economic growth, inadequate skills development, restrictive labour legislation and union militancy as well as declining labour intensity as a result of increased mechanisation and automation.

The Adcorp Group has and will continue to play a key role in unemployment alleviation in South Africa. In this regard, the Group is extremely well positioned to introduce typically young, unskilled, first-time job seekers into the world of work.

It is certainly an interesting area of opportunity given the vast challenges that the unemployment situation presents for the South African economy and I am delighted to be able to play my role in it.

Whilst black economic empowerment continues to remain a challenge for many South African companies, it is an area that Adcorp takes extremely seriously and an area in which I hope to be able to make a useful contribution. Adcorp was last year awarded the Financial Mail/Empowerdex Top Empowerment Companies 2009 Award as the most empowered company listed on the JSE for the second year running, and this year was placed second overall and first in its sector.

With regard to a commitment to exemplary adherence to the highest standards of good corporate governance, I have great confidence in the Group structures and composition of the board and in the company's ability to comply with the requirements as laid down by the King Code and Report on Governance for South Africa (King III). Adcorp Holdings has a highly effective team of non-executive directors who complement the executive team extremely well and bring a balance of experience, knowledge and independence to the leadership of the Group.

Upholding a high standard of corporate governance and transparency in the affairs of the business is a proud tradition at Adcorp and is one that will be sustained into the future.

While South Africa has emerged relatively unscathed by the global economic crisis, we are still faced with a number of serious socio-political and economic challenges. One of the greatest of these is the soaring level of unemployment and lack of skills in our workforce. Adcorp's role in bringing about steady and effective improvement in this regard cannot be underestimated.

JJ Njeke
Incoming Chairman

CHIEF EXECUTIVE'S REPORT

OVERVIEW

The financial year ended 28 February 2010 proved to be a particularly tough year for the Adcorp Group. In the context of the severe recessionary conditions that characterised the South African economy, trading results were, however, generally satisfactory albeit lower than the earnings reported for the prior year.

In this regard, normalised earnings for the year of 315,3 cents per share (FY2009: 390,1 cents per share) were some 19% lower than the comparable normalised earnings per share for the prior year.

Group revenue of R5 050 million reflected a 4% increase compared to revenues of R4 837 million achieved in the prior year.

Whilst different reporting entities within the Group experienced the effects of the recession in varying degrees, the dominant blue-collar flexible staffing businesses continued to perform well, vindicating the Group's decision in 2006 to significantly increase its exposure to this particular sector of the market.

The shift of the Group's exposure toward blue-collar flexible staffing was originally in response to the rapid growth that this sector was experiencing at the time and, as such, the strategy was therefore predominantly offensive in nature.

The growth in exposure to this sector was effected by the acquisitions of Capital Outsourcing Group (COG) in 2007 and Staff-U-Need (SUN) in 2008. With the benefit of hindsight, this strategy has also proved to be robust and defensive in nature. Both of these acquisitions have

"The Adcorp Group and the staffing industry play a significant role with regard to introducing unemployed youth into the world of work. Adcorp has taken an active role in the negotiations regarding the future of the industry and will continue to push for responsible regulation".

integrated well into the Group and, together with legacy blue-collar staffing business, Capacity, have performed extremely well in difficult circumstances.

Also, in 2006, the decision was taken to increase the Group's exposure to the Business Process Outsourcing (BPO) sector and, in this regard, the Group acquired FMS Marketing Solutions (FMS) in 2007. This has also proven to be a good defensive play and, once again, delivered strong results for the Group.

Our training business, Production Management Institute of SA (PMI), also made a strong contribution, particularly in the area of delivering approximately 4 500 learnerships in terms of the Skills Development Act within the Adcorp contract staffing complement which, whilst adding an additional cost burden, has resulted in benefits accruing to the Group in the form of tax credits.

The white-collar flexible staffing businesses as well as the permanent recruitment businesses had an extremely difficult year. Volumes in the retail banking sector, where typically business activities are high, proved to be particularly vulnerable.

In response to the difficult trading conditions, certain cost-cutting initiatives were initiated which, whilst benefiting the Group in the longer term, did result in a short-term restructuring cost of approximating R5,7 million.

Central costs were well controlled and showed a 3,5% increase year-on-year. Reducing overall overhead and back-office costs continues to remain a key management focus area. In this regard a number of efficiency projects have been identified and the benefits are starting to be realised.

The Group's normalised EBITDA margin was 5,5% as opposed to 6,8% in the prior year. Margins were negatively affected by pricing pressure in the white-collar flexible staffing operations and by reduced scale in the permanent recruitment businesses. The biggest impact on Group margin was, however, a greater mix swing in favour of the typically lower margin blue-collar businesses. Also impacting margins negatively were retrenchment and restructuring costs, foreign exchange losses as well as the costs associated with delivering learnerships.

Cash management continues to remain a high priority for management. In this regard, debtors days outstanding totalled 38 days (FY2009: 35 days). This was achieved despite an extremely difficult collections environment, particularly with regard to the public sector where some significant balances remained unpaid at year-end. Subsequent to the balance sheet date, a significant amount approximating R62 million of the outstanding public sector debt was collected, bringing collections back to within targeted levels.

The Group's overall normalised effective tax rate has been significantly reduced to 14% (FY2009: 24%) due to the tax benefits received arising from the facilitation of the approximately 4 500 registered learnerships in compliance with the Skills Development Act.

Whilst it is not the Group's intention to entrench a dependency on these tax incentives on an indefinite basis, given the critical imperative of the country to rapidly develop skills across its workforce as well as to upskill and enhance the potential employability of a sizeable unemployed constituency, it is likely that these incentives will continue and possibly increase for the foreseeable future.

CAPITAL STRUCTURE

During the financial year, and despite the Group not breaching debt covenants, certain of the Group's bankers raised concerns with regard to the Group's level of absolute debt given their far more conservative attitude towards debt levels since the advent of the global credit crisis.

The predominance of the debt was incurred as a result of the acquisitions of FMS, COG and SUN. These acquisitions were funded by way of a mix of equity and debt capital in proportions that were entirely acceptable at the various times of structuring these transactions.

Consequently, and with the benefit of hindsight, the banks adoption of a far more conservative approach to debt funding meant that to the extent that these deals were to be structured in today's credit markets, they would not have been afforded the same levels of debt funding as they were at the time the acquisitions were originally concluded. Effectively, therefore, the banks have required a retrospective redress of these historical funding structures.

As a result, the Group reviewed its capital structure and raised a level of equity capital in order to redress this imbalance and to reduce overall debt levels.

In this regard, capital in the amount of R112,5 million was successfully raised by way of a general issue of shares for cash in February 2010, the consequences of which are reflected in the Group's statement of financial position as at 28 February 2010. As part of the capital restructuring strategy and given current market conditions, the board has resolved, to propose a scrip distribution with a cash dividend election.

In addition, the mix between committed long-term and short-term borrowings facilities was considered inappropriate and negotiations are currently under way to restructure the debt mix such that approximately two-thirds of the Group's debt will be structured as long-term debt with the balance being structured as short-term working capital facilities.

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 regard to the above, the Group produced a return on assets managed of 31,8% versus a target of 33%.

In achieving this result, the Return on Sales (ROS) or operating margin achieved was 4,8% versus a target of 5,5%, whilst the asset turnover (ATO) ratio was 6,6 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 exceeded its target whereby 92% of operating profit was converted into cash with debtors days outstanding, being 38 days versus a target of 33 days as previously mentioned.

In terms of gearing, the Group's year-end gearing level was 31% versus a target gearing level of 30%.

The Group has declared a final scrip distribution, subject to shareholder approval, with a cash dividend election of 115 cents per share (2009 final dividend: 160 cents per share).

Combined with the interim dividend declared of 50 cents per share and on the assumption of a cash election, this brings the total dividends for the year under review to 165 cents per share (2009: 222 cents per share).

The lower level of dividends is reflective of the lower level of Group profitability given the prevailing recessionary trading conditions as well as an element of conservatism believed by management to be appropriate given the current difficult debt markets.

The performance of the Group against stated financial targets for the year ended 28 February 2010 was as follows:

	Financial target	Year to Feb 2010	Year to Feb 2009
Return on assets managed (ROAM) (%)	33,0	31,8	43,9
Return on sales (ROS) (%)	5,5	4,8	6,2
Asset turnover (ATO) (times)	6,0	6,6	7,1
Cash conversion ratio (%)	90,0	92,2	80,6
Debtors days	33	38	35
Gearing target (%)	30,0	30,7	37,6

A summary of dividends declared in respect of the year under review is as follows:

	Year to Feb 2010	Year to Feb 2009
Total dividends (cents per share)	165	222
Interim dividend (cents per share)	50	62
Final dividend (cents per share)	115*	160

**A scrip distribution has been proposed, subject to shareholder approval, with the right to elect a cash dividend in lieu of the scrip distribution.*

MACRO-ENVIRONMENT

Economically, the financial year under review proved to be particularly tough. The South African economy found itself in the grip of a recession brought about by the advent of the global credit crisis which had a profound effect on the economic prosperity of most developed economies, spilling over into emerging markets.

The first sign the Adcorp Group experienced that South Africa was also slipping into the same recession that had affected the rest of the industrialised world, was a sharp decline in demand for contract workers in the retail banking sector, which started in April 2008. Other industrial sectors seemed to follow suite only in the last quarter of that calendar year.

Whilst the debate raged on regarding the preference for terminating the assignments of contract workers versus retrenching permanent workers in order to reduce capacity in line with lower demand, what happened on the ground was a combination of both.

The complexity and nature of organisational structures dictates that the various types of employment relationship are typically intertwined, rendering it impractical to only remove contract workers or only remove permanent workers. As such, contract workers have proved to be far less vulnerable through the recession than was speculated by many. During the 2010 calendar year, the economy shed approximately one million jobs. The vast majority of these workers were in fact permanent employees.

What has been encouraging during the first quarter of 2010 is that there has been a slow turnaround in the demand for labour, providing hope for the prospect of a muted economic recovery. Of particular relevance is that the demand for labour in the retail banking sector has picked up, hopefully signifying a normalisation of regular banking activities. Given that this was the first sector to shed jobs, their willingness to employ people once again may be indicative of a sustained economic recovery.

Of concern, however, is that the number of new jobs coming on stream is falling way short of the number of jobs lost over the past year. This, coupled with the already alarmingly high levels of unemployment in the country, makes for a worrying picture in terms of the uptake of people into employment in the formal economy.

Whilst the problem of unemployment is clearly a universal one, hardest hit are the unemployed youth in South Africa aged typically between the ages of 18 and 35. In terms of racial demographics, it has also tended to be particularly acute in the previously disadvantaged communities. A large proportion of unemployed people are also first-time job seekers having never been previously employed.

People of this demographic are finding it increasingly more difficult to find formal employment which is greatly compounded by widespread inadequate standards with regard to primary and secondary school education and limited skills development.

In recognition of this reality, the Government has launched a number of initiatives aimed at tackling the problem.

Recently, the Minister of Finance, Mr Pravin Gordhan, announced in his maiden budget speech, a proposed wage subsidy targeted at promoting employment for first time job seekers in the 18 to 35-year age category. Details of this subsidy will be the subject of a white paper that Government proposes releasing shortly.

Already, the Adcorp Group and the staffing industry play a significant role with regard to introducing unemployed youth into the world of work. As such, this should position the Group extremely well with regard to benefiting directly from these wage subsidies.

Based on the research of industry body Capes (Confederation of Associations in the Private Employment Sector) to which the Group is affiliated, of the approximately 800 000 candidates currently placed on a daily basis by the South African staffing industry, approximately 92% are previously disadvantaged, 85% are between the ages of 18 and 35 and 50% are first-time job seekers.

In turn, of those placed, typically 32% will convert to a position of full-time employment within a period of one year after initial deployment, with 47% converting to a position of full-time employment within a period of three years. In addition, the South African staffing industry has introduced approximately 3,5 million people into the world of work since 2000, has contributed nearly R450 million in skills development levies and has facilitated some 45 000 registered learnerships.

With a view to the above, the role of the staffing industry has been woefully underestimated and misunderstood by certain elements within Government as well as within the trade union movement who, for various political reasons, have until recently called for its banning.

The Group has continued to extend its activities with regard to the facilitation of both Seta funded as well as unfunded registered learnerships, the benefits of which are many and varied. In addition to the legislated tax incentives in this regard, it also affords us the opportunity to offer our candidates greater career prospects, our clients greater value for money in terms of the ultimate productivity of the candidates we place with them and, additionally, it benefits our own operations in terms of the higher calibre of candidate we are able to attract.

At the same time, these training initiatives contribute to upskilling the South African workforce in line with Government's stated objectives in this regard.

Given the absolute political and economic imperative of this country to address the problems of youth unemployment and skills development, the Adcorp Group and the staffing industry as a whole, find ourselves in a unique "sweet spot" from whence we can make a sizeable contribution.

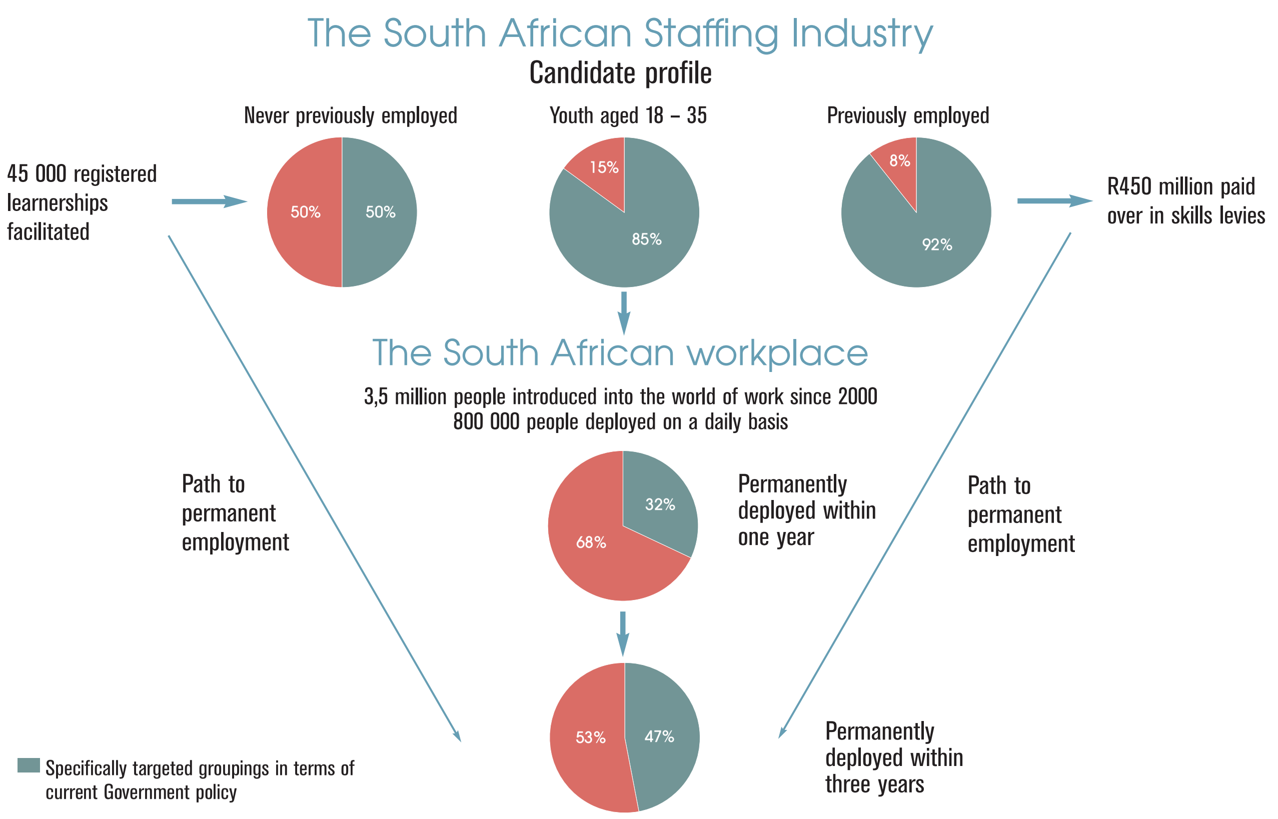
The 2010 FIFA World Cup also presents some mixed opportunities for the Group. Historically, absenteeism has soared in host countries during the staging of fixtures. As a result, it is likely that overall productivity levels will decline over this period, which could affect volumes negatively but could also provide a lucrative opportunity.

To the extent that we are able to limit absenteeism levels within our own workforce and take advantage of the vacancies created through absenteeism in our clients' permanent workforces, an opportunity exists to increase volumes over this period.

Also, it is anticipated that call centre volumes and credit card processing should increase over this period, which presents a unique opportunity, albeit of limited duration, for the white-collar flexible staffing operations.

INDUSTRY DEVELOPMENTS

Following much negotiation, debate and political rhetoric regarding the role of the temporary employment service (TES) or 'labour broking' industry over the past year whereby certain elements within Government as well as trade union federation, Cosatu, have been calling for an outright ban of the industry, the Parliamentary Portfolio Committee on Labour recently announced that there would be no ban but rather, proposed regulations to curtail exploitative practices believed to exist within certain quarters of the industry.



Specifically, the trade union movement has expressed a concern with regard to their perceived inability to organise contract workers based on the inverse relationship that exists between the proportion of the workforce that is contracted and the proportion of the workforce that is unionised, as is the case in the construction and retail industries. Also, there is a perception amongst the union movement that contract work leads to the 'casualisation' of permanent jobs and can be used to depress the wages of workers.

Whilst these arguments are highly subjective and could be perceived as self-serving, the likely focus of regulation will be in these two areas.

Already tabled at the Nedlac negotiations in this regard has been the concept of a co-employment relationship between temporary employment service provider and client. Currently the legal employment relationship with the contract worker resides with the temporary employment service provider who carries sole liability for the employment relationship.

A co-employment relationship would imply joint and several liability for both the temporary employment service provider as well as its client. As an organisation, Adcorp is currently solely liable for any liability which may emanate as a result of the employment contract. Thus, such a change would not have a material impact on the Group. The effect would, however, be to afford the contract worker greater security in the event of a default by a temporary employment service provider.

Another implication of such a proposed change to legislation would be that the co-employment relationship would effectively change the definition of the workplace to include that of the client's premises, which is not currently the case. The workplace is currently defined solely as the place of business of the temporary employment service provider. It is felt by the trade union movement that this would afford them greater access in order to organise and unionise the workforce.

One of the other principles that has been tabled is that of equal pay for work of equal value. It is also not anticipated that this will have a marked impact on the Group as there is already adherence to bargaining council agreements across the Group where applicable.

In general, the Adcorp Group welcomes the proposed regulatory changes which appear to be similar in nature to what has been adopted in Europe. In that territory, such regulations have tended to favour the larger, more sophisticated players whose respective market shares have generally increased following the enactment of similar regulation. In addition, the case for intermediating contract workers is strengthened which, it is believed, should also favour the Group.

Adcorp has taken an active role in the negotiations regarding the future of the industry and will continue to push for responsible regulation.

ACQUISITIONS

The acquisition of SUN was concluded in August 2008 and, as such, has been included in Group profits for the full financial year for the first time. The business has a specific focus on providing skilled and semi-skilled workers to the power-generation and engineering industries. As such, it has become an important contributor to the Group and it is anticipated that it will continue to remain so into the future. The business has integrated well into the Adcorp Group and is performing in line with expectations.

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.

A major focus of management is now to unlock the potential benefits the system offers in terms of being able to streamline processes and systems as well as in terms of accessing valuable management information.

EMPLOYEE DISPUTE

During the year under review, an unfortunate internal employee dispute spilled over into the media attracting much unwanted and unwarranted publicity and attention. The matter was referred to private arbitration whereby the arbitrator found overwhelmingly in favour of the company in terms of all aspects of the matter and ordered that six employees, including the then Chief Financial Officer, be summarily dismissed.

The dispute primarily related to an internal power struggle between the finance and operations divisions within the Group. In pursuing a conspiratorial course of action, a group of six employees chose to level a number of entirely unsubstantiated and defamatory allegations, including that of fraud, against two senior members of management.

Following an independent investigation which found absolutely no corroborating evidence to back up the allegations of fraud, the consort of employees making the allegations chose no longer to cooperate with the independent investigation and opted rather to leak the story to the media in an attempt to extort a financial settlement from Adcorp.

Whilst Adcorp was not prepared to entertain the possibility of any such proposed financial settlement once the story had been made public, an agreement was ultimately reached with the employees to submit the matter to private arbitration for adjudication. The arbitration hearing was duly held in November 2009 and was presided over by an independent arbitrator, Advocate Roland Sutherland SC.

Advocate Sutherland found overwhelmingly in favour of the company in terms of all aspects of the matter and ordered that all six of these employees, including the then Chief Financial Officer, be summarily dismissed. He also found that the allegations of fraud were totally without foundation and, given the aggravating circumstances whereby these employees had sought to wrongly embarrass the good name of the company in the press, ordered that these employees forfeit any right to notice in terms of their dismissals.

