



SUSTAINABLE INNOVATION

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ibc ADMINISTRATION





REPORT SCOPE AND BOUNDARIES

This is Adcorp's first Integrated Annual Report. The information reported on for the period under review encompasses all divisions and operations over which Adcorp has a direct control.

For this report the Group has attempted to select information that is perceived to be socially material to our industry and key stakeholder groups' placing particular emphasis on Government and regulatory industry bodies, our shareholders/analysts/investors, providers of other capital, employees, clients, suppliers, media, communities within which we operate and civil society. The information reported is based on input provided during stakeholder meetings, outcome's of internal risk management processes, advice of independent subject matter experts, local and global industry trends and standards defined by initiatives in terms of IFRS, the Global Reporting Initiative (GRI) and the King Code of Governance Principles for South Africa (King III), and intergrated report communities integrated reporting guidelines.

There are limitations on the scope and reporting of our carbon footprint in this report due to insufficient data collected for this financial reporting period. The Group is currently in the process of refining an environmental policy and aims to include this information in next year's report. The sustainability report has been published without independent assurance.

CONTACT INFORMATION

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Strategic dimensions

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.

SALIENT FEATURES

- Revenue **up 7%**
- Normalised profit for the year **up 3%**
- Headline earnings per share – **flat**
- Normalised earnings per share **down 8%**
- Final dividend of 121 cps declared – total dividends **up 6%**
- Cash generated by operations **up 28%**
- Cash conversion **ratio 129%**
- Debtors days **down** from **38** to **36** days
- Gearing **down** from **31%** to **12%**
- Normalised EBITDA **margin down** from **5,5%** to **4,8%**
- Total number of learnerships **increased** from **5 085** to **7 800**

ABOUT ADCORP – WHAT MAKES US WHO WE ARE

The Adcorp Group was founded in 1978 as a recruitment advertising business. In 1987, the Group listed on the JSE Limited. 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.

ACCOLADES

ADCORP

- 2010 Top 500 winner business services category
- 2011 Placed within the top 10 of South Africa's Most Empowered Companies*

CAPACITY

- Best of Zululand 2010, Winner of the readers choice awards – Best employment agency
- Trophy carriers – Anglo American supplier safety award 2010
- Certificate of environmental accomplishment – Shred-it 2010

CHARISMA

- 2010 Top Gainful Employer on the internship and learnership programmes – Services Sector Education and Training Authority

DAV

- 2010 Achiever Awards: Best Training Programme, Medium-sized companies
- 2010 PMR Awards: Best Human Capital Solutions Company in SA – Diamond Arrow Award
Best Permanent Office Staff Provider – Diamond Arrow Award

EMMANUELS

- BPesa 2010 African Star Awards
- Regional Gold winners
Outsourced HR Service Provider – Western Cape
Outsourced HR Service Provider – Gauteng
- National Gold winner
HR Service Provider – Outsourced

PMI

- Durban Chamber of Commerce and Industry
KZN Large BBBEE Company of the Year 2011
KZN Top BBBEE Project of the Year – James Smeeton Disability Incubator

QUEST

- 2010 Top Gainful Employer on the internship and learnership programmes – Services Sector Education and Training Authority

STAFF-U-NEED

- ISO 9001 Surveillance audits passed with no 'non-conformances'

* Rated by the Economic Empowerment Rating Agency (EMPOWERDEX)



Key priorities and objectives

	Priorities	Objectives
ECONOMIC	Play a leading role in NEDLAC negotiations regarding labour broking	Direct representation as part of the business delegation at the NEDLAC negotiations
	Substantial improvement of the internal audit and risk functions	Focus on identification and mitigation of key risk areas
	Position Adcorp's employment index as a leading indicator of employment trends in South Africa	Entrench Adcorp as a thought leader in its field and considered an eminent authority with regard to the South African labour market
	Introduce first-time job seekers into the world of work	Provide a preferred channel for youth to secure employment, contribute to the job creation and skills development objectives of the country
	Exploit new business opportunities	Focus on new industries and market sectors
	Business continuity plan	Continue day-to-day business activities in the event of a crisis or fatality amongst executive management
FINANCIAL	Delivering shareholder value	A return of excess cash resources to shareholders within the confines of maintaining an acceptable level of gearing
	A primary focus on cash generation	Significantly improve the management of working capital
	A focus on organic growth centred around margin management as well as growth achieved through strategic acquisition	Provide alternative innovative value propositions to clients
	Managing costs and driving economies of scale	Delivering value to the Group's various stakeholders
	Accurate, reliable and timely financial information	Provide information to facilitate financial decisions
	Strengthen the balance sheet	Optimise borrowing facilities in line with borrowing objectives
SOCIAL	A commitment to broad-based black economic empowerment (BBBEE) and transformation	Drive empowerment throughout the Group
	Corporate Social Investment	Enable financially disadvantaged learners to access an education
	Position the Group as the leading provider of scarce technical skills	Leverage, commercialise and significantly increase the number of learnerships
	Sound corporate governance	Total transparency in the conduct of the affairs of the business
	Sound human resource policies	Uphold a best-in-class effective human resource management approach ensuring fair treatment of all employees
	Retain key staff	Attract and retain top talent in the Group
ENVIRONMENTAL	Develop an environmental policy and strategy	Calculate our Greenhouse gas emissions, determine our carbon footprint
	Create awareness around the Group's environmental impact	Introduce systems to measure and establish environmental reduction targets – Eco-efficiency
	Develop carbon footprint targets and related reduction plan	Determine our impact on the environment and achieve more efficiency
	Lead industry initiator in carbon offsetting innovative technology products	Sophisticated workforce optimisation technology to unlock optimum client benefits and promote greater environmental responsibility
	Good corporate citizen	Build business value through sustainable 'eco-friendly' initiatives

Key opportunities, risks and mitigating controls

Opportunities	Risks	Mitigating Controls
Clients consolidate their supply of labour with larger, reputable suppliers Improve the overall control environment Engage with clients on a strategic level TES industry a major source of job creation, upskill and enhance the potential employability of a sizeable unemployed constituency Demand for a-typical or contract employment and scarce skills Opportunity for succession planning, IT backup disaster recovery plan	Loss of revenue due to changes in labour legislation Non-awareness of key risks and/or insufficient risk management processes Reputational damage if Index data and statistics cannot be substantiated Legislative regulation of labour broking potentially compromising the Group's ability to introduce first-time job seekers into the world of work Static jobs market, inability of the economy to create jobs Inability to innovate and stay abreast with changes in industry and client needs Inability to continue business operations in case of disaster	Representation in NEDLAC negotiations Continuous awareness and client education Methodology documented in terms of accepted economic standards Representation in NEDLAC negotiations Diversify service offerings – emerging businesses Explore possible acquisitions Investment in technology solutions IT disaster recovery plan Physical security. Succession plans Individual operating entities have dedicated MD and management teams
Superior financial returns to shareholders Improve client credit terms Engage with clients at a strategic level, offer value-added services in order to generate additional revenue streams Robust cost control, centralised credit control, financial administration and payroll management Leverage the Microsoft Dynamix Ax ERP system upgrade to facilitate and enhance financial reporting Favourable interest rates, long-term debt facilities	Impending threats over labour legislation has negative impact on share price Insufficient cash flow to meet obligations Payroll payments not done accurately and timeously Margins negatively affected by continued pricing pressure, static job market Excessive/uncontrolled credit notes Excessive operating costs due to decentralized functions Complex and highly customized operating system Inaccurate and unreliable financial reporting Inability to service debt obligations	Proactive involvement in NEDLAC negotiations Continuous information sessions with key stakeholders Strong financial reporting Group credit management function and policy Daily monitoring of cash levels Restructuring of capital structure Payroll process designed with adequate and efficient controls Group strategy to diversify its products and services thereby creating additional revenue streams Group credit note policy Centralised IT, payroll, credit management and centralised procurement policy under review Finance activities Well-resourced finance team Robust reporting processes enforce compliance Group credit management function Daily monitoring of cash levels Rationalisation of banking facilities
Value-adding-enterprise – level 2 contributor has a procurement recognition level of 125% Provide a channel of learning to the youth of South Africa Continued demand for scarce technical skills, learnership tax breaks Good corporate citizen and leadership reputation Attract and retain top talent, shape SA's workforce through operational excellence Labour relations, succession planning, retention programmes	Financial loss due to inadequate transformation process Misallocation of CSI leading to reputational damage Additional cost burden for internal learnerships facilitated Cost implications of compliance Financial and reputational damage due to fraudulent activities Non-compliance with laws and regulations Employees not contributing to achievement of corporate strategy High dependency on key staff	Formal transformation, social and ethics committee Employee share trust ensures broad based ownership Formal continued commitment to transformation Bursary policy in place Ad hoc CSI assignment preapproved Monthly monitoring and tracking of bursary performance Annual approval of CSI budget Centralised learnership function Dedicated training and experienced leadership team Internal code of conduct and ethics tip-off line Committed to application of King III principles Abides by Business Leadership SA's code of good corporate citizenship External legal advisers Compliance framework Group HR manual Performance management Reward and retention strategies Employee share trust Market-related remuneration strategies Succession planning
Revise service level agreements to ensure that our suppliers can contribute to a sustainable business Create meaningful awareness, innovative solutions around environmental issues Reduce paper and energy consumption Assessing long-term benefits and annual return on investment in eco efficiency activities Value adding enterprise	Group seen as irresponsible corporate citizen Cost implications around managing and minimising resource consumption Inability to measure and minimise footprint Financial impact of carbon tax Ecological footprint that is harmful to health and wellbeing Group seen as irresponsible corporate citizen	Environmental policy to be developed Measurement of carbon footprint Environmental policy to be developed Environmental policy to be developed Current footprint to be measured Environmental policy to be developed Environmental policy to be developed Monthly measurement of carbon footprint



Stakeholder engagement

Adcorp engages proactively with its stakeholders, both individually and collectively, to share information and gain an appreciation for their perspectives. Engagement activities are varied and include participating in stakeholder organised forums, making formal submissions to Parliament, conducting stakeholder surveys, responding to specific requests for information and hosting public policy and general interest discussion groups. Engagement is ongoing and takes place in terms of a predefined engagement plan.

	Government and regulatory industry bodies	Shareholder, investors, analysts and providers of other capital	Employees	
REASONS FOR ENGAGEMENT	- Build and strengthen relationships with Government - Provide input into the legislative development process that will affect the industry	- To ensure that disclosures are based on the principles of transparency and substance over form - A balanced view of the positive and negative aspects of the Group's activities	- Provide all staff with information regarding the activities and strategic focus areas and financial performance of the Group - Understand and respond to staff concerns - Ensure the Group's employees are encouraged to embrace a long-term career through succession planning	
TYPES OF ENGAGEMENT	- Direct engagement through industry body CAPES who is a fully participating member of BUSA and NEDLAC - Compliance with relevant regulations	- Investor relations – Annual report - Corporate website, SENS announcements - IAS presentations, Annual General Meeting - Specific meetings with investors	- Employee engagement – Corporate intranet - Newsbreak emails - Chairman's awards - Leadership conference - Admission sales conference - Human resource management activities	
KEY ISSUE	Political agenda on labour broking and proposed labour law amendments	- Strategic issues - Prospects for performance - Proposed Labour Law Amendments	- Strategic issues - Proposed Labour Law amendments as for shareholders - Internal developments	
ACTIONS TAKEN	- Direct representation as part of the business delegation at the NEDLAC negotiations - Submission to Government document commenting on proposed labour law amendments submitted on 17 February 2011	- IAS presentation - SENS announcement - Annual General Meeting - Specific meetings with investors - Corporate website - Annual report - Amendments to the Labour Bills – ongoing communication has been facilitated through presentations - Labour broking seminars conducted by Group CEO	- Group-wide communication to Group employees - Conference specifically structured to address employee concerns presented by Adcorp thought leaders and industry experts - Intranet communication - Group CEO roadshow	



	Clients	Suppliers	Media	Local communities	Environment
	- Understand and resolve client concerns and utilise them to improve the value proposition - Risk mitigation - Create awareness of the evolution of service offerings	Maintain an ideal standard of quality and timeous supply of goods and services for Group's operations	- Respond to questions raised within the media, communication channel of reputation management - Financial performance and facilitator to positioning the Adcorp Employment Index as an economic indicator on employment trends in SA	- Socio-economic development amongst communities - Create partnerships that will best support the Group's CSI initiatives	Obtain input to ensure Group operations are aware of operating within an environmentally responsible manner
	- Business interactions - Client satisfaction and risk mitigation surveys - Marketing and advertising activities	- On-site meetings - Ongoing interaction with suppliers and contractors	- Media engagement – Targeted media engagement utilising the expertise of specialist agencies - Digital platforms - Proactive press releases - Thought leadership articles	- Ongoing support of projects and interaction within the communities - Facilitation of bursaries	Internal engagements to raise awareness
	- Workforce optimisation - Service delivery - Proposed Labour Law Amendments as for shareholders	Stability and reliability of IT infrastructure	- Negative media around labour broking - Reputational impact	Governance around CSI spend and bursary students' performance	No Group-wide environmental policy or awareness campaign
	- Labour broking seminars held across the country - Increased engagement through thought leader initiatives - Responding to client satisfaction issues	- Remote disaster recovery plans - Regular maintenance and testing - Offsite backups - Remote servers	- Media relations through specialist agency and increased interaction between media and Group spokespeople - Opinion pieces and through leadership articles - Media interviews across all platforms including radio, TV and print	- Increased controls around the management of CSI spend - Continuous monitoring of academic performance	- Proposed development of a Group-wide environmental policy and an awareness campaign - Enhance procurement methods



Group at a glance

		Incorporating/brands	Description of business	Sectors serviced	
GROUP CENTRAL COSTS	CENTRAL	ADCORP HOLDINGS	The corporate office is based in Johannesburg providing strategic direction and services to the Group	Investment community, Operating companies, Group employees, Clients and Service providers	
		GROUP SERVICES			
		ADCORP GROUP BUSINESS SERVICES			
TRADITIONAL STAFFING BUSINESS	BLUE COLLAR	CAPACITY	Capacity Outsourcing is a registered TES (temporary employment service) provider of customised, flexible and contract blue collar staffing solutions	Warehousing, Distribution, Engineering, Mining, FMCG, Chemical & Petrochemical, Parastatal, Motor Industry, Food production	
		CAPITAL	Capital Outsourcing Group is a provider of predominantly temporary staff as well as permanent recruitment services and has the ability to manage mass recruitment assignments across various industries	Industrial, Manufacturing, Telecommunications, Hospitality, Humanitarian, Oil and Gas, Retail, Technical Projects	
		STAFF U NEED	Staff U Need specialises in the provision of specialised staff for power station maintenance and construction. Recruits and employs highly skilled to unskilled staff for projects throughout South Africa	Electrical and mechanical, manufacturing, construction, Heavy engineering	
		EMPLOYRITE	Provider of temporary staff predominantly to the motor industry	Motor Industry, Manufacturing	
		CHARISMA	Charisma provides professional nursing staff to its clients	Healthcare	
	WHITE COLLAR	QUEST	Quest is one of South Africa's largest recruitment agencies placing both temporary and permanent staff in white-collar careers	Financial, telecommunications, business process outsourcing, public sector, hospitality and travel, aviation, wholesale and retail	
		DAV	DAV focuses on permanent recruitment and operates with specialist divisions and skills in high demand. It has a niche of placing German and foreign language candidates	Management and executive search, engineering recruitment, ICT recruitment, financial markets recruitment, office support recruitment, German commercial recruitment, emerging markets recruitment (Africa, BRIC region and Middle East)	
		PREMIER	Premier Personnel focuses on providing specialist recruitment solutions in select areas of expertise, both on a temporary and permanent basis	Banking, finance, accounting, marketing, legal, office support, human resources, telecommunications, management consulting, information technology, healthcare	
		EMMANUELS	Emmanuels recruits both permanent and temporary staff across many industries and disciplines	Financial Telecommunications, Business Process Outsourcing, Information Technology	
		ADCORP SEARCH PARTNERS	Adcorp Search Partners is a boutique executive search firm and part of the global IIC Partners network	Operates across all industries and sectors	
		ATR/JOBVEST*	Adcorp Talent Resourcing is a technology-enabled response, management, application tracking and database management solution	Operates across all industries and sectors but predominantly the life insurance industry	
		GREY_CONSULTING	Recruitment specialists in accounting, finance and risk assurance	Operates across all industries and sectors	
	BPO, TRAINING AND FINANCIAL SERVICES	PMI	The Production Management Institute of Southern Africa is a training company and is registered as a Private Higher Education institution by the Department of Education	Specialising in, but not limited to, automotive, manufacturing, logistics, warehousing and distribution, food and beverage, printing and packaging	
		FMS	FMS provides a wide range of 'life-coping' services to the employees of various companies when faced with challenges such as illness, funerals and legal disputes	Operates across all industries and sectors but, predominantly the life insurance industry	
		ADCORP SUPPORT SERVICES	Adcorp Support Services sources employee and value-added benefit products to the Group's temporary and permanent workforce	Operates across all industries and sectors	
		ADFUSION	ADfusion offers a range of sophisticated and innovative technology solutions to facilitate all aspects of recruitment across organisations	Financial Services, Utilities, Entertainment, Telecommunications	
NEW GENERATION BUSINESS	EMERGENT BUSINESS				

* To be discontinued.

	Footprint	Service offerings	Differentiators	Key drivers for growth	
	Gauteng – Head office Bryanston, Johannesburg Gauteng Gauteng, Western Cape	Stakeholder engagement, leadership management, Group reporting, treasury and financial management, internal audit and risk management, custodians of corporate governance, Group IT, Group marketing, Group human resources and corporate social Investment initiatives, BBBEE – strategy, administration of employee share trust, succession planning	Strategic focus on BBBEE across the Group, Value adding enterprise – Level 2 contributor procurement recognition level of 125%, Reliability and consistency of service delivery with regard to Group services, opinion leaders	Complexity of managing risk and governance of decentralised operations, acquisitions, growth in the South African economy	
	Gauteng, Western Cape, Eastern Cape, KwaZulu-Natal, Mpumalanga, Limpopo, Free State Gauteng, Western Cape, Eastern Cape, KwaZulu-Natal, Mpumalanga, Limpopo, Free State, North West, Africa (Angola, Mozambique, Sudan, Malawi, Namibia), International (Australia and United Kingdom) Gauteng, Western Cape, Northern Cape, KwaZulu-Natal, Mpumalanga, Limpopo, Free State, Africa (Botswana) Gauteng, Eastern Cape, KwaZulu-Natal Gauteng, Western Cape, Eastern Cape, KwaZulu-Natal, Free State	Market leaders in differentiated recruitment practices including temporary, contract and permanent placements, workforce optimisation, productivity enhancing service offerings	Database in excess of 250 000 candidates over all levels, skills sets and various industries, measurable performance against defined service level agreements, value adding enterprise – Level 2 contributor procurement recognition level of 125%, employment equity in excess of 70% PDI (previously disadvantaged individuals) placements, sophisticated workforce optimisation technology to unlock optimum client benefits	Growth in outsourcing non-core functions by clients, desire by organisation 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	
	Gauteng, Western Cape, Eastern Cape, KwaZulu-Natal, Limpopo, Free State Gauteng, Western Cape Gauteng, Western Cape Gauteng, Western Cape, KwaZulu-Natal Gauteng, Western Cape Gauteng Gauteng, Western Cape	Contingent database selection, talent search, executive search, market leaders in differentiated recruitment practices including temporary, contract and permanent placements	Unique broad range of recruitment services, intimate client relationships facilitating the development of unique human capital strategies and resource planning, candidate sourcing spanning numerous leading, branded consultancies combining unrivalled knowledge, experience, databases and advertising reach, ability to customise offerings, sustainability of benefits for clients	Growth in outsourcing non-core functions by clients, growth in the South African economy and business process outsourcing environment, critical shortage of key skills categories, access to new industry sectors, desire by organisations to match labour input costs to variable market demand	
	Gauteng, Western Cape, Eastern Cape, KwaZulu-Natal, Africa (Mozambique) Gauteng, Western Cape, Eastern Cape, KwaZulu-Natal Gauteng	Customised, strategically aligned corporate training solutions, comprehensive offering of business-relevant accredited education and training programmes Value added employee, financial, wellness and lifestyle products and services	Learning as an integrated part of workforce management Reliability and consistency of service delivery with regard to value-added services, unique subcontracted provider network	Continued demand for scarce technical skills, learnership tax breaks Product innovation with regard to specific financial service offerings, growth in the employee benefit industry, rollout of new products and services	
	Gauteng	Adcorp's technology-focused offerings and projects, an incubator for assessed, human capital specific, technology and process optimisation tools and practices, Adcorp's lead initiator in carbon offsetting	Empowering our clients through localised, people-centric technology solutions to achieve a higher level of self-sufficiency and cost effectiveness within their world of work	Ability to effectively manage enterprise-wide staffing supplier relationships, social media as the predominant means for networking, resource and process optimisation for sustained competitiveness, 'Green' processing International trend towards 'client self-sufficiency', client needs for legislative compliance, mitigation of risk and richness in employee reporting, ability to effectively manage enterprise-wide staffing supplier relationships, social media as the predominant means for networking, resource and process optimisation for sustained competitiveness, 'Green' processing	

	Revenue (R'000)	%	Normalised EBITDA (R'000)	%	
	N/A	N/A	N/A	N/A**	 THE POWER OF POTENTIAL 
	3 861 945	72,0	181 370	62,1	    
	1 329 000	24,8	46 590	16,0	      
	168 702	3,1	68 959	23,6	  
	2 553	0,1	(4 951)	(1,7)	    
Operating activities*	5 362 200	100	291 968	100	

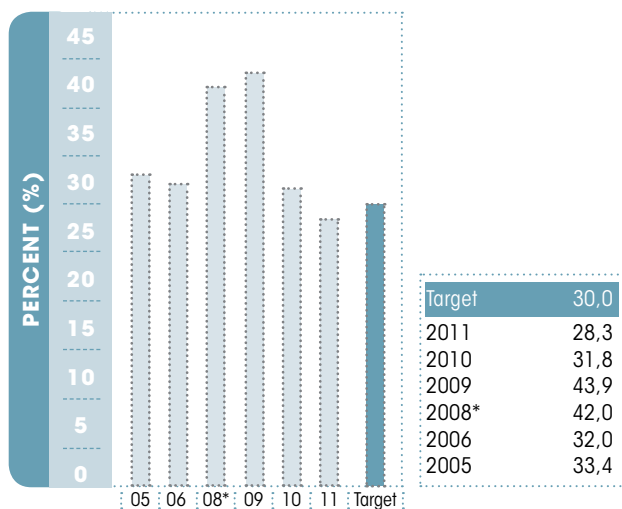
* Excluding central costs.