Pursuant to the arbitration award, the then Chief Financial Officer was disqualified and removed as a director of all companies within the Adcorp Group.

Whilst extremely disruptive by its very nature at the time, the matter was successfully dealt with timeously, decisively and conclusively with due regard to limiting reputational damage to the Adcorp Group as well as limiting disruption to the day-to-day operations of the business.

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.

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

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

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

In addition, the Group human resources function is the custodian of the Group's social investment activities which are primarily focused on the 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. Additionally the Group actively supports various charitable organisations.

BLACK ECONOMIC EMPOWERMENT

Black economic empowerment remains a top priority of the Group as evidenced by the fact that Adcorp Holdings Limited was previously ranked as the Top Empowered Company listed on the JSE in terms of the Financial Mail/Empowerdex surveys for two consecutive years and currently is ranked second.

Whilst having achieved some noticeable successes in this area, it continues to present many challenges and one cannot rest on past laurels. To this extent, management will continue to ensure that we are viewed as a role model to emulate in this regard.

OUTLOOK AND PROSPECTS

The expectation for the ensuing year is that the South African economy will recover slowly and that Adcorp should benefit as a result.

Strategically, the Group is focused on increasing the level of sophistication and technological advancement it applies in its day-to-day operations. Such initiatives include the introduction of a global leading Vendor Management System, Skillstream, to which Adcorp has exclusive rights in Africa.

As an adjunct to this, automated timesheet processing is becoming widely accepted by our client base with commensurate benefits in terms of improving internal and accounting controls, improving efficiencies and reducing costs.

The introduction of this additional sophistication and technological advancement should enhance our market position as well as provide an ability to demonstrate significant value add to clients.

Other strategic initiatives, which are beginning to make a useful contribution to Group profits, are the rollout of a number of specifically designed financial products to our sizeable contract workforce including insurance products, microloans and a payroll card.

In addition, the successes achieved in the learnership space should continue to show good growth, not only in terms of offering these training benefits to our existing contractor base, but also with the prospect of offering these services to a far broader external client base.

The recently installed Microsoft Dynamics AX ERP system also offers much advantage in terms of providing the opportunity for process improvement with commensurate cost and efficiency benefits.

It is believed that an anticipated limited economic recovery, coupled with the benefits of the above-mentioned strategic initiatives, should contribute positively. Additionally, the 'sweet spot' the Group finds itself in with regard to the alignment of its own objectives with those of the stated Government imperatives relating to skills development and job creation, means that the Group is well positioned for the future.

CHIEF EXECUTIVE'S REPORT continued

GRATITUDE TO PAST CHAIRMAN

During the year under review, the Chairman of the Board of directors, Dr Frederik van Zyl Slabbert, retired due to ill health after providing exceptional service to Adcorp, its shareholders, clients and staff for 15 years.

Dr van Zyl Slabbert made an outstanding and significant contribution to the Adcorp Group in his capacity as Chairman. In addition, he has always provided consistent and unwavering support to me as an individual in terms of his highly reasoned and sage advice, his wisdom and mentorship. For this and his valued friendship, I am eternally grateful.

Sadly Dr van Zyl Slabbert passed away on Friday, 14 May 2010.

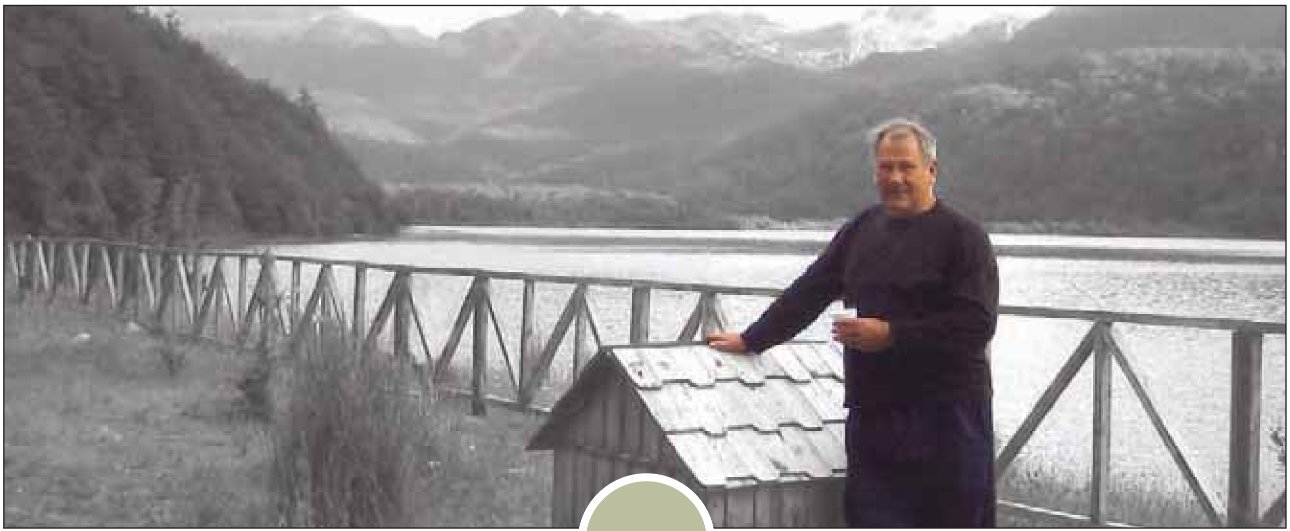
In the interim, the role of Acting Chairman was assumed by Ms Louisa Mojela. The gratitude of the board is extended to Ms Mojela for her considerable contribution in this role.

The Group is fortunate to have procured the services of Mr JJ Njeke as the incoming Chairman with effect from 1 July 2010. In this role, I would like to welcome JJ to the Adcorp family and wish him every success in this role.

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.

Richard Pike
Chief Executive Officer



TRIBUTE

PAST CHAIRMAN
DR FREDERIK VAN ZYL SLABBERT
(1940 – 2010)

Dr Van Zyl worked in the service of Adcorp for 15 years, having joined the Group as Chairman of the board of directors in 1994.

His retirement as Chairman of the board in October 2009 left something of a void in the soul of the company and his death was a great loss not only to Adcorp, but to South African society as a whole.

Dr Van Zyl came to Adcorp through his connection with Khula Investments, an investment consortium that, on his advice, bought a 20% stake in the Adcorp Group in 1994. This was Adcorp's first empowerment initiative, and is testament to Van Zyl's foresight that it was one of the first of its kind empowerment transactions in the country at the time. He was duly appointed as Chairman of the board of directors of Adcorp the same year.

He was a man of considerable reputation, possessing extraordinary wisdom. He was also a highly principled person with immense integrity and was led by the courage of his conviction.

He led the Progressive Federal Party (PFP) in Parliament in opposition to the then ruling National Party for seven years, from 1979 to 1986, when he resigned believing he could do more to effect the end of apartheid from outside of the country's prevailing political structures than from within.

Dr Van Zyl went on to co-found the Institute for a Democratic South Africa (IDASA), which initiated the first talks between the then banned ANC and leading politicians from within the apartheid establishment, academics and business people in Dakar, Senegal in 1987. There can be little doubt that he played an instrumental role in bringing about democracy in South Africa.

His ability to cut through the complexity of business and politics and his ability to grasp the bigger picture made him a great asset to Adcorp at a time of enormous change and turmoil in the country. His leadership ability was entirely innate. He had a natural air of confidence about him and he was able to assemble and articulate a complicated argument with consummate ease.

In addition to his extraordinary leadership ability, it will be his quick wit and charm as well as his warmth and generosity that will be most sorely missed by all at Adcorp. From the lower staff ranks through to the executives, his legacy will live in our hearts and minds forever.


2010
MISHEGO

CORPORATE GOVERNANCE

Corporate governance is integral to the business philosophy of Adcorp Holdings. The board of directors is fully committed to effective corporate governance and the need for the highest levels of integrity and high ethical standards in the conduct of its business.

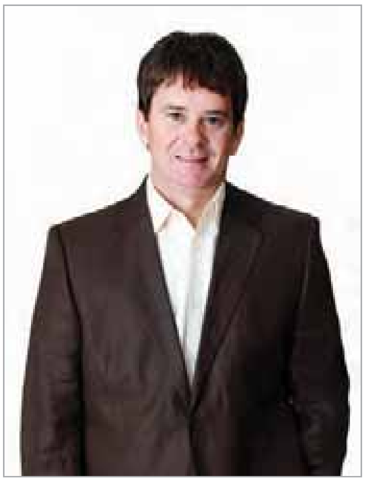
BOARD OF DIRECTORS

Mfundiso Johnson Ntabankulu (“JJ”) Njeke (52)
Independent Chairman
BCom, CA(SA)
Appointment 1 July 2010
Outside directorships held
Kagiso Group companies, ArcelorMittal (SA), Metropolitan Holdings, NM Rothschild (SA), Resilient Property Income Fund, MTN, Barloworld, Sasol and the Council of the University of Johannesburg – Director.

Richard Linden Pike (48)
Chief Executive Officer
BCom (Hons), CA(SA)
Appointed 18 October 2000
No outside directorships held.

Campbell Bomela (60)
Executive Director – Group Services
BCom, MBA
Appointed 1 March 2006
Outside directorships held
Matlapeng Resources.

Anthony Mark Sher (40)
Chief Financial Officer
BCom, BAcc, CA(SA), CFA
Appointed 2 December 2009
Outside directorships held
Rockstar Trading 3



Petrus Cornelius (“Nelis”) Swart (48)
Chief Operations Officer
MCom
Appointed 9 September 2002
Outside directorships held
BPeSA.

Louisa Madiako Mojela (53)
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, Skyprops 142, SA Airways, USB-ED, Wiphold Financial Services No 1, Wip Investments and Wip Three Investments.

Mmakeaya Magoro Tryphosa Ramano (38)
Non-Executive Director
BCom, CA(SA)
Appointed 1 June 2007
Outside directorships held
Sasria, Wiphold, Afrisun Leisure, Emfuleni Resorts, USB Executive Development, Development Bank of South Africa, Financial Services Board of South Africa, Old Mutual Investment Group Property Investments, Real Africa Holdings, African Women Chartered Accountants and Sasol Mining.

Muthanyi Robinson Ramaite (40)
Non-Executive Director
B.Juris, Master's degree
Appointed 1 June 2007
Outside directorships held
Verge Management Services, Gobodo Forensic and Investigative Accounting, Simeka Group, Khullela, Fintech, 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.

Amanda Toise Albäck (36)
Independent Non-Executive Director
BCompt (Honours), CA(SA)
Appointed 14 April 2009
Outside directorships held
Spescom Datafusion, Spescom Datavoice and Spescom Telecommunications.

Timothy Dacre Aird ("Tim") Ross (65)
Independent Non-Executive Director
CTA, CA(SA)
Appointed 1 September 2009
Outside directorships held
Liberty Holdings, Liberty Group, Eqstra Holdings, Pretoria Portland Cement and Cida Empowerment.

Mncane Esau Mthunzi (38)
Independent Non-Executive Director
BCom
Appointed 28 February 2010
Outside directorships held
Accenture board of trustees, FTK Trust, Business Unity South Africa Council and Consumer Goods Council of South Africa.

Mfundiso Johnson Ntabankulu ("JJ") Njeke (52)
JJ obtained a BCom degree from the University of Fort Hare. He then registered for a training contract with Hoek and Wiehahn, which later became part of PricewaterhouseCoopers. He enrolled with UNISA for a BCompt (Honours) degree and qualified as a Chartered Accountant in 1986. Two years later he was admitted as a partner in Umtata. He moved to Johannesburg in 1990 and enrolled with The University of Johannesburg for a Higher Diploma in Tax, which he completed in 1991. He resigned from PricewaterhouseCoopers in 1994 to become Managing Director of Kagiso Trust Investments.

He is the past Chairman of the South African Institute of Chartered Accountants and its Education Committee. He serves on the boards of Kagiso Group companies, ArcelorMittal (SA), Metropolitan Holdings, NM Rothschild (SA), Resilient Property Income Fund, MTN, Barloworld, Sasol and the Council of the University of Johannesburg.

He previously served as a member of the Katz Commission of Inquiry into Taxation in South Africa, the General Committee of the JSE Limited, the Audit Commission – Supervisory Body of the Office of Auditor General, the Audit Committee of National Treasury and the Editorial Board of *The Journal of Accounting Research*.

Richard Linden Pike (48)
Richard qualified as a Chartered Accountant in 1989 and holds a BCom (Honours) from the University of the Witwatersrand. He has been Chief Executive Officer of Adcorp since 2001. He joined the group as Deputy Chief Executive Officer the previous year when Adcorp acquired the listed company, Acumen Holdings Limited. In 1995, Richard co-founded Morgan University Alliance, a private education and business consulting initiative that offered degree and diploma courses in business management through the University of Warwick in the UK. Four years later, in 1999, he listed Morgan on the JSE Limited as Acumen Holdings Limited. Before starting this venture, he was Financial Director at HL&H Mining Timber, having previously been Group Financial Manager at Hunt Lechaurs & Hepburn Holdings Ltd. He is a member of Business Leadership South Africa and the Millennium Labour Council. He is an experienced public speaker and lecturer and has written widely on business and current affairs.

Campbell Bomela (60)
Campbell holds a BCom from Fort Hare University and a MBA from Wits Business School. He was Managing Director of the Black Management Forum Investments Company (BMFI) before he joined Adcorp as Executive Director in March 2006. He has been a senior business professional for more than 16 years. His area of expertise lies in strategic management and development finance structuring, and he has extensive experience with start-ups in small and medium-sized businesses. He helped establish the Department of Economic Affairs of the Eastern Cape government after the 1994 elections. Later he was seconded to help with the amalgamation and rationalisation of economic development corporations that had operated in the Eastern Cape before 1994. Once this was completed, Campbell started and ran his own businesses. He has served as non-executive regional director of the International Council for Small Business Eastern Cape, and regional non-executive director of the Development Bank of Southern Africa (Transkei representative). He also served as regional non-executive director of the Black Management Forum.

Anthony Mark Sher (40)
Anthony is a Chartered Accountant and a chartered financial analyst. He obtained his BCom and BAcc from the University of the Witwatersrand in 1992 and 1993 respectively. Anthony was articled to Grant Thornton and in 2000 he was awarded his CFA charter by the CFA Institute. Anthony is Chief Financial Officer at Adcorp, In November 2009, he joined the company as head of investor relations and corporate finance and during the following month he was appointed to his current position. He joined Adcorp from Ellerine Bros (Pty) Ltd where he had served as an internal investment professional from January 2008 until June 2009. Prior to Ellerine Bros, Anthony served as an Equity Analyst and Fund Manager of small cap investments at Stanlib Asset Management from April 2002. Two years previously, in 2000, he joined SCMB as the Banking and Insurance Analyst. From 1998 to 2000, Anthony was the Financial Director of a private financial services company he was instrumental in co-founding.

Petrus Cornelius ("Nelis") Swart (48)
Nelis acquired his MCom from the Free State University in 2004. He joined Adcorp in March of 1999, initially as Managing Director of Quest Staffing Solutions. Nelis became the Divisional Director for Flexible Staffing in 2002 and was subsequently promoted to Chief Operating Officer in 2007. Prior to joining Adcorp, Nelis was the Commercial Director of Beier Industries (Pty) Ltd in KwaZulu-Natal. He was also involved with Deloitte & Touche as well as Byrne Fleming during his seven years in the management consulting industry. Nelis also lectured at the University of Pretoria and was at the same time a co-founder of the marketing research business, Konsulta.

Louisa Madiako Mojela (53)
Louisa obtained a BCom from the University of Lesotho and later completed an executive Leadership Programme at the University of Pennsylvania's Wharton School of Business. She is Chief Executive Officer of Women Investment Portfolio Holdings Limited (Wiphold). She helped found the institution in 1995, and acted as Executive Director until recently when she assumed her new position. Wiphold is the first women-controlled institution to be listed on the JSE. Between 1993 and 1995, before setting up Wiphold, she managed the emerging markets division at Standard Corporate and

Merchant Bank focusing on Lesotho, Swaziland, Malawi and Zambia. Prior to this, Louisa was at the Development Bank of Southern Africa where she assisted in the privatisation of parastatals belonging to the former government of Venda. During this time, she was seconded to the World Bank in Washington where she was involved in the privatisation programmes of Lesotho, Zambia and Malawi. She was one of 40 women to be honoured as one of the Leading Women Entrepreneurs of the World in Venice, Italy, in 2000. She was also a finalist in the World Entrepreneur Award for the South Africa Chapter.

Mmakeaya Magoro Tryphosa Ramano (38)

Tryphosa has a BCom and a post-graduate diploma in accounting from the University of Cape Town. She qualified as a Chartered Accountant in 1994. She completed an executive leadership programme at Harvard Business School and participated in the Making Markets Work programme through Harvard and the University of the Witwatersrand. Tryphosa has been Chief Financial Officer at Women Investment Portfolio Holdings (Wiphold) since November 2006. She had previously spent two years as CFO and Executive Vice-President of SAA, and acted as the company's President. Tryphosa joined the national carrier after spending two years heading up the asset management of the Treasury, assisting with the restructuring of state-owned assets and ensuring public entities complied with the Public Finance Management Act. Between 1997 and 2001, she worked for Rand Merchant Bank as an Investment Professional. During this time she also started and headed up the Institute of Investment Excellence.

Muthanyi Robinson Ramaite (40)

Robinson attained a B.Juris degree from the University of the North before completing his Master's in Public and Development Management at the University of the Witwatersrand in 1996. In 2003, he completed a young managers programme at the Insead Business School outside Paris. He has been a major influence in both public and private institutions for the past 16 years. He has been active in a number of investment initiatives in the mining, property, aviation and ICT sectors to name a few, and has also been influential in a number of transformation and empowerment initiatives. During his term of office as Director-General for the Department of Public Service and Administration (1999 to 2003) he served as Chairman of the Directors-General Governance and Administration cluster of government, and board member of the State Information Technology Agency (Sita) and the Centre for Public Service Innovation (CPSI).

Amanda Toise Albäck (36)

Amanda is a qualified Chartered Accountant having obtained her BCompt (Honours) through Unisa. She is the Chief Financial Officer at Spescom, a post she took up in August last year. Prior to this she was Executive Head of Financial Control at Vodacom Group, having previously held the position of Executive Head of Financial Management at Vodacom Service Provider. Between 2001 and 2003, before making her transition into the field of telecommunications, Amanda was Senior Manager of Passenger Revenue Accounting at SAA.

Timothy Dacre Aird ("Tim") Ross (65)

Tim studied at the University of Natal. He is a qualified Chartered Accountant and Tax Advisor. He attended Wits Business School in 1984 and did a six-week executive development programme course. He holds several directorships and chairman positions in local blue-chip companies. In May 2008, he retired from Deloitte & Touche where he had been a partner since 1972. At the time of his retirement he had been the company's lead partner on the 2010 FIFA World Cup initiative for two years. Tim was a member of the Deloitte remuneration committee for six years between 2001 and 2007, and Lead Client Service and Advisory Partner for Deloitte's 'crown jewel' clients for 11 years between 1997 and 2008. Between 1994 and 1997 he served as National Client Service Director and was on the Deloitte management committee. In 1988, he was appointed to the board of Deloitte Haskins and Sells, and after the merger in 1989/90 with Pim Goldby he served on the joint board.

Mncane Esau Mthunzi (38)

Mncane holds a BCom degree and diplomas in several management and executive programmes both locally and abroad. Mncane was appointed CEO of the Consumer Goods Council of South Africa in June 2009. Before this he served as Managing Director of the Black Management Forum for three years, during which time corporate membership was increased 300 percent. He was part of the BMF leadership team that presented in 2005 on African leadership at the World Economic Forum in Davos, Switzerland, and later at the African Economic Forum in Cape Town. Before joining the BMF, Mncane spent three years as an Enterprise Strategy Consultant and Sales Executive at Microsoft. During 2003, Mncane was Senior IT Manager at PricewaterhouseCoopers, and prior to this he spent seven years as a Management Consultant at Accenture. Mncane's career has spanned a wide variety of industries, including transport, telecommunications, broadcasting, retail and IT.