** Not allocated – refer to Segment Analysis on page 84.

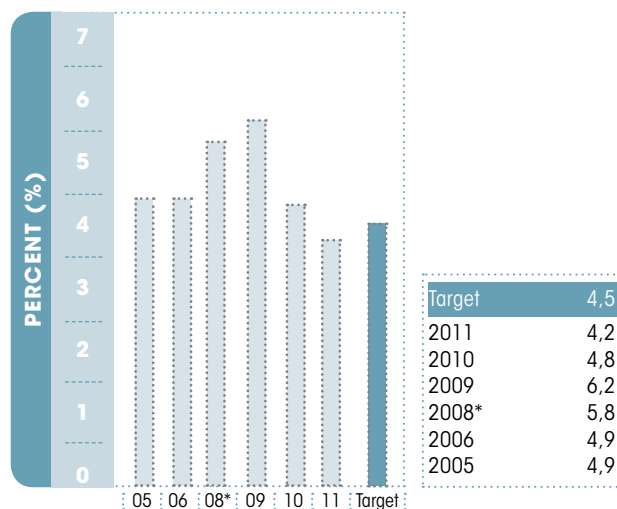


Financial performance against stated targets

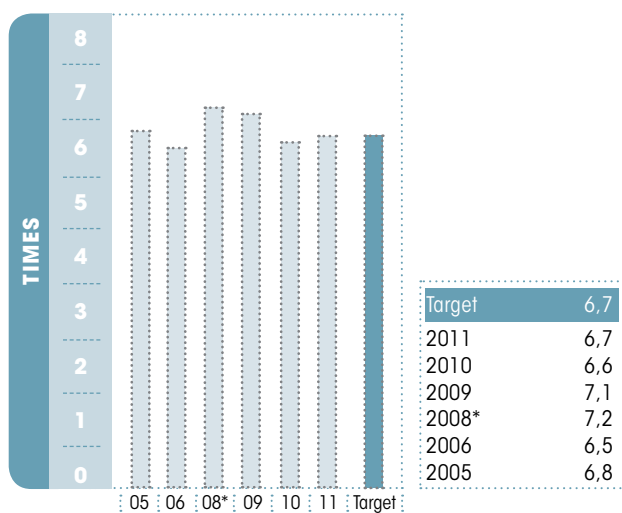
RETURN ON ASSETS MANAGED (ROAM)



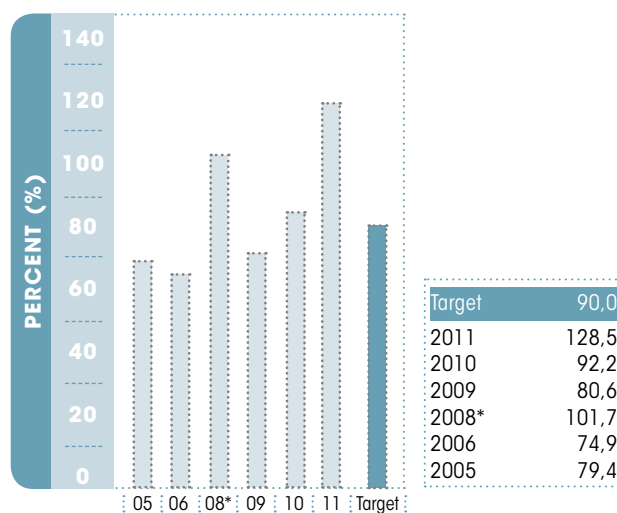
RETURN ON SALES (ROS)



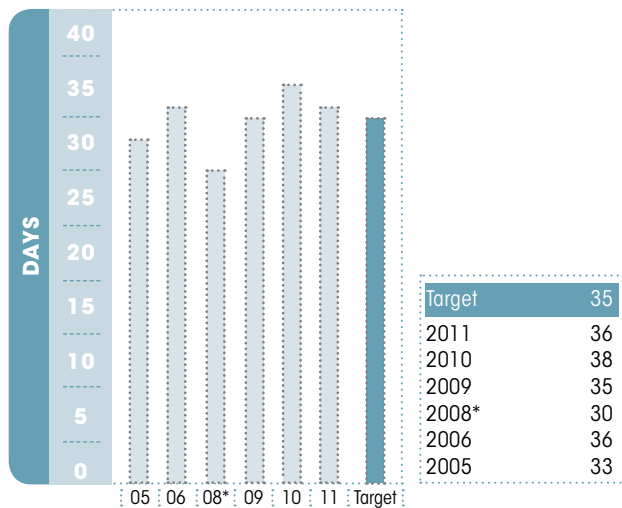
ASSET TURNOVER (ATO)



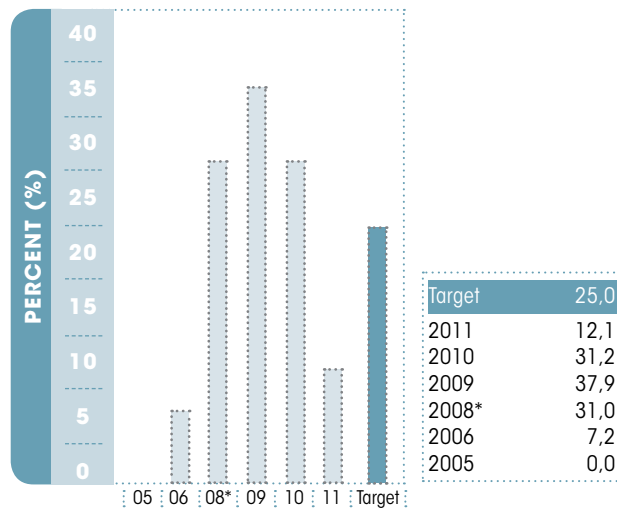
CASH CONVERSION RATIO



DAY SETTLEMENT OUTSTANDING (DSO)



GEARING LEVEL



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



Board of directors

**Mfundiso Johnson
Ntabankulu ("JJ") Njeke (53)**

Independent Chairman

BCom, CA(SA)

Appointed 1 July 2010

Outside directorships held

ArcelorMittal SA, Barloworld Limited, MMI Holdings, MTN, Resilient Property Income Fund Limited, Sasol Limited and various other unlisted companies.

Mncane Esau Mthunzi (39)

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.

Muthanyi Robinson Ramaite (42)

Non-Executive Director

BJuris, Master's degree

Appointed 1 June 2007

Outside directorships held

Europ Assistance Worldwide Services, Fintech, Gobodo Forensic and Investigative Accounting, Golden Pond Trading 350, Majestic Silver Trading 40, Newshelf 669, Ramaite Brothers Family Trust, Ramaite Properties, Simeka Group, Simeka Management Services, Simeka Properties, United Manganese of Kalahari, Verge Management Services, Vusani Property, Wescoal Holdings.



**Timothy Dacre Aird
("Tim") Ross (66)**

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.

Amanda Toise Albäck (37)

Independent Non-Executive Director

BCompt (Honours), CA(SA)

Appointed 14 April 2009

Outside directorships held

Foskor.

**Mmakeaya Magoro Tryphosa
Ramano (39)**

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.

• **Gugulethu Dinga (36)**
Non-Executive Director
BCom, CA(SA)
Appointed 16 August 2010
Outside directorships held
Distell Group, ABB SA, MCG
Industries, Landis+Gyr and
Rural Housing Loan Fund.

• **Richard Linden Pike (49)**
Chief Executive Officer
BCom (Hons), CA(SA)
Appointed 18 October 2000
No outside directorships held

• **Campbell Bomela (61)**
**Chief Risk Officer and 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 (49)**
Chief Operations Officer
MCom
Appointed 9 September 2002
Outside directorships held
BPesa.



The Adcorp Board believes that strong corporate governance
is essential for the achievement of sustainable value
for all stakeholders



Board of Directors *continued*

Mfundiso Johnson Ntabankulu ("JJ") Njeke (53)

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 PwC in 1994 to become Managing Director of Kagiso Trust Investments until 30 June 2010.

He is the past Chairman of the South African Institute of Chartered Accountants and its Education Committee. He serves on the boards of ArcelorMittal (SA), MMI Holdings, 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.

Timothy Dacre Aird ("Tim") Ross (66)

Tim studied at the University of Natal. He is a qualified Chartered Accountant and Tax Adviser. 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 listed 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 (39)

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 (BMF) for three years, during which time corporate membership increased by 300%. 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 PwC, 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.

Amanda Toise Albäck (37)

Amanda is a qualified Chartered Accountant having obtained her BCompt (Honours) through Unisa. She is currently involved at Vodacom on a consultancy basis as part of a team putting together the company's first Integrated Report. She was previously employed by Vodacom as Executive Head of Financial Control, a role she left to take up a position as CFO at Spescom. Between 2001 and 2003, before making her transition into the field of telecommunications, Amanda was Senior Manager of Passenger Revenue Accounting at SAA.

Mmakeaya Magoro Tryphosa Ramano (39)

Tryphosa has a BCom and a postgraduate 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 (42)

Robinson attained a BJuris degree from the University of the North before completing his Masters 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).

Gugulethu Dingaan (36)

Gugu is a Chartered Accountant who joined Wipcapital in 2001 where she has been engaged in finance and investment activities. She was previously in the Financial Services Banking audit group at PwC where she was involved in auditing financial sector companies.

Richard Linden Pike (49)

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 cofounded 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 Limited. 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 (61)

Campbell holds a BCom from Fort Hare University and an 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 Ellerrine Bros (Pty) Limited where he had served as an internal investment professional from January 2008 until June 2009. Prior to Ellerrine 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 Standard Corporate Merchant Bank (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 cofounding.

Petrus Cornelius ("Nelis") Swart (49)

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 of Adcorp in 2007. Prior to joining Adcorp, Nelis was the Commercial Director of Beier Industries (Pty) Limited 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 cofounder of the marketing research business, Konsulta.

Resignations

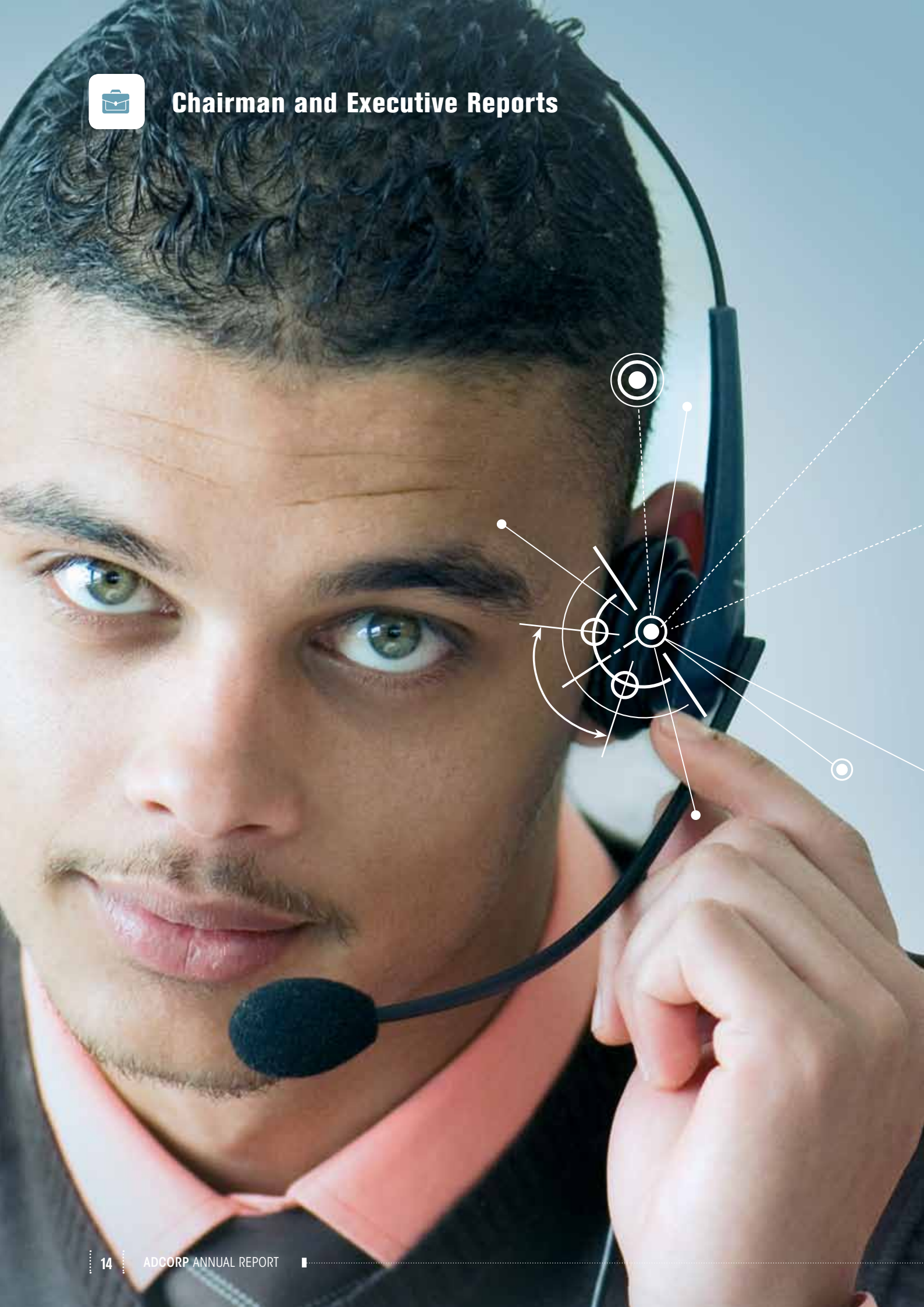
Louisa Mojela – 16 August 2010

Appointments

Gugu Dingaan – 16 August 2010



Chairman and Executive Reports





As the biggest staffing and recruitment provider in South Africa, the Adcorp Group is extremely well positioned to play a significant and meaningful role in contributing to Government's key objectives of job creation and skills development in terms of which, the Group placed approximately two hundred thousand people into positions of work and facilitated in excess of seven thousand registered learnerships during the past financial year.



Chairman's report

"With the first anniversary of my appointment as Chairman of Adcorp Holdings Limited rapidly approaching, I am able to reflect on what has been a progressive and eventful year for the Group. In this regard, the Group has turned in a satisfactory trading result for the financial year ended 28 February 2011 in an economic environment which still remains relatively tough."

IN EXCESS OF SIX MILLION OR 37% OF PEOPLE ELIGIBLE TO WORK IN SOUTH AFRICA ARE UNEMPLOYED, WHICH IS CLEARLY AN UNSUSTAINABLY HIGH AND CONCERNING LEVEL OF JOBLESSNESS.



With the first anniversary of my appointment as Chairman of Adcorp Holdings Limited rapidly approaching, I am able to reflect on what has been a progressive and eventful year for the Group. In this regard, the Group has turned in a satisfactory trading result for the financial year ended 28 February 2011 in an economic environment which still remains relatively tough.

A number of themes have been dominant not only for the Adcorp Group but also in terms of the prevailing political discourse over the past year.

In excess of six million or 37% of people eligible to work in South Africa are unemployed, which is clearly an unsustainably high and concerning level of joblessness.

In this regard, the Government published its New Growth Path (NGP) proposals towards the end of 2010 which identify job creation as the number one priority of Government in terms of which the NGP aims to create five million new jobs by 2020.

Subsequent to the publication of the NGP, this primary objective of job creation has also been reiterated by the President in his State of the Nation address as well as in the Budget Speech unveiled by the Minister of Finance in February 2011, whereby substantial funding has been allocated to this laudable objective of job creation.

A number of factors have contributed to this jobs crisis including the recent economic downturn, high wage inflation decoupled from labour productivity, a relatively inflexible labour market and the resultant adoption of mechanisation, automation, outsourcing, subcontracting and off-shoring as alternatives to traditional employment. In addition, South Africa is faced by a serious skills shortage of professional and technically skilled people.

As the biggest staffing and recruitment provider in South Africa, the Adcorp Group is extremely well positioned to play a significant and meaningful role in contributing to Government's key objectives of job creation and skills development in terms of which the Group placed approximately two hundred thousand people into positions of work and facilitated in excess of seven thousand registered learnerships during the past financial year.

Contrasted against this resolve to create jobs as a national priority has been the publication by Government of four proposed draft labour law amendment bills which seek to further regulate and restrict the atypical employment market which currently provides work for around 3,9 million people in South Africa. The proposed labour law amendments also propose a number of other, more onerous restrictions on employers which would have the effect of increasing the costs and responsibilities of all employers.

As such, the proposals would mitigate against employment and contradict the objectives of the NGP which aims to create jobs. If passed into law, these proposed labour law amendments would not only act as a disincentive to employment but would have the effect of destroying existing jobs on a grand scale.

The process of negotiating amendments to South Africa's labour laws has now commenced at Nedlac (The National Economic Development and Labour Council). Participants in these negotiations include delegates from Government, Labour and Business.

The onus of responsibility will rest heavily on the shoulders of these delegates to the Nedlac negotiations as they hold the future of millions of South African's employment prospects and wellbeing in their hands.

Hopefully, sanity, pragmatism and the interests of the common man will prevail in these negotiations.

The Adcorp Group has and will continue to play a leading role in terms of thought leadership in the South African labour market. In this regard, the Group publishes the monthly Adcorp Employment Index, has contributed a number of prominent papers and publications and is involved in numerous business think tanks and industry bodies as well as participating directly in the Nedlac negotiations.

Undoubtedly, the two overriding themes currently dominating the staffing industry have been that of the proposed labour law amendments as well as the greater adoption of technology as an enabler in the industry.

A global trend in the industry has been the adoption of sophisticated vendor management technology, automated timesheet capturing linked to automated time and attendance systems, and social networking as a recruitment platform.

In this regard, the Adcorp Group is well positioned to benefit from these technologies and, through licensing arrangements as well as customised software developments, is well placed in the market to take advantage of these technologies.

It is likely that a heightened regulatory and legislative framework coupled with the move towards greater adoption of technology as an enabler could lead to further consolidation and concentration in the staffing industry.

Given Adcorp's position of leadership in the industry as well as its ability to deal with complexity, innovation and compliance, these developments should bode extremely well for the Group in the future.

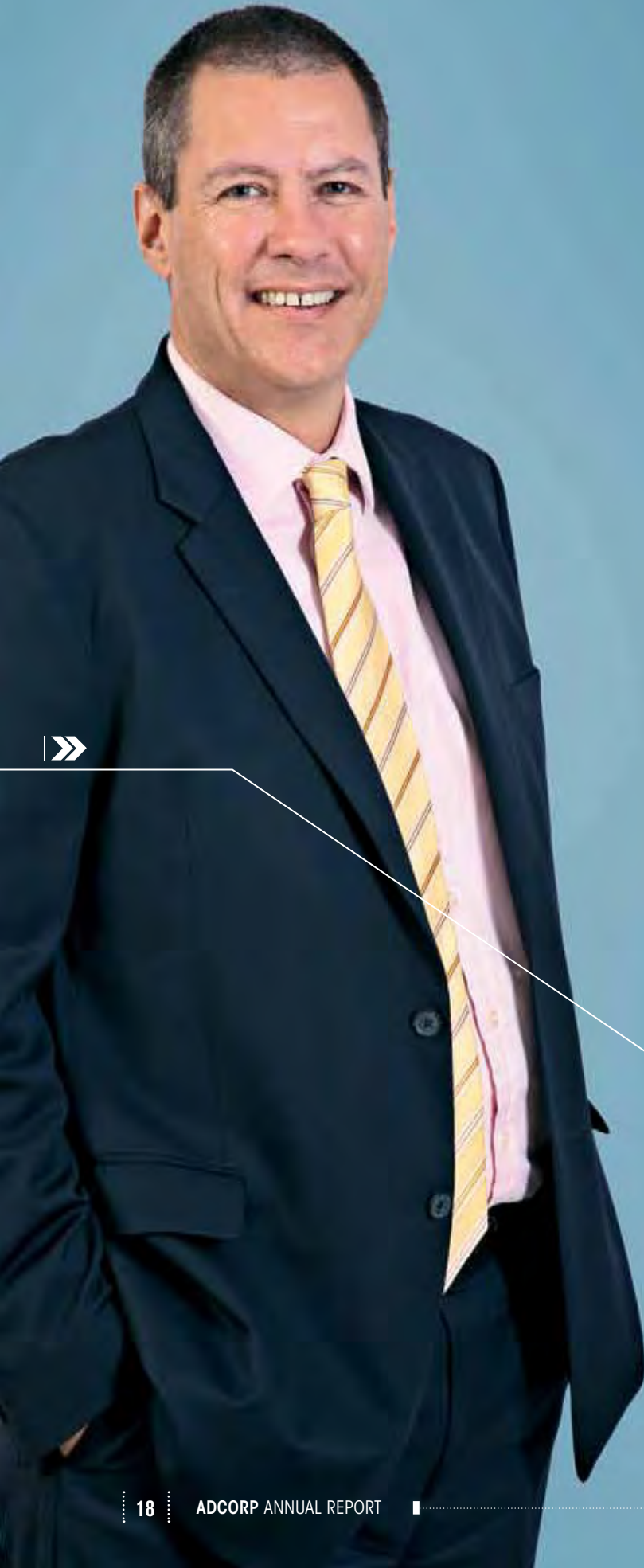
As such, I look forward to an exciting period whereby major shifts are likely to occur in the South African labour market as well as in the local staffing industry. Adcorp's positioning in this regard is particularly advantageous both in terms of the future prospects of the business as well as in terms of contributing positively to South Africa's national priorities of job creation and skills development.



JJ Njeke
Chairman



Chief executive's report



“Strategically, the Group is focused on managing its costs, driving economies of scale, delivering value for its clients, seeking out beneficial acquisitions and increasing the level of sophistication and technological advancement it applies in its day to day operations. In addition, the Group has a strong and robust balance sheet.”

ADCORP IS THE “LEADING PROVIDER OF HUMAN CAPITAL MANAGEMENT AND BUSINESS PROCESS OUTSOURCING SERVICES”, WHICH ACHIEVES THE GROUP’S EXPRESS STRATEGIC MISSION.

OVERVIEW

The Adcorp Group has achieved much over the past financial year, although the year was not without its challenges. In particular, an economic environment struggling to reenergise and regain confidence following the recent global financial crisis as well as the sustained political and regulatory pressure on the temporary employment services industry made for a difficult operating environment.

When considered in this context, the Group's performance and successes over the past year are most encouraging. A summary of the highlights of the financial year is as follows:

- As far as **financial performance** is concerned, Group revenues of R5 385 million (FY2010: R5 050 million) were 7% ahead of the prior year while normalised earnings per share of 290,2 cents (FY2010: 315,3 cents) were 8% down on last year's earnings.

"... the success of the Adcorp Employment Index (AEI) over the past year has exceeded all expectations ..."

In the context of the relatively difficult trading and environmental conditions, the Group has managed to hold up particularly well recording only a modest decrease in profitability.

- Another highlight of the financial year has been the **cash management** performance. In this regard, the Group converted 129% (FY2010: 92%) of operating profit into cash compared to a Group target of 90% by dropping outstanding debtors days to 36 (FY2010: 38 days). Borrowings have been maintained at significantly and sustainably lower levels than last year, saving the Group considerable charges on the interest line.
- The **statement of financial position of the Group has been substantially restructured** to ensure the correct mix of debt to equity following the successful capital raise and scrip distribution last year as well as having successfully renegotiated lending facilities with the Group's bankers in line with Adcorp's overall borrowing objectives.
- Given the significant number of contract workers the Group employs, coupled with the extensive complexity and permutations with regard to differing pay scales, deductions and pay periods, the pay rolling activity is a vital function. A new payroll system, **D-Bit**, was

successfully implemented across the Group during the year, which was a sizeable and considerable undertaking and will contribute greatly to the continued efficacy and enhancing controls regarding this vital function.

- Another initiative with regard to offering contractors access to relevant and cost effective financial services products has been the **rollout of a Payroll Card** to contract workers, which has been highly successful. Approximately 24 000 cards were in issue at the end of February 2011 resulting in far greater payroll efficiencies, lower bank charges, improved internal controls, enhanced benefits to temporary employees as well as unlocking an additional revenue stream for the Group.
- Also successful has been the **extended rollout of the Core Benefits product** offered as a benefit to contract workers over the past year. One of the criticisms levelled at the contract staffing industry in terms of the labour broking debate is that contract workers are typically excluded from all types of employee benefits. This product extends benefits to such contractors. Similar to the payroll card, the Core Benefits product provides valuable benefits to contract workers, while also unlocking an additional revenue stream for the Group. The product is underwritten by way of a cell captive structure whereby Adcorp shares in any underwriting profits but does not participate in losses.
- Another notable success has been the **sale of the loss-making recruitment advertising business**. Although a relatively small disposal in financial terms (R5 million), it has the effect of stemming losses from this sunset operation which is principally focused on the placement of print recruitment advertisements focused mainly on the public sector where margins have been under extreme pressure and volumes are erratic.
- Against the backdrop of the emotive and sustained political attack on labour broking, the **success of the Adcorp Employment Index (AEI)** over the past year has exceeded all expectations, providing the Group with a prominent media platform from which to tell our side of the story. So successful has it been, that we now receive significant print, radio and TV media exposure on a monthly basis on the strength of the Index.

Another benefit of the Index and the media exposure we have received as a result thereof, is that it firmly **entrenches Adcorp as the "Leading provider of Human Capital Management and Business Process Outsourcing services"**, which achieves the Group's express strategic mission.



Chief executive's report continued

- The Group has now been awarded its **first Skillstream implementation sites**. Gaining traction with this world standard vendor management system to which Adcorp has exclusive African rights has been slow. Having been awarded our first sites will make it far easier to roll out as we now have the ability to demonstrate a track record with regard to this impressive technology.
 - The period under review also saw the **acquisition of Gold Fields External Training Services (GFETS)**, renamed Adcorp Technical Training, for an amount of R5 million which has now been successfully integrated into the operations of PMI. Post-acquisition profits from GFETS are slightly ahead of expectation. Given the strategic positioning of this business with its specific focus on artisan training, the acquisition further strengthens the Group's positioning as a leading provider of scarce technical skills.
 - Subsequent to continuing losses and certain administrative challenges, the nursing staffing business of **Charisma has been restructured and integrated into the operations of Capacity**. This should result in improved financial and accounting controls and a modest return to profitability from this business in the next financial year.
 - Continuing on our empowerment successes and commitment to this issue over the past years, Adcorp has remained within the **top 10 of South Africa's Most Empowered Companies** on the JSE Limited in terms of the Financial Mail Top Empowered Companies survey for 2011.
 - Following the appointment of the new Chairman of the Board, Mr JJ Njeke, together with the establishment of the various Board committees and finalisation of the respective committee charters, **the Board has now been properly constituted in compliance with King III**.
 - **Merging the operations of Quest and Emmanuels** is another milestone achieved during the year under review. The merging of these white-collar flexible-staffing brands will facilitate significant cost savings for the Group in the future, stemming losses from Emmanuels and resulting in greater profitability for the combined entities.
 - Another highlight of the year has been the **substantial improvement of the internal audit and risk functions** within the Group. This has been critical given the expanded size of the Group as well as its increased complexity.
 - Following the publication of four proposed Labour Law amendment bills which will impact our industry and our business, Adcorp's interests are **directly represented as part of the business delegation at the Nedlac negotiations** dealing with this matter.
 - During the year, the Group has been able to **significantly increase the number of external learnerships** it offers from around 700 in the previous financial year to around 2 000 in the current financial year, which provides a lucrative new revenue stream for the Group, and there is a lesser dependence on internal learnerships as far as learnership tax breaks are concerned. In total, the Group facilitated approximately 7 000 internal and external learnerships during the financial year under review.
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- ### "The blue-collar flexible-staffing businesses, namely, Capital Outsourcing Group, Capacity and Staff-U-Need continue to provide the 'engine room' for the Group."
-
- With regard to learnership tax breaks, the Minister of Finance announced in his February 2011 Budget Speech that the current learnership tax scheme which is due to conclude in September 2011, will be extended for a further five-year period.
- Despite the sustained political and legislative pressure on our industry as well as the relatively tough economic conditions, we have been able to **retain our key staff**. In this regard, there is a widespread commitment to and belief in the Group among staff.
- As can be seen, the successes of the Group over the past year have been many and varied. There have, however, also been some challenges along the way which include the following:
- Following the global financial crisis, economic recovery has proved to be relatively fragile with the job market lagging the recovery and yet to see a substantial return of confidence.
 - There have been significant delays in certain client maintenance programmes which have affected Staff-U-Need negatively in the current financial year. Hopefully, this delayed maintenance will be made up in the next financial year.
 - During the year, FMS lost a sizeable piece of business. Commendably, however, the business has been able to make up for some of the lost revenue by gaining new business elsewhere.
 - The Adcorp share price has been negatively affected by the impending threats over labour legislation

aimed at banning or significantly regulating the labour broking industry. This situation is likely to persist until such time as there is clarity with regard to this matter.

- The draft labour law amendment bills tabled in December 2010 were a substantial departure from what had previously been tabled and proposed by the Department of Labour at Nedlac. This was extremely disappointing given the progress we believed had already been made with regard to this matter at the Nedlac negotiations.

OPERATING PERFORMANCE

The blue-collar flexible-staffing businesses, namely, Capital Outsourcing Group, Capacity and Staff-U-Need, continue to provide the 'engine room' for the Group.

Both Capital Outsourcing Group and Capacity continued to perform well off a high base of achievement in the prior year. Both businesses were able to gain market share in the wake of the ongoing debate regarding labour broking whereby a number of clients have consolidated their supply of labour with larger, reputable suppliers.

As mentioned, Staff-U-Need was negatively impacted by maintenance and payment delays with regard to their major client, which saw a year-on-year decline in profitability for this operation.

The white-collar flexible-staffing operations of the Group, together with the permanent recruitment businesses, recorded good year on year profit growth with the exception of Emmanuels, which recorded a loss. This solid performance which has continued into the new financial year has been the result of market share gains as well as a more buoyant recruitment market, particularly with regard to scarce skills. The merging of the operations of Quest and Emmanuels should result in further cost-saving opportunities in the new financial year.

The Business Process Outsourcing (BPO) and training operations experienced mixed fortunes with FMS having lost a sizeable client but with training operations reporting significant year-on-year growth. The prospects for the training operations are extremely positive given the current prevailing skills shortage, the focus of Government on pushing the training agenda and the unique and highly relevant business model of our training operations.

As mentioned, the nursing staffing operations of the Group recorded a loss for the year under review but, given the remedial management action taken in this regard, it is unlikely that these losses will be repeated in the new financial year.

While operating margins have generally been under pressure, this margin pressure has been compensated

in the overall result by way of focusing on cost control, offering appropriate and affordable financial services products to contractors and increasing the number of learnerships offered. In this way, the revenue stream related to each contractor is optimised, not only by way of traditional basic service fees but, also by tapping into these alternative revenue streams.

MACRO ENVIRONMENT

Following the recent global financial crisis whereby the South African economy shed close to one million jobs during 2009 and 2010, there has been little improvement in the overall unemployment rate in South Africa. Despite a return to economic growth, the official South African unemployment rate is approximately 25% based on a narrow definition of unemployment but, more realistically, stands at around 37% or 6,4 million people unemployed based on Statistics SA's broader definition of unemployment which includes those discouraged from looking for work.

Despite a static jobs market, atypical or contract forms of employment have continued to perform relatively well, which has been positive for the Group's sizeable contract staffing operations. Although it has primarily been permanent jobs that have been most affected by the general jobs malaise, Adcorp's permanent recruitment businesses have shown positive growth given the sustained high level of demand for scarce skills.

Compared to the overall broadly defined South African unemployment rate of 37%, the unemployment rate for professionals (lawyers, accountants, engineers, doctors and the like) is 0,4%, which is extremely low by international standards reflecting the shortage of these types of skills.

Technology is also starting to play more of a prominent role in the recruitment and staffing process with more sophistication in time and attendance systems, workforce scheduling, automated time sheeting and the use of vendor management systems in the human resources environment starting to gain momentum.

This presents a great opportunity for the more sophisticated technology providers in the industry as it presents a means of differentiating service offerings thus providing the potential for market share gains which the Group has undoubtedly benefited from during the financial year under review.

Skills development is also an area that is receiving far more prominence in both the public and private sectors with more money being allocated to this important imperative. In particular, artisan training is receiving particular attention and, in this regard, the Group is extremely well positioned to take advantage of these opportunities.



The heightened debate surrounding the future regulatory framework with regard to labour broking (see below), has also provided opportunities for the reputable and more sophisticated operators as those, providers without the appropriate credentials are being exited from the industry providing market gain opportunities for those that remain.

INDUSTRY DEVELOPMENTS

Following a protracted debate on the future of the Temporary Employment Services (TES) or labour broking industry whereby certain factions in the trade union movement as well as in Government have been calling for a ban of the practice, four draft bills were released by the Department of Labour for public comment on 17 December 2010 as follows:

- Labour Relations Amendment Bill.
- Basic Conditions of Employment Amendment Bill.
- Employment Equity Amendment Bill.
- Employment Services Bill.

While these bills are an attempt to significantly regulate the TES industry, if implemented, they would have far-reaching implications for all employers in South Africa. As such, they have elicited much heated debate and controversy as well as a groundswell of opinion calling for their withdrawal.

Importantly, the proposed bills are a fundamental departure from what was proposed to the National Economic Development and Labour Council (Nedlac) by the Department of Labour during the 2010 negotiations on this issue. In addition, they contradict the recommendations of the Parliamentary Committee on Labour which recommended regulation of the TES industry rather than a ban of the industry and are dismissive of the damaging findings of the Regulatory Impact Assessment study commissioned by Government which warns of concerning consequences were these bills to be passed into law.

“... Adcorp, and the TES industry in general, plays a significant role in facilitating the matching of millions of job seekers with job vacancies ...”

Among the concerns raised in the Regulatory Impact Assessment study which was commissioned by both the Department of Labour and the Presidency, it warns that:

- provisions declaring all employees to be permanent could increase the cost of doing business to such an extent that employers would opt to shed workers resulting in a rise in overall unemployment;
- a possible ban on labour broking (TES) could be unconstitutional;
- a ban on these TES services could inadvertently affect the financial and business services sector; and
- by repealing temporary employment services, a major source of job creation over the past 14 years would be lost.

The recently published 'New Growth Path' identifies job creation as Government's number-one priority. In February 2011's State of the Nation Address to Parliament, President Zuma reiterated his commitment to job creation which was backed up in the Finance Minister's Budget Speech, also delivered to Parliament in February 2011.

It is clear that, should this raft of proposed laws be promulgated, they would be in direct conflict with this primary objective of job creation and, to the contrary, would have the effect of destroying a significant number of jobs as suggested by the Regulatory Impact Assessment study.

As such, a total rethink is required with regard to labour market policy in South Africa and, to this extent, the Department of Labour has agreed to engage with business and labour at Nedlac to progress this debate.

The likely outcome, therefore, is that the proposed Labour Law amendments will be fundamentally softened in their final form and, with regard to labour broking, are likely to be centred on regulation rather than on a banning of TES which, as the Regulatory Impact Assessment study suggests, would be unconstitutional.

Given the lengthy process involved in the negotiations, it is unlikely that any revised labour legislation will be passed this year and that the process will spill over into 2012.

While uncertainty remains with regard to the proposed Labour Law amendments, much water still needs to flow under the bridge in order to achieve finality with regard to this matter. In the interim, it is not anticipated that there will be any immediate or material, negative impact on the business of Adcorp.

In the longer term, we remain confident that the ultimate regulation of the industry in line with what was proposed to Nedlac in 2010 by the Department of Labour will be to the ultimate benefit of the reputable and legitimate players in this industry.

There is no doubt that Adcorp, and the TES industry in general, plays a significant role in facilitating the matching of millions of job seekers with job vacancies thus positioning us as a "major source of job creation

over the past 14 years" as described in the Department of Labour's own Regulatory Impact Assessment study.

To enact restrictive legislation that would severely curtail the efficient functioning of this industry would be entirely at odds with the Government's "number-one priority" as enunciated in the New Growth Path which is job creation.

Given Adcorp's role in placing hundreds of thousands of job seekers as well as our role in facilitating in excess of 7 000 registered learnerships each year, we believe that we are extremely well positioned to contribute to the job creation and skills development objectives of the country.

HUMAN RESOURCES

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

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

In this regard, the Adcorp 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 has been ranked as the Top Empowered Company listed on the JSE in terms of the Financial Mail/ Empowerdex surveys for both the 2008 and 2009 years, second in 2010 and was again ranked in the Top 10 in terms of the 2011 survey.

While 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

While, on the face of it, the labour market in which we primarily operate appears to be relatively stagnant due to an inability of the economy to create jobs on any meaningful scale, coupled with the regulatory challenges faced by the temporary employment services industry, these factors both contribute to providing the Adcorp Group with major opportunities.

There are undoubtedly certain good pockets of opportunity which the Group is able to take advantage of with regard to the placement of scarce skills, the training of such skills, the opportunity to present alternative innovative value propositions to clients resulting in market share gains and the opportunities provided by the labour broking debate to engage clients at a strategic level as opposed to merely at a transactional level.

The greater the level of legislative complexity and regulation, the more it favours a Group such as Adcorp which has the sophistication, reputation, know-how and financial capability to deal with such complexity.

These opportunities, coupled with the adoption of technology as an enabler in the staffing space whereby the Adcorp Group leads the way in this regard, all contribute to a high level of optimism with regard to the future prospects of the Group.

Strategically, the Group is focused on managing its costs, driving economies of scale, delivering value for its clients, seeking out beneficial acquisitions and increasing the level of sophistication and technological advancement it applies in its day-to-day operations. In addition, the Group has a strong and robust balance sheet.

As such, the Group is particularly well positioned for the future.

APPRECIATION

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



Richard Pike
Chief Executive Officer



Chief financial officer's report

"While different operating entities within the Group experienced the effects of the economic environment in varying degrees, the dominant blue-collar flexible-staffing businesses performed well."

THE PHILOSOPHY OF THE GROUP HAS CONSISTENTLY BEEN TO PLACE MAJOR EMPHASIS ON THE CASH-GENERATING POTENTIAL OF THE UNDERLYING OPERATIONS.

Statement of normalised earnings*

for the year ended 28 February 2011

	Year to 28 Feb 2011 R'000	Year to 28 Feb 2010 R'000	% change
Revenue	5 384 566	5 050 358	7
Cost of sales	(4 264 774)	(3 953 341)	8
Gross profit	1 119 792	1 097 017	2
Other income	51 967	39 353	32
Administrative marketing, selling and operating expenses	(1 014 088)	(969 839)	5
Operating profit	157 671	166 531	(5)
Adjusted for:			
Depreciation	24 079	26 423	(9)
Amortisation of intangible assets	44 143	68 771	(36)
Share-based payments	31 900	19 008	68
Lease-smoothing	800	(984)	181
EBITDA (excluding share-based payments and lease smoothing)	258 593	279 749	(8)
Adjusted for:			
Depreciation	(24 079)	(26 423)	(9)
Amortisation of intangibles other than those acquired in a business combination	(10 459)	(9 598)	9
Normalised operating profit	224 054	243 728	(8)
Net interest paid	(28 673)	(46 622)	38
Normalised profit before taxation	195 381	197 106	(1)
Taxation	(20 968)	(27 158)	(23)
Normalised profit for the year	174 413	169 948	3
Normalised effective tax rate	11%	14%	
Normalised earnings per share – cents	290,2	315,3	(8)
Diluted normalised earnings per share – cents	283,5	307,5	(8)
Weighted average No of shares – 000's	60 110	53 903	12
Diluted weighted average No of shares – 000's	61 520	55 272	11

* The unaudited pro forma financial information as shown in the statement of normalised earnings, should be read in conjunction with the Deloitte & Touche independent reporting accountants' report thereon, which is available for inspection at Adcorp's registered office.