Resignations

Dr Frederik van Zyl Slabbert – 14 October 2009
Gugu Duda (Alternate Director) – 26 February 2010

Disqualified and removed

Faunce Burd – 6 December 2009

Appointments

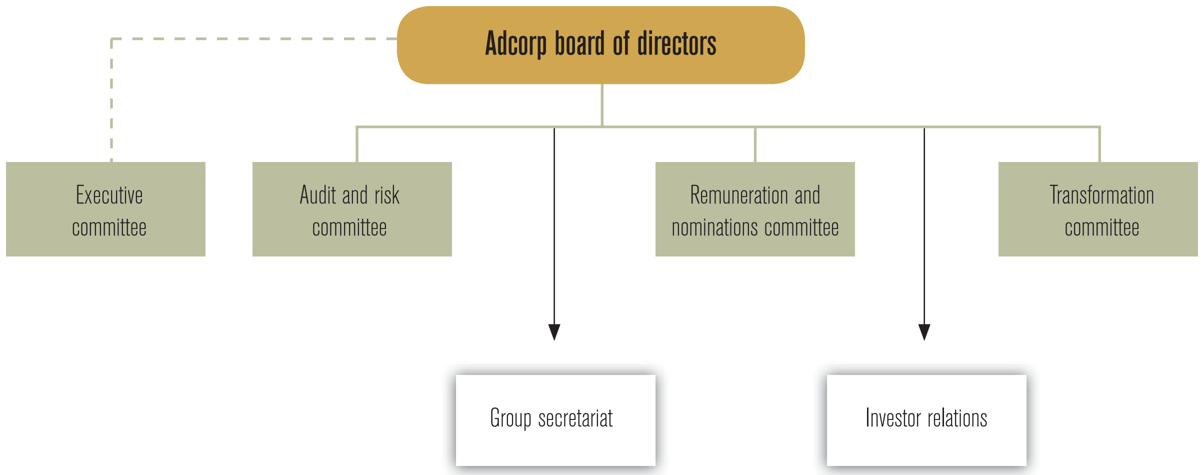
Tim Ross – 1 September 2009
Anthony Sher – 2 December 2009
Mncane Mthunzi – 28 February 2010
Mfundiso Johnson Ntabankulu ("JJ") Njeke – 1 July 2010

CORPORATE GOVERNANCE

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

GOVERNANCE STRUCTURES

Adcorp's financial and non-financial performance objectives are overseen by the board of directors and its committees. Adcorp's board of directors has three committees. The diagram below provides for the structure addressed in this report by the chairman of each committee.



CORPORATE GOVERNANCE ETHOS

Corporate governance is integral to the business philosophy of Adcorp. The board of directors is fully committed to effective corporate governance and the need for the highest levels of integrity and high ethical standards in the conduct of its business.

Adcorp fully endorses the Code of Corporate Practices and Conduct contained within the King II Code, and has applied the recommendations set out therein. Adcorp's directors have reviewed the King III recommendations and are satisfied that the Group's governance structures will accommodate any new recommendations. Where appropriate, such recommendations are in the process of being implemented.

Stakeholder communication

Adcorp's stakeholders are defined as those entities and individuals that are significantly affected by the Group's activities and those which have the ability to significantly impact the Group's ability to implement strategies to achieve its objectives. As such, the stakeholders have been identified as the South African government and its regulators, shareholders, employees, customers, suppliers, communities and the environment.

At holding company level, Adcorp has stakeholder interaction with government and regulators, shareholders and investment analysts. Operating divisions are empowered to manage stakeholder interfaces in accordance with the particular needs of their businesses.

The board of directors makes every effort to present a balanced and comprehensive 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 the Group's activities.

The International Financial Reporting Standards (IFRS) are used to report on all financial matters. The results for the period ended 28 February 2010 have been prepared in accordance with the Group's accounting policies, which comply with IFRS. Further details and definitions pertaining to the Group's accounting policies are set out more fully in the financial statements.

Government and regulators

Adcorp works closely with the government, regulators and lawmakers in order to protect its stakeholders' interests, avoid reputational damage and mitigate any potential negative impact of either new or changes to existing statutes or regulations.

Compliance with all relevant regulations affecting the business activities of the Group is regarded as being of the utmost importance. Of particular relevance is the Labour Relations Act (LRA) and the outcome of the debate on labour broking.

Shareholders and investment analysts

Shareholders and investment analysts are able to access information about the Group through the Stock Exchange News Service (SENS), financial publications, newspapers, and through the company website (www.adcorp.co.za). The directors strive to ensure that disclosures are based on the principles of transparency and substance over form.

Subsequent to the publication of the year-end and interim results, Adcorp presents the results to shareholders and the investment community. These occasions provide an opportunity for direct interaction with the Group directorate and other senior executives and allow for pertinent questions about the Group to be asked and answered.

Shareholders are also notified timeously of the annual general meeting and its agenda. Voting takes place by way of a ballot, and the results of the voting are published immediately afterwards in a SENS announcement.

Memberships and associations

Adcorp is a founding member of the Confederation of Associations in the Private Employment Sector (CAPES), which was established in 2003 to represent a unified voice of the private employment sector to other stakeholders, primarily the South African government, labour organisations and trade unions.

CAPES represents the collective interests of more than 1 000 private employment agencies who place between 500 000 and 1 000 000 assignees a day across all industries and sectors. In addition, CAPES is active in addressing other matters such as industry professionalisation, union agreements and social security as parallel initiatives to ensure that the decent work agenda is tabled and debated.

CAPES is a fully participating member of Business Unity South Africa (BUSA) and has a number of representatives participating at the National Economic Development and Labour Council (NEDLAC) where negotiations regarding a-typical employment are in process.

Economic value add

In FY2010, Adcorp's activities generated R4 603 million in economic value add. Adcorp contributes to the socio-economic environment in a variety of ways, including, *inter alia*, the payment of salaries to Group employees and dividend payments to shareholders. Additionally, taxes paid by the Group accrue to the State and are distributed into the greater socio-economic environment.

Adcorp's position as the country's largest diversified employment services company, directly impacts the economy by assisting and empowering people with jobs and by deduction, the ability to earn salaries and wages. Through the skills and development programmes, Adcorp has benefited broader society by providing individuals with an entrance into the world of work. Thus the Group's contribution to the economic well-being and ultimately the economy at large cannot be understated.

The table below summarises the economic value added by the Group over the last three years.

Three-year Value Added Statement

Rm	**2010**	2009	2008
Employees	**4 166**	3 987	3 773
– Temporary staff	**3 611**	3 418	3 104
– Permanent staff	**555**	569	669
Providers of capital	**180**	179	121
Government	**58**	51	66
Retained for investment	**199**	226	200
Total value added	**4 603**	4 443	4 160

CORPORATE GOVERNANCE continued

Board of directors
Adcorp's board of directors is the focal point for, and custodian of, corporate governance within the Group. They are committed to the sustainability and growth of the company. Board members are required to act with due diligence and care in all company dealings and to uphold the values and ethics of the company. These values and ethics are determined by the board itself and are set out in the company's code of conduct. In discharging their duties, Adcorp's directors consider the interests of all the Group's stakeholders.

Composition
The composition of the board ensures a balance of authority and precludes any one director from exercising domineering powers of decision-making. As at 28 February 2010, the board consisted of 10 individuals, four of whom are executive, a further three are non-executive but not independent while the balance are classified as independent non-executive directors.

The non-executive directors provide the objectivity and a range of skills and experience necessary for the board to function effectively. Six of the board members are black, of which three are women. Of the four executive directors, one is the Chief Executive Officer (CEO), and one is the Chief Financial Officer (CFO). The functions of Chairman and CEO are performed by two different individuals, and the incoming Chairman is an independent non-executive director.

Each year, one third of Adcorp's directors retire, and their re-election is subject to the approval of shareholders at the forthcoming annual general meeting.

Role
The board of directors is accountable to shareholders for the company's performance. They have a fiduciary duty to act in good faith in the best interests of the Group and all its internal and external stakeholders.

The fundamental responsibility of the board is to control, monitor and review the Group's overall economic performance. The functions of the board are widespread and include, *inter alia*:

- formulating corporate strategic objectives;
- approving all major acquisitions, disposals and capital expenditure;
- monitoring operational performance, corporate governance and legislative compliance;
- overseeing the Group's systems of internal control and risk management;
- ensuring regular and timeous communication with internal and external stakeholders regarding significant developments within the Group and changes to the Group's financial position; and
- debating and considering issues of unethical behaviour.

The board is responsible for appointing the CEO, CFO as well as other senior executive officers. The CEO is fully accountable to the board for the Group's day-to-day operations. It is paramount for executive directors to lead the company with integrity and good judgement.

In the exercising of control of the Group, the directors are empowered to delegate. Board committees are established and structured to function with authority. Directors are entitled to full and unrestricted access to management and to the Group's proprietary information. All new directors are given a formal induction presentation detailing the Group's strategy and their duties and responsibilities.

Succession planning
Should a director retire, resign or be disqualified and removed, as the case may be, potential candidates are identified and assessed as to their appropriateness for the position in terms of their relationship and skills as regards with the Group.

Board proceedings
The board meets quarterly and on an ad hoc basis when it is considered necessary.

Attendance during the year was as follows:

Member	Possible	Attended
Dr F van Zyl Slabbert (Chairman) Resigned – 14 October 2009	3	1
LM Mojela (Acting Chairman) Appointed 15 October 2009	7	5
AT Albäck	7	5
C Bomela	7	6
FD Burd (CFO) Disqualified and removed – 6 December 2009	4	4
GP Duda (Alternate) Resigned – 26 February 2010	7	4
ME Mthunzi Appointed – 28 February 2010	–	–
RL Pike (CEO)	7	7
MR Ramaite	7	4
MMT Ramano	7	6
AM Sher (CFO) Appointed – 2 December 2009	3	3
PC Swart (COO)	7	7
TDA Ross Appointed – 1 September 2009	4	4

Subsidiary boards and board committees

Adcorp has several wholly owned subsidiaries. The Group's operating business units operate as divisions of the unlisted legal entities. The boards of the subsidiaries and management of the operating divisions are constituted with the necessary mix of skills, experience and diversity.

The board of directors has delegated certain functions to committees. In doing so, the board has not abdicated any of its own responsibilities. The board committees are as follows:

- The audit and risk committee
- The remuneration and nominations committee
- Transformation committee

Consideration is being given to the formation of a directors' affairs and governance committee that would assist the board in discharging its responsibilities by ensuring adherence to prescribed corporate governance practices.

Directors are, at the expense of the Group, entitled to seek independent professional advice in the carrying out of their duties. With the exception of the executive committee (Exco), these committees are chaired by non-executive directors.

Non-executive directors may meet separately with operational management without the attendance of the executive directors.

Performance evaluation

The board has determined its own role, functions and performance criteria, as well as that for directors on the board and for board committees. These serve as a benchmark against which actual performance is assessed. The different committees held formal evaluation proceedings to assess their effectiveness during the year under review. No material matters of concern were noted in this regard.

Classification of directors

For the purposes of this annual report, directors are classified as follows:

- Executive directors are those employed by Adcorp or any company in the Adcorp Group.
- Non-executive non-independent directors are those who represent Adcorp's BEE partners.
- Non-executive independent directors are all other directors.

Company Secretary

Lyn Sudbury was appointed as Adcorp's Company Secretary on 16 January 2006. She acts in a supportive capacity for the directors and Chairman, and is suitably qualified, competent and experienced to provide guidance to the board in matters relating to governance and other related practices across the Group. The Company Secretary is responsible for board and committee charters and the compilation of board papers. In addition, she may give input into the agenda and minutes of board meetings as well as the procedures for the appointment of directors.

The Company Secretary is also the secretary to the board committees.

Details of directors

The names, ages, qualifications and other details of the Group's board of directors appears on pages 32 and 33.

Ethics

Directors are required to annually declare their interests in order to determine whether there is any conflict with their duties to Adcorp. Directors are also required to disclose any conflicts of interest if and when they may arise.

Unethical behaviour or issues of impropriety are viewed in a serious light. During the year, the board acted swiftly, decisively and appropriately in proceeding with the disqualification and removal of the previous Chief Financial Officer and certain senior executives.

Trading in company shares

Adcorp has closed periods prohibiting trade in Adcorp shares by directors, senior executives and participants in the various long-term incentive schemes. The closed periods commence 1 September and 1 March and remain in force until the publication of the interim and final results respectively. Any period where the company is trading under cautionary announcement is also classified as a closed period.

All directors' dealings require the prior approval of the Chairman, and the company retains a record of all such share dealings.

Directors' interests in shares

According to the Register of Directors' Interest, maintained by the company in accordance with provisions of the Companies Act, directors of Adcorp have disclosed the following interests in the company as at 28 February 2010.

Ordinary shares

	Direct beneficial	Indirect beneficial	**Total 2010**	Total 2009
AT Albäck	–	–	**–**	–
C Bomela	–	–	**–**	–
ME Mthunzi	–	–	**–**	–
LM Mojela	–	–	**–**	–
RL Pike	253 080	–	**253 080**	249 630
MR Ramaite	15 000	–	**15 000**	15 000
MMT Ramano	–	–	**–**	–
AM Sher	–	–	**–**	–
PC Swart	–	–	**–**	–
TDA Ross	–	–	**–**	–

It is not a requirement of the company's articles of association or the Board Charter that directors own shares in the company.

Signed on behalf of the board

LM Mojela
Acting Chairman, board of directors

23 June 2010

EXECUTIVE COMMITTEE

Composition

The Adcorp executive committee is the most senior executive decision-making body in the Group. The committee is chaired by the CEO and consists of the following:

- Chief Executive Officer (CEO)
- Chief Financial Officer (CFO)
- Chief Operating Officer (COO)
- Executive Director – Group services
- Chief Information Officer (CIO)
- General Manager – Strategic Projects
- Senior Business Analyst

Role

Adcorp's executive committee is responsible for, *inter alia*, the following:

- Strategic planning and monitoring of market trends, industry developments and competitive activity.
- Implementing the strategies developed and approved by the board for managing the company's affairs.
- Identifying key risk areas of the Group and assuring compliance with appropriate mitigating policies, procedures and internal controls.
- Safeguarding and structuring the Group's portfolio of assets.
- Assisting in the development of and approving operational strategies, budgets and forecasts.
- Measuring, monitoring and managing company performance, and taking action in this regard where necessary.
- Optimising the Group's capital structure, managing the working capital, cycle and margins.
- Assuring Group-wide adherence to the Adcorp code of conduct and general corporate governance principles.
- Developing and approving succession plans and senior management appointments.
- Ensuring effective internal human resource management, training and development, and maintaining regular employee engagement.
- Coordinating, developing and monitoring the effectiveness of employee health and safety strategies.
- Driving BBBEE initiatives, transformation and employment equity.
- Production of transparent Group reporting and stakeholder communication.

Proceedings

Adcorp's executive committee meets monthly.

Human resource management

Adcorp employs 2 390 permanent staff and over 90 000 contract and temporary employees on assignment at any point in time, approximately 95% of which are employed in South Africa. The Group views human resource management as a critical function and strives to create an environment that is focused on building capacity through focused employee development and skills transfer.

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. All Adcorp employees are required to sign a documented code of conduct that addresses honesty and integrity, whistle-blowing, the processes to deal with conflicts and the need to always act in the best interest of the Group.

Adcorp is committed to educating and supporting employees in the fight against HIV/Aids. To this extent, an employee wellness programme has been launched so as to ensure that employees have access to holistic and sustainable healthcare programmes.

Employee health and safety is of paramount importance. All reasonable steps are taken to ensure employee safety.

Training and skills development

Adcorp's operating divisions are empowered and encouraged to formulate their training and development according to their specific requirements. The Group has a significant number of learnership contracts which form part of the Group's training initiatives and contribute significantly to the process of upskilling the country's workforce.

The table below segments the Group's learnership contracts across selected operating entities:

Company	Total number of learnerships	Across how many qualifications (including trades)	Across how many NQF levels	Across how many industry types	Learners below the age of 35	Total number successfully completed in 2009/10 FY	In progress
Capacity	1 150	5	3	4	916	867	32
Capital	1 427	22	4	6	1 172	339	891
SUN	80	5	3	2	78	33	46
Charisma	970	5	3	3	885	227	742
Quest	963	13	4	7	922	429	352
Emmanuels	496	10	4	5	493	493	3
	5 085*	35	4	16	4 466	2 388	1 714

**This figure is inclusive of uncompleted learnerships which may be due to temporary staff that have taken up permanent employment, resignations, retrenchments and or dismissals*

Employee engagement

Active employee engagement is conducted through electronic media, employee surveys, forums, circulars, newsletters, meetings and presentations. Employees are encouraged to engage the executive directors on issues relating to corporate culture and values.

An annual Chairman's award function is held where employees and operating entities are recognised and rewarded for their exceptional achievements and contributions.

Supply chain management

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

Progress is being made with the establishment and implementation of a Group-wide procurement policy. The objective is to extract overall procurement efficiencies through effective management of supplier contracts as they relate to pricing, quality and service delivery. Adcorp believes in and abides by fair business practices when dealing with all its suppliers.

The executive committee is satisfied that it has met the requirements of its charter.

RL Pike
Chief Executive Officer

23 June 2010

AUDIT AND RISK COMMITTEE

Composition

The audit and risk committee comprises three non-executive directors and is chaired by an independent non-executive director.

Role

The committee is mandated to provide reasonable assurance regarding the integrity and reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the company's assets. The committee evaluates internal and external risks to the businesses, and the operational implementation of corporate governance. Other duties include a review of the accounting policies, recommendations to the board for the approval of the financial statements, a review of the level of competence of financial management and consideration as to the adequacy of information systems. All matters of concern are addressed on a continuous basis by management.

Internal controls are based on written policies and procedures and are implemented by trained personnel with appropriate levels of segregation of duties. Internal audit conducts ongoing audits of all Group entities and compiles written reports. All items raised in these reports are addressed promptly.

Nothing has come to the attention of the committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

During the said period, the committee addressed, considered and reviewed key responsibilities in respect of audit and risk. These included, *inter alia*, the following:

Audit

- The integrity of the Group's financial statements.
- The competency, experience and expertise of the Group's financial director.
- The accuracy and reliability of the financial information provided to management and other users of such information.
- The level of compliance with legal and regulatory provisions.
- The applicability of the Group being regarded as a going concern.
- The effectiveness of the internal control environment.
- The activities, findings and recommendations of the internal audit function.
- The appointment, independence and objectivity of the external auditors.
- The approval of the fees for external audit services and non-audit-related services.
- The results and reports from internal and external auditors.

As required by the JSE, the company had appointed a Financial Director. The position is currently held by AM Sher, who is an executive director and is deemed competent by the committee.

Risk

- The appropriateness of internal systems to identify and monitor risks affecting the Group.
- The establishment of internal procedures for the prevention and detection of fraud (tip-off line).
- The adequacy and effectiveness of risk management policies and processes.
- The efficiency of management in dealing with all identified risks and regulatory compliance.

Proceedings

The board has determined that a non-executive non-independent director attend all meetings by invitation. Additionally, the board deems it appropriate that the CEO, CFO and Group Financial Manager should attend all committee meetings by invitation. Other members of staff attend when required. Representatives from the external auditors and internal auditors are present at all committee meetings and meet with the non-executive directors and committee chairman as and when required.

Membership and attendance at the four meetings held during the year was as follows:

		Status	Possible	Attended
TDA Ross (Chairman) Appointed: 12 October 2009	Member	Independent Non-Executive	2	2
AT Albäck Appointed: 4 May 2009	Member	Independent Non-Executive	4	3
ME Mthunzi Appointed: 4 May 2010	Member	Independent Non-Executive	–	–
MMT Ramano	By invitation	Non-independent Non-Executive	4	4
RL Pike	By invitation	CEO	3	3
FD Burd	By invitation	CFO	4	3
AM Sher	By invitation	CFO	1	1
K Pienaar	By invitation	CIO	1	1
P Bierman	By invitation	General Manager: Finance	4	3
R Wessels	By invitation	General Manager: Finance	1	1
R Tayob	By invitation	Group Financial Manager	4	4
K Logan	By invitation	Group Services Executive	1	1
Deloitte & Touche	By invitation	External auditors	4	4
Sizwe Ntsaluba VSP	By invitation	Internal auditors	4	4

Auditor independence

At the last annual general meeting (AGM) held in August 2009, shareholders approved the committee's recommendation for the reappointment of Deloitte & Touche as external auditors of the company. Adcorp believes the auditors have acted with the highest regard for business and professional ethics. The committee is satisfied that the auditors acted with unimpaired independence and free from any scope restrictions.

Details of fees paid to the external auditors are disclosed in note 32 of the financial statements together with the fees paid for non-audit services provided.

The audit and risk committee is satisfied that it has met the requirements of its charter.

TDA Ross
Chairman, audit and risk committee

23 June 2010

REMUNERATION AND NOMINATIONS COMMITTEE

Composition

The remuneration and nominations committee is composed of non-executive directors. The CEO and CFO attend meetings in an ex officio capacity.

Role

Adcorp has a remuneration philosophy that seeks to align the corporate objectives with the commitment and performance of individuals. The remuneration structures, as described more fully below, recognise individual contribution to the achievement of such objectives and ensure that employees are fairly and responsibly remunerated for their services.

The committee assists the board in setting and administering remuneration policies. During the period under review, the committee:

- ensured sound and effective succession planning at executive level;
- oversaw the appointment of new directors and the incoming Chairman;
- approved the remuneration strategy for executive directors and senior management including basic salary and benefits, performance-based incentives and long-term incentives;
- reviewed the process for and approval of annual salary increases;
- considered and evaluated the performance and rewarding of executive directors and senior management; and
- made recommendations to shareholders about the remuneration of non-executive directors.