Adcorp Holdings Limited is listed in the business training and employment agencies sector of the JSE Limited. The consolidated figures in this report include the results produced by the operating units in the statutory entities within the Group as described on page 74 (directors' report).

BASIS OF PREPARATION

The annual financial statements relate to the Adcorp Group of companies. In order to provide a better understanding of the Group's results, the results have been provided on a segmental basis. The segments into which the Group has been divided are:

I. GROUP CENTRAL COSTS – Includes those segments that have not been aggregated with the other identified reportable segments. These include the items of income and expenditure related to Adcorp Holdings Limited, group marketing, corporate social investment, shared services and the central head office.

II. TRADITIONAL STAFFING BUSINESS (incorporating flexible and permanent staffing) – Includes blue-collar flexible-staffing services (including nursing), white-collar flexible-staffing services, permanent recruitment services and recruitment advertising.

III. NEW GENERATION BUSINESS (incorporating business process outsourcing (BPO), training, financial services and emergent business) – Includes value-added services within the BPO segment, training, the provision of financial service products and technology-enabling products and services.

The segmental analysis described above is not necessarily based on the results per statutory entity, but rather on a functional split of the activities within Adcorp. The detailed segmental report appears on page 84.



Chief financial officer's report continued

ACCOUNTING POLICIES APPLIED

The accounting policies applied are in accordance with IFRS, as well as the South African Companies Act 61 of 1973, and are consistent with the accounting policies applied in the prior year.

REVIEW OF GROUP RESULTS

The Group's primary measure of performance is normalised earnings. This is represented by operating profit adjusted for the International Financial Reporting Standards ("IFRS") adjustments of amortisation of intangibles arising on business combinations as well as share-based payments and lease-smoothing. The table shown on page 25 sets out the normalised earnings for the year ended 28 February 2011 as well as the comparative year.

Normalised earnings for the year of 290,2 cents per share (FY2010: 315,3 cents per share) were some 8% lower than the comparable normalised earnings per share for the prior year. Group revenue of R5 385 million reflected a 7% increase compared to revenues of R5 050 million achieved in the prior year.

While different operating entities within the Group experienced the effects of the economic environment in varying degrees, the dominant blue-collar flexible staffing businesses of Capacity Outsourcing and Capital Outsourcing Group performed well. EBITDA attributable to the white collar flexible staffing and permanent recruitment businesses was flat year-on-year. The recruitment advertising business continued to be loss-making resulting in an internal restructure and resultant sale of part of the business.

Despite various challenges, a credible performance was produced by FMS Marketing Solutions (FMS), the Group's main exposure to the business process outsourcing (BPO) sector.

Training business, Production Management Institute of SA (PMI), continued to deliver a strong contribution. Continued success was experienced in delivering approximately 4 700 learnerships in terms of the Skills Development Act within the internal Adcorp contract staffing complement and approximately 2 000 external learnerships. Consistent with the previous year, the effect of the internal learnerships which, while adding an additional cost burden, resulted in significant benefits accruing to the Group in the form of specific tax deductions as described more fully below.

The contribution to Group normalised operating profit from our financial services division grew significantly year-on-year. Highlights during the year include a change to the model of underwriting services, traction in the payroll card rollout and the successful introduction of additional new products.

Overall Group central costs were well controlled despite isolated above-average inflation cost escalations.

The Group's normalised EBITDA of R258,6 million is some 8% lower than the R279,7 million of the previous year as a result of the decline in EBITDA margin to 4,8% as opposed to 5,5% in the prior year. Margins were negatively affected by continued pricing pressure in the blue-collar flexible-staffing operations. A detractor to Group margin continues to be a greater mix swing in favour of the typically lower margin blue-collar businesses. Operating cost control remained robust evidenced by an increase in the absolute Rand value of 5% year-on-year despite an improvement in the expense ratio to 18,8% (2010:19,2%).

During the year under review, the Microsoft Dynamics AX ERP system was successfully implemented throughout all the operating entities within the Group. Given the relative short time span of Group-wide implementation, the system has significantly improved the quality of management information although the anticipated operating efficiencies have yet to be unlocked. A major focus area of management continues to be to devise strategies to achieve economies of scale in the areas of centralised credit control, financial administration and payroll management.

STATEMENT OF FINANCIAL POSITION

The Group's financial position has been strengthened by the combination of the limited shares for cash issue conducted in February 2010, the scrip distribution effected during August 2010 and superlative working capital management throughout the period under review. As a direct consequence thereof, the net interest expense of R29 million declined by 38% compared to that in the prior year. During the year and consistent with that previously reported, Adcorp finalised its debt restructuring exercise. A more detailed discussion hereof appears under the heading below called "Capital structure".

ACCOUNTS RECEIVABLE MANAGEMENT

Debt collection is a critical part of the business and an ongoing focus area for management. The cash-to-cash cycle remains a high priority and in this regard, days settlement outstanding (DSO) totalled 36 days (FY2010: 38 days). This excellent result was achieved despite a challenging collections environment, particularly with regard to the public sector where some sizeable balances repeated the pattern of being unpaid as at year-end. Subsequent to the financial year-end, a significant amount of the outstanding public sector debt was collected, bringing collections back to within targeted levels.

CASH GENERATION

The philosophy of the Group has consistently been to place major emphasis on the cash-generating potential of the underlying operations. As such, a cash conversion target of 90% is the stated management objective. In this regard, the Group exceeded its target whereby 129% (2010: 92%) of normalised operating profit was converted into cash.

The R288 million of cash generated by operations is 28% higher when compared to the R225 million for the prior year. Despite the lower level of profitability, a significant

improvement in the management of working capital resulted in R28 million being released from working capital when compared to the consumption of R55 million in the prior year.

Lower levels of interest, taxation and dividends paid were in line with management's expectations given the collective effects of the corporate debt restructuring, improved working capital management, lower secondary tax on companies (STC) and the lower cash dividend paid arising from the high percentage take-up of the scrip distribution.

Group abridged cash flow for the year ended 28 February 2011 as well the comparative year

	Year ended 28 Feb 2011 R'000	Year ended 28 Feb 2010 R'000	% change
Cash generated by operations before working capital	259 503	280 009	(7)
Decrease/(increase) in working capital	28 351	(55 253)	>100
Cash generated by operations	287 854	224 756	28
Net interest paid	(28 673)	(46 621)	(38)
Taxation paid	(32 632)	(58 258)	(44)
Free cash generated by operations	226 549	119 877	89
Net dividends paid	(42 216)	(118 379)	(64)
Cash inflows from operations	184 333	1 498	
Cash outflows from investing activities	(23 565)	(81 901)	(71)
Cash (outflows)/inflows from financing activities	(15 220)	80 894	(<100)
Net increase in cash and cash equivalents	145 548	491	
Net cash and cash equivalents at the beginning of the year	(50 246)	(50 737)	(1)
Net cash and cash equivalents at the end of the year	95 302	(50 246)	290
Free cash generated by operations per share – cents	376,9	222,4	69

CAPITAL STRUCTURE

As previously reported to shareholders, the Group undertook a limited shares for cash issue in February 2010. The consequences thereof were reflected in the Group's statement of financial position as at 28 February 2010. Following on from this initial step, the Group experienced an 87% take-up of the scrip distribution alternative in August 2010. This resulted in an amount approximating R65 million being conserved within the Group.

The directors took the conscious decision to rationalise the number of funding providers down to two. In this regard, the Group successfully executed an amended and restated preference share agreement, effectively extending the duration of the preference share for an additional three years. Simultaneously with the foregoing, and as stated in the statement of cash flows on page 83, the Group repaid the long-term loan of

R91 million through a combination of contracted quarterly instalment repayments and receipt of a new, five-year long-term loan of R75 million priced at a more favourable interest rate.

Given the intricacies of the Group's working capital cycle, the directors believe that the optimal mix between committed long-term and short-term borrowings facilities remains two-thirds as to one-third. Consequently, despite the net cash position of R95 million as at 28 February 2011 (2010: R50 million overdrawn), the Group obtained an additional R100 million long-term debt facility, subsequent to the year-end, in order to compensate for the R42 million reduction of short-term facilities that took effect on 28 February 2011. A summary of the Group's overdraft facilities appears on page 117.



Chief financial officer's report continued

A summary of the interest-bearing liabilities in respect of the year under review is as follows:

	Year ended 28 Feb 2011 R'000	Year ended 28 Feb 2010 R'000	% change
Net (cash)/overdraft on hand	(95 302)	50 246	
Other non-current liabilities	4 462	5 034	(11)
Long-term loan	60 000	59 912	0
Redeemable preference shares	130 000	130 000	0
Obligations under finance lease	249	2 597	(90)
Current portion of other non-current liabilities	6 061	2 124	185
Current portion of long-term loan	15 000	31 227	(52)
Current portion of redeemable preference shares	2 199	2 362	(7)
Total	122 669	283 502	(57)
	%	%	
Total long-term debt	100	70	
Total short-term debt	-	30	
Total	100	100	

DIVIDEND POLICY

The Group has declared a final dividend of 121 cents per share (2010: 115* cents per share). When considered with the interim dividend declared of 54 cents per share (2010: 50 cents per share), the total dividends for the year under review total 175 cents per share (2010: 165 cents per share).

In determining the appropriate level of dividend, the directors have considered what would sustainably allow the Group to maintain an interim and final payout. Against the background of more restrictive debt markets, the balance sheet restructuring process referred to above and pursuant to careful consideration of the cash-generative characteristics of the Group, the directors believe it is appropriate to set the dividend payout ratio at 1,7 cover based on normalised earnings.

**Cash dividend in lieu of the scrip distribution.*

SIX-YEAR REVIEW

The six-year review of key financial indicators is set out on page 68.

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 ROAM of 28,3% versus a target of 30%. In achieving this result, the return on sales (ROS) or operating margin achieved was 4,2% versus a revised target of 4,5%, while the asset turnover (ATO) ratio was 6,8 times in line with the target of 6,7 times.

In terms of gearing, the Group's year-end gearing level was 12,1% versus a long-term target gearing level of 25%.

The performance of the Group against stated financial targets for the year ended 28 February 2011 appears in the table below. As reflected, the directors have deemed it prudent to revise certain targets in light of changed economic conditions.

	Financial target	Year to Feb 2011	Year to Feb 2010
Return on assets managed (ROAM) (%)	30,0	28,3	31,8
Return on sales (ROS) (%)	4,5	4,2	4,8
Asset turnover (ATO) (times)	6,7	6,7	6,6
Cash conversion ratio (%)	90,0	128,5	92,2
Debtors days	35	36	38
Gearing target (%)	25,0	12,1	31,2

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

	Year to Feb 2011	Year to Feb 2010
Total dividends (cents per share)	175	165
Interim dividend (cents per share)	54	50
Final dividend (cents per share)	121	115*

*A scrip distribution was declared in May 2010 with the right to elect a 115 cents per share cash dividend in lieu of the scrip distribution.

ACQUISITIONS

The acquisition of Adcorp Technical Training (formerly Goldfields External Training Services (GFETS) was concluded with effect 1 July 2010. As such, it has been included in Group profits for eight months of this financial year. The business has a specific focus on providing training and related activities to the mining sector. Although small in relative size, the strategic positioning of the business is important within the overall training service offering of the Group. The business has integrated well into the Adcorp Group and is performing in line with expectations.

TAXATION

Most legal entities within the Group are in tax-paying position. South African corporate income tax has been provided for at 28% (2010: 28%) and STC at 10% (2010: 10%) in the financial statements.

The Group's overall normalised effective tax rate remains low at 11% (FY2010: 14%) due to the effect of the specific

deduction in respect of learnership agreements claimed in terms of the Income Tax Act (ITA) 58 of 1962, as amended. A detailed reconciliation of the actual tax for the year appears on page 107.

While it is not the Group's intention to entrench a dependency on these tax deductions 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.



Anthony Sher
Chief Financial Officer

"The Group successfully executed an amended and restated preference share agreement, effectively extending the duration of the preference share for an additional three years."



Sustainability report





Adcorp's approach to sustainability reporting is a journey and not a diversion from its core commercial activity of creating shareholder value. In this regard the strategic priorities have largely been focused within the financial and socio-economic areas of sustainable development given the current market conditions.



Sustainability report continued

OVERVIEW

This is the first year that Adcorp is publishing a clearly defined sustainability report. The report covers the 2011 reporting period and the Global Reporting Initiative (GRI) forms the basis of its content.

In applying the GRI G3 guidelines to our sustainability report, Adcorp will be reporting on a C level of application without independent assurance.

GRI INDEX

Report application level			C	C+	B	B+	A	A+
Standard disclosures	G3 PROFILE DISCLOSURES	Output	Report on: 1.1 2.1 – 2.10 3.1 – 3.8, 3.10 – 3.12 4.12 – 4.4, 4.14 – 4.15	Report externally assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 – 4.13, 4.16 – 4.17	Report externally assured	Same as requirement for Level B	Report externally assured
	G3 MANAGEMENT APPROACH DISCLOSURES	Output	Not required		Management Approach Disclosures for each indicator category		Management Approach Disclosures for each Indicator category	
	G3 PERFORMANCE INDICATORS AND SECTOR SUPPLEMENT PERFORMANCE INDICATORS	Output	Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.		Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human Rights, Labour, Society, Product Responsibility.		Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	

Key sustainability indicators

	GRI indicator	2011	2010
Total workforce by employment type, employment contract and region	LA 1	98 352	92 170
Average hours of training per employee for the year (specific to learnerships)	LA 10	1 200 notional hours of training per learner	Not reported
Total number of incidents of discrimination and actions taken	HR 4	No incidents identified	Not reported
Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights	HR 5	No operations identified	Not reported
Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	HR 6	No operations identified	No operations identified
Percentage and total number of business units analysed for risks related to corruption.	SO 2	All operations	Not reported
Percentage of employees trained in organisation's anti-corruption policies and procedures	SO 3	Permanent employees	Not reported
Actions taken in response to incidents of corruption	SO 4	None	Not reported
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	SO 8	None	Not reported
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	EN 28	None	Not reported

SUSTAINABILITY AT ADCORP

The Group recognises that it cannot operate in isolation from the impacts of societal trends and events. It has embraced each area of sustainability not only in line with compliance requirements of the GRI but to encourage a shift in mindset that will ultimately create business value and retain the trust and confidence of the Group's stakeholders.

Adcorp's approach to sustainability reporting is a journey and not a diversion from its core commercial activity of creating shareholder value. In this regard the strategic priorities have largely been focused within the financial and socio-economic areas of sustainable development given the current market conditions. With an estimated reasonably low environmental impact the Group has, however, recognised the market signals of gaining competitive advantage while helping to build its future market and workforce by being a 'good corporate citizen' in order to improve the quality of life of its employees, their families as well as the local community and society at large.

FACT: Unemployment remains the major challenge facing South Africa.

MACRO-ECONOMIC FACTS

- One of post-apartheid's greatest disappointments is the economy's failure to create jobs – 13% unemployment in 1994 to **37% CURRENTLY***
 - Official labour force size: 17,4 million of which **13 MILLION ARE FORMALLY EMPLOYED**
 - **4,4 MILLION SOUTH AFRICANS** are currently unemployed
 - 2,0 million are **PERMANENTLY DISCOURAGED** about their prospects of finding work
 - **2,1 MILLION** people are underemployed
- 2,7 million (61%) of those **OFFICIALLY UNEMPLOYED** have been out of work for more than a year
- Nearly half (**46%**) **OF THE ECONOMICALLY ACTIVE POPULATION IS IDLE**, with a staggering proportion (74%) of these under the age of 24
- By any measure, **UNEMPLOYMENT** is easily **SOUTH AFRICA'S MOST PRESSING SOCIO-ECONOMIC PROBLEM**

* In terms of broad definition of unemployment which includes those people discouraged from seeking work.
Source: Statistics SA

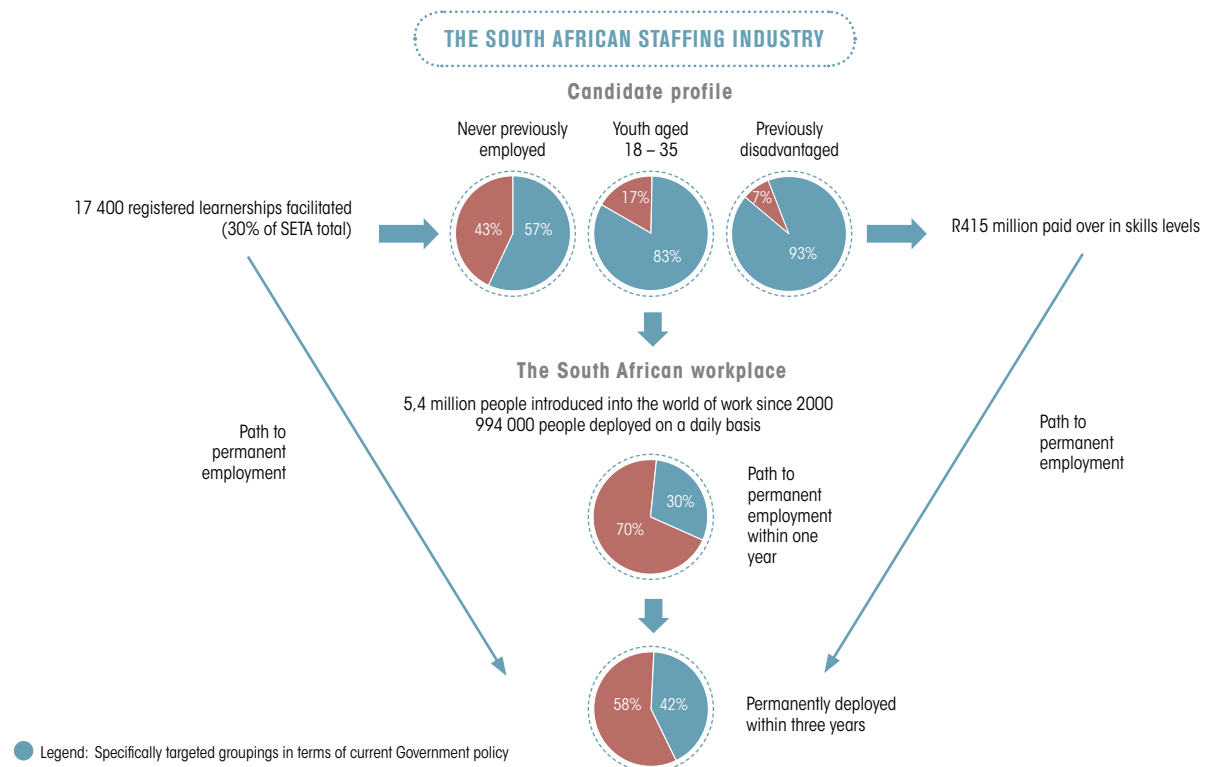


Sustainability report continued

SOCIO-ECONOMIC IMPACT

A preferred channel for youth to secure employment

Adcorp has a profound impact on South African society. In a country where the unemployment rate is one of the highest in the developing world (officially 25% or, in terms of the broader definition, as high as 37%), Adcorp is the country's single biggest facilitator of work opportunities. In 50% of cases, Adcorp job-seekers have never worked before; 72% are youth; and 83% are from disadvantaged backgrounds. As an enterprise, Adcorp is the single most important channel for matching job-seekers to job opportunities in South Africa. Adcorp stands out as a unique and highly desirable convergence of private enterprise and the country's broad socio-economic goals, including job creation.



CASE STUDY



PERFORMANCE NOT POSITION

SIVASHNEE DE WEE

BORN: Johannesburg

MATRICULATED: 2002 at Liverpool Secondary school

Soon after matriculating, Sivashnee de Wee completed a Call Centre Diploma and registered with one of Adcorp's Group companies. She's never looked back.

"At first, I was insecure about not having a permanent job. I am much more comfortable now because I have learned that it is performance that keeps your job and not a permanent position.

Sivashnee says that being open to change is an important part of her success so far.

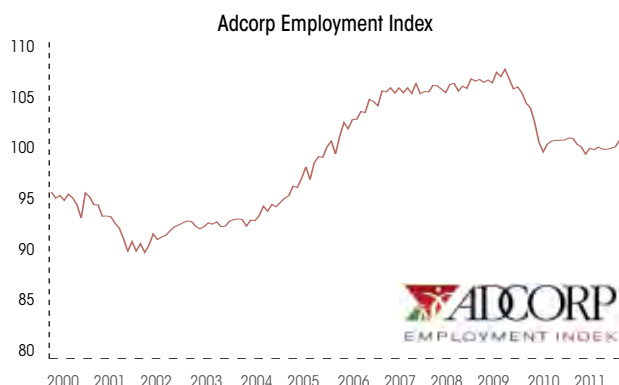
"I am flexible and able to adapt to change without difficulty. I have found that permanent staff become less willing to adapt to changes within the company."

She says that the account managers within the Adcorp Group have given her excellent service over the past four years and have assisted her very efficiently.

"If I was to take up a permanent position, I would feel lost because through an agency they don't just treat me as an employee but also as a friend."

ECONOMIC INDICATOR

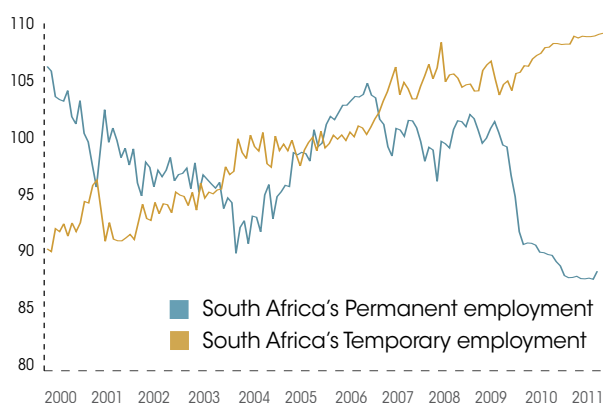
Adcorp is also a proactive corporate citizen, being involved not only in recruitment, placement and outsourcing services, but also in several public-good initiatives. For example, the Adcorp Employment Index is widely regarded as the most definitive source of employment-related information in South Africa. The index is a closely watched and market-moving indicator, and the focus it has brought to employment-related issues has gained it many local and international accolades.



SA'S CONTRACT LABOUR WORKFORCE VS PERMANENT

Adcorp's employment index is compiled from 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.



ECONOMIC VALUE ADD

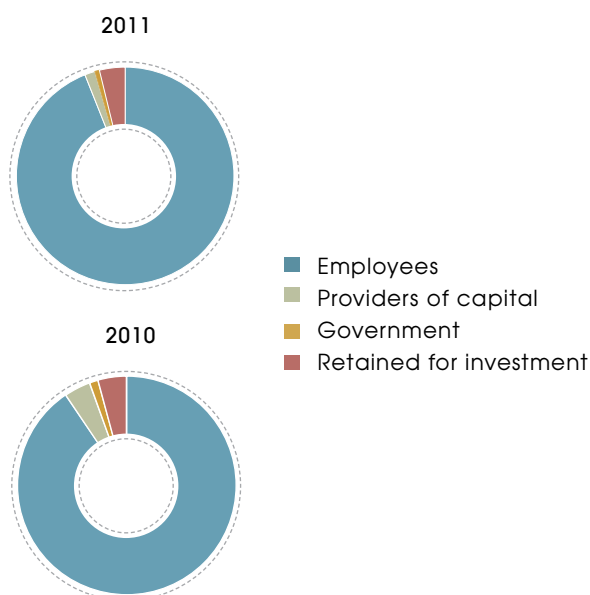
In FY2011, Adcorp's activities generated R4 827 million in economic value add. Adcorp contributes to the socio-economic environment in a variety of ways, including, inter alia, the payment of salaries and wages to Group employees and dividend payments to shareholders. Additionally, taxes paid by the 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 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 wellbeing 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	2011	2010	2009
Employees	4 536	4 166	3 987
- Temporary staff	3 941	3 611	3 418
- Permanent staff	595	555	569
Providers of capital	74	180	179
Government	33	58	51
Retained for investment	184	199	226
Total value added	4 827	4 603	4 443





INDUSTRY REGULATION

It is ironic that Adcorp – the leading recruitment agency in the country, the single biggest provider of public-good initiatives in the job-creation domain, and the industry's most cutting-edge adopter of human capital management information technologies – has attracted unfavourable government attention in recent years, in common with many of its industry peers. Legislation currently under discussion would seek to prohibit the agency-as-employer model that is responsible for approximately 976 000 jobs on a daily basis, of which Adcorp represents by far the largest, approximately 96 000 or 10% of the total market. A complex web of political machinations, hidden agendas and vested interests would rather see the industry shut down than boost it to offer more job opportunities for young, entry-level, disadvantaged people.

“Legislation currently under discussion would seek to prohibit the agency-as-employer model that is responsible for approximately 976 000 jobs on a daily basis . . .”

Nonetheless, Adcorp has demonstrated remarkable resilience in the face of regulatory change. The Labour Relations Act (1995) represented the single biggest boon to Adcorp's size, sophistication and market share since the company's inception in 1974. The current proposed laws and regulations create many more opportunities than they destroy. With fairly minor tweaks to Adcorp's business model, Adcorp is likely to be the most significant beneficiary of proposed legislative amendments – yet another unintended consequence of poorly thought-through laws and regulations.

The labour market in South Africa, and elsewhere in the world, will remain heavily scrutinised by government and liable to further laws and regulations.

FOCUS ON ORGANIC GROWTH

The ability to innovate – such as creating innovative employment contracts between candidates and clients, adopting sophisticated technology-led recruitment and vendor management models, developing new commercial models for pricing services, and so on – has been Adcorp's key strength throughout its 33-year history. Regulations may come and go, but with the country's high unemployment rate, a growing government focus on job creation, a distinct policy move toward skills development as a precursor to finding work, Adcorp will remain at the epicentre of the employment services industry.

ACHIEVE SERVICE EXCELLENCE

Key to Adcorp's long-term sustainability is to focus on client retention strategies.

A comprehensive survey conducted throughout the Group's operations in order to measure the overall satisfaction levels of clients has been conducted by an independent specialist in this field. An evaluation of the research was conducted according to unique business needs in order to take the necessary action to improve the overall client experience. Each operating company received an individual client rating alongside an overall score. The Group achieved a consolidated overall “customer service index” of 75% for the period under review.

This enabled Adcorp to accurately assess its clients' service levels per business unit, reduce risk, enhance its credibility and enable strategic planning at various levels and to continue the drive of continuous improvement underpinning retention and market share strategies.

In order to achieve long-term sustainability this survey will be conducted on an ongoing basis throughout the Group's operations.

On the whole, the Adcorp Group has performed well over the past financial year despite the recent global financial crisis as well as the political and regulatory attack on the temporary employment industry which made for a difficult operating environment. The Group will continue to pursue its sustainability strategy, concentrate on its key priorities in order to reach its objectives, deliver superior service, retain its competitive edge and deliver shareholder value.

“The Group will continue to pursue its sustainability strategy, concentrate on its key priorities in order to reach its objectives, deliver superior service, retain its competitive edge and deliver shareholder value.”

STRATEGIC VISION – WHERE WE ARE HEADED

CURRENT

TRADITIONAL STAFFING BUSINESS

- Flexible/contract staffing
- Permanent recruitment
- Training and learnerships

NEW GENERATION

- Business process outsourcing
- Financial services

FUTURE

TRADITIONAL STAFFING BUSINESS

- Flexible/contract staffing
 - Lowest cost provider
 - Sophistication using technology
 - Strategic acquisitions
- Permanent recruitment
- Training and learnerships
 - Commercialisation of learnerships

NEW GENERATION BUSINESS OPPORTUNITIES

- Business Process Outsourcing
 - Payroll outsourcing
 - Strategic acquisitions
- Financial services
 - Payroll card and other
- Technology-enabling products and services
 - VMS (Skillstream)
 - Timesheet automation
 - Workforce optimisation
 - Disintermediated offerings

PROSPECTS FOR 2011/2012

- The labour market is showing **SIGNS OF RECOVERY**
- **WHITE-COLLAR** contracting and **PERMANENT** recruitment are currently **BENEFITING**
- **THE BLUE-COLLAR BUSINESSES ARE GAINING** market share
- **THE MARKET IS RIPE FOR VALUE ADDED**, differentiated solutions (timesheet automation, Skillstream, workforce optimisation, disintermediation model etc.)
- Sophistication will concentrate the market and **BUILD BARRIERS TO ENTRY**
- **SMALLER COMPETITORS** will be squeezed out of the market as they **STRUGGLE TO COMPETE** with greater complexity and sophistication in the market
- There is significant **OPPORTUNITY** to **FLEX OUR INFRASTRUCTURAL COSTS** in order to achieve greater flexibility and achieve economies of scale
- **OUR VALUE-ADDED** approach provides **OPPORTUNITIES** to build **CLOSER, STRATEGIC RELATIONSHIPS** with clients
- Proposed labour legislation will take some **TIME TO RESOLVE**
- **UNCERTAINTY HAS IMPACTED** the Group's market rating
- The greater the **COMPLEXITY OF LEGISLATION AND REGULATIONS** the better for us
- **PROSPECTS** generally bode well **FOR THE FUTURE**



Sustainability report

SOCIAL

Empowerment – BBBEE accelerating transformation

The Adcorp Group has for two years been recognised as the most empowered listed company in South Africa in terms of the Financial Mail/Empowerdex Survey, and has remained within the Top 10 of South Africa's most empowered companies in the 2011 survey. Furthermore, we have been rated as the most empowered company in our sector for the previous five years.

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
- 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 BBBEE 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 15,90%, using the modified flow-through principle.

Adcorp's EEA 10 Summary of Employment Equity Report for Public Companies

Occupational Levels	Male				Female				Foreign nationals		TOTAL
	African	Coloured	Indian	White male	African	Coloured	Indian	White	Male	Female	
Top management	5	0	0	15	5	0	2	4	0	1	32
Senior management	2	1	3	22	3	5	5	39	0	2	82
Professionally qualified and experienced specialists and midmanagement	11	7	3	56	6	14	15	114	0	4	230
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	83	37	42	112	125	126	57	297	3	11	893
Semiskilled and discretionary decision-making	225	62	36	56	196	85	54	150	5	3	872
Unskilled and defined decision-making	31	13	3	1	90	17	6	11	0	1	173
TOTAL PERMANENT	357	120	87	262	425	247	139	615	8	22	2 282
Temporary employees employed for less than three months	29 379	3 601	2 856	985	14 946	3 170	1 383	1 444	347	268	58 379
TOTAL	29 736	3 721	2 943	1 247	15 371	3 417	1 522	2 059	355	290	60 661

Note: With regard to Temporary Employees, in terms of Equity Regulations, we are required to report on the number of temporary employees who have worked for a period more than 24 hours but less than three months and this is indicated in the table above. For the interest of the reader, below please find a breakdown of all Temporary Employees, regardless of length of service.

Temporary employees employed for less than three months	29 379	3 601	2 856	985	14 946	3 170	1 383	1 444	347	268	58 379
Temporary employees employed for more than three months	14 193	2 032	1 485	876	12 603	2 388	2 187	1 282	353	292	37 691
Total number of temporary employees as at 31 March 2011	43 572	5 633	4 341	1 861	27 549	5 558	3 570	2 726	700	560	96 070

EMPLOYMENT EQUITY

PERMANENT STAFF

For the 12 months ended 31 March 2011 *

	2011	2010
Total workforce	2 282	2 170
Total employees with disabilities	46	24
Workforce profile		
Race and gender profile		
Non-designated Group (includes foreign nationals)	292	249
White females	615	636
Black males	564	491
Black females	811	794
Occupational level profile		
Management (top, senior, middle and junior)*	1 237	1 286
Non-management	1 045	884
Management profile by gender (top management, senior management, middle management, junior management)		
Females	835	907
Males	402	379
Management profile by race		
Black	557	592
White (includes foreign nationals)	680	694
Non-management profile by gender		
Females	613	541
Males	432	343
Non-management profile by race		
Black	818	693
White (includes foreign nationals)	227	191
Disability profile		
Management	6	11
Non-management	40	13
People with disabilities by gender		
Females	22	14
Males	24	10
Total employees before reporting cycle	2 170	2 390
Add: Recruits (including intake of SuN 2010 and Goldfields 2011)	999	664
Add: Recruits (non-executive directors)		7
Less: Resignations (includes absconsions and desertions from 2009 as per instruction from DoL (Project staff)	(639)	(395)
Non-renewal of contracts (contract employees)	(84)	(275)
Dismissals (misconduct and incapacity)	(87)	(94)
Retirements (included in other in previous years)	(3)	(3)
Deaths (included in other in previous years) – ito 2010 information, this is included above in retirements	(6)	(3)
Retrenchments	(68)	(121)
	2 282	2 170

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



Sustainability report continued

SKILLS DEVELOPMENT AND TRAINING – LEARNERSHIPS

The Adcorp Group has continued to increase the number of registered learnerships it offers to its candidates, the benefits of which are many and varied. These learnerships afford us the opportunity to offer our candidates greater career prospects, our clients greater value for money and they also benefit us in terms of the higher calibre of candidates 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 to this great country. Adcorp's operating divisions are empowered and encouraged to formulate their training and development according to their specific requirements.

Company	Total number of learnerships	Across how many qualifications (including trades)	Across how many NQF levels	Across how many industry types	Specifically trained as an artisan	Learners below the age of 35	Total number successfully completed in 2010/11 FY	In progress
Capacity	1 479	16	4	8	254	1 245	515	811
Capital	2 392	20	5	8	320	1 980	425	1 253
SUN	290	2	2	2	31	222	40	232
Charisma	793	3	2	3	–	572	663	50
Quest	1 972	14	4	5	–	1 877	651	721
Emmanuels	793	4	3	4	–	763	380	269
AGBS	25	2	2	1	–	13	25	–
PMI	56	4	4	2	–	38	–	56
	7 800*	42	5	16	605	6 710	2 699	3 392

*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.

CASE STUDY



ON TARGET – AIMING FOR THE BEST

PREYAN GOVENDER

BORN: Pietermaritzburg, KwaZulu-Natal

MATRICULATED: 2005 at Race Top High School

When Preyan Govender completed school he took a brave decision to leave home and head to Gauteng, a move he will never regret. After two years working on different contracts secured through one of Adcorp's Operating companies, within the financial services sector, he has just been offered a full-time job at the bank.

"I was able to complete my NQF level four through Adcorp's offering, which is the key criteria for a permanent position at the bank. I have also achieved certification by FICA (Financial Industry Credit Association) and by FAIS (Financial Advisory Intermediate Service). Through the various contracts I have worked on over the past two years or so, I have become multi-skilled."

Preyan first registered with the Group in 2008, which saw him promoting credit card applications. His next contract was a road show targeting tertiary students on university campuses across the country. After a short stint data capturing for the FIFA Confederations Cup, he became a sales consultant at a branch at the bank.

Preyan attributes his success so far to his strong work ethic and the support received by ensuring that his contracts have continued uninterrupted.



The graduation ceremony was attended by Executive Director from PMI – Q Seroke (top left), Graduates, Chief Executive Officer from Adcorp – R Pike, Deputy Minister of Higher Education – Honorary Prof H Mkhize and Managing Director of PMI – T Smeeton (bottom left).

Knowing that the education and training sector face a vast number of challenges which affect the delivery of skills into the economy, the Production Management Institute (PMI), which is a private training company within the Group, offers a wide range of accredited skills programmes, apprenticeships and learnerships to employees both within the Group and to clients across many industry sectors.

Learning programmes have been designed to move employees from unskilled and semi-skilled levels through to senior management levels in order to create a more productive workforce. There are various levels of training available from NQF level 1 right through to NQF level 7.

With the upturn in the economy, Adcorp expects a greater awareness by companies to the advantages of training their own employees which has a long-term benefit of assisting the skills challenges throughout South Africa.

Honorary Professor Hlengiwe Mkhize, Deputy Minister of Higher Education, was the guest of honour at the most

recent graduation ceremony held late last year in recognition of the efforts made by both the graduates and the Group. Qualifications ranging from diplomas in Production Management to honours degrees in Science were recognised at this ceremony.

Adcorp's strategic priority for the year ahead will be to position the Group as a leading provider of scarce technical skills through its dedicated training and experienced learnership team in order to cater for the continuous demand for scarce skills in the country.

The term used in skills development for the number of hours of training is referred to as the number of 'notional hours'. This is because the qualifications comprise 70% practical and 30% theory (classroom based). Each learner that commits to a Learnership programme with the Group is on average recognised as having undergone 1 200 notional hours of training.



CODE OF ETHICAL CONDUCT

Adcorp is committed to conducting healthy business practices with honesty and integrity which not only ensures a stable employment environment for everyone but also ensures the continued future success of the Group.

In addition to the requirements and obligations of formal governance codes and legal requirements as set out in the King III Report on Corporate Governance Principles and the Companies Act, the Group, as a member of Business Leadership South Africa (BLSA), abides by their stated values and code of good corporate citizenship which reinforces the importance of ethics and integrity encouraging innovation, healthy competition, a safe and healthy work environment, a well-trained workforce and adherence to legislative and regulatory requirements.

The Group recognises that fraud, abuse of power, or the acceptance of bribes is an increasing problem in South Africa. Too often, it is undetected and goes unreported, resulting in financial losses to companies, eventually to the detriment of all its stakeholders.

For this reason, Adcorp subscribes to a service that will enable all stakeholders, but most specifically its employees, clients and suppliers, to report anonymously on dishonesty.

This facility involves the professional services of an audit firm and is therefore a totally independent, anonymous ethics line which is managed by the Audit and Risk Committee and controlled by the Board.

Adcorp has a Code of Ethical Conduct which continues to be communicated to staff and strategic suppliers across all business units. The outsourced anonymous ethics line implemented on the 1 March 2010, is monitored by an independent audit firm.

"Adcorp is committed to conducting healthy business practices with honesty and integrity which not only ensures a stable employment environment for everyone but also ensures the continued future success of the Group."

The Group's permanent employees successfully completed training in anti-corruption and ethics policies through face-to-face training by independent training consultants.

A total of 21 calls were reported on the ethics line of which 15 were HR and six governance related. After investigation, some allegations led to actions including the termination of employment, disciplinary action and/or counselling.



The 2010 Adcorp Chairman's Award winner – T Smeeton (top left), Master of Ceremonies – Independent Non-Executive Director – M Mthunzi (top middle), Individual and Company winners and Adcorp's Independent Chairman – JJ Njeke (bottom right)

HUMAN CAPITAL

Employees within the Adcorp Group are provided with the opportunity to earn competitive rewards and develop their talents in a healthy and productive work environment where an emphasis is placed on the Group values. We have a demanding work ethic and our employees are aware of the level of performance required for their own and the Group's continued success.

MANAGEMENT APPROACH

Adcorp focuses on developing strong leaders in a corporate culture founded on our core values. By effectively managing our large talent pool and nurturing constructive relationships with both our employees and organised labour.

The Group's policies and practices are developed and monitored at corporate level with specialists overseeing remuneration, transformation, stakeholder engagement, labour relations, and training, while managing people is a designated line function.

The Group's aim as an employer is to offer stimulating careers and career progression to its employees, in line with the strategic mandate of the business to retain key staff and comply with the relevant legislation.

Performance of management and supervisory employees is evaluated against predetermined targets and performance appraisals determine annual performance-based incentives and career development opportunities.

Adcorp prides itself on the phenomenal performance and sustained growth it has experienced over the past years all of which would not have been possible without the outstanding performance of both employees and Group companies alike.

RECOGNITION AND REWARD

Adcorp prides itself on the phenomenal performance and sustained growth it has experienced over the past years all of which would not have been possible without the outstanding performance of both employees and Group companies alike. Such achievements are celebrated at a prestigious annual event where our individual and collective "heros" are honored and rewarded.

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



WELLBEING, HEALTH AND SAFETY

Ensuring the wellbeing, health and safety of employees is a right of way at Adcorp. During the financial year under review, no major safety incidents or fatalities were reported among the Group's employees.

Adcorp provides a comprehensive range of employee wellness benefits aimed at promoting both physical and psychological health, with the end result being reduced absenteeism rates.

On 1 April 2010, Adcorp implemented a Group-wide assist programme to all its permanent employees. This value-added benefit entitles employees, their immediate families and domestic workers a broad range of services from emergency medical assistance, personal health advisory services, trauma and assault assistance, legal assistance, HIV protection services and funeral repatriation services which is supported by a state-of-the-art, 24-hour call centre.

Fundamental to Adcorp's business success is the Group's ability to attract and retain quality people emphasising affirmative action practices to ensure equality.

With a temporary workforce of approximately 96 000, it has become key that this workforce has the chance of receiving life-enhancing benefits. In this regard, through a centralised function, the Group now offers its temporary employees:

- Core benefits including a funeral plan
- Electronic payroll card – Advantage payroll card
- Mobile handset and airtime solution – contract rates but no contract
- Micro finance
- Debt counselling
- OCSA healthcare, an occupational health product that provides employees (who have historically relied mainly on public health services) with access to a network of private CareCross doctors for basic dentistry, optical care and chronic medication at affordable rates



Anita Shabani – Capacity employee with the Anglo American supplier safety award

Safety and health at Adcorp is managed per operating company and is a function of line management. Over and above the strict adherence to the Occupational Health and Safety Act for the permanent employees of the Group. The Group's temporary workforce which spans various industry sectors are well trained, ensuring that safety becomes a way of life. Adcorp encourages a safety-conscious workforce that adheres to rigorous safety standards through constant education and training, particularly those employed within the blue-collar environment.