Appointment of directors

There is a formal policy in place stipulating the process by which board members are appointed. This process is overseen by the committee. In considering potential appointments, consideration is given to experience, diversity, skills and demographics.

The reappointment of non-executive directors is subject to eligibility and performance, but there is no limit to the number of times a director can be re-elected. The appointment of all directors to the board requires the approval of shareholders at the annual general meeting.

Remuneration strategy

The performance of the executive team and senior management is measured against predetermined financial and non-financial goals. Remuneration is structured into the following categories:

- Competency-based basic salary plus benefits.
- Performance-based incentive payments.
- Attraction and retention-based long-term incentives.

No executive director is involved in the setting of his/her own remuneration.

Basic salary and benefits

Salaries are reviewed annually against individual and Group performance, prevailing inflation and general economic conditions. Independent external surveys are used to ensure that remuneration is market related, relevant and appropriate.

All permanent employees are members of defined contribution pension/provident fund schemes governed by relevant legislation. The assets of the pension/provident funds are managed separately from the Group's assets. All permanent employees are required to belong to a medical aid scheme.

Performance-based incentives

Where applicable, annual performance-based incentive payments are made to employees. The quantum of such payments is dependent on individual performance relative to key benchmark measures. Bonuses are discretionary and are not determined using a formula. Payment to employees takes place annually.

Long-term incentives

The Group operates long-term share incentive schemes as a tool in aligning the interest of staff with those of the Group's shareholders. All of the share incentive schemes currently in operation have received the prior approval of Adcorp's shareholders. The original employee share incentive schemes were replaced by a new scheme in 2006 so as to give effect to changes in tax, accounting and regulatory treatment of share-based payments.

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

Executive director remuneration

Executive directors are remunerated on the same basis as senior management. Components of such remuneration consist of a basic salary and benefits, an annual performance-related payment and participation in the company's share incentive schemes.

Executive directors are employed under the company's standard employment contract. Remuneration is benchmarked against market-related levels and is subject to external professional advice when deemed necessary.

Executive directors do not have service contracts and employment is subject to a maximum three-month notice period. In the case of the CEO, the notice period is six months. Restraint agreements have been signed and all executive directors hold either shares or share options or both.

Non-executive director remuneration

Non-executive directors receive fees for their services as directors and for services provided as members of board committees. The level of fees paid to non-executive directors is based on current market practice. The annual amount of fees for non-executive directors is composed of a retainer portion plus an additional fee based on attendance. The total remuneration payable to non-executive directors requires approval of shareholders at the annual general meeting. Non-executive directors are not eligible to participate in the company's share incentive schemes.

Membership and attendance at the meeting held during the year was as follows:

		Status	Possible	Attended
MR Ramaite (Chairman) Appointed: 22 May 2008	Member	Non-Executive	1	1
FVZ Slabbert Resigned: 14 October 2009	Member	Non-Executive	–	–
AT Albäck Appointed: 16 February 2010	Member	Independent Non-Executive	1	1
RL Pike (CEO)	Ex officio	Executive	1	1
FD Burd (CFO)	Ex officio	Executive	–	–
AM Sher (CFO)	Ex officio	Executive	1	A

A = Apologies tendered and accepted.

Details of directors' remuneration and interests in shares appears in note 44 and 45 respectively.

The remuneration and nominations committee is satisfied that it has met the requirements of its charter.

MR Ramaite
Chairman, remuneration and nominations committee

23 June 2010

TRANSFORMATION COMMITTEE

Composition

Transformation committee membership is composed of non-executive directors and executives of the Group. The non-executive directors include representatives of Adcorp's BEE partners. The committee is chaired by a non-executive director.

Role

Transformation is an ongoing Group focus, and is addressed at all board meetings and executive committee meetings. The committee is responsible for implementing the Group's strategy for achieving its BEE transformation objectives and monitors all transformation-related activities.

The committee assists the Board in setting and administering transformation policies.

During the period under review, the committee:

- assisted the Board with the formulation of the transformation policy;
- provided strategic advice to management for the implementation of the transformation policy;
- monitored and reviewed employment equity and skills development within the Group; and
- reviewed corporate social investment projects on behalf of the Group.

Human resources

The Board has formalised a transformation programme whereby measurable objectives for the Group have been set in four areas:

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

The transformation framework has followed the strategic business plan of the Group and is supported with a performance measurement system focused on measuring the key objectives at all levels throughout the Group. The system facilitates effective planning, implementation and monitoring by the committee and reflects the individual and collective commitment of all directors and senior managers to the process.

A table detailing the number of employees and the employment equity status of the Group appears on page 45.

Procurement and enterprise development

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

BBBEE ownership

In terms of the BEE transaction concluded in 2007, Adcorp created and issued a total 16 822 849 'A' ordinary shares to its empowerment shareholders at a par value of 2,5 cents per share. 6 729 140 'A' ordinary shares are owned by a company called Moody Blue Trade and Invest 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.

Corporate 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 6.

Membership and attendance at the two meetings held during the year was as follows:

		Status	Possible	Attended
MR Ramaite *(Chairman)* Appointed: 22 May 2008	Member	Non-Executive	2	2
G Duda Resigned: 25 February 2010	Member	Non-Executive	2	1
D Marsden	Member	Non-Executive	2	2
C Bomela	Member	Executive	2	2
J Boonzaaier Dismissed: 6 November 2009	By invitation		1	1
A Ramsden Dismissed: 6 November 2009	By invitation		2	1
W Smith Resigned: 31 October 2009	By invitation		2	1

The transformation committee is satisfied that it has met the requirements of its charter.

MR Ramaite

Chairman, transformation committee

23 June 2010

EMPLOYMENT EQUITY – PERMANENT STAFF

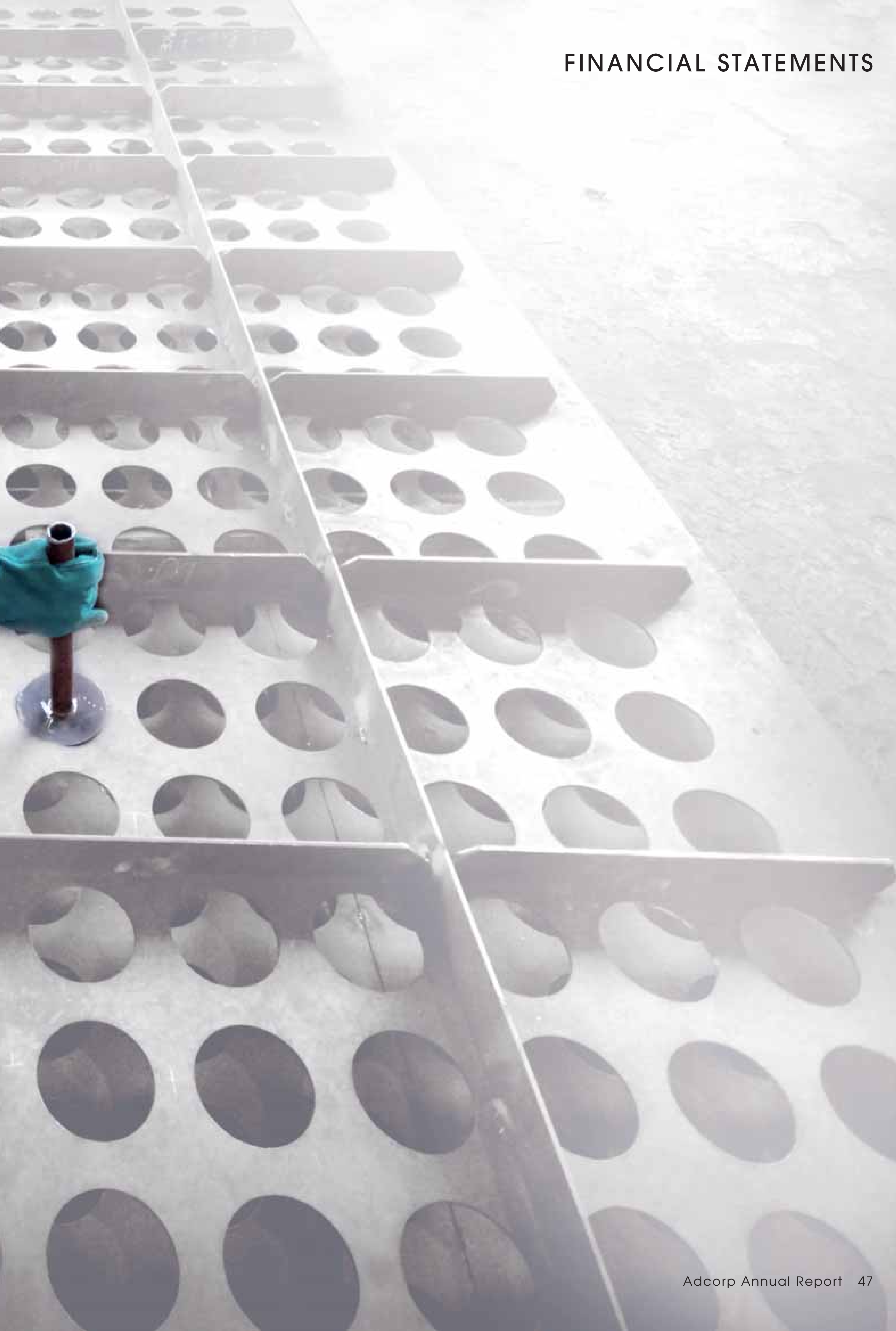
For the 12 months ended 31 March 2009*

		2009	2008	2007
Total workforce		2 390	2 405	1 755
Total employees with disabilities		22	20	18
Workforce profile				
Race and gender profile				
Non-designated Group (includes foreign nationals)		304	263	180
White females		688	704	618
Black males		522	508	274
Black females		876	930	683
Occupational level profile				
Management (top, senior, middle and junior)*		1 348	1 325	1 195
Non-management		1 042	1 080	560
Management profile by gender (top management, senior management, middle management, junior management)				
Females		956	960	945
Males		392	365	250
Management profile by race				
Black		592	610	535
White (includes foreign nationals)		756	715	660
Non-management profile by gender				
Females		635	702	379
Males		407	378	181
Non-management profile by race				
Black		806	828	422
White (includes foreign nationals)		236	252	138
Disability profile				
Management		11	11	9
Non-management		11	9	9
People with disabilities by gender				
Females		11	10	8
Males		11	10	10
Total employees before reporting cycle		2 405	1 755	1 810
Add:	Recruits (including intake from acquisitions)	1 389	1 775	1 441
Less:	Resignations	(625)	(11)	(103)
(Project staff)	Non-renewal of contracts (contract employees)	(639)	(594)	(1 022)
	Dismissals	(66)	(2)	(10)
	Retirements (included in Other in previous years)	(4)	n/a	n/a
	Deaths (included in Other in previous years)	(8)	n/a	n/a
	Retrenchments	(62)	(14)	(13)
Other (this item included deaths, retirements, abscontions, desertions, sales of companies up to and including 2008)		n/a	(469)	(348)
		2 390	2 440**	1 755

** The skills development reporting period runs from 1 April 2008 to 31 March 2009 and the equity reporting period has been aligned to this. The presentation of this table is consistent with prior years.*

***The difference of 35 is related to an incorrect classification. The correct classification has been reported in the 2009 figures.*

FINANCIAL STATEMENTS



SIX-YEAR REVIEW

	2010	2009	2008*	2006	2005	2004
STATEMENT OF COMPREHENSIVE INCOME						
Revenue (R'000)	**5 050 358**	4 837 123	4 430 105	2 700 216	2 359 652	1 980 116
Operating profit before IFRS adjustments, depreciation and amortisation (R'000)**	**–**	–	284 499	149 603	131 655	99 323
Normalised earnings before IFRS adjustments, depreciation and amortisation (EBITDA) (R'000)**	**279 749**	326 896	–	–	–	–
Operating profit including discontinued operations (R'000)**	**–**	–	108 723	125 165	116 407	85 493
Normalised operating profit (R'000)**	**243 728**	300 526	–	–	–	–
Profit before taxation (R'000)	**115 890**	194 155	168 171	136 460	102 139	78 465
Normalised effective tax rate (%)	**13,8**	24,1	18,3	23,5	30,5	23,0
Profit for the period (R'000)	**104 316**	144 073	126 968	105 620	67 129	59 333
Core headline earnings (R'000)**	**–**	–	183 080	108 077	65 185	56 917
Normalised earnings (R'000)**	**169 948**	206 024	–	–	–	–
STATEMENT OF FINANCIAL POSITION						
Fixed and other non-current assets (R'000)	**801 608**	845 422	675 449	138 372	119 723	141 541
Current assets (R'000)	**870 188**	868 178	714 485	511 496	438 307	349 035
Total assets (R'000)	**1 671 796**	1 713 600	1 389 934	649 868	558 030	490 576
Ordinary shareholders' interest (R'000)	**907 522**	803 481	667 750	310 703	249 706	215 945
Minority and BEE shareholders' interest (R'000)	**421**	421	421	82	2 456	3 070
Interest and non-interest-bearing non-current liabilities (R'000)	**197 543**	214 620	156 694	1 586	5 541	6 887
Deferred taxation (R'000)	**14 959**	35 050	38 540	3 424	1 777	
Current liabilities (R'000)	**551 351**	660 028	526 529	334 073	298 550	264 674
Total equity and liabilities (R'000)	**1 671 796**	1 713 600	1 389 934	649 868	558 030	490 576
PROFITABILITY						
Return on assets managed (ROAM) (%)	**31,8**	43,9	42,0	32,0	33,4	30,7
Return on equity (%)	**19,9**	28,0	30,0	34,0	28,5	29,2
Return on sales (operating margin) (%)	**4,8**	6,2	5,8	4,9	4,9	4,3
Normalised EBITDA/Revenue (%)	**5,5**	6,8	6,4	5,5	5,6	5,0
Number of employees	**2 390**	2 440	1 755	1 810	1 569	1 658
LIQUIDITY						
Cash generated by operations to operating profit (%)	**92,2**	80,6	101,7	74,9	79,4	102,9
Current ratio	**1,6**	1,3	1,5	1,5	1,5	1,3
Gearing (%)	**30,7**	37,6	30,4	6,0	–	0,6
Debtors days	**38**	35	30	36	33	36
STATISTICS						
Weighted average number of shares in issue ('000)	**53 903**	52 808	49 122	42 882	41 730	40 302
Core headline earnings per share (cents)**	**–**	–	372,7	252,0	195,1	158,2
Normalised earnings per share (cents)**	**315,3**	390,1	–	–	–	–
Earnings per share (cents)	**193,5**	272,8	258,5	251,8	156,2	141,2
Annual dividend per share (cents)***	**165**	222	215	168	140	–
Total capital/scrip distribution per share***	**–**	–	–	–	–	105
Dividend/capital/scrip distribution cover (times) based on normalised EPS	**1,9**	1,8	1,7	1,4	1,4	1,5
Net asset value per share (cents)	**1 545**	1 483	1 315	716	592	531

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

** *The Group's primary measure of performance changed from core headline earnings to normalised earnings.*

*** *On 4 May 2010, the board resolved, subject to shareholder approval at the annual general meeting (AGM) to be held on 23 July 2010, to issue fully paid shares in the company as a scrip distribution to ordinary shareholders. Ordinary shareholders will be entitled, in respect of all or part of their shareholding, to elect to receive a cash dividend of 115 cents (2009: 160 cents) per share in lieu of the scrip distribution.*

DEFINITIONS

CASH GENERATED BY OPERATING ACTIVITIES TO OPERATING PROFIT (CASH CONVERSION RATIO)

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.

NORMALISED EARNINGS

Normalised earnings excluding amortisation of intangibles arising on business combinations as well as share based payments and lease smoothing.

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/SCRIP DISTRIBUTION COVER

Normalised earnings divided by the capital/scrip distribution or annual dividend.

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 (ROAM)

Operating profit (before goodwill amortisation) 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) 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 opinion is set out on page 52.

The annual financial statements for the year ended 28 February 2010 set out on pages 48 to 93 were approved by the board of directors on 23 June 2010 and are signed on its behalf by:

RL Pike
Chief Executive Officer

AM Sher
Chief Financial Officer

Johannesburg
23 June 2010

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.

LJ Sudbury
Company Secretary

Johannesburg
23 June 2010

28 Sloane Street
Bryanston
2021

INDEPENDENT AUDITORS' REPORT

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 statement of financial position and the consolidated statement of financial position as at 28 February 2010, the statement of comprehensive income and the consolidated statement of comprehensive income, the statement of changes in equity and the consolidated statement of changes in equity, and the statement of cash flow and the consolidated statement of cash flow for the financial year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 53 to 93.

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 Adcorp Holdings Limited and of the Group as at 28 February 2010, 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

Deloitte & Touche
Per RM Duffy
Partner
23 June 2010

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 Risk 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 YEAR ENDED 28 FEBRUARY 2010

The directors have pleasure in submitting their report and financial statements for the year ended 28 February 2010.

NATURE OF BUSINESS

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

OVERVIEW

The financial results presented herewith for the year ended 28 February 2010, as well as for the comparative year.

Normalised earnings excludes the amortisation of intangibles arising on business combinations as well as share-based payments and lease-smoothing adjustments. The table below sets out the normalised earnings for the year ended 28 February 2010 as well as the comparative year.

International Financial Reporting Standards (IFRS) adjustments have had a significant impact on the figures presented for the year ended February 2010, mainly due to the non-cash flow amortisation of intangibles arising from the previous concluded acquisitions. In addition, the non-cash flow share-based payments arising from the BBBEE deal concluded in May 2007 has further impacted Group profits. The comparative year ended 28 February 2009 has been similarly affected. In order to make the figures meaningful, the non-cash flow IFRS adjustments have been eliminated in "Normalised earnings" for the current year as well as for the prior financial year-end period.

Normalised EBITDA of R279,7 million for the year ended 28 February 2010 is 14% below the R326,9 million for the comparative prior year, primarily as a result of the economic conditions discussed above. Normalised earnings per share for the year of 315,3 cents per share were some 19% lower than the normalised earnings per share for the comparable period. Headline earnings per share at 195,9 cents represent a 28% decline compared to the 272,1 cents for the previous year.

NORMALISED EARNINGS FOR THE YEARS AS INDICATED

	Year to 28 February 2010 R'000	Year to 28 February 2009 R'000	% change
Revenue	5 050 358	4 837 123	4
Cost of sales	(3 953 341)	(3 724 735)	(6)
Gross Profit	1 097 017	1 112 388	(1)
Other income	39 353	32 695	20
Administrative marketing, selling and operating expenses	(969 839)	(918 481)	(6)
Operating profit	166 531	226 602	(27)
Adjusted for:			
Depreciation	26 423	25 522	(4)
Amortisation of intangible assets	68 771	56 082	(23)
Share-based payments	19 008	18 316	(4)
Lease smoothing	(984)	374	363
EBITDA (excluding share-based payments and lease smoothing)	279 749	326 896	(14)
Adjusted for:			
Depreciation	(26 423)	(25 522)	(4)
Amortisation of intangibles other than those acquired in a business combination	(9 598)	(848)	(1 032)
Normalised operating profit	243 728	300 526	(19)
Net interest paid	(46 622)	(28 850)	(62)
Normalised profit before taxation	197 106	271 676	(27)
Taxation	(27 158)	(65 652)	59
Normalised profit for the year	169 948	206 024	(18)
Normalised effective tax rate	14%	24%	
Normalised earnings per share – cents	315,3	390,1	(19)
Diluted normalised earnings per share – cents	307,5	388,7	(20)
Weighted average No of shares – 000's	53 903	52 808	
Diluted weighted average No of shares – 000's	55 272	53 000	

DIRECTORS' REPORT continued

FOR THE YEAR ENDED 28 FEBRUARY 2010

The Group produced a satisfactory financial performance for the year ended 28 February 2010, despite a particularly tough year. In this regard, normalised diluted earnings for the year of 307,5 cents per share (2009: 388,7 cents per share) were some 20% lower than that for the comparable prior year.

This result has been achieved in the context of the severe recessionary conditions that characterised the South African economy. Whilst different entities within the Group experienced the effects of the recession in varying degrees, the dominant blue-collar flexible staffing businesses continued to perform well.

The growth in exposure to this sector was as a result of previous acquisitive activity and a strong contribution from our legacy business, Capacity. Additionally, the strategic decision to increase the Group's exposure to the Business Process Outsourcing (BPO) sector proved to be a good defensive move. An internally developed methodology to uniquely deliver learnerships in terms of prevailing legislation underpinned the Group's differentiated value-adding product and service offerings. Other factors like a blue-chip client base, selective industry exposures, and a proactive leadership focused on continuous productivity and efficiency improvement initiatives meant that the resultant financial performance proved to be resilient and robust in the context of a challenging South African economic environment.

The financial performance of the white-collar flexible staffing businesses and the permanent recruitment businesses were 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 decreased to an average 5,5% compared to the prior year average of 6,8%. Margins were negatively affected by pricing pressure in the white-collar space and reduced scale in the permanent recruiting businesses. Additional margin compression arose from the change in mix of business towards the typically lower margin blue-collar business coupled to the adverse impact arising from costs associated with retrenchment, restructuring, foreign exchange translation and the incremental number of delivered learnerships.

Debtors days outstanding slipped to an average 38 days compared to the previous year-end level of 35 days outstanding, due primarily to late payment by several public sector clients which skewed the result. Post the statement of financial position date, approximately R62 million of public sector debt was collected. This vindicated the Group's view that the collectability of these balances is not considered to be at risk. Had such collections been made prior to year-end, the average debtors days outstanding would have been 33 days, which is in line with the Group's target indicating a relatively healthy collections pattern within the Group's working capital cycle.

As reported to shareholders previously, the acquisition of Staff-U-Need (SUN) was concluded in August 2008. Consequently it has, for the first full year, been included in Group profits. The business has a specific focus on providing skilled and semi-skilled workers to the power-generation and engineering industries. It is thus anticipated that it will continue to be an important contributor to the Group in the future. The business has integrated well into the Group and is performing in line with expectations.

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. A major focus of management is to unlock the potential system benefits emanating from streamlined processes, enhanced management reporting and inherent sophistication built into other operating activities, including, but not limited to, centralised procurement, payroll management and credit control.

There has been much public debate with regard to the prospect of further regulation governing the a-typical or contract labour market. This is dealt with in more detail in the report of the chief executive officer. Adcorp continues to take 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.

Given a scarcity of reliable employment data, Adcorp, recently reinitiated the 'Adcorp Employment Index' which was first published in March 2009. It is the intention to publish this index on a monthly basis, thus facilitating a better, holistic understanding of the complex South African employment environment.

The table below sets out the Group abridged cash flow for the year ended 28 February 2010 as well as the comparative year:

	Audited year ended 28 February 2010 R'000	Audited year ended 28 February 2009 R'000
Cash generated by operations before working capital changes	280 009	326 827
(Increase) in working capital	(55 253)	(84 542)
Cash generated by operations	224 756	242 285
Net interest paid	(46 621)	(28 689)
Taxation paid	(58 258)	(50 713)
Free cash generated by operations	119 877	162 883
Net dividend paid	(118 379)	(126 638)
Cash inflows from operations	1 498	36 245
Cash outflows from investing activities	(81 901)	(231 891)
Cash inflows from financing activities	80 894	195 414
Net increase/(decrease) in cash and cash equivalents	491	(232)
Net cash and cash equivalents at the beginning of the year	(50 737)	(50 505)
Net cash and cash equivalents at the end of the year	(50 246)	(50 737)
Free cash generated by operations per share – cents	222,4	308,4

The R224,8 million of cash generated by operations is lower when compared with R242,2 million for the prior year largely due to the lower level of profitability and the non-payment by several public sector clients as mentioned above. Notwithstanding, the resultant 92% cash conversion ratio compares favourably with the 81% of the previous period. As a consequence of concerns raised by certain of the Group's bankers regarding the absolute level of debt within the Group, R112,5 million was raised in February 2010 by way of a general issue of shares for cash. Following implementation thereof, the Group's interest-bearing borrowings, as at the statement of financial position date, totalled R283,5 million compared with R304,8 million for the previous year. Accordingly the Group's gearing decreased from 38% in 2009 to 31% in the current year, with the mix of interest-bearing debt being 70% long term and 30% short term respectively.

As part of the capital restructuring strategy and given current market conditions, the board resolved to propose a scrip distribution with a cash dividend election as described more fully below.

The strategy of the Group shall continue to be predicated on the belief that unemployment, skills development and job creation remain the biggest challenges facing the South African economy. In this regard, the Group shall proactively engage in industry debate, thereby attempting to positively influence regulation whilst at the same time drive initiatives aimed at protecting revenue, realising efficiencies from various strategic initiatives, focusing on cash generation and seeking out quality acquisitions.

FOR THE YEAR ENDED 28 FEBRUARY 2010

SHARE CAPITAL

Movements in share capital during the year are shown below:

	Number 000's	R'000
Opening balance 1 March 2008		
Issued shares	50 831	1 271
Acquisitions of subsidiaries: 3 234 571 shares at 2,5 cents	3 235	81
Employee share scheme: 152 750 shares at 2,5 cents	153	3
Opening balance 1 March 2009		
Issued shares	54 219	1 355
General issue of shares for cash: 5 000 000 shares at 2,5 cents	5 000	125
Employee share scheme: 89 748 shares at 2,5 cents	90	3
Closing balance 28 February 2010	59 309	1 483

SHARE PREMIUM

Movements in share premium during the year are shown below:

	2010 R'000	2009 R'000
Opening balance 1 March 2009	384 594	283 070
3 000 ordinary shares created at a premium of R6,325 per share	19	–
– Employee combined option/deferred payment scheme (2009: 10 000) ordinary shares created at a premium of R8,825 per share	–	88
– Employee combined option/deferred payment scheme (2009: 750) ordinary shares created at a premium of R10,3750 per share	–	8
– Employee combined option/deferred payment scheme 39 000 (2009:120 000) ordinary shares created at a premium of R11,975 per share	467	1 437
– Employee combined option/deferred payment scheme 39 500 (2009: 22 000) ordinary shares created at a premium of R12,975 per share	513	285
– Employee combined option/deferred payment scheme (2009: 3 234 571) ordinary shares created at a premium of R30,8250 per share – to purchase Staff-U-Need	–	99 706
5 000 000 ordinary shares created at a premium of R22,4750 per share pursuant to a general issue of shares for cash	112 375	–
Closing balance 28 February 2010	497 968	384 594

DIVIDEND

On 4 May 2010, the board resolved, subject to shareholder approval at the annual general meeting (AGM) to be held on 23 July 2010, to issue fully paid shares in the company as a scrip distribution to ordinary shareholders. Ordinary shareholders will be entitled, in respect of all or part of their shareholding, to elect to receive a cash dividend of 115 cents (2009: 160 cents) per share in lieu of the scrip distribution. The cash dividend which, together with the interim dividend of 50 cents per share, results in a total distribution in respect of the financial year ending 28 February 2010 of 165 cents per share.

A circular relating to the scrip distribution and the cash dividend election was posted to shareholders on 30 June 2010.

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 SHARE TRUST

The Adcorp Share Trust was introduced in 1987 and expanded during 1989 to include a share purchase scheme and again in 1994, 1997 and 2000 to allow for the creation of a combined option/deferred payment scheme.

Under this scheme, options to purchase shares have been granted on 185 744 shares (2009: 267 244) as at 28 February 2010. 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 Share Trust appear below:

Opening balance 1 March 2009			Option granted/(cancelled)/(exercised)							Closing balance 28 February 2010		
Quantity	Price (R)	Value (R)	Date option granted	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	–	–	–	(3 000)	6,35	(19 050)	30 000	6,35	190 500
10 000	8,85	88 500	31/05/02	–	–	–	–	8,85	–	10 000	8,85	88 500
29 244	11,90	348 004	31/05/01	–	–	–	–	11,90	–	29 244	11,90	348 004
92 000	12,00	1 104 000	31/05/00	–	–	–	(39 000)	12,00	(468 000)	53 000	12,00	636 000
103 000	13,00	1 339 000	31/05/04	–	–	–	(39 500)	13,00	(513 500)	63 500	13,00	825 500
267 244		3 089 054		–	–	–	(81 500)		(1 000 550)	185 744		2 088 504

ADCORP EMPOWERMENT SHARE INCENTIVE TRUST

The trust owns 38 802 (2009: 42 802) Adcorp shares of which 30 302 (2009: 42 802) shares were unallocated as at 28 February 2010 as a result of employees leaving the Group. 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	8 500
Unallocated	30 302
Total	**38 802**

Movements for the year in the Adcorp Empowerment Share Incentive Trust:

Opening balance 1 March 2009			Option granted/(cancelled)/(exercised)							Closing balance 28 February 2010		
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	–	–	–	–	(4 000)	8,85	(35 400)	8 500	8,85	75 225
30 302									unallocated	30 302		
42 802		110 625	–	–	–	–	(4 000)	–	(35 400)	38 802		75 225

ADCORP HOLDINGS 2006 SHARE TRUST

Under the Adcorp Holdings 2006 Share Trust, 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 Adcorp Holdings 2006 Share Trust 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 2010, the value inherent in the 13 542 500 shares below was R37 401 476. Based on the share price of that date of R27,00 per share, this would have required the issue of 1 385 240 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 2009			Option granted/(cancelled)/(exercised)								Closing balance 28 February 2010		
Quantity	Price (R)	Value (R)	Date option granted	Quantity SARS granted	Quantity PFs granted	Value of SARS and PFs granted	Forfeited	Quantity exercised	Price (R)	Value (R)	Quantity	Price (R)	Value (R)
238 000	18,15	4 319 700	22/11/05	–		–		(30 500)*	18,15	(553 575)	207 500	18,15	3 766 125
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	–		–	(100 000)	–	32,31	(3 231 000)	2 750 000	32,31	88 852 500
100 000	37,80	3 780 000	30/11/07	–		–		–	–	–	100 000	37,80	3 780 000
2 755 000	31,02	85 460 100	01/03/08	–		–	(550 000)	–	31,02	(17 061 000)	2 205 000	31,02	68 399 100
–	16,50	–	01/03/09	2 880 000	–	47 520 000	(580 000)	–	16,50	(9 570 000)	2 300 000	16,50	37 950 000
–	16,50	–	01/03/09	–	965 000	15 922 500	(195 000)	–	16,50	(3 217 500)	770 000	16,50	12 705 000
–	26,39	–	26/02/10	2 470 000	–	65 183 300	–	–	–	–	2 470 000	26,39	65 183 300
–	26,39	–	26/02/10	–	840 000	22 167 600	–	–	–	–	840 000	26,39	22 167 600
7 843 000		235 632 300		5 350 000	1 805 000	150 793 400	(1 425 000)	(30 500)*		(33 633 075)	13 542 500		352 792 625

** The 30 500 SARS exercised during the year converted into the issue of 8 248 ordinary shares.*

ADCORP EMPLOYEE BENEFIT TRUST

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 Adcorp Employee Benefit Trust owns 6 729 140 (2009: 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 28 February 2010 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 92 and 93.

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

	2010 R'000	2009 R'000
Total profit after taxation	143 951	204 596
Total losses after taxation	(30 196)	(2 674)
	113 755	201 922

SIGNIFICANT SHAREHOLDERS

Details of significant shareholders are included on page 96.

SPECIAL RESOLUTIONS

One special resolution was approved at the previous AGM held on 26 August 2009 and duly registered on 29 September 2009. This related to the general authority granted to the directors of the company to facilitate the repurchase by the company, or any of its subsidiaries, of shares in the capital of the company, in accordance with the provisions of the companies Act, 61 of 1973, the JSE Listings Requirements and the articles of association of the company.

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 44 and 45 on pages 88 and 89 of the annual financial statements.

SUBSEQUENT EVENTS

No subsequent events have to come to the attention of directors.

DIRECTORATE AND SECRETARY

The names of the directors and Company Secretary are set out on pages 30, 31 and 51 respectively. Changes to the directorate during 2009/10 are detailed on pages 33 and 36.

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 28 FEBRUARY 2010

	Notes	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
ASSETS					
Non-current assets		801 608	845 422	653 938	654 066
Property, plant and equipment	4	53 405	59 807	–	–
Intangible assets	5	179 334	209 087	–	–
Goodwill	6	554 290	555 208	–	–
Investment in subsidiaries	7	–	–	653 069	653 072
Investment in associates	8	–	100	–	–
Other financial assets	9	910	1 170	869	994
Derivative financial instrument	10	–	702	–	–
Deferred taxation	11	13 669	19 348	–	–
Current assets		870 188	868 178	568 171	488 872
Trade and other receivables and prepayments	12	717 047	685 943	391	–
Amounts due by subsidiary companies	13	–	–	567 780	488 872
Assets classified as held-for-sale	14	845	845	–	–
Taxation prepaid		14 703	330	–	–
Cash resources	50	137 593	181 060	–	–
Total assets		1 671 796	1 713 600	1 222 109	1 142 938
EQUITY AND LIABILITIES					
Capital and reserves		907 943	803 902	605 502	604 741
Share capital	15	1 483	1 355	1 904	1 776
Share premium	16	497 968	384 594	497 968	384 594
Treasury shares	17	(13 293)	(592)	–	–
Non-distributable reserve	18	–	–	119 918	119 918
Foreign currency translation reserve	19	(1 124)	(372)	–	–
Accumulated profit/(loss)		422 488	418 496	(14 288)	98 493
Equity attributable to equity holders of the parent		907 522	803 481	605 502	604 781
BEE shareholders' interest	20	421	421	–	–
Non-current liabilities		212 502	249 670	59 912	78 755
Other non-current liabilities	21	5 034	2 700	–	–
Long-term loan – interest bearing	22	59 912	78 755	59 912	78 755
Redeemable preference shares – interest bearing	23	130 000	130 000	–	–
Obligations under finance lease	24	2 597	3 165	–	–
Deferred taxation	11	14 959	35 050	–	–
Current liabilities		551 351	660 028	556 695	459 402
Non-interest-bearing current liabilities		327 799	388 791	361 685	216 495
Trade and other payables	25	249 073	257 918	1 700	–
Amounts due to subsidiary companies	13	–	–	359 675	216 299
Amounts due to vendor	26	–	32 353	–	–
Provisions	27	77 850	83 737	–	–
Taxation		876	14 783	310	196
Interest-bearing current liabilities		223 552	271 237	195 010	242 907
Current portion of other – non-current liabilities	21/24	2 124	3 138	–	–
Current portion of long-term loan	22	31 227	32 871	31 227	32 871
Current portion of redeemable preference shares	23	2 362	3 431	–	–
Bank overdrafts	50	187 839	231 797	163 783	210 036
Total equity and liabilities		1 671 796	1 713 600	1 222 109	1 142 938

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY 2010

	Notes	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
Revenue	28	5 050 358	4 837 123	–	–
Cost of sales	30	(3 953 341)	(3 724 735)	–	(48)
Gross profit		1 097 017	1 112 388	–	(48)
Other income	31	39 353	32 695	–	27 306
Administration expenses		(346 123)	(305 615)	(2 357)	(23 074)
Marketing and selling expenses		(451 326)	(451 956)	(138)	(3 581)
Other operating expenses		(172 390)	(160 910)	–	(1 490)
Operating profit/(loss)	32	166 531	226 602	(2 495)	(887)
Interest received	33	12 859	19 782	35 741	25 102
Interest paid	34	(62 127)	(52 914)	(31 112)	(25 759)
Dividends received		–	–	–	56 797
Share of profits from associates		–	18	–	–
Impairment of investments and goodwill		(984)	–	–	–
Impairment of loans		–	–	–	36 988
Loss on sale of investment		–	–	(1 185)	–
(Loss)/profit on disposal of property and equipment		(389)	667	–	–
Profit before taxation		115 890	194 155	949	92 241
Taxation	35	(11 574)	(50 082)	(13 138)	(13 773)
Profit/(loss) for the year		104 316	144 073	(12 189)	78 468
Other comprehensive income					
Exchange differences on translating foreign operations		(752)	316	–	–
Fair value adjustment of derivative financial instrument		(1 064)	(2 439)	–	–
Taxation		201	683	–	–
Other comprehensive loss for the year, net of tax		(1 615)	(1 440)	–	–
Total comprehensive income/(loss) for the year		102 701	142 633	(12 189)	78 468
Profit/(loss) attributable to:					
Owners of the parent		104 316	144 073	(12 189)	78 468
Total comprehensive income/(loss) attributable to:					
Owners of the parent		102 701	142 633	(12 189)	78 468
Earnings per share					
Basic (cents)	36	193,5	272,8	–	–
Diluted (cents)	36	188,7	271,8	–	–
Distribution to shareholders during the year		210	222	–	–
Interim dividend (cents)		50	62	–	–
Final dividend (cents) in respect of prior year		160	160	–	–

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2010

	Share capital R'000	Share premium R'000	Treasury shares R'000	Foreign currency translation reserve R'000	Non-distri-butable reserve R'000	Accumu-lated profit R'000	Attributable to equity holders of the parent R'000	BEE share-holders' interest R'000	Total R'000
GROUP									
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 plan	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	–	–	109	–	–	(126 935)	(126 826)	–	(126 826)
Profit for the year	–	–	–	–	–	144 073	144 073	–	144 073
Other comprehensive income for the year	–	–	–	316	–	(1 756)	(1 440)	–	(1 440)
Balance as at 28 February 2009	1 355	384 594	(592)	(372)	–	418 496	803 481	421	803 902
Issue of ordinary shares under employee share option plan	3	999	–	–	–	–	1 002	–	1 002
Buy-back of ordinary shares	–	–	(12 822)	–	–	–	(12 822)	–	(12 822)
Issue of shares pursuant to a general issue of shares for cash	125	112 375	–	–	–	–	112 500	–	112 500
Treasury shares sold	–	–	31	–	–	–	31	–	31
Dividend distributions	–	–	90	–	–	(118 469)	(118 379)	–	(118 379)
Recognition of BBBEE and staff share-based payments	–	–	–	–	–	19 008	19 008	–	19 008
Profit for the year	–	–	–	–	–	104 316	104 316	–	104 316
Other comprehensive income for the year	–	–	–	(752)	–	(863)	(1 615)	–	(1 615)
Balance as at 28 February 2010	**1 483**	**497 968**	**(13 293)**	**(1 124)**	**–**	**422 488**	**907 522**	**421**	**907 943**
COMPANY									
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 plan	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)
Total comprehensive income for the year	–	–	–	–	–	78 468	78 468	–	78 468
Balance as at 28 February 2009	1 776	384 594	–	–	119 918	98 493	604 781	–	604 781
Issue of ordinary shares under employee share option plan	3	999	–	–	–	–	1 002	–	1 002
Issue of shares pursuant to a general issue of shares for cash	125	112 375	–	–	–	–	112 500	–	112 500
Dividend distributions	–	–	–	–	–	(119 600)	(119 600)	–	(119 600)
Recognition of BBBEE and staff share-based payments	–	–	–	–	–	19 008	19 008	–	19 008
Total comprehensive loss for the year	–	–	–	–	–	(12 189)	(12 189)	–	(12 189)
Balance as at 28 February 2010	**1 904**	**497 968**	**–**	**–**	**119 918**	**(14 288)**	**605 502**	**–**	**605 502**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2010

		GROUP		COMPANY	
	Notes	2010 R'000	2009 R'000	2010 R'000	2009 R'000
OPERATING ACTIVITIES					
Profit before taxation and dividends		115 890	194 155	949	92 241
Adjusted for:					
Dividends received		–	–	–	(56 797)
Depreciation		26 423	25 522	–	235
Impairment of assets, loans and goodwill		984	–	–	(36 988)
Amortisation of intangible assets		68 771	56 083	–	–
Amortisation of financial asset		260	130	–	–
Loss/(profit) on disposal of property and equipment		389	(667)	–	–
Loss on sale of investments		–	–	1 185	–
Fair value adjustments		2 647	4 281	–	–
Share of profits from associates		–	(18)	–	–
Share-based payments expense		19 008	18 316	–	3 834
Non-cash portion of operating lease rentals		(984)	374	–	57
Other non-cash flow income		–	(38)	–	–
Interest paid		59 480	48 632	31 112	25 759
Interest received		(12 859)	(19 943)	(35 741)	(25 102)
Cash generated/(utilised) by operating activities before working capital changes		280 009	326 827	(2 495)	3 239
(Increase)/decrease in trade and other receivables and prepayments		(31 856)	(72 533)	(391)	5 043
(Decrease)/increase in trade and other payables and provisions		(14 732)	(12 009)	1 700	85 259
Net movement in preacquisition and fellow subsidiaries' intercompany accounts		(8 665)	–	82 294	(248 492)
Cash generated/(utilised) by operations		224 756	242 285	81 108	(154 951)
Interest paid		(59 480)	(48 632)	(31 112)	(25 759)
Interest received		12 859	19 943	35 741	25 102
Taxation paid	46	(58 258)	(50 713)	(13 024)	(16 632)
Dividend paid	47	(118 379)	(126 638)	(119 510)	(70 029)
Net cash generated/(utilised) by operating activities		1 498	36 245	(46 797)	(242 269)
INVESTING ACTIVITIES					
Additions to property, equipment and intangible assets	48	(44 643)	(58 060)	–	(68)
Proceeds from sale of property and equipment		2 705	904	–	–
Acquisition of businesses	49	(4 998)	(174 985)	–	–
Net movement on loan from associate		35	–	35	–
Vendor loan (repayments)/receipts		(35 000)	250	–	250
Net cash (utilised)/generated by investing activities		(81 901)	(231 891)	35	182
FINANCING ACTIVITIES					
Issue of shares pursuant to a general issue of shares for cash		113 533	101 608	113 502	101 608
Share buy-back		(12 822)	–	–	–
Purchase of financial asset		–	(1 300)	–	–
Long-term loan raised		–	120 000	–	120 000
Long-term loan repaid		(20 487)	(28 374)	(20 487)	(8 374)
Decrease in non-current interest-bearing liabilities		670	3 480	–	–
Net cash generated by financing activities		80 894	195 414	93 015	213 234
Net increase/(decrease) in cash and cash equivalents		491	(232)	46 253	(28 853)
Net cash and cash equivalents at the beginning of the year		(50 737)	(50 505)	(210 036)	(181 183)
Net cash and cash equivalents at the end of the year	50	(50 246)	(50 737)	(163 783)	(210 036)