Capacity, one of the Group's operating companies, was recently recognised by one of the world's largest mining companies for outstanding achievements in the safety arena – a proud moment in the Group's history to be recognised for this significant contribution in their industry where

safety plays such an important role. This achievement is supported by Staff-U-Need's ISO 9001 surveillance audit which was passed with no 'non-conformances' for the period under review.

HIV/Aids remains a major social issue around the world. The Group's approach to this epidemic is based on the view that HIV can be managed with appropriate education. Awareness campaigns have commenced in close consultation with clients to ensure that their needs are met with regard to awareness and education for employees Adcorp places on assignment:

- Employees are encouraged to know their status through HIV counselling and testing initiatives.
- Employees are advised on how to stay negative and ways in which to manage a healthy lifestyle should they test positive.
- Employees learn their rights around HIV and Aids.
- Employees are taught coping mechanisms for dealing with HIV and Aids and how to receive further treatment.
- HIV transmission – Risk and perception of risk. Employees are briefed on traditional and cultural beliefs, socio-economic factors, gender issues, mother-to-child transmission and the prevention of transmission of HIV.

CORPORATE SOCIAL INVESTMENT

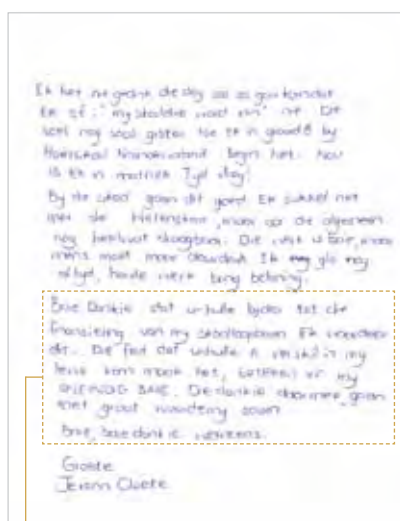
Corporate Social Investment (CSI) is a vital part of Adcorp's identity and it is with a great sense of pride that the Group so positively impacts the lives of many. With a history of creating, maintaining and supporting developmental, social and environmental projects distinguishes who we are today. We find ourselves on the journey towards sustainability because of these initiatives we have consistently supported over the years. Even during tough economic times, our philosophy is to be financially generous in order to play our part in improving the impoverished facets of South Africa's society. To this end, over 1% of our annual profits are committed to sustainable projects.

In order to align projects with the core business – human capital – Adcorp has refocused its efforts in the past year to emphasise high school educational assistance and bursary schemes. While the bursary component spearheads the CSI efforts, there are various other ad hoc initiatives that have been established. As a Group, our main aim is not only to enrich and empower the lives of many by placing first-time job seekers into the formal economy on a daily basis but to use the CSI initiatives as a supporting mechanism to further assist in reducing poverty and to make a positive impact on the lives of those less fortunate.



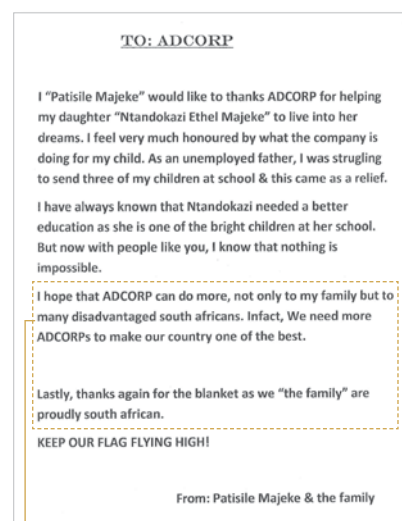
This may seem a small goodwill gesture but rest assured that the future of these learners and their community will certainly become brighter. How we wish that the whole of the Corporate World will take tune from Adcorp Holdings Ltd and take their social responsibilities seriously.

FROM: DEPARTMENT OF EDUCATION



Baie Dankie dat u-hulle bydra tot die finansiering van my skoolloopbaan. Ek waardeer dit. Die feit dat u-hulle 'n verskil in my lewe kom maak het, beteken vir my ONEINDIG BAIE. Die dankie daarmee gaan met groot waardering saam.

FROM: STUDENT – JERONN CLOETE



I hope that ADCORP can do more, not only to my family but to many disadvantaged south africans. Infact, We need more ADCORPs to make our country one of the best. Lastly, thanks again for the blanket as we "the family" are proudly South African.

FROM: PATISILE MAJEKE AND THE FAMILY

"Corporate Social Investment (CSI) is a vital part of Adcorp's identity and it is with a great sense of pride that the Group so positively impacts the lives of many. To this end, over 1% of our annual profits are committed to sustainable projects."



Sustainability report continued

CSI initiatives

	Description	Progress/Outcome
VEGETABLE GARDENS ADCORP	One of the very first projects Adcorp undertook was supporting a number of community-based vegetable garden projects. The Adcorp CSI team constructed 13 all-weather hydroponic tunnels which are tended for year-round vegetable production at a cost of R5,2 million, selected deserving unemployed people from the surrounding communities, trained the people to work the gardens, and once the gardens were self-sufficient, handed them over to serve as their source of income.	The Group is pleased to report that the vegetable gardens project truly has the characteristics of a sustainable CSI initiative. This year the people and the gardens have reached a point of self-sufficiency which does not require further financial support, and as such Adcorp has withdrawn its 'hand-holding' role which it has been involved in since the start of the project in 2003. This project is proof that a sustained and careful investment in social projects by a corporate pays enormous dividends and is an achievement the Group is truly proud of.
BURSARIES ADCORP/EMMANUELS	At Adcorp we believe education is at the heart of skills development. In this regard, we financially support a number of disadvantaged school children in rural areas countrywide. Many of these rural schools have little or no access to metropolitan areas which provide better opportunities for further tertiary education. By giving many of these school children in rural areas the means to focus on their tuition, we believe that we are playing a vital role in academic development in South Africa. Emmanuel, corporate social interests are connected to The Life College, cradle of champions. This college was established 12 years ago and is a catalyst for psycho-social and economic empowerment by providing Character and Leadership Education to southern Africa. The aim is to develop and implement effective, sustainable programmes to empower students to recognise and achieve their greatest potential and to be highly productive throughout their lives.	The scheme was launched in 2008, where successful candidates from grades 7 to 10 were individually sponsored, with monies deposited into the schools' bank accounts for tuition, sports and academic costs and accommodation expenses. The criteria for the bursaries and scholarships to be granted includes families earning less than R11 000 a month and a minimum overall academic average of 55% to be achieved by the sponsored learners. Academic progress is monitored by Adcorp, as is the responsible use of the monies by the schools. In 2008, we sponsored 132 learners which in 2010 has increased to 423 learners. Life College currently has three colleges (two in Soweto and one in Eldorado Park) servicing over 1 000 youth and adult students (grades 8 to 12). Emmanuel currently sponsors the Eldorado Park College.
CHOC "THE COWS" ADCORP	The Cows "love living life" and Adcorp supports them all the way in this moving project raising awareness for the Childhood Cancer Foundation South Africa (CHOC). CHOC is a country-wide voluntary organisation bringing together the parents of children who suffer from all varieties of cancer or life-threatening blood disorders. CHOC provides direct practical help to children with cancer, from diagnosis onwards, recognising the inevitable disruption to family life when a child faces vigorous and often lengthy treatment.	This is the second consecutive year that Adcorp has sponsored "The Cows" in their attempts to raise awareness for CHOC by riding a branded ice-cream bike in the Momentum 94.7 cycle challenge. The 2010 project raised a collective amount of R3,6 million which will be used to upgrade and renovate the paediatric oncology wards at Chris Hani Baragwanath Hospital in Soweto. This project is twofold for the Group, and after the race the bike was donated to an informal vendor. As with the previous year's donation, this equipment has the ability to make a dramatic change in the lives of these individuals.
ADOPT A SPOT CAPACITY	Adopt a Spot is an initiative by the City of Tshwane Council to enable industries, companies or members of the public to adopt any open space area of alien vegetation as well as to maintain or landscape such an area with indigenous vegetation. The 'adoptee' may advertise its involvement in this initiative on site. This is an initiative to encourage the public to take care of the environment.	After an initial investment of R500 000 to rehabilitate an illegal dumping ground, this land has been transformed into a beautiful recreation park for the community. The park has provided permanent jobs for five general workers who assist with the upkeep and maintenance. This project will run over the next five years.



Community-based vegetable garden project



Adopt-a-Spot official opening attended by the Chief Executive Officer of Capacity – B Carr



"The Cows" preparing for the 94.7 Momentum Cycle Challenge on an ice-cream bike

CSI initiatives	Description	Progress/Outcome
SOCCER TEAM CAPITAL OUTSOURCING GROUP	In 2003, Capital Outsourcing Group (COG) undertook to sponsor the U17 soccer team from a disadvantaged community in KwaZulu-Natal. Many of these players were orphaned and had no means of living their dream and their passion to play soccer.	Coaching of the team is the responsibility of Capital employee Joe Mahlangu. Joe is an orphan and was able to identify and relate to this team in need. He had suffered an injury which had left him unable to play soccer but felt an immense need to share his knowledge. Through the financial support of COG and Joe's expertise, who took on the role of Coach and Mentor, this team has been given the opportunity to shine. COG's sponsorship has gone far beyond a financial contribution and employment has been secured for those who did not have jobs. Their team's success is overwhelming and they are now playing in the super league and making a positive contribution to the South African economy. Following the success of the U17 team, COG has also started coaching an U13 team of young, up-and-coming rising stars.
'I CAN' ADCORP/PMI	In partnership, Adcorp, PMI and 'I Can' have established a 'disability incubator' in both KZN and Gauteng. The target group consists of persons with intellectual disabilities who are trained on life skills through an adapted Learnership assessment methodology.	This project has multiple benefits, including the upliftment of persons with intellectual disabilities, as well as creating a mechanism for corporate clients both in and outside Adcorp to participate, with the downstream benefit of positively impacting on their BBBEE scorecards as well as accessing Learnership tax breaks. In KwaZulu-Natal, the project is linked to a therapy centre that has been established for children with intellectual disabilities. The centre provides a holistic intervention consisting of an Occupational Therapist, a Speech Therapist and a Remedial educator.
CHARITY ASSISTANCE PREMIER	Premier Personnel targets organisations and institutions (children's homes, learning centres, clinics) that assist the youth of South Africa. This strategy is aimed at uplifting the youth and developing future leaders to enable them to move within the employer market in their future careers. Premier believes in helping to develop the youth socially and academically as the youth are the future of Premier's business.	Siyabonga Africa and Christian Praise Centre: Premier Personnel identify a need at the centre and assisted with donations. Premier donated computer components and office chairs to the computer centre, and gifts and baby mattresses to the day care centre. Study aid: Assisted a young, black female with office administration training and paid for her studies. Consultants presented CV and career workshops including presentation skills to CIDA City Campus Graduates to assist them in future interview processes. Donations and gifts/toys to Santa Shoebox Projects, Johannesburg Children's Home, Nazareth House, Louis Botha Children's Home, TLC - Home for HIV Aids babies, Just One Child Home and Gallo Manor Nursery. Financial donations to Hospice - Houghton and Soweto.
CHILD-HEADED HOME DAV	DAV currently supports a child-headed home of five based in Soweto.	DAV caters for all their yearly schooling expenses as well as monthly living expenses. By providing for their basic needs such as food, transportation, rent, school fees, etc on a monthly basis, this assistance will allow them to focus on more important tasks and therefore relieve the pressure of having to take on an adult role at a very young age.



"The Cows" 2011 team



The cradle of champions students – Life College



Morningside Capital United Football Club



Sustainability report continued

CSI initiatives

	Description	Progress/Outcome
LYDIA'S DREAM DAV	Following a fire which left 60% of her body badly burnt, DAV is helping Lydia Moitse to turn her traumatic incident into something great. She was in grade one when a fire left her with gruesome burns covering her upper body and legs which resulted in a journey to recovery that took more than 10 years. But now, the well-spoken Lydia has decided to become a fire fighter and a paramedic in order to save people from the ordeal that she personally suffered.	DAV contributed towards her study fees, transportation costs to and from the college and further purchased appliances for Lydia's room at the college. In addition, DAV supported her with a monthly allowance that ensured that she had groceries and toiletries every month for the duration of her studies.
WINTER BLANKET COLLECTION DAV	Every winter, employees at DAV put money together towards giving blankets to the less fortunate.	This year DAV assisted the Ikageng Aids Ministry in collecting blankets for 90 needy children and the elderly. This year DAV's employees were able to raise enough money to buy 102 blankets.
EMPLOYABILITY "CASUAL DAY" ADCORP	Casual Day supports EmployAbility, a non-profit organisation supporting people with intellectual disabilities.	Adcorp sponsors all its permanent employees as a Group-wide team-building initiative to take part in Casual Day. This year the Group's employees 'dressed for laughs' and while it was a very festive Friday, it provided Adcorp an opportunity of supporting those in a less fortunate position by raising not only funds but awareness among our various stakeholders.



Casual day supporters from Adcorp Group company – Emmanuels

ENVIRONMENTAL

The beginning of our environmental journey



The Group's awareness campaign around environmental sustainability is a journey that has recently been embarked upon and is set to be implemented in stages over the next five years. In the near future, Adcorp intends to be a part of the Group's defining identity and not just an ambitious business strategy. With a relatively low carbon footprint in relation to companies in other sectors, we have identified areas where internal initiatives can be implemented to further reduce the Group's impact on the environment. Over time, the aim is to embed a culture of social and environmental responsibility among staff through training and awareness campaigns which will ultimately enable the existing entrepreneurial spirit of the Group's operations to thrive and create business value in the day-to-day activities.

Implementing a Group-wide environmental programme within a decentralised organisation is not without its challenges, however, there is definitely opportunity for innovative product development, particularly relating to technology offerings, enhancing existing procurement methods and introducing a data collation strategy for environmental measurement.

Adcorp is the most innovative provider of employment services in South Africa, having invested millions of Rands to stay abreast of local and international trends. Adcorp is at the cutting edge of technology adoption, both introducing key technologies from abroad and developing its own in-house emergent technologies. The world of work is changing fast, and information technologies are increasingly being used to introduce efficiencies in the workforce management process. Labour costs, long the biggest expense in most employers' income statements, are declining as the use of technology in human resource procurement and management as well as productivity enhancement gather momentum.

TECHNOLOGY A PRIMARY ENABLER FOR A REDUCED ECOLOGICAL FOOTPRINT

The technology division, ADfusion, leads the strategic positioning for Adcorp to craft a balance between human demand and planet earth's ecological capacity to regenerate. Considering data provided by the Global Footprint Network, humanity uses ecological services 1,4 times faster than the Earth's ability to regenerate them.

The staffing industry places a fair demand on the Earth's ecosystems. The ecological footprint's primary imbalance is brought about by the need for paper. Paper still accounts for the primary means of communicating and processing

of timesheets and CVs. Automation through technology has brought about a significant change.

In the year ahead, it is Adcorp's ambition to become a leading initiator in carbon offsetting technology products that facilitate workforce optimisation and unlock optimum client benefits to promote greater environmental responsibility.

While the Group is not able to measure its direct impact and the exact paper consumption for the period under review, it has made an attempt to focus on obtaining a neutral footprint in the year ahead through a joint partnership with its office automation supplier.

This partnership offers Adcorp a programme that will help neutralise the environmental impact caused by the Group's printers and copiers in a simple, auditable and sustainable manner. It will also allow the Group the ability to promote a carbon neutral footprint on all its in-house printing in the near future.



An amount of R0,01 (one cent) per page consumed will be donated to the Sofala Community Carbon Project. Through a 100% guaranteed verification process offered by a recognised and accredited provider, certified offset monthly certificates will be issued

endorsing the offset amount or CO₂ equivalent.

This initiative further entrenches Adcorp's commitment to implement a Group-wide environmental policy which will boost the Group's "Green credentials", further promote brand equity, support environmental sustainability and added value to our clients by being an environmentally responsible supplier.

CASE STUDY

PAPER SAVINGS THROUGH THE IMPLEMENTATION OF ONE OF ADFUSION'S SERVICE OFFERINGS

Paper usage in June 2010 in one call centre with a headcount of 750 call centre agents was 7,24 pages per agent per working day. Post implementation, paper usage in August was 6,15 pages per agent per working day. This is a saving of about 1 500 (15%) pages per month, alternatively 18% of the paper potential of one pine tree.



Corporate governance



Adcorp is committed to conducting healthy business practices with honesty and integrity which not only ensures a stable employment environment for everyone but also ensures the continued future success of the Group.



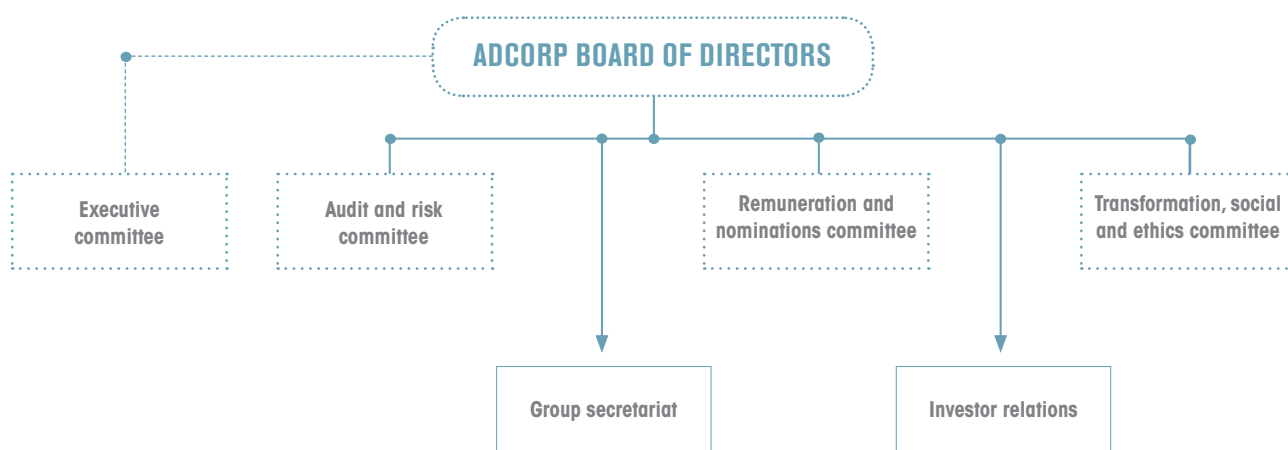


Corporate governance continued

The Adcorp Board believes that strong corporate governance is essential for the achievement of sustainable value for all stakeholders. Accordingly, Adcorp is committed to entrenching the highest levels of corporate governance and has made significant progress in implementing structures, policies and procedures all aimed at strengthening governance within 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 details the structure addressed in this report by the Chairman of each committee.



Advancements in corporate governance during the year include:

- the appointment of an independent Non-Executive Chairman;
- the appointment of a Chief Risk Officer responsible for risk management;
- the appointment of a Chief Audit Executive responsible for internal audit; and
- the appointment of two independent Non-Executive directors to the Audit and Risk Committee to constitute membership in accordance with existing legislation.

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.

The Board intends complying with the Code of Corporate Practices and Conduct contained within the King III Report. The directors adhere to the 'apply or explain' principle as reflected in this report and required in terms of the JSE Listings Requirements. Adcorp's directors are of the opinion that

Adcorp is mostly in compliance with, has applied to a large extent, and is in the process of implementing the balance of appropriate recommendations of the King III report.

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 obliged to comply with the Group's 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.

During the year, additional refinements aimed at enhancing compliance and enforcement activities to comply with King III included:

- revisions to the charters of the Board and its various committees;
- revisions to internal limits of authority;
- an internally initiated risk assessment and corporate governance gap analysis; and
- Board training focused on King III and the Companies Act as facilitated by Deloitte & Touche.