SEGMENT REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2010

	Central costs	Staffing	BPO	Total
REVENUE				
– 2010 (R'000)	238	4 808 871	241 249	5 050 358
– 2009 (R'000)	–	4 604 249	232 874	4 837 123
Internal revenue				
– 2010 (R'000)	–	19 292	–	19 292
– 2009 (R'000)	–	13 481	1 497	14 978
Operating profit/(loss)				
– 2010 (R'000)	(29 621)	160 643	35 509	166 531
– 2009 (R'000)	(29 528)	236 479	19 651	226 602
EBITDA excluding share-based payments and lease smoothing				
– 2010 (R'000)	(23 030)	225 747	77 032	279 749
– 2009 (R'000)	(22 245)	296 364	52 777	326 896
EBITDA margin excluding share-based payments and lease smoothing				
– 2010 (%)	–	4,7	31,9	5,5
– 2009 (%)	–	6,4	22,7	6,8
EBITDA excluding share-based payments and lease-smoothing contribution % to Group EBITDA				
– 2010 (%)	(8,2)	80,7	27,5	100
– 2009 (%)	(6,8)	90,7	16,1	100
Depreciation and amortisation				
– 2010 (R'000)	786	56 204	38 204	95 194
– 2009 (R'000)	381	51 697	29 526	81 604
Interest income				
– 2010 (R'000)	2 559	6 094	4 206	12 859
– 2009 (R'000)	1 334	12 404	6 044	19 782
Interest expense				
– 2010 (R'000)	2 104	(63 381)	(850)	(62 127)
– 2009 (R'000)	(6 787)	(41 547)	(4 580)	(52 914)
Taxation expense/(income)				
– 2010 (R'000)	13 136	(4 063)	2 501	11 574
– 2009 (R'000)	13 791	32 912	3 379	50 082
Asset carrying value				
– 2010 (R'000)	11 695	1 371 245	288 856	1 671 796
– 2009 (R'000)	8 092	1 335 722	369 786	1 713 600
Liabilities carrying value				
– 2010 (R'000)	172 949	409 609	181 295	763 853
– 2009 (R'000)	225 480	492 069	192 149	909 698
Additions to property, plant and equipment				
– 2010 (R'000)	3 086	14 078	5 950	23 114
– 2009 (R'000)	341	16 557	10 664	27 562

Note

No segmental information is provided in respect of geographical analysis as the Group operates mainly in South Africa. Refer to note 29 for further details regarding business segments. The information as presented is consistent with the amounts provided to the Chief Operating decision maker within the Group.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2010

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 2010 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 2: Share-based Payments – Amendment relating to vesting conditions and cancellations.
IFRS 3: Business Combinations – Certain revisions to accounting for business combinations applicable to the Group's financial year commencing March 2009.
IFRS 3: Business Combinations – Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS. Measurement of non-controlling interests. Un-replaced and voluntarily replaced share-based payment awards. Annual periods beginning on or after 1 July 2010. Earlier application is permitted.
IFRS 7: Financial Instruments Disclosures – Classification of disclosures. Annual periods beginning on or after 1 January 2011. Earlier application is permitted.
IFRS 9: Financial Instruments – Classification and Measurement.
IAS 1: Presentation of Financial Instruments – Clarification of statement of changes in equity. Annual periods beginning on or after 1 January 2011. Earlier application is permitted.
IAS 24: Related Party Disclosures – Revised definition of related parties.
IAS 27: Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3. Annual periods beginning on or after 1 July 2010. Earlier application is permitted.
IAS 27: Consolidated and Separate Financial Statements – Transition requirements for amendments arising as a result of IAS 27 (amended 2008).
IAS 28: Investments in Associates – Consequential amendments arising from amendments to IFRS 3.
IAS 31: Interests in Joint Ventures – Amendments resulting from May 2008 Annual Improvements to IFRSs.
IAS 32: Financial Instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation.
IAS 34: Interim Financial Reporting – Significant events and transactions. Annual periods beginning on or after 1 January 2011. Earlier application is permitted.
IAS 39: Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items.
IAS 39: Financial Instruments: Recognition and Measurement – Amendments resulting from May 2008 Annual Improvements to IFRSs.

In April 2009, the IASB released a number of improvements to a whole range of existing accounting standards. These improvements will be applicable to the Group's financial year commencing March 2010.

New interpretations

IFRIC 13: Customer Loyalty Programmes – Fair value of award credits. Annual periods beginning on or after 1 January 2011. Earlier application is permitted.
IFRIC 17: Distributions of Non-cash assets to owners – applicable to the Group's financial year commencing March 2010.
IFRIC 18; Transfers of Assets from Customers – applicable to the Group's financial year commencing March 2010.
IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments – applicable to the Group's financial year commencing March 2010.

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 IAS 1: Presentation of Financial Statements, and IFRS 8: Operating Segments 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 statement of comprehensive income 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 year. Taxable profit differs from profit as reported in the statement of comprehensive income 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 reporting date.

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 statement of financial position 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 reporting 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 other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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 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.
- 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 reporting 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 statement of financial position 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
For the purpose of presenting the Group's consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Rands using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

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.

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 2005, 2006, 2008, 2009 as well as those granted in 2010.

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 statement of financial position 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 reporting 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 statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income, 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 statement of comprehensive income 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 statement of financial position date in accordance with the Basic Conditions of Employment Act. Details of the provision for leave pay are provided in note 27.

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 Crestfin Group. 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 42.

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.

4. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and leasehold improvements 2010 R'000	Computer and office equipment, furniture and fittings 2010 R'000	Capitalised leased assets 2010 R'000	Total 2010 R'000	Total 2009 R'000
GROUP					
Balance at the beginning of the year	16 749	39 372	3 686	59 807	58 394
Assets at cost	27 326	118 116	4 264	149 706	134 105
Accumulated depreciation	(10 577)	(78 744)	(578)	(89 899)	(75 711)
Current year movements					
Additions	5 261	17 193	660	23 114	27 563
Reclassified as held-for-sale	–	–	–	–	(845)
Acquisitions through business combinations	–	–	–	–	606
Disposals	–	(3 093)	–	(3 093)	(389)
Cost	–	(11 267)	–	(11 267)	(11 723)
Accumulated depreciation	–	8 174	–	8 174	11 334
Depreciation	(5 522)	(19 670)	(1 231)	(26 423)	(25 522)
Net book value at the end of the year	16 488	33 802	3 115	53 405	59 807
Represented by:					
Assets at cost	32 587	124 042	4 924	161 553	149 706
Accumulated depreciation	(16 099)	(90 240)	(1 809)	(108 148)	(89 899)
Net book value at the end of the year	16 488	33 802	3 115	53 405	59 807
COMPANY					
Balance at the beginning of the year	–	–	–	–	910
Assets at cost	–	–	–	–	4 465
Accumulated depreciation	–	–	–	–	(3 555)
Additions	–	–	–	–	68
Depreciation	–	–	–	–	(235)
Transferred to another company	–	–	–	–	(743)
Assets at cost	–	–	–	–	(4 533)
Accumulated depreciation	–	–	–	–	3 790
Net book value at the end of the year	–	–	–	–	–
Represented by:					
Assets at cost	–	–	–	–	–
Accumulated depreciation	–	–	–	–	–
Net book value at the end of the year	–	–	–	–	–

The registers of land and buildings are open for inspection at the registered office of the company and its subsidiaries.

Land and buildings are provided as security for the mortgage bonds provided to the Group with a carrying value of R16,5 million (2009: R16,7 million) (refer to note 21).

The Group's obligations under finance leases (refer to note 24) are secured by the lessor's title to the leased assets, which have a carrying amount of R3,1 million (2009: R3,7 million).

5. INTANGIBLE ASSETS

	Capitalised development 2010 R'000	Trade-marks 2010 R'000	Accredi-tation of programmes 2010 R'000	Customer base 2010 R'000	Other 2010 R'000	Total 2010 R'000	Total 2009 R'000
GROUP							
Balance at the beginning of the year	70 527	6 348	854	130 291	1 067	209 087	182 270
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)
Additions	–	–	316	24	–	340	5 069
Additions from internal developments	21 189	–	–	–	–	21 189	25 428
Acquisitions through business combinations	–	–	–	–	17 489	17 489	52 403
Amortisation expense	(8 073)	(1 463)	(254)	(56 068)	(2 913)	(68 771)	(56 083)
Net book value at the end of the year	83 643	4 885	916	74 247	15 643	179 334	209 087
Represented by:							
Assets at cost	91 716	12 578	1 462	231 688	21 120	358 564	319 546
Accumulated amortisation	(8 073)	(7 693)	(546)	(157 441)	(5 477)	(179 230)	(110 459)
Net book value at the end of the year	83 643	4 885	916	74 247	15 643	179 334	209 087

The capitalised development represents costs incurred to date on the development of the Dynamix AX ERP System. The software has been amortised over its estimated useful life of 10 years.

Trademarks are amortised over its estimated useful life of 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 were recognised on the acquisition of Margie Middleton and Associates in prior years being learning programmes, NQF accreditations, methodologies and tool development. The asset is amortised over its estimated useful life of five years.

Included in "Other" is the employee benefit business (EBB) and payroll card business (PCB) that was acquired in the purchase of the business of Crestfin Group during the current year. EBB and PCB are amortised over the estimated useful lives which is 3,5 years.

Amortisation of intangible assets is disclosed in operating profit (refer to note 32).

	GROUP		COMPANY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
6. GOODWILL				
Cost				
Opening balance	581 289	429 061	–	–
Additional amounts recognised from business combinations during the year	–	152 228	–	–
Closing balance	581 289	581 289	–	–
Impairment				
Opening balance	(26 081)	(26 081)	–	–
Impairment of goodwill during the year	(918)	–	–	–
Closing balance	(26 999)	(26 081)	–	–
Carrying amount at the end of the year	554 290	555 208	–	–

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	
	2010 R'000	2009 R'000
Staffing	391 651	392 569
Business process outsourcing	162 639	162 639
	554 290	555 208

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 6% 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 year.

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 9,9% (2009: 11,06%).

During the year, a subsidiary company incurred trading losses as a consequence of the severe recessionary conditions. In this regard, the recoverable amount based on the value in use calculation was less than the goodwill attributable to this subsidiary. The Group determined that goodwill assosiated with this subsidiary was impaired by R0,918 million (2009: nil). The subsidiary in question operates within the staffing segment.

	GROUP		COMPANY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
7. INVESTMENT IN SUBSIDIARIES				
(for details refer to Annexure A)				
Shares at cost less amounts written off	–	–	653 069	653 072
Shares at cost	–	–	659 795	659 798
Less: Provision for impairment of investment	–	–	(6 726)	(6 726)
Directors' valuation	–	–	1 601 346	1 111 497

The directors have valued the underlying cash generating units at a value in excess of the group market capitalisation as at the financial reporting date. As a consequence, the directors' valuation shown above has been limited to the abovementioned market capitalisation value.

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

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
8. INVESTMENT IN ASSOCIATES				
(for details of the Group refer to Annexure A)				
Carrying values at the beginning of the year	100	270	–	–
Decrease in investment	(35)	(188)	–	–
Impairment of investment	(65)	–	–	–
Share of current year earnings (net of dividends received)	–	18	–	–
Total investment in associates	–	100	–	–
Directors' valuation	–	100	–	–
Summarised financial information in respect of the Group's associates is set out below:				
Total assets	–	179	–	–
Total liabilities	–	(8)	–	–
Net assets	–	171	–	–
Total revenue	–	58	–	–
Total profit for the year	–	36	–	–

During the current year the activities of the associate were minimal and as a consequence, the carrying amount is unlikely to be recovered. It is not anticipated that such activities will resume and thus the Directors have impaired the value of this associate to nil.

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
9. OTHER FINANCIAL ASSETS				
Adcorp Empowerment Share Incentive Trust	–	–	869	994
38 802 at R8,85 (2009: 42 802 shares at R8,85)	–	–	343	379
Loan to PDI Share Trust	–	–	526	615
Held-to-maturity investment carried at amortised cost				
Raising fee	910	1 170	–	–
	910	1 170	869	994

A raising fee of R1,3 million was paid to Standard Bank in respect of the R120 million 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 R0,260 million was amortised to the statement of comprehensive income.

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
10. DERIVATIVE FINANCIAL INSTRUMENT				
Derivatives designated and effective as hedging instruments carried at fair value				
Interest rate cap	–	702	–	–

Details are shown below:

Inception date:	25 May 2007
Termination date:	31 May 2010
Nominal cost of cap:	R941 351

The financial instrument was a designated hedge, which was purchased to cover R100 million of the redeemable preference shares. The effective interest rate on the cap was 13%. The fair value of the financial instrument was determined by an independent party using market data and the effective interest rate method.

11. DEFERRED TAXATION

	As at 28 Feb 2009 R'000	Adjustment to prior year balance R'000	Charged to the statement of comprehensive income R'000	Charged to statement of changes in equity R'000	Arising on business combination R'000	As at 28 Feb 2010 R'000
GROUP						
Tax effect of:						
Deferred tax raised on provisions	21 508	–	(5 623)	–	–	15 885
Excess tax allowances and depreciation charge	(60)	–	(77)	–	–	(137)
Expenditure incurred but not allowable for tax purposes in the period in which it is incurred	(37 891)	–	17 306	–	(3 826)	(24 411)
Rate change adjustment	(80)	–	80	–	–	–
Operating lease timing adjustments	968	–	310	–	–	1 278
Computed losses	2 526	–	6 575	–	–	9 101
Other	(2 673)	43	(212)	(164)	–	(3 006)
	(15 702)	43	18 359	(164)	(3 826)	(1 290)

	28 Feb 2010 R'000	28 Feb 2009 R'000
Analysed as:		
Deferred tax assets	13 669	19 348
Deferred tax liabilities	(14 959)	(35 050)
	(1 290)	(15 702)

	GROUP		COMPANY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS	717 047	685 943	391	–
Trade receivables	678 393	566 379	–	–
Provision for credit losses	(7 041)	(6 535)	–	–
Deposits and staff loans	2 337	4 307	–	–
Prepayments	15 171	11 674	–	–
Other	28 187	110 118	391	–
The Group partakes in learnerships that are registered with the Services Seta and receives grants in order to develop its employees.				
During the current period the Group incurred training expenses of R13 203 610 (2009: R12 520 336) 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:	8 023	4 701	–	–
Opening balance	4 701	5 896	–	–
Claims submitted	13 204	12 521	–	–
Grants received	(9 882)	(13 716)	–	–
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:	678 393	566 379	–	–
Domestic	660 981	528 761	–	–
Foreign	17 412	37 618	–	–
The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:	678 393	566 379	–	–
Agriculture, hunting, forestry and fishing	9 123	–	–	–
Community, social and personal services	96 889	137 629	–	–
Construction	88 150	41 912	–	–
Manufacturing	166 357	142 728	–	–
Financial intermediation, insurance, real estate and business services	123 637	151 790	–	–
Electricity, gas and water supply	70 839	2 266	–	–
Transport, storage and communication	71 818	52 673	–	–
Mining and quarrying	26 225	6 797	–	–
Wholesale and retail, repair of motor vehicles, motor cycles, personal and household goods, and hotels and restaurants	25 355	30 584	–	–

Debtors days outstanding at end February 2010 was 38 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 term loan and the redeemable preference share loan as disclosed in notes 22 and 23 respectively.

	GROUP				COMPANY			
	Gross 2010 R'000	Impairment 2010 R'000	Gross 2009 R'000	Impairment 2009 R'000	Gross 2010 R'000	Impairment 2010 R'000	Gross 2009 R'000	Impairment 2009 R'000
12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS continued								
The ageing of trade receivables and the provision for credit losses at the reporting date was:	678 393	(7 041)	566 379	(6 535)	–	–	–	–
Not past due	460 720	–	409 964	–	–	–	–	–
Past due 0 – 30 days	118 755	–	90 379	(35)	–	–	–	–
Past due 31 – 60 days	29 591	–	24 888	(69)	–	–	–	–
Past due 61 – 120 days	18 230	(488)	17 274	(81)	–	–	–	–
Past due 121 – 365 days	51 097	(6 553)	23 565	(6 041)	–	–	–	–
More than one year	–	–	309	(309)	–	–	–	–
Movement in the provision for credit losses during the period under review was as follows:								
Closing balance	–	7 041	–	6 535	–	–	–	–
Balance at the beginning of the year	–	6 535	–	12 822	–	–	–	–
Amounts written off	–	(2 194)	–	(2 563)	–	–	–	–
Provision raised/(released)	–	2 700	–	(3 724)	–	–	–	–

	GROUP		COMPANY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
13. AMOUNTS DUE TO/(BY) SUBSIDIARY COMPANIES			208 105	272 573
(for details refer to Annexure A)				
Amounts due by subsidiary companies			567 780	488 872
Amounts due to subsidiary companies			(359 675)	(216 299)
14. ASSETS CLASSIFIED AS HELD-FOR-SALE				
Assets	845	845	–	–

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.

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
15. SHARE CAPITAL				
Authorised				
183 177 151 ordinary shares of 2,5 cents each (2009: 183 177 151)	4 579	4 579	4 579	4 579
16 822 849 "A" ordinary shares of 2,5 cents each (2009: 16 822 849)	421	421	421	421
	5 000	5 000	5 000	5 000
Issued				
59 309 129 ordinary shares of 2,5 cents each (2009: 54 219 381)	1 483	1 355	1 483	1 355
16 822 849 "A" ordinary shares of 2,5 cents each (2009: 16 822 849)	–	–	421	421
	1 483	1 355	1 904	1 776
10% of the unissued shares are under the control of the directors until the next annual general meeting subject to limitations.				
Number of shares ('000)	58 738	54 176	59 309	54 219
Opening balance	54 219	50 831	54 219	50 831
Issue of ordinary shares under employee share option plan	90	153	90	153
Issue of ordinary shares pursuant to general issue of shares for cash	5 000	–	5 000	–
Issue of ordinary shares for the acquisition of subsidiaries	–	3 235	–	3 235
Shares in issue	59 309	54 219	59 309	54 219
Treasury shares	(532)	–	–	–
Share Trust consolidated	(39)	(43)	–	–
16. SHARE PREMIUM	497 968	384 594	497 968	384 594
Balance at 1 March 2009	384 594	283 070	384 594	283 070
Arising from the issue of 89 478 ordinary shares under employee share option plan (2009: 153 371)	999	1 818	999	1 818
Arising from the issue of 5 000 000 ordinary shares pursuant to general issue of shares for cash	112 375	–	112 375	–
Arising from the issue of ordinary shares for the acquisition of subsidiaries (2009: 3 234 571)	–	99 706	–	99 706
17. TREASURY SHARES	(13 293)	(592)	–	–
Adcorp Empowerment "A" Share Trust consolidated 38 802 shares (2009: 42 802)	(424)	(533)	–	–
Dividends on treasury shares	90	109	–	–
4 000 shares redeemed (2009: nil)	31	–	–	–
	(303)	(424)	–	–
Adcorp Fulfilment Services (Pty) Limited 532 493 shares (2009: nil)	(12 822)	–	–	–
Adcorp Employee Benefit Trust consolidated 6 729 140 "A" shares (2009: 6 729 140)	(168)	(168)	–	–
18. NON-DISTRIBUTABLE RESERVE				
Unrealised profit arising on sale of BEE companies into new entity during 2004	–	–	119 918	119 918
19. FOREIGN CURRENCY TRANSLATION RESERVE	(1 124)	(372)		
Opening balance	(372)	(688)		
Arising on translation of foreign operation	(752)	316		

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.

20. BEE SHAREHOLDERS' INTEREST

In terms of the BEE transaction, Adcorp has created and issued a total of 16 822 849 "A" ordinary shares (2009: 16 822 849) to its empowerment shareholders at a par value of 2,5 cents per share, of which 6 729 140 (2009: 6 729 140) are owned by a company called Moody Blue Trade and Invest 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	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Issued				
16 822 849 "A" ordinary shares of 2,5 cents each (2009: 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	5 320	–	–
Year 4 – year 9 (Expense of R5,32 million per annum)	31 920	37 240	–	–
Year 10	887	887	–	–

Basis of option valuation

At the commencement of the BBBEE deal, the following parameters were used in determining the option valuation:

Weighted average share price (R)	38,10
Weighted average exercise price (R)	29,91
Expected volatility (%)	31,98
Expected life (years)	9,83
Risk-free rate (%)	8,15
Expected dividend yield (%)	6,22

Adcorp Employee Benefit Trust	Number of shares 2010	Number of shares 2009	Weighted average exercise price 2010 R	Weighted average exercise price 2009 R
Outstanding at the beginning of the year	6 729 140	6 729 140	29,91	29,91
Issued during the year	–	–	–	–
Exercised during the year	–	–	–	–
Outstanding at the end of the year	6 729 140	6 729 140	29,91	29,91
Exercisable at the end of the year	–	–	–	–

	GROUP		COMPANY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
21. OTHER NON-CURRENT LIABILITIES				
Operating lease timing adjustment	437	680	–	–
Mortgage bond – Hampden Road and Poplar Road	5 155	3 297	–	–
	5 592	3 977	–	–
Less: Current portion of other non-current liabilities disclosed in current liabilities	(558)	(1 277)	–	–
	5 034	2 700	–	–

The mortgage bond is secured by a charge over the properties. Interest is charged at the prevailing prime rate less 100 basis points. The loan is repayable over 10 years in monthly installments (refer to note 4).

	GROUP		COMPANY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
22. LONG-TERM LOAN				
SECURED – AT AMORTISED COST				
Bank loans	91 139	111 626	91 139	111 626
Current portion	31 227	32 871	31 227	32 871
Non-current portion	59 912	78 755	59 912	78 755

The Group raised 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 Interbank Agreed Rate (JIBAR) plus 285 (two hundred and eighty-five) basis points per annum (nominal annual compounded quarterly).The loan is repayable over five years, in quarterly installments.

The loan is secured by a charge over the trade receivables and credit balances held by FirstRand 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

	GROUP		COMPANY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
23. REDEEMABLE PREFERENCE SHARES – INTEREST BEARING				
Redeemable preference shares issued	130 000	150 000	–	–
Redeemable preference shares redeemed	–	(20 000)	–	–
	130 000	130 000	–	–
Interest accrued – current	2 362	3 431	–	–
	132 362	133 431	–	–

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.

The preference shares are secured by trade receivables per note 12.

24. 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 (refer to note 4).

	Minimum lease payments		Present value of minimum lease payments	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Within one year	2 168	2 219	2 140	1 861
Later than one year and not later than five years	2 200	3 611	2 023	3 165
	4 368	5 830	4 163	5 026
Less: Future finance charges	(205)	(804)	–	–
Present value of finance lease obligations	4 163	5 026	4 163	5 026
Current portion	1 566	1 861	2 140	1 861
Non-current portion	2 597	3 165	2 023	3 165
	4 163	5 026	4 163	5 026

	GROUP		COMPANY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
25. TRADE AND OTHER PAYABLES	249 073	257 918	1 700	–
Trade creditors	26 188	46 340	–	–
VAT	49 985	47 368	(132)	–
Accruals	62 045	102 747	1 805	–
Other	110 855	61 463	27	–

The average credit period on trade and other payables is 30 days. No interest is incurred on trade and other payables unless payment is not effected timeously.

The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

26. AMOUNTS DUE TO VENDOR

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
Amount payable				
Within one year	–	35 000	–	–
In the second to fifth year inclusive	–	–	–	–
	–	35 000	–	–
Less: Future finance charges	–	(2 647)	–	–
Present value of amount payable	–	32 353	–	–
Current portion	–	32 353	–	–
Non-current portion	–	–	–	–

The amount paid in the current year to Staff-U-Need (Pty) Limited totalled R35 million.

27. PROVISIONS

	As at 28 Feb 2009 R'000	Provisions raised 2010 R'000	Provisions utilised 2010 R'000	As at 28 Feb 2010 R'000
GROUP				
Leave pay	47 574	172 106	(175 472)	44 208
Bonuses	33 546	84 616	(86 900)	31 262
Other	2 617	19 774	(20 011)	2 380
Total	83 737	276 496	(282 383)	77 850

Leave pay

Leave pay is provided based on leave days due to employees at statement of financial position 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.

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
28. REVENUE				
Continuing operations				
Revenue from the rendering of services	5 050 358	4 837 123	–	–
	5 050 358	4 837 123	–	–

29. 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.

The segment report is disclosed on page 64.

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
30. COST OF SALES	(3 953 341)	(3 724 735)	–	(48)
The analysis of cost of sales is as follows:				
Course material	–	(1 814)	–	–
Lecturing	–	(4 804)	–	–
Criminal and credit checks	(5 798)	(6 196)	–	–
Media	(64 342)	(121 111)	–	–
Placements	(189)	(24 660)	–	–
Production	(2 588)	(740)	–	–
Project costs	(43 689)	(75 809)	–	–
Protective clothing	(11 956)	(9 385)	–	–
Temporary employee costs	(3 610 899)	(3 418 397)	–	–
Transportation costs	(35 787)	(24 347)	–	–
Other	(178 093)	(37 472)	–	(48)
31. OTHER INCOME	39 353	32 695	–	27 306
Corporate management fee	–	8 615	–	18 000
Bad debts recovered	178	331	–	–
Training levies recovered	17 325	9 637	–	–
Other	21 850	14 112	–	9 306

	GROUP		COMPANY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
32. OPERATING PROFIT/(LOSS)				
Operating profit/(loss) is determined after allowing for the following items requiring separate disclosure:				
Amortisation (refer to note 5)	(68 771)	(56 083)	–	–
Auditors' remuneration	(5 870)	(3 789)	(1 002)	(1 048)
– fee for audit	(5 475)	(4 544)	(150)	(1 028)
– fee for audit (prior year over-/(underprovision))	375	755	–	–
– fee for other services	(770)	–	(852)	(20)
Consulting fees	(38 371)	(37 293)	(4)	(1 463)
Depreciation (refer to note 4)	(26 423)	(25 522)	–	(235)
Foreign exchange (loss)/gains	(14 577)	7 883	–	–
Government grants in respect of learnerships	13 204	12 521	–	–
Directors' emoluments				
– executive directors	(15 481)	(15 640)	–	–
– non-executive directors	(2 831)	(2 430)	–	(1 166)
Leasing and rentals				
– properties and premises	(42 832)	(37 433)	–	(1 034)
– office furniture and equipment	(11 191)	(13 020)	–	(115)
– motor vehicles	(722)	(900)	–	–
Staff costs	(517 380)	(532 581)	–	(11 728)
Share-based payments expense*	(19 008)	(18 316)	–	(3 834)

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

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
33. INTEREST RECEIVED	12 859	19 782	35 741	25 102
Group loans	–	–	24 563	17 113
Bank deposits	12 456	11 295	11 165	–
Other	403	8 487	13	7 989
34. INTEREST PAID	(62 127)	(52 914)	(31 112)	(25 759)
Bank overdrafts	(49 235)	(37 906)	(31 112)	(25 759)
Interest on preference share loan	(10 245)	(13 411)	–	–
Other	–	2 685	–	–
Fair value adjustments	(2 647)	(4 282)	–	–

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
35. TAXATION				
SA normal tax – current	19 331	46 137	1 179	196
– (over)/underprovision prior year	(2 489)	(1 973)	–	2 182
Deferred taxation	(19 320)	(8 119)	–	(1 298)
(Over)/underprovision prior year	961	–	–	–
Rate change	–	(135)	–	–
Secondary tax on companies	13 091	14 172	11 959	12 693
	11 574	50 082	13 138	13 773
Standard tax rate (%)	28	28	28	28
Normal tax at standard rate	32 449	54 363	266	25 827
Adjustment for the tax effect at the standard rate of the following items:				
Loss on sale of investment	–	–	332	–
Exempt income:				
– Dividends received	–	–	–	(15 903)
– Associated company profit already subject to tax	–	(5)	–	–
Non-deductible items charged against income:				
– Capital losses/(profits)	582	–	581	–
– Dividend on preference share loan	2 869	3 755	–	–
– Impairment of assets and investments	275	–	–	(10 308)
– Share-based payments	5 322	5 128	–	1 073
Special allowances claimed:				
– Learnerships	(43 931)	(23 600)	–	–
Tax losses not recognised	3 627	–	–	–
Prior year (over)/underprovision	(1 528)	(1 973)	–	2 182
Other permanent differences	(1 182)	(1 623)	–	(1 791)
Rate change adjustment	–	(135)	–	–
Secondary tax on companies	13 091	14 172	11 959	12 693
Actual tax charge for the year	11 574	50 082	13 138	13 773
Reconciliation of estimated tax losses available in the Group:				
Estimated losses at the beginning of the year	9 022	16 441	–	–
Tax losses raised – current year	46 794	1 980	–	–
Net tax losses utilised	(10 358)	(9 399)	–	–
	45 458	9 022	–	–
Which consists of:				
Losses recognised and raised as a deferred tax asset	32 504	9 022	–	–
Losses not recognised	12 954	–	–	–
	45 458	9 022	–	–
(Over)/underprovision prior year has been disclosed. In the prior year it was included in other permanent differences.				
36. EARNINGS PER SHARE				
The calculation of earnings per share is based on earnings of R104 315 115 (2009: R144 073 222) and 53 902 695 ordinary shares (2009: 52 807 733) being the weighted average number of shares relative to the above earnings.				
Basic earnings per share	193,5	272,8	–	–
Diluted earnings per share is based on 55 271 894 (2009: 52 999 656) weighted diluted number of shares				
Diluted earnings per share	188,7	271,8	–	–
Reconciliation of diluted number of shares				
Ordinary shares	53 902 695	52 807 733	–	–
Adcorp Employee Share Scheme – shares matured	1 369 199	191 923	–	–
Diluted number of shares	55 271 894	52 999 656	–	–

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
36. EARNINGS PER SHARE continued				
Reconciliation of headline earnings				
Profit for the year	104 316	144 073	–	–
Loss/(profit) on sale of property, plant and equipment	389	(667)	–	–
Taxation	(109)	187	–	–
Impairment of goodwill and investments	984	–	–	–
Headline earnings	105 580	143 593	–	–
Headline earnings per share – cents	195,9	271,9	–	–
Diluted headline earnings per share – cents	191,0	270,9	–	–

Note
– The dilution of shares results from the exercise of options in the Employee Share Scheme and Empowerment Share Trust which are below the year-end market price.
– Headline earnings per share are based on earnings adjusted for profit on sale of assets and impairment of goodwill and investments.

37. CONTINGENT LIABILITIES – GROUP AND COMPANY

37.1 The bank has guaranteed payments to creditors on behalf of the Group amounting to R12,238 million (2009: R9,155 million).

37.2 The bank has guaranteed payment to creditors on behalf of the company amounting to R6,904 million (2009: R3,988 million).

38. 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. These costs are charged to the statement of comprehensive income as they occur.

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
Total contribution by the Group for the year	13 926	33 583	–	267

39. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
Minimum lease payments under operating leases recognised as an expense in the year	54 745	48 076	–	1 149
At the statement of financial position date, the Group has outstanding commitments under non-cancellable operating leases which fall due as follows:	69 683	69 344	–	–
Within one year	27 244	30 398	–	–
In the second to fifth years inclusive	42 439	38 946	–	–
After five years	–	–	–	–
Average lease terms (months)	57	49	–	–

40. 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 52.

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 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.

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
41. DIVIDEND PAID				
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 was paid to shareholders on 3 August 2009	-	92 451	-	92 451
An interim dividend of 50 cents per share was declared on 14 October 2009 and was paid to shareholders on 16 November 2009	27 148	–	27 148	–

Payment of a scrip distribution with a cash dividend election

The directors have resolved, subject to shareholder approval at the annual general meeting (AGM) to be held on 23 July 2010, to issue fully paid shares in the company as a scrip distribution to ordinary shareholders. Fully paid ordinary shares of 2,5 (two and a half) cents each will be issued, as a scrip distribution payable, to ordinary shareholders recorded in the register of Adcorp Holdings Limited on the record date, being Friday, 13 August 2010.

Ordinary shareholders will be entitled, in respect of all or part of their shareholding, to elect to receive a cash dividend of 115 cents per ordinary share in lieu of the scrip distribution, which will be paid only to those ordinary shareholders who elect in respect of all or part of their shareholding, on or before 12:00 on Friday, 13 August 2010, to receive the cash dividend. The cash dividend will be paid out of profits of Adcorp, while the new ordinary shares to be issued pursuant to the scrip distribution will be issued as a capitalisation issue by way of capitalisation of part of Adcorp's share premium.

The number of new ordinary shares to which ordinary shareholders participating in the scrip distribution will become entitled, will be determined in the ratio that 115 cents multiplied by 1,10 bears to the volume-weighted average price (VWAP) of ordinary shares in Adcorp on the JSE Limited (JSE) during the five-day trading period ending Tuesday, 27 July 2010.

A circular relating to the scrip distribution and the cash dividend alternative has been posted to shareholders on 30 June 2010.

42. 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 have rendered the old schemes suboptimal.

1. **Adcorp Share Trust and Adcorp Empowerment Share Incentive 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. **Adcorp Holdings 2006 Share Trust**
   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	Fair value at grant date
Issued 31 May 2004	63 500*	24/06/04	31/05/14	13,00	3,28
Issued 31 May 2005	207 500	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	2 750 000	01/04/07	31/03/13	32,31	4,04
Issued 1 December 2007	100 000	01/12/07	30/11/13	37,80	5,98
Issued 1 March 2008	2 205 000	03/01/08	28/02/14	31,02	4,96
Issued 1 March 2009	3 070 000	19/03/09	28/02/15	16,50	3,50
Issued 26 February 2010	3 310 000	26/02/10	28/02/16	26,39	6,58

** Old Adcorp Employee Option Scheme.*

42. SHARE-BASED PAYMENTS continued

2. Adcorp Holdings 2006 Share Trust continued

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

	26 Feb 2010	1 Mar 2009	2009
Weighted average share price (R)	27,00	16,50	31,01
Weighted average exercise price (R)	26,39	16,50	31,02
Expected volatility (%)	46,14	46,14	26,86
Vesting period (years)	2,01	1,95	2,00
Risk-free rate (%)	7,32	9,46	9,59
Expected dividend yield (%)	7,66	7,49	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:

Adcorp Share Trust	Number of share options 2010	Weighted average exercise price 2010 (R)	Number of share options 2009	Weighted average exercise price 2009 (R)
Outstanding at the beginning of the year	136 000	11,33	118 000	12,14
Forfeited during the year	–	–	–	–
Exercised during the year	(39 500)	13,00	(22 000)	13,00
Adjustment prior year	(33 000)	6,35	40 000	8,85
Outstanding at the end of the year	63 500	13,00	136 000	11,33
Exercisable at the end of the year	63 500	13,00	136 000	11,33
Adcorp Holdings 2006 Share Trust				
Outstanding balance at the beginning of the year	7 843 000	23,89	5 459 500	21,21
Forfeited during the year	(1 425 000)	23,21	–	–
Granted during the year	7 155 000	21,08	2 755 000	32,01
Exercised during the year	(30 500)	18,15	(2 500)	18,15
Exercised during 2007 adjustment	–	–	(369 000)	18,15
Outstanding at the end of the year	13 542 500	22,49	7 843 000	23,89
Exercisable at the end of the year	4 827 000	29,87	5 088 000	19,68
Adcorp Employee Benefit Trust (arising from the BBBEE – refer to note 20)				
Outstanding balance at the beginning of the year	6 729 140	29,91	6 729 140	29,91
Granted during the year	–	–	–	–
Outstanding at the end of the year	6 729 140	29,91	6 729 140	29,91
Exercisable at the end of the year	–	–	–	–

The following share options granted under the employee share option plans were exercised during the financial year:

Option series	Number exercised
2010	
Issued 31 May 2000	39 000
Issued 31 May 2003	3 000
Issued 31 May 2004	39 500
Issued 31 May 2005	30 500
	112 000
2009	
Issued 31 May 1996	750
Issued 31 May 2000	120 000
Issued 31 May 2002	10 000
Issued 31 May 2004	22 000
Issued 31 May 2005	2 500
	155 250

42. SHARE-BASED PAYMENTS continued

Staff members were permitted to exercise their shares at the end of April, July, October and January of this financial year and the average share price for the period was R24,99 (2009: R26,40).

The Group recognised a total expense of R19 007 810 (including the BBBEE transaction (refer to note 20) during the year) (2009: R18 315 936) related to equity-settled share-based payment transactions.

	Sale of services		Holding company management fees		Accounting and information technology fees	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000	2010 R'000	2009 R'000
43. 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.						
43.1 Trading transactions						
During the period, Group entities entered into the following transactions:						
Adcorp Holdings Limited	–	–	–	(45 000)	–	526
Subsidiaries of Adcorp Holdings Limited	19 292	14 978	49 040	18 000	83 900	61 790

Refer to Annexure A for related party balances.

43.2 Interest received

Interest has been charged to group companies as reflected in note 33.

	GROUP	
	2010 R'000	2009 R'000
43.3 Compensation paid to key management (which excludes payments to directors set out in note 44 below)		
Short-term employment benefits	32 902	26 361
Share-based payments	117	92
Total	33 019	26 453

Key management includes operational managing executives and other senior management.

43.4 BEE shareholders interest

Certain directors of the Group are directors of the Group's BEE partners (refer to note 20).

	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 2010 R'000	Total cost to company 2009 R'000	Total remu-neration 2010 R'000	Total remu-neration 2009 R'000
44. DIRECTORS' EMOLUMENTS										
Executive										
RL Pike	2 056	2 556	523	273	–	–	5 408	5 542	5 408	5 542
FD Burd*	1 180	1 709	277	4	48	–	3 218	3 705	3 218	3 705
PC Swart	1 554	1 816	346	161	–	–	3 877	3 999	3 877	3 999
C Bomela	1 299	856	–	256	–	–	2 411	2 394	2 411	2 394
AM Sher	528	–	–	39	–	–	567	–	567	–
	6 617	6 937	1 146	733	48	–	15 481	15 640	15 481	15 640
Non-executive directors										
MR Ramaite	–	–	–	–	–	152	152	88	152	88
PK Ward**	–	–	–	–	–	–	–	143	–	143
MMT Ramano	–	–	–	–	–	225	225	123	225	123
GP Duda**	–	–	–	–	–	128	128	–	128	–
LM Mojela	–	–	–	–	–	127	127	65	127	65
AT Albäck	–	–	–	–	–	246	246	–	246	–
M Mthunzi	–	–	–	–	–	–	–	–	–	–
TDA Ross	–	–	–	–	–	155	155	–	155	–
F Van Zyl Slabbert**	–	–	–	–	–	1 798	1 798	2 011	1 798	2 011
	–	–	–	–	–	2 831	2 831	2 430	2 831	2 430

* *Disqualified and removed: FD Burd – 6 December 2009.*
** *Resigned: PK Ward – 2 March 2009, F van Zyl Slabbert – 14 October 2009, GP Duda – 26 February 2010.*

Directors' shareholding at 28 February 2010	Number of unexercised options as at 28/02/09	Number of options granted in 2009/10	Number of options exercised during 2009/10	Number of options forfeited during 2009/10	Number of unexercised options as at 28/02/10	Option price (R)	Date from which exercisable
45. 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*
	–	200 000	–	–	200 000	16,50	28/02/11*
	–	65 000	–	–	65 000	16,50	28/02/11#
	–	200 000	–	–	200 000	26,39	28/02/12*
	–	65 000	–	–	65 000	26,39	28/02/12#
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*
	–	350 000	–	–	350 000	16,50	28/02/11*
	–	120 000	–	–	120 000	16,50	28/02/11#
	–	350 000	–	–	350 000	26,39	28/02/12*
	–	120 000	–	–	120 000	26,39	28/02/12#
AM Sher	–	200 000	–	–	200 000	26,39	28/02/12*
	–	65 000	–	–	65 000	26,39	28/02/12#
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*
	–	300 000	–	–	300 000	16,50	28/02/11*
	–	100 000	–	–	100 000	16,50	28/02/11#
	–	300 000	–	–	300 000	26,39	28/02/12*
	–	100 000	–	–	100 000	26,39	28/02/12#

> Old Adcorp Share Option Scheme
** Share appreciation rights (SARs)*
 # Performance shares (PFs)

45. DIRECTORS' SHAREHOLDING continued

Directors' interest in shares	Number of shares held as at 28/02/10 beneficially held	Non-beneficially held	Number of shares held as at 28/02/09 beneficially held	Non-beneficially held
RL Pike	253 080	–	249 630	–
MR Ramaite	15 000	–	15 000	–

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
46. TAXATION PAID				
Amount (unpaid)/prepaid at the beginning of the year	(14 453)	(7 417)	(196)	(1 757)
Amount charged to statement of comprehensive income	(11 574)	(50 082)	(13 138)	(13 773)
Adjustment for deferred tax charged to statement of comprehensive income	(18 359)	(7 667)	–	(1 298)
Adjustment to prior year balance	(45)	–	–	–
Amount (prepaid)/unpaid at the end of the year	(13 827)	14 453	310	196
Net cash payment	(58 258)	(50 713)	(13 024)	(16 632)
47. DIVIDEND PAID				
Amounts declared and paid	(118 469)	(126 935)	(119 600)	(126 935)
Received on treasury shares	90	109	90	109
Received from subsidiaries	–	–	–	56 797
Net cash payments before cash from associates	–	(126 826)	–	(70 029)
Received from associates	–	188	–	–
Net cash payments	(118 379)	(126 638)	(119 510)	(70 029)
48. ADDITIONS TO PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS				
Land and buildings – replacement	(5 261)	(4 856)	–	–
Furniture and computer equipment – replacement	(17 853)	(22 707)	–	(68)
Accreditation of programmes	(316)	(178)	–	–
Customer lists	(24)	(4 891)	–	–
Computer software – expansion	(21 189)	(25 428)	–	–
	(44 643)	(58 060)	–	(68)

49. ACQUISITION OF BUSINESSES

Subsidiary acquired	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Cost of acquisition R'000
2010				
Crest Financial Group	Business process outsourcing	03/10/09	–	13 663
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

49. ACQUISITION OF BUSINESSES continued

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
Total purchase consideration for all businesses combinations	13 663	209 712	–	–
Less: Non-cash consideration for Adcorp Flexible Staffing Solutions (Pty) Limited	–	(133)	–	–
Less: Non-cash consideration for amount owing to Adcorp Holdings Limited	(8 665)	(29 234)	–	–
Add: Interest	–	1 163	–	–
Less: Cash and cash equivalents acquired	–	(6 523)	–	–
Cash outflow on acquisition of businesses	4 998	174 985	–	–

	Crestfin R'000
The fair value of the assets and liabilities acquired in respect of the various acquisitions in the period are as follows:	
Identified intangibles arising on acquisition through valuation (refer to note 5)	17 489
Deferred taxation arising on intangibles acquired (refer to note 11)	(3 826)
Total consideration	13 663

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.