KING III GAP ANALYSIS

Note	Ethical leadership and corporate citizenship	Status
1	Board provides effective leadership based on ethical foundation	P
1	Responsible corporate citizen	P
n/a	Effective management of company's ethics	√
Note	Boards and directors	Status
n/a	Board is the focal point for and custodian of corporate governance	√
1	Strategy, risk, performance and sustainability are inseparable	P
n/a	Board and directors act in best interest of the company	√
n/a	Chairman of the Board is an independent Non-Executive director	√
n/a	Framework for the delegation of authority has been established	√
n/a	Board comprises a balance of power, with a majority of Non-Executive directors	√
n/a	Directors appointed through formal process	√
n/a	Formal training and ongoing training of directors conducted	√
n/a	The Board is assisted by a competent, suitably qualified and experienced company secretary	√
2	Evaluation of Board, its committees and the individual directors performed every year	P
n/a	Board delegates function to structured committees without abdicating its own responsibilities	√
n/a	A governance framework has been agreed between the Group and the subsidiary boards	√
n/a	Remunerate directors and executives fairly and responsibly	√
3	Remuneration of individual directors are disclosed	P
n/a	Shareholders approved the remuneration policy	√
Note	Audit Committees	Status
n/a	Effective and independent	√
n/a	Members are suitably skilled, experienced, independent and non-executive	√
n/a	Chairman independent and non-executive	√
1	Oversee integrated reporting	P
n/a	Combined assurance model is applied	√
n/a	Satisfies itself of the expertise, resources and experience of the company's finance function	√
n/a	Oversees internal audit	√
n/a	Integral to the risk management process	√
n/a	Oversees external audit process	√
n/a	Reports to the Board and shareholders on how it has discharged its duties	√
Note	Governance of risk	Status
n/a	Board is responsible for risk and determines the levels of risk tolerance	√
2	Audit and Risk Committee assists the Board in carrying out its risk responsibilities	P
n/a	The Board delegates the risk management plan to management	√
n/a	The Board ensures that risk assessments and monitoring is performed on a continual basis	√
n/a	Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	√
n/a	Management implements appropriate risk responses	√
5	The Board receives assurance on the effectiveness of the risk management process	X
n/a	Sufficient risk disclosure to stakeholders	√



Corporate governance continued

KING III GAP ANALYSIS continued

Note	Governance of information technology	Status
n/a	The Board is responsible for information technology (IT) governance	√
n/a	IT is aligned with the performance and sustainability objectives of the company	√
n/a	Management is responsible for the implementation of an IT governance framework	√
n/a	The Board monitors and evaluates significant IT investments and expenditure	√
n/a	IT is an integral part of the company's risk management	√
n/a	IT assets are managed effectively	√
n/a	The Audit and Risk Committee assists the Board in carrying out its IT responsibilities	√
Note	Compliance with laws, codes, rules and standards	Status
6	The Board ensures that the company complies with relevant laws	P
n/a	The Board and directors have a working understanding of the relevance and implications of non compliance	√
6	Compliance risk forms an integral part of the company's risk management process	P
6	The Board has delegated to management the implementation of an effective compliance framework and processes	P
Note	Internal audit	Status
n/a	Effective risk-based internal audit	√
5	Written assessment of the effectiveness of the company's system of internal controls and risk management	P
n/a	Audit committee is responsible for overseeing internal audit	√
n/a	Internal audit is strategically positioned to achieve its objectives	√
Note	Governing stakeholder relationships	Status
n/a	Appreciation that stakeholders/perceptions affect the company's reputation	√
n/a	Management proactively deals with stakeholder relationships	√
n/a	There is an appropriate balance between its various stakeholder groupings	√
n/a	Equitable treatment of stakeholders	√
n/a	Transparent and effective communication to stakeholders	√
n/a	Disputes are resolved effectively and timeously	√
Note	Integrated reporting and disclosure	Status
n/a	Ensures the integrity of the company's integrated report	√
n/a	Sustainability reporting and disclosure are integrated with the company's financial reporting	√
4	Sustainability reporting and disclosure are independently assured	x

√ Fully comply

P Partially comply

x Do not comply

Notes

No	Explanation
1	Environmental impact not significant as regards industry. However environmental awareness and impact assessment project planned for 2012.
2	Formal evaluation of Board and subcommittees scheduled for 2012.
3	Salaries of the three most highly paid employees who are not directors is not disclosed, for security and competitive reasons.
4	First year of sustainability reporting. No assurance has been obtained for this financial year, however, planned to get assurance in the next financial year.
5	The CAE is currently providing input to the Chief Risk Officer with regard to risk management and therefore internal audit cannot give independent assurance on the risk function. The function has recently been established, and external assurance on the risk function will be considered in future.
6	A dedicated compliance officer has not been appointed, however, continuous updates and advice is obtained from independent, external advisers.

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 regulatory bodies, shareholders/investors, employees, clients, suppliers, local communities, media and the environment.

At holding company level, Adcorp predominantly has stakeholder interactions with Government and regulators, shareholders and investment analysts, employees, clients, media and the environment. 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 while remaining cognisant of the framework of sound governance principles.

The International Financial Reporting Standards (IFRS) are used to report on all financial matters. The results for the

period ended 28 February 2011 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.

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.



Corporate governance continued

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 700 000 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 full 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 atypical employment are in process.

Adcorp is also a member of Business Leadership South Africa (BLSA) and the Millennium Labour Council (MLC).

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.

BOARD OF DIRECTORS

Adcorp's Board of Directors is the focal point for, and custodian of, corporate governance within the Group. It is the highest governing authority within the Group and has ultimate responsibility for governance. The Board is 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 Group has a unitary Board, the composition of which promotes the balance of authority and precludes any one director from exercising domineering powers of decision-

making. As at 28 February 2011, the Board consisted of 11 individuals, four of whom are executive, a further three are non-executive but not independent while the balance is classified as independent non-executive directors.

The executive directors have overall responsibility for implementing the Group's strategy. The non-executive directors provide the objectivity and a range of skills and experience necessary for the Board to function effectively. Seven 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 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 role and responsibility of the Board and its committees is embodied in formal charters which are reviewed annually to ensure they remain relevant. 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.

The information needs of the Board are well defined and regularly monitored. 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 directors have access to the services of the Company Secretary and directors may obtain independent professional advice at the Group's expense, should the need arise. All directors are required to comply with the requirements of King III and the Companies Act and the Company Secretary provides appropriate guidance in this regard. 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, the Remuneration and Nominations committee is tasked to identify potential candidates and perform an assessment as to their appropriateness for the position in terms of their relationship and skills as regards to 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
MJN Njeke (Chairman)		
Appointed – 1 July 2010	3	2
AT Albäck	5	5
C Bomela	5	5
G Dingaan		
Appointed – 16 August 2010	2	2
LM Mojela		
Resigned – 16 August 2010	3	1
ME Mthunzi	5	5
RL Pike (CEO)	5	5
MR Ramaite	5	3
MMT Ramano	5	5
TDA Ross	5	5
AM Sher (CFO)	5	5
PC Swart (COO)	5	5

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. Formal documented charters define terms of reference, duration and functions, reporting

procedures and the scope of authority of each committee. The board committees are as follows:

- The Audit and Risk committee;
- The Remuneration and Nominations committee; and
- Transformation, Social and Ethics committee.

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. During the period under review, the different committees did not hold formal evaluation proceedings to assess their effectiveness during the year under review.

It is anticipated these reviews will be held in the ensuing year.

Classification of directors

For the purposes of this Integrated Annual Report, directors are classified as follows:

- Executive directors are those employed by Adcorp or any company within 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 to 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 *inter alia*:

- maintenance of board and committee charters and the compilation of board papers;
- providing input into the agenda as well as taking of minutes at board meetings;
- acting as primary point of contact between directors and the Group;
- guiding directors on the duties of directors, matters of ethics and good governance; and
- monitoring interests of directors, dealing in shares and the administration of the various share incentive trusts.

The Company Secretary is also the secretary to the board committees and subsidiary companies.

Details of directors

The names, ages, qualifications and other details of the Group's board of directors appear on pages 11 and 12.



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.

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 Secretary retains a record of all such share dealings.

Directors' interests in shares

According to the Register of Directors' Interest maintained by the Company Secretary in accordance with provisions of the Companies Act, directors of Adcorp have disclosed the following interests in the company as at 28 February 2011:

Ordinary shares

	Direct beneficial	Indirect beneficial	Total 2011	Total 2010
AT Albäck	-	-	-	-
C Bomela	-	-	-	-
G Dingaen	-	-	-	-
ME Mthunzi	-	-	-	-
MJN Njeke	-	-	-	-
RL Pike	253 080	-	253 080	253 080
MR Ramaite	15 000	-	15 000	15 000
MMT Ramano	-	-	-	-
TDA Ross	-	-	-	-
AM Sher	-	-	-	-
PC Swart	-	-	-	-

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

MJN Njeke

Chairman, board of directors

25 May 2011

"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."

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)
- Chief Risk Officer (CRO) and Director of group services
- Chief Information Officer (CIO)
- General Manager – Strategic Projects
- Senior Labour Economist

The Chief Audit Executive attends by invitation.

Role

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

- strategic planning and analysis 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;
- monitoring the integrity of Group-wide IT governance;
- assisting in the development of and approving operational strategies, budgets and forecasts;
- measuring and managing company performance, and taking action in this regard where necessary;
- optimising the Group's capital structure, managing the cash to cash (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; and
- production of transparent Group reporting and stakeholder communication.

Proceedings

Adcorp's executive committee meets monthly.

Human resource management

Adcorp employs 2 282 permanent staff and over 96 000 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.

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 which contribute significantly to the process of upskilling the country's workforce.

Adcorp's commitment to training and skills development is evidenced through, *inter alia*:

- continuous development of the internal existing skills base;
- commercialising the learnership model thereby widening the impact of on-the-job training; and
- regular engagement with various stakeholders regarding the complexities of proposed regulation and the topic of the country's unemployment challenges.

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 leadership conference is held where strategic imperatives are debated. The annual Chairman's Awards 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.

Continued progress is being made in leveraging the Group's strength through 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.



RL Pike

Chief Executive Officer

25 May 2011



AUDIT AND RISK COMMITTEE

The information below constitutes the report of the Audit and Risk Committee in respect of the year under review.

Composition

The Audit and Risk Committee comprises three non-executive directors and is chaired by an independent non-executive director. All members of the Committee have the requisite financial knowledge, skills and experience to contribute effectively to the carrying out of the Committee's mandate.

Role

The Committee's role and responsibilities include its statutory duties per the Companies Act and the responsibilities assigned to it by the Board. The mandate is 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 consideration of annual budgets, interim and final results, a review of the accounting policies, recommendations made to the Board for the approval of the financial statements, a review of the integrated sustainability report and 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.

The Role of the Audit and Risk Committee applies to all subsidiaries of the Group.

During the period under review, the Committee updated its charter to ensure that its obligations in terms of the King III Code are met. Areas covered include:

- oversight of the governance of information technology and the management of fraud and IT risk as they relate to financial reporting;
- consideration of the provision of assurance regarding the integrity of the internal financial control framework;
- consideration of the provision of assurance regarding the risk management framework; and
- review of the level of sustainability and integrated reporting.

External auditor

The Committee has nominated, for re-election at the Annual General Meeting (AGM), the appointment of Deloitte & Touche as the external auditor firm and RM Duffy as the designated auditor responsible for performing the functions of auditor of the company for the 2012 financial year. Adcorp believes the auditors have acted with the highest regard for business and professional ethics. The Committee is satisfied that the audit firm and designated auditor are accredited and have acted with unimpaired independence and free from any scope restrictions.

Details of fees paid to the external auditors are disclosed in note 30 of the financial statements together with the fees paid for non-audit services provided.

Additionally, the Committee addressed, considered and reviewed key responsibilities in respect of audit and risk. These included, inter alia, the following:

Audit

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

As required by the JSE, the company has 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

- development of a risk management framework to recommend for approval to the Board;
- formulation of the individual business unit's risk registers and the assessments thereof;
- appropriateness of internal systems to identify and monitor risks affecting the Group, including risks related to information technology;
- evaluation of the adequacy and effectiveness of risk management processes;
- the establishment of internal procedures for the prevention and detection of fraud (tip-off line);
- content of the assurance reports received from the varying providers;
- efficiency of management in dealing with all identified risks and regulatory compliance;
- quality, independence, objectivity and cost of the outsourced model of internal audit; and
- reappointment of the outsourced internal audit firm and the designated internal auditor.

INTERNAL AUDIT

The Audit and Risk Committee confirms the internal audit programme and remains responsible, subject to ultimate Board responsibility, for the Group's systems of internal control as set out in the approval of the annual financial statements on page 70.

For the period under review, the internal audit function was outsourced to an independent provider, Sizwe Ntsaluba VSP. A Chief Audit Executive (CAE) was appointed in July 2010. Included in the role and responsibilities of the CAE was the development of a risk-based internal audit plan to direct the independent provider's activities to the key risk areas. Based on the issued internal audit reports, internal audit is of the opinion that the accounting and internal controls, including the internal financial controls, are adequate.

The CAE is also tasked with establishing the Risk Management Function and, due to a lack of independence, no assurance was obtained from internal audit on the effectiveness of risk management. External assurance will be obtained on the risk management function in future financial years.

To maintain independence, the CAE reports functionally to the Committee and, only from an administrative perspective to the CFO. The CAE holds a senior position within the Group and her appointment or dismissal is subject to ratification by the Committee.

A decision was made by management, approved by the Audit and Risk Committee, to bring the internal audit function in-house for the next financial year.

THE THREE LINES OF DEFENCE

The "three lines of defence" that support the Board and the related subcommittees are as follows:

First line – operating divisional management

The Group's first defence comprises the divisions that operate the business and are directly responsible for the processes that constitute the value chain. Operating division management, including executives and senior management is accountable for:

- managing day-to-day risk exposures by applying appropriate procedures, internal controls and Group policies;
- the effectiveness of risk management and risk outcomes, and for allocating resources to execute risk management activities;
- tracking risk events and losses, identifying issues and implementing remedial actions to address these issues; and
- reporting and escalating material risks and issues to the Chief Risk Officer, Audit and Risk Committee or other governance bodies as deemed appropriate.

Business unit management has the authority to manage risks within its approved mandates, and may also recommend

the taking on of risk beyond its mandate to the Group's risk policy and oversight function.

Second line – Group risk function (CRO)

The Chief Risk Officer (CRO) is a member of Exco and is accountable for the effective and objective functioning of the Group risk management function. The CRO reports to the Chief Executive Officer, and has direct and unrestricted access to the Audit and Risk Committee Chairman. Development of group-wide risk management policies, overseeing their implementation, and reporting on risk issues to Exco, Audit and Risk Committee and the Board form a key component of this role.

Third line – assurance

The third line of defence comprises the Group's independent assurance functions that are intended to provide an independent and balanced view of all aspects of risk management (both first and second line of defence) across the Group to the various governance bodies within the Group.

Internal audit provides management and the Board with independent and objective assurance on the adequacy and effectiveness of the business processes and controls implemented to mitigate key risk areas. The annual internal audit plan is focused on key risk processes identified during a formal risk assessment process, as well as issues highlighted by the Audit and Risk Committee and management.

The external auditors have a statutory duty to report their independent opinion on the Group's financial statements to the shareholders. They also report to the Audit and Risk Committee on any weaknesses in accounting and operational controls which come to their attention during their audits.

Internal audit and the external auditors have unrestricted access to the Chairman of the Audit and Risk Committee, EXCO and members of the Board. Internal audit and the external auditors also meet formally ensuring optimal alignment.

Integrated assurance

The Committee recognises that an integrated approach to risk management can improve coverage and quality. Accordingly, the Group has developed a combined assurance model that has been applied to the major Group risks.

The key assurance providers to the Committee are: External audit, internal audit, independent industry consultants, quality professional advisers and management. The Committee regularly receives reports on the risk and control issues identified and the related corrective actions implemented by management.



Corporate governance *continued*

A summary of economic, financial, social and environmental risks to which the Group is exposed to and the mitigating controls in place to manage these risks appear on pages 4 and 5.

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 and CFO 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, without management present, as and when required.

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

		Status	Possible	Attended
TDA Ross	Chairman	Independent Non-Executive	4	4
AT Albäck	Member	Independent Non-Executive	4	4
ME Mthunzi	Member	Independent Non-Executive	4	4
MMT Ramano	By invitation	Non-independent Non-Executive	4	4
RL Pike	By invitation	CEO	4	4
AM Sher	By invitation	CFO	4	4
K Pienaar	By invitation	CIO	2	2
H Lamprecht	By invitation	CAE	4	4
R Wessels	By invitation	General Manager: Finance	4	4
R Tayob	By invitation	Group Financial Manager	4	3
LM Sassoon	By invitation	Group Financial Manager: Tax and treasury management	3	3
Deloitte & Touche	By invitation	External auditors	4	4
Sizwe Ntsaluba VSP	By invitation	Internal auditors	2	2

Going Concern

The Committee reviewed and considered a documented assessment by management of the applicability of the going concern assumption as regards the affairs of the Group. The Committee concluded to the Board that the company shall be a going concern in the foreseeable future.

The Audit and Risk Committee is satisfied that it has met the requirements of its charter.

TDA Ross

Chairman, Audit and Risk Committee

25 May 2011

“The Audit and Risk Committee confirms the internal audit programme and remains responsible for the Group’s systems of internal control ...”

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 mandate of the Committee includes, *inter alia*:

- responsibility for the assessment and approval of the remuneration strategy for the Group;
- consideration of short- and long-term incentive pay structures for executive directors and for members of senior executive management;
- approving all allocations of share appreciation rights (SARs) or awards of performance shares (PFs) or both;
- assisting the Board in setting and administering remuneration policies;
- debating and adjudicating on any nominations made to fill any Board vacancies;
- reviewing the executive succession plan; and
- review of the key skills level within the organisation.

During the period under review, the Committee:

- ensured sound and effective succession planning at executive level;
- deliberated and oversaw the appointment of the new director;
- 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 allocations of SARs and the awards of PFs to 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; and
- attraction and retention-based long-term incentives.

No executive director is involved in the setting of his 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. Annual salary reviews take effect in February for the ensuing year.

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 SARs or awards of 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 achievement of key performance criteria by 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



Corporate governance continued

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' employment is subject to a maximum three-month notice period. In the case of the CEO, the notice period is six months. 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.

2011 Non-executive directors' fees compared to 2010

Fee per year (Rand)	Independent Non-executive 2011	Non- independent Non-executive 2011	Independent Non-executive 2010	Non- independent Non-executive 2010
Committee chairs				
– Board	159 000		150 000	
– Audit and Risk	106 000		100 000	
– Remuneration and Nominations		31 092		26 074
– Transformation		31 092		26 074
Committee members				
– Board	127 200	86 368	120 000	81 480
– Audit and Risk	89 040	60 252	84 000	56 840
– Remuneration and Nominations	27 638		13 037	
– Transformation	27 638		13 037	

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

		Status	Possible	Attended
MR Ramaite	Chairman	Non-Executive Director	3	2
AT Albäck	Member	Independent Non-Executive	3	3
MJN Njeke	Member	Independent Non-Executive	1	A
RL Pike (CEO)	Ex officio	Executive Director	3	3
AM Sher (CFO)	Ex officio	Executive Director	1	1

A = Apologies tendered and accepted

Details of directors' remuneration and their interests in shares appear in note 42 and 43 respectively.

The Remuneration and Nominations Committee is satisfied that it has met the requirements of its charter.

MR Ramaite

Chairman, Remuneration and Nominations Committee

25 May 2011

THE TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE

Composition

Transformation, Social and Ethics Committee membership is composed of non-executive independent, non-executive non-independent directors, consultants and executives of the Group. The non-executive non-independent directors include representatives of Adcorp's BEE partners. The Committee is chaired by a non-executive non-independent director.

Role

The transformation, Social and Ethics committee 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, social and ethics policies.

During the period under review, the Committee:

- assisted the Board with the formulation of transformation, social and ethics policies;
- provided strategic advice to management for the implementation of transformation, social and ethics policies;
- 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 practices in human resources;
- affirmative action;

- organisational culture; and
- black economic empowerment.

The transformation framework has followed the strategic business plan of the Group and 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 pages 38 and 39.

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 of 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 "Sustainability" on pages 46 to 48.

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

		Status	Possible	Attended
MR Ramaite	Chairman	Non-Executive Director	2	2
D Marsden	Member	Consultant	2	1
M Mncane	Member	Non-Executive Director	2	2
C Bomela	Member	Executive Director	2	2

The Transformation, Social and Ethics Committee is satisfied that it has met the requirements of its charter.