With effect from 13 October 2009, the Group acquired the business operations of the Crestfin Group for R13,6 million, which was funded out of the Group's cash resources. The operations acquired include the employee benefit business (EBB) and the payroll card business (PCB). Included in net profit for the period is R0,23 million attributable to the additional business generated by the Crestfin Group. The revenue generated for the year under review from these businesses, amounted to R6,1 million. Had this business combination been effected on 1 March 2009, the revenue of the Group would be R5 065 million and net profit of R104,8 million. The directors of the Group consider these *pro forma* numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

50. CASH AND CASH EQUIVALENTS

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:				
Cash resources	137 593	181 060	–	–
Bank overdrafts	(187 839)	(231 797)	(163 783)	(210 036)
	(50 246)	(50 737)	(163 783)	(210 036)

Bank overdrafts are considered as part of cash and cash equivalents.

51. 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 2009. The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 21 to 24, 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 of 31% results from, *inter alia*, the acquisitions made in previous financial periods. The policy regarding the targeted level of gearing is consistent with prior years.

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 65 to 69 .

51. FINANCIAL INSTRUMENTS continued

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
51.1 Categories of financial instruments				
Financial assets				
Amortised cost	910	1 170	–	–
Derivative instruments in designated hedge accounting relationships	–	702	–	–
Loans and receivables (including cash resources)	839 469	855 329	569 040	559 174
Financial liabilities				
Amortised cost (including bank overdraft)	657 654	776 128	616 297	608 263
The following table details the Group's remaining contractual maturity for its financial liablities:				
Within one year	443 007	561 508	556 385	529 508
Later than one year and not later than five years	213 204	214 620	59 912	78 755
More than five years	1 443	–	–	–

51.2 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.

51.3 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. Hedging activities are evaluated to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied, by either positioning the statement of financial position 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 statement of financial position date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the statement of financial position 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 R2 259 000 after tax.

52. GROUP OVERDRAFT FACILITIES

The Group had the following overdraft facilities as at 28 February 2010:

ABSA	R23 million
First National Bank	R155 million
Standard Bank	R16 million
Total overdraft facility	R194 million

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

53. 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 Feb 2010	Authorised share capital Feb 2009	Issued share capital Feb 2010	Issued share capital Feb 2009
Adcorp Accountability (Pty) Limited*	Dormant	4 000	4 000	200	200
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	1 000	100	100
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 – Angola*	Flexible staffing	–	–	–	–
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 (Pty) Limited – Sudan*	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
DAV Professional Placement Group (Pty) Limited	Dormant	1 000	1 000	100	100
Emmanuels 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
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
Subtotal negative					
Subtotal positive					
Total subsidiaries					
Name of associate					
Private Sector Finance**	Financial services	–	–	–	–
Klatrade 200074 (Pty) Limited	Training	1 000	1 000	1 000	1 000
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 Feb 2010	Number of shares held Feb 2009	Cost of investment (before writedowns) R'000 Feb 2010	Cost of investment (before writedowns) R'000 Feb 2009	Indebtedness (to)/by the subsidiary R'000 Feb 2010	Indebtedness (to)/by the subsidiary R'000 Feb 2009	Attributable profit/(loss) R'000 Feb 2010	Attributable profit/(loss) R'000 Feb 2009
200	200	–	–	–	–	–	287
7 500	7 500	357 469	357 469	–	–	–	–
9 000	9 000	59	59	(91 269)	96 873	94 096	54 916
400	400	–	–	–	9 886	8 227	(2 466)
1	1	–	–	94 145	–	(164)	4 207
100	100	12 855	12 855	455 136	369 085	(19 915)	20 603
100	100	–	–	14 143	–	320	–
100	100	–	–	–	–	1 892	4 409
200	200	–	–	–	32	(482)	21 400
10 600	10 600	–	–	(48 988)	–	24 298	44 984
–	–	–	–	–	–	3 255	–
100	100	–	–	–	–	(508)	(28)
10 000	10 000	–	–	–	–	(212)	720
–	–	–	–	–	–	252	1 825
–	–	–	–	–	–	1 334	–
1	1	–	–	–	–	(925)	(208)
100	100	–	–	–	–	(7)	758
100	100	7 270	7 270	–	–	–	9 467
100	100	–	–	–	–	–	7 393
100	100	41 478	41 478	121	–	(360)	3 249
1 000	1 000	231 363	231 363	–	–	–	13 933
100	100	–	–	–	–	–	–
100	100	–	–	–	–	–	–
1 400	2 000	–	3	4 235	12 996	(7 623)	4 042
100	100	1 946	1 946	–	–	–	–
100	100	629	629	(4 531)	(1 412)	10 277	4 142
100	100	–	–	–	–	–	8 289
10 000	10 000	–	–	(197 031)	(197 031)	–	–
200	200	6 726	6 726	(17 856)	(17 856)	–	–
				(359 675)	(216 299)	(30 196)	(2 674)
		659 795	659 798	567 780	488 872	143 951	204 596
		659 795	659 798	208 105	272 573	113 755	201 922
–	–	–	35	–	–	–	–
750	500	–	65	–	–	–	18
		–	–	–	–	–	18
		–	100	–	–	–	–
		–	100	–	–	–	18

SHAREHOLDERS' INFORMATION

SHAREHOLDERS' INFORMATION

	Number of shareholders	% of total shareholders	Number of shares	% of total issued share capital
1. ANALYSIS OF SHAREHOLDINGS				
1 – 1 000	806	48,85	328 287	0,55
1 001 – 10 000	547	33,15	1 877 443	3,16
10 001 – 100 000	183	11,09	6 611 631	11,12
100 001 – 1 000 000	103	6,24	30 717 838	51,91
1 000 001 – and above	11	0,67	19 773 930	33,26
Totals	**1 650**	**100,00**	**59 309 129**	**100,00**
2. DISTRIBUTION OF SHAREHOLDERS				
Banks	10	0,61	1 934 622	3,25
Close corporations	20	1,21	50 552	0,09
Individuals	1 011	61,27	2 258 389	3,80
Insurance companies	18	1,09	3 123 148	5,25
Collective investment schemes and mutual funds	193	11,70	32 093 084	54,23
Nominees and trusts	205	12,42	2 509 109	4,22
Pension funds and medical schemes	108	6,55	12 721 270	21,39
Private companies	81	4,91	4 028 372	6,77
Adcorp share trust	1	0,06	19 288	0,03
The company	3	0,18	571 295	0,96
Totals	**1 650**	**100,00**	**59 309 129**	**100,00**
3. SHAREHOLDER SPREAD				
Share trust	1	0,06	19 288	0,03
Directors	2	0,12	268 080	0,45
The company	3	0,18	571 295	0,96
Non-public	6	0,36	858 663	1,44
Public	1 644	99,64	58 601 037	98,56
Totals	**1 650**	**100,00**	**59 309 129**	**100,00**
4. MAJOR BENEFICIAL SHAREHOLDERS				
(5% and more of the shares in issue)				
Investec Asset Management			16 027 420	27,00
Allan Gray			11 194 184	18,80
Coronation Fund Managers			5 180 878	8,70
Sanlam Group			5 092 400	8,60
Old Mutual			2 994 586	5,00

SHAREHOLDERS' DIARY FOR 2010

Financial year-end	February
Annual general meeting	09:00 Friday, 23 July 2010

Reports

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

SCRIP DISTRIBUTION WITH CASH DIVIDEND ALTERNATIVE

The directors resolved, subject to shareholder approval at the annual general meeting ("AGM") to be held on 23 July 2010, to issue fully paid shares in the company as a scrip distribution to ordinary shareholders. Fully paid ordinary shares of 2,5 (two and a half) cents each will be issued as a scrip distribution payable to ordinary shareholders recorded in the register of Adcorp Holdings Limited on the record date, being Friday, 13 August 2010.

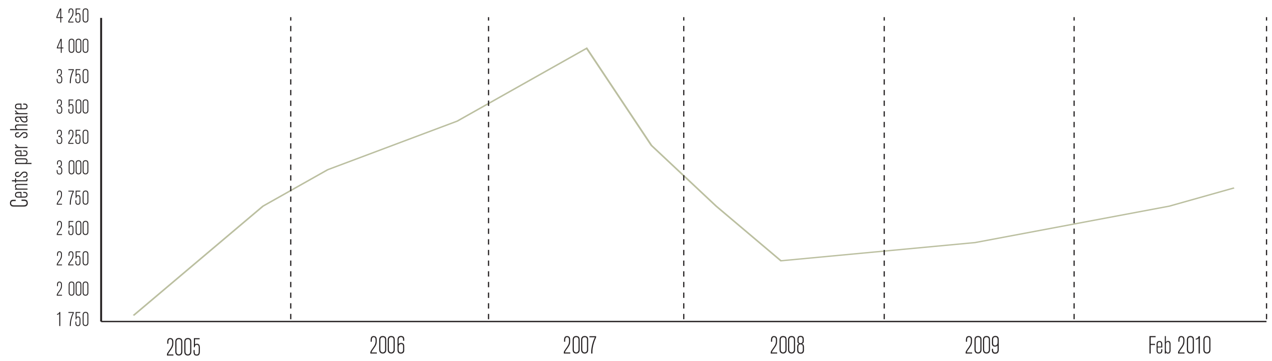
Ordinary shareholders will be entitled, in respect of all or part of their shareholding, to elect to receive a cash dividend of 115 cents per ordinary share in lieu of the scrip distribution, which will be paid only to those ordinary shareholders who elect in respect of all or part of their shareholding, on or before 12:00 on Friday, 13 August 2010, to receive the cash dividend. The cash dividend will be paid out of profits of Adcorp while the new ordinary shares to be issued pursuant to the scrip distribution will be issued as a capitalisation issue by way of capitalisation of part of Adcorp's share premium.

The number of new ordinary shares to which ordinary shareholders participating in the scrip distribution will become entitled, will be determined in the ratio that 115 cents multiplied by 1,10 bears to the volume-weighted average price (VWAP) of ordinary shares in Adcorp on the JSE Limited (JSE) during the five day-trading period ending Tuesday, 27 July 2010.

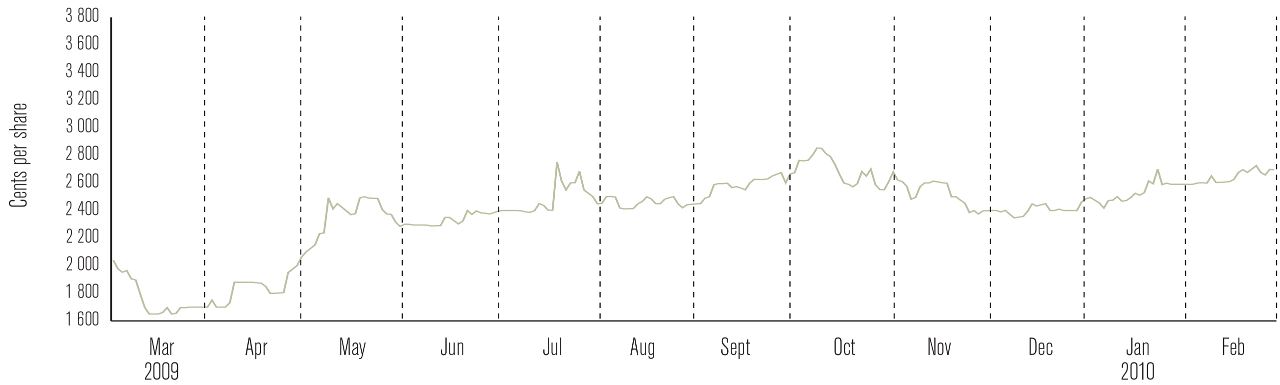
A circular relating to the scrip distribution and the cash dividend alternative has been posted to shareholders on 30 June 2010.

SUPPLEMENTARY INFORMATION (UNAUDITED)

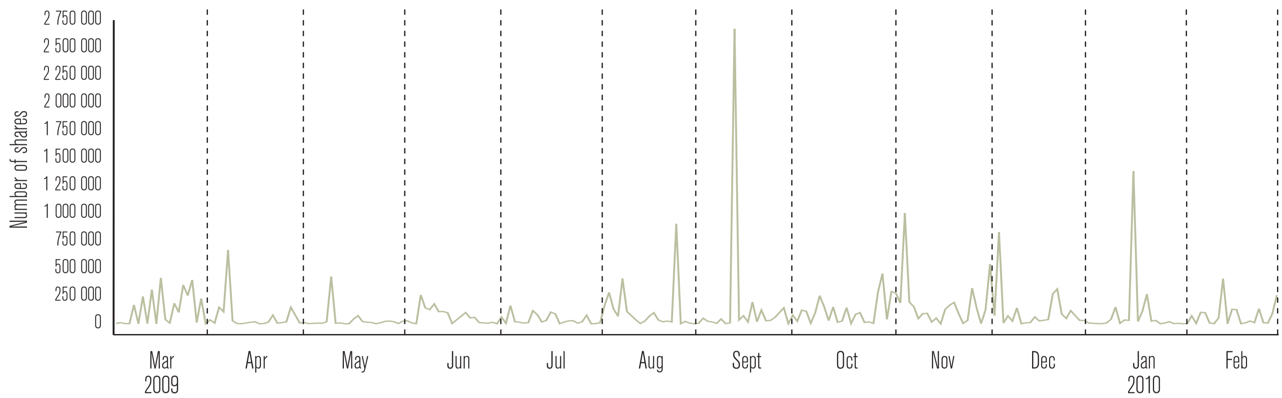
FIVE-YEAR SHARE PRICE PERFORMANCE



ADCORP PRICE CHART – DAILY CLOSING PRICE



ADCORP VOLUME CHART – 1 MARCH 2009 TO 28 FEBRUARY 2010



Adcorp Holdings stats from 1 March 2009 to 28 February 2010	2010	2009
Closing price of Adcorp Holdings (28 February 2010)	2 700	2 050
Total number of trades (million)	25,2	13,9
Total value traded (million rands)	603,8	385,5
Price of shares traded – highest (cents)	2 890	3 625
Price of shares traded – lowest (cents)	1 650	2 000
Total value traded as % of year-end market cap	37,7	34,7
Total value traded as % of average market cap	42,3	26,4

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 23 July 2010 at 09:00 to consider and, if deemed fit, to pass, with or without modification, the following resolutions:

As ordinary resolutions

1. To receive, approve and adopt the audited annual financial statements for the year ended 28 February 2010.
2. To elect Timothy Ross as a director of the company (CV on page 33).
3. To elect Anthony Sher as a director of the company (CV on page 32).
4. To elect Mncane Mthunzi as a director of the company (CV on page 33).
5. To re-elect Campbell Bomela as a director of the company (CV on page 32).
6. To re-elect Petrus ("Nelis") Swart as a director of the company (CV on page 32).
7. To approve the remuneration payable to non-executive directors as outlined hereunder:

Board/Committee	Non-executive (R)	Non-executive Independent (R)	Chairman (R)
Board Chairman			159 000
Board member	86 368	127 200	
Audit/Risk Committee	60 252	89 040	106 000
Remuneration/Nomination Committee		27 638	31 092
Transformation Committee		27 638	31 092

8. 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 Holdings Limited 2006 Share Trust.
9. To resolve that, as a general authority in terms of section 221(2) of the Companies Act, No 61 of 1973, as amended an/or re-enacted (the Act), but subject to the provisions of the Listings Requirements of the JSE Limited and the Act, 10% of the company's authorised but unissued share capital, as at the date of this resolution, be and are hereby placed under the control of the directors of the company, until the next annual general meeting, to allot and issue such shares to such person/s and on such terms and conditions as the directors may in their sole discretion determine.
10. To resolve (to the extent required) that, the company is authorised to effect a scrip distribution of ordinary shares in the company, to those members who so elected (or were deemed to have so elected) to receive the scrip distribution in the place and stead of the 115 cents per share cash dividend declared by the company's directors on 4 May 2010, which scrip distribution is to be determined by the ratio that 115 cents multiplied by 1,10 bears to the volume-weighted average price (VWAP) of ordinary shares in the company on the stock exchange operated by the JSE Limited during the five-day trading period ending 27 July 2010.
11. To resolve that Deloitte & Touche be reappointed as auditors of the Group with Ryan Duffy as lead partner until the next annual general meeting.
12. To transact such other business as may be transacted at an annual general meeting.

Other disclosures in terms of section 11.26 of the JSE Listings Requirements

- Directors and management (pages 32 and 33)
- Major shareholders of Adcorp (page 96)
- Directors' interests in securities (page 88 and 89)
- Share capital of Adcorp (page 77)

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 32 and 33 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 Listings Requirements.

Litigation statement

In terms of section 11.26 of the Listings Requirements of the JSE, the directors, whose names are given on pages 32 and 33 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 Friday, 23 July 2010 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 form of proxy in accordance with the instructions therein to be received by the transfer secretaries by not later than 09:00 on Thursday, 22 July 2010.

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

LJ Sudbury
Company Secretary

23 June 2010

ADCORP
THE POWER OF POTENTIAL

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 Friday, 23 July 2010.

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 Friday, 23 July 2010 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 Friday, 23 July 2010 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 Timothy Ross)			
Ordinary resolution 3 (Elect Anthony Sher)			
Ordinary resolution 4 (Elect Mncane Mthunzi)			
Ordinary resolution 5 (Re-elect Campbell Bomela)			
Ordinary resolution 6 (Re-elect Petrus ("Nelis") Swart)			
Ordinary resolution 7 (Approve the remuneration payable to non-executive directors)			
Ordinary resolution 8 (Employee share trust shares placed under control of directors)			
Ordinary resolution 9 (10% of unissued shares placed under the control of directors)			
Ordinary resolution 10 (Approve the scrip distribution)			
Ordinary resolution 11 (Reappointment of Deloitte & Touche – lead partner R Duffy)			
Ordinary resolution 12 (Transact other business)			

Signed by me/us this day of 2010

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 Thursday, 22 July 2010.
3. In the case of a joint holding, the first-named only need sign.
4. The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless that authority has already been recorded by the company.
5. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian as applicable, unless the relevant documents establishing capacity are produced or have been registered with the transfer secretaries.

ADMINISTRATION

ADCORP HOLDINGS LIMITED

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

SECRETARY AND REGISTERED OFFICE

LJ 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, 2146
Private Bag X6
Gallo Manor, 2052
Tel 011 806 5000
Fax 011 806 5111

LEGAL ADVISERS

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

Glyn Marais Inc
2nd Floor, The Place,
1 Sandton Drive, Sandton
PO Box 652361
Benmore, 2010
Tel 011 286 3700
Fax 011 286 3900

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

Adcorp supports sustainability to ensure that indigenous forests are safeguarded for future generations. In addition to this Annual report being produced from a sustainable resource, the paper used is recyclable, biodegradable and provides assurance of a responsible manufacturing process.

Midnight Star

www.adcorp.co.za

Block A, 28 on Sloane

Sloane Street

Bryanston, 2021

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