MR Ramaite

Chairman, Transformation, Social and Ethics Committee

25 May 2011



Financial Statements

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







Six-year review

	2011	2010	2009	2008*	2006	2005
STATEMENT OF COMPREHENSIVE INCOME						
Revenue (R'000)	5 384 566	5 050 358	4 837 123	4 430 105	2 700 216	2 359 652
Operating profit before IFRS adjustments, depreciation and amortisation (R'000)**	-	-	-	284 499	149 603	131 655
Normalised earnings before IFRS adjustments, depreciation and amortisation (EBITDA) (R'000)**	258 593	279 749	326 048	-	-	-
Operating profit including discontinued operations (R'000)**	-	-	-	108 723	125 165	116 407
Normalised operating profit (R'000)**	224 054	243 728	300 526	-	-	-
Profit before taxation (R'000)	127 008	115 890	194 155	168 171	136 460	102 139
Normalised effective tax rate (%)	10,7	13,8	24,1	18,3	23,5	30,5
Profit for the period (R'000)	115 695	104 316	144 073	126 968	105 620	67 129
Core headline earnings (R'000)**	-	-	-	183 080	108 077	65 185
Normalised earnings (R'000)**	174 413	169 948	206 024	-	-	-
STATEMENT OF FINANCIAL POSITION						
Fixed and other non-current assets (R'000)	741 338	787 939	826 074	646 210	121 707	94 482
Deferred taxation	49 753	13 669	19 348	29 239	16 665	25 241
Current assets (R'000)	1 135 582	870 188	868 178	714 485	511 496	438 307
Total assets (R'000)	1 926 673	1 671 796	1 713 600	1 389 934	649 868	558 030
Ordinary shareholders' interest (R'000)	1 012 890	907 522	803 481	667 750	310 703	249 706
BEE shareholders' and minorities interest (R'000)	421	421	421	421	82	2 456
Non-current liabilities (R'000)	194 711	197 543	214 620	156 694	1 586	5 541
Deferred taxation (R'000)	20 386	14 959	35 050	38 540	3 424	1 777
Current liabilities (R'000)	698 265	551 351	660 028	526 529	334 073	298 550
Total equity and liabilities (R'000)	1 926 673	1 671 796	1 713 600	1 389 934	649 868	558 030
PROFITABILITY						
Return on assets managed (ROAM) (%)	28,3	31,8	43,9	42,0	32,0	33,4
Return on equity (%)	18,2	19,9	28,0	30,0	34,0	28,5
Return on sales (operating margin) (%)	4,2	4,8	6,2	5,8	4,9	4,9
Normalised EBITDA/Revenue (%)	4,8	5,5	6,8	6,4	5,5	5,6
Asset turnover	6,7	6,6	7,1	7,2	6,5	6,8
Expense ratio (%)	18,8	19,2	19,0	22,6	21,7	23,5
Number of employees	2 282	2 170	2 440	1 755	1 810	1 569
LIQUIDITY						
Cash generated by operations to operating profit (%)	128,5	92,2	80,6	101,7	74,9	79,4
Current ratio	1,6	1,6	1,3	1,4	1,5	1,5
Total net interest-bearing liabilities (R'000)	122 669	283 502	304 797	213 264	20 933	-
Gearing (%)	12,1	31,2	37,9	31,9	6,7	-
Interest-bearing debt to EBITDA	0,47	1,01	0,93	0,75	0,14	-
Interest-bearing debt to tangible asset value	0,39	1,63	7,70	2,57	0,09	-
Debtors days	36	38	35	30	36	33
STATISTICS						
Weighted average number of shares in issue ('000)	60 110	53 903	52 808	49 122	42 882	41 730
Total number of shares in issue ('000)	61 850	59 309	54 219	50 831	43 382	42 614
Core headline earnings per share (cents)**	-	-	-	372,2	252,0	195,1
Normalised earnings per share (cents)**	290,2	315,3	390,1	-	-	-
Earnings per share (cents)	192,5	193,5	272,8	258,5	251,8	156,2
Annual dividend per share (cents)***	175	165	222	215	168	140
Dividend/capital/scrip distribution cover (times) based on normalised EPS	1,7	1,9	1,8	1,7	1,5	1,4
Net asset value (R'000)	1 013 311	907 943	803 902	668 171	310 785	252 162
Net tangible asset value (R'000)	315 894	174 319	39 607	82 921	225 042	196 439
Net asset value per share (cents)	1 638	1 531	1 483	1 314	716	592
Net tangible asset value per share (cents)	511	294	73	163	519	461

* 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 to issue fully paid shares in the company as a scrip distribution to ordinary shareholders. Ordinary shareholders were 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 normalised operating profit.

CORE HEADLINE EARNINGS

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

NORMALISED EARNINGS

Operating profit adjusted for 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.

DAY SETTLEMENT OUTSTANDING (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 annual dividend or capital/scrip distribution.

NORMALISED 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.

EXPENSE RATIO

The aggregate of administrative, marketing, selling and operating expenses as a percentage of revenue.

GEARING

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) ADJUSTMENTS

IFRS adjustments include non-cash flow items, 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.

NET TANGIBLE ASSET VALUE PER SHARE

Ordinary shareholders' interest less intangible assets and goodwill, 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 average total of property, plant and equipment, trade and other receivables and deferred tax.

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, 61 of 1973 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 73. The annual financial statements for the year ended 28 February 2011 set out on pages 68 to 119 were approved by the board of directors on 25 May 2011 and are signed on its behalf by:

RL Pike
Chief Executive Officer

AM Sher
Chief Financial Officer

Johannesburg
25 May 2011

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
25 May 2011

28 Sloane Street
Bryanston
2021



Report of the audit and risk committee

for the year ended 28 February 2011

The Audit and Risk committee (ARC) has been constituted in accordance with applicable legislation and regulations. The members of the ARC are all independent non-executive directors of the Group. Four meetings were held in the 2011 financial year during which the members fulfilled their functions as prescribed by the Companies Act, 61 of 1973.

The members of the ARC were formally appointed by the board during the year. The composition of the committee and details of its members' attendance at committee meetings is set out on page 62. The committee executed its duties and responsibilities, in accordance with the terms of reference of its charter. Details of the activities of the ARC are stated in the corporate governance section on pages 60 to 62.

In order to execute his responsibilities, the chairman of the ARC met separately during the course of the year with the Chief Audit Executive, Head of the outsourced internal audit providers, the Company Secretary, the Chief Risk Officer, management and the external auditors.

Based on the information and explanations given by management and the internal and external auditors, the ARC is of the opinion that the accounting and internal controls, including the internal financial controls, are adequate. Nothing has come to the attention of the ARC to indicate that any breakdown in the functioning of these controls, resulting in material loss to the Group, has occurred during the year and up to the date of this report.

The ARC has satisfied itself that the external auditors are independent of the Group and thereby are able to conduct their audit functions without any influence from the Group. The ARC has reviewed the performance, appropriateness and expertise of the Financial Director, Mr Anthony Sher, and confirms his suitability as Financial Director in terms of the JSE Listings Requirements. The ARC has also satisfied itself, through the assurance from the internal and external auditors, of the expertise, resources and experience of the Group's finance function.

The ARC has reviewed the integrated annual report and has recommended the report to the board for approval.

TDA Ross
Chairman, audit and risk committee

25 May 2011

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 statement of financial position and the consolidated statement of financial position as at 28 February 2011, and 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, the statement of cash flows and the consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information, the directors' report and the Audit and Risk Committee report, as set out on pages 74 to 119.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The 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, 61 of 1973, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall preparation of the financial statements.

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 annual financial statements present fairly, in all material respects, the financial position of the group and of the company as at 28 February 2011, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 61 of 1973.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per RM Duffy
Partner
25 May 2011

Deloitte & Touche
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Deloitte Place
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Woodmead
Sandton
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South Africa

National Executive: GG Gelink, *Chief Executive*; AE Swiegers, *Chief Operating Officer*; GM Pinnock, *Audit*; DL Kennedy, *Risk Advisory*; NB Kader, *Tax & Legal Services*; L Geeringh, *Consulting*; L Bam, *Corporate Finance*; JK Mazzocco, *Human Resources*; CR Beukman, *Finance*; TJ Brown, *Clients*; NT Mtoba, *Chairman of the Board*; MJ Comber, *Deputy Chairman of the Board*

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

Member of Deloitte & Touche Tohmatsu Limited.



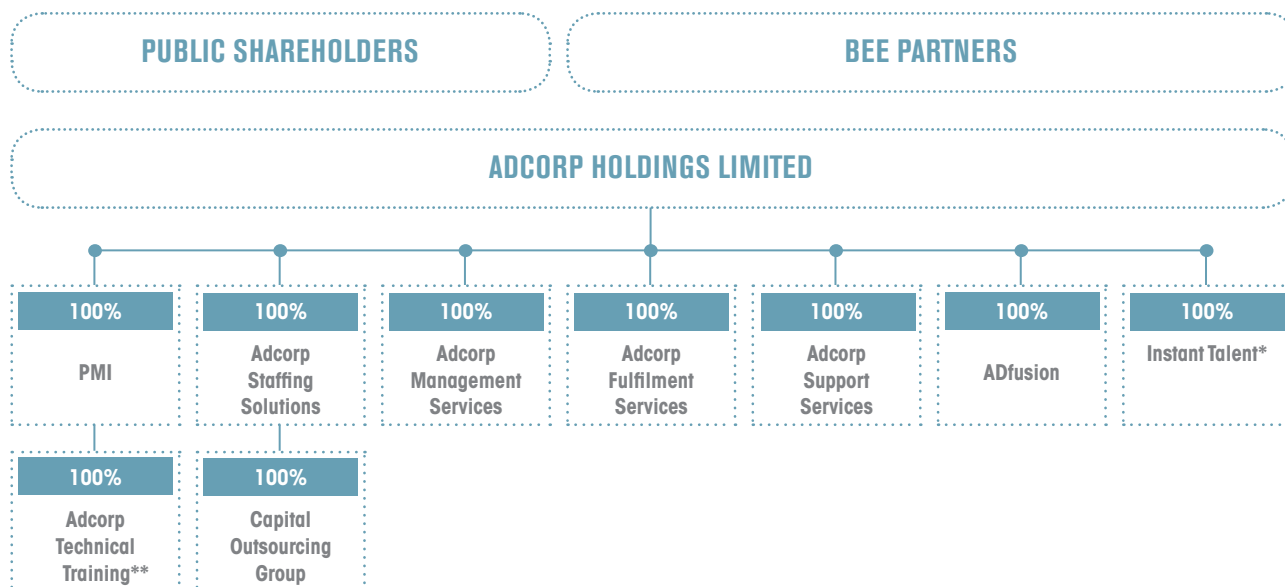
Directors' report

for the year ended 28 February 2011

The directors have pleasure in submitting their report and financial statements for the year ended 28 February 2011.

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 in the segments of business process outsourcing, training and financial services.



* Formerly JobVest.

** Formerly Goldfields External Training Services (Pty) Limited.

SHARE CAPITAL

The authorised share capital is 183 177 151 ordinary shares of 2,5 cents per share. The issued share capital of the company at 28 February 2011 was 61 850 171 shares of 2,5 cents per share.

Movements in share capital during the year are shown below:

	Number	
	000's	R'000
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
Opening balance 1 March 2010		
Issued shares	59 309	1 483
Scrip dividend: 2 394 271 shares at 2,5 cents	2 394	59
Employee share scheme: 146 771 shares at 2,5 cents	147	4
Closing balance 28 February 2011	61 850	1 546

SHARE PREMIUM

Movements in share premium during the year are shown below:

	2011 R'000	2010 R'000
Opening balance 1 March	497 968	384 594
Nil (2010: 3 000) ordinary shares created at a premium of R6,325 per share	-	19
- Employee combined option/deferred payment scheme 10 000 (2010: Nil) ordinary shares created at a premium of R8,825 per share	88	-
- Employee combined option/deferred payment scheme 53 000 (2010: 39 000) ordinary shares created at a premium of R11,975 per share	635	467
- Employee combined option/deferred payment scheme 5 000 (2010: 39 500) ordinary shares created at a premium of R12,975 per share	65	513
- Nil (2010: 5 000 000) ordinary shares created at a premium of R22,475 per share pursuant to a general issue of shares for cash	-	112 375
- 2 394 271 ordinary shares created for scrip distribution	(60)	
Closing balance 28 February	498 696	497 968

DIVIDEND

An interim dividend of 54 cents per share was paid on 15 November 2010.

On 25 May 2011, the board resolved, to declare a final dividend of 121 cents per share. The salient dates are as follows:

Last date to trade cum dividend	Friday, 8 July 2011
Date trading commences ex dividend	Monday, 11 July 2011
Record date	Friday, 15 July 2011
Date of payment	Monday, 18 July 2011

Share certificates may not be dematerialised or rematerialised between Monday, 11 July 2011 and Friday, 15 July 2011, both days inclusive.

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 his/her share certificates.



Directors' report *continued*

for the year ended 28 February 2011

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 117 744 shares (2010: 185 744) as at 28 February 2011. 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 2010										Closing balance 28 Feb 2011		
Option granted/(cancelled)/(exercised)												
Quantity	Price (R)	Value (R)	Date option granted	Quantity granted	Forfeited	Quantity cancelled	Quantity exercised	Price (R)	Value (R)	Quantity	Price (R)	Value (R)
30 000	6,35	190 500	31/05/03	-	-	-	-	6,35	-	30 000	6,35	190 500
10 000	8,85	88 500	31/05/02	-	-	-	(10 000)	8,85	(88 500)	-	8,85	-
29 244	11,90	348 004	31/05/01	-	-	-	-	11,90	-	29 244	11,90	348 004
53 000	12,00	636 000	31/05/00	-	-	-	(53 000)	12,00	(636 000)	-	12,00	-
63 500	13,00	825 500	31/05/04	-	-	-	(5 000)	13,00	(65 000)	58 500	13,00	760 500
185 744		2 088 504		-	-	-	(68 000)		(789 500)	117 744		1 299 004

ADCORP EMPOWERMENT SHARE INCENTIVE TRUST

The trust owns 36 705 (2010: 38 802) Adcorp shares, all of which are unallocated as at 28 February 2011 as a result of employees leaving the Group.

Unallocated	30 302
Scrip dividend	10 303
Less: Bonus shares awarded	(3 900)
Total	36 705

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

Opening balance 1 March 2010										Closing balance 28 Feb 2011		
Option granted/(settled)/(exercised)												
Quantity	Price (R)	Value (R)	Date option granted	Quantity granted	Bonus shares for early settlement	Scrip dividend	Quantity exercised	Price (R)	Value (R)	Quantity	Price (R)	Value (R)
8 500	8,85	75 225	-	-	-	-	(8 500)	8,85	(75 225)	-	-	-
30 302	8,85	-	-	-	(3 900)	10 303	-	-	unallocated	36 705	-	-
38 802		75 225	-	-	(3 900)	10 303	(8 500)		(75 225)	36 705	-	-

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 award 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. No value is inherent in the PFs as their vesting is subject to various non-market-related performance criteria. All SARs and PFs expire after six years from grant date.

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 2011, the value inherent in the 13 168 500 SARs below was R24 800 375. Based on the share price at that date of R27,00 per share, this would have required the issue of 918 532 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.

Movements for the year in the Adcorp Holdings 2006 Share Trust appear below:

Opening balance 1 March 2010											Closing balance 28 Feb 2011		
Option granted/(cancelled)/(exercised)													
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)
207 500	18,15	3 766 125	22/11/05	-	-	-	-	(64 000)	18,15	(1 161 600)	143 500	18,15	2 604 525
1 900 000	26,31	49 989 000	30/04/06	-	-	-	-	(200 000)	26,31	(5 262 000)	1 700 000	26,31	44 727 000
2 750 000	32,31	88 852 500	01/03/07	-	-	-	(200 000)	-	32,31	(6 462 000)	2 550 000	32,31	82 390 500
100 000	37,80	3 780 000	30/11/07	-	-	-	-	-	37,80	-	100 000	37,80	3 780 000
2 205 000	31,02	68 399 100	01/03/08	-	-	-	(255 000)	-	31,02	(7 910 100)	1 950 000	31,02	60 489 000
2 300 000	16,50	37 950 000	01/03/09	-	-	-	(230 000)	(135 000)	16,50	(6 022 500)	1 935 000	16,50	31 927 500
770 000	16,50	12 705 000	01/03/09	-	-	-	(80 000)	-	16,50	(1 320 000)	690 000	16,50	11 385 000
2 470 000	26,39	65 183 300	26/02/10	-	-	-	(130 000)	-	26,39	(3 430 700)	2 340 000	26,39	61 752 600
840 000	26,39	22 167 600	26/02/10	-	-	-	(50 000)	-	26,39	(1 319 500)	790 000	26,39	20 848 100
-	26,75	-	31/01/11	2 450 000	-	65 537 500	-	-	-	-	2 450 000	26,75	65 537 500
-	26,75	-	31/01/11	-	820 000	21 935 000	-	-	-	-	820 000	26,75	21 935 000
13 542 500		352 792 625		2 450 000	820 000	87 472 500	(945 000)	(399 000)		(32 888 400)	15 468 500		407 376 725

The 399 000 SARs exercised during the year converted into the issue of 78 771 ordinary shares.

Summarised as follows:

SARs	13 168 500
PFs	2 300 000
	15 468 500



Directors' report *continued*

for the year ended 28 February 2011

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 (2010: 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 2011 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 Adcorp's share price.

SUBSIDIARIES AND ASSOCIATES

Details of the company's operating subsidiaries and associates are set out in Annexure A on pages 118 and 119.

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

	2011 R'000	2010 R'000
Total profit after taxation	180 422	143 951
Total losses after taxation	(56 856)	(30 196)
	123 566	113 755

SIGNIFICANT SHAREHOLDERS

Details of significant shareholders are included on page 122.

SPECIAL RESOLUTIONS

During the current year, no special resolutions were passed.

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 INTERESTS HELD

Details of directors' remuneration and interests held appear in notes 42 and 43 on pages 113 and 114 of the annual financial statements.

DIRECTORS' INTEREST IN CONTRACTS

No material contracts involving directors' interest were entered into in the current year. The directors had no interest in any third party or company responsible for managing any of the business activities of Adcorp.

SUBSEQUENT EVENTS

Subsequent to the year end, the Group obtained an additional R100 million long-term debt facility in order to compensate for the reduction of short term facilities that took effect on 28 February 2011.

The Group has agreed in principle to proceed with the acquisition of iSolve Business Solutions ("iSolve"), subject to the fulfillment of various conditions precedent. iSolve is an information technology infrastructure consulting and development business and the maximum purchase price payable by the Group has been agreed as R27 million.

AUDITORS

The Audit and Risk committee has nominated, for reelection at the annual general meeting of shareholders that Deloitte & Touche continue in office in accordance with section 270(2) of the Companies Act, 61 of 1973.

DIRECTORATE AND SECRETARY

The names of the directors and Company Secretary are set out on pages 11 and 57 respectively. Changes to the directorate during 2010/11 are detailed on pages 13 and 113.



Statement of financial position

as at 28 February 2011

		GROUP		COMPANY	
	Notes	2011 R'000	2010 R'000	2011 R'000	2010 R'000
ASSETS					
Non-current assets		791 091	801 608	653 863	653 938
Property, plant and equipment	4	43 921	53 405	-	-
Intangible assets	5	143 019	179 334	-	-
Goodwill	6	554 398	554 290	-	-
Investment in subsidiaries	7	-	-	653 069	653 069
Investment in associates	8	-	-	-	-
Other financial assets	9	-	910	794	869
Deferred taxation	10	49 753	13 669	-	-
Current assets		1 135 582	870 188	757 170	568 171
Trade and other receivables and prepayments	11	740 207	717 047	780	391
Amounts due by subsidiary companies	12	-	-	756 390	567 780
Assets classified as held-for-sale	13	-	845	-	-
Taxation prepaid		14 153	14 703	-	-
Cash resources	48	381 222	137 593	-	-
Total assets		1 926 673	1 671 796	1 411 033	1 222 109
EQUITY AND LIABILITIES					
Capital and reserves		1 013 311	907 943	862 928	605 502
Share capital	14	1 546	1 483	1 967	1 904
Share premium	15	498 696	497 968	498 696	497 968
Treasury shares	16	(13 227)	(13 293)	-	-
Non-distributable reserve	17	-	-	119 918	119 918
Foreign currency translation reserve	18	(2 001)	(1 124)	-	-
Accumulated profit/(loss)		527 876	422 488	242 347	(14 288)
Equity attributable to equity holders of the parent		1 012 890	907 522	862 928	605 502
BEE shareholders' interest	19	421	421	-	-
Non-current liabilities		215 097	212 502	60 000	59 912
Other non-current liabilities	20	4 462	5 034	-	-
Long-term loan – interest bearing	21	60 000	59 912	60 000	59 912
Redeemable preference shares – interest bearing	22	130 000	130 000	-	-
Obligations under finance lease	23	249	2 597	-	-
Deferred taxation	10	20 386	14 959	-	-
Current liabilities		698 265	551 351	488 105	556 695
Non-interest-bearing current liabilities		389 085	327 799	218 616	361 685
Trade and other payables	24	275 731	249 073	3 327	1 700
Amounts due to subsidiary companies	12	-	-	214 886	359 675
Provisions	25	102 835	77 850	-	-
Taxation		10 519	876	403	310
Interest-bearing current liabilities		309 180	223 552	269 489	195 010
Current portion of other non-current liabilities	20/23	6 061	2 124	-	-
Current portion of long-term loan	21	15 000	31 227	15 000	31 227
Current portion of redeemable preference shares	22	2 199	2 362	-	-
Bank overdrafts	48	285 920	187 839	254 489	163 783
Total equity and liabilities		1 926 673	1 671 796	1 411 033	1 222 109

Statement of comprehensive income

for the year ended 28 February 2011

	Notes	GROUP		COMPANY	
		2011 R'000	2010 R'000	2011 R'000	2010 R'000
Revenue	26	5 384 566	5 050 358	-	-
Cost of sales	28	(4 264 774)	(3 953 341)	-	-
Gross profit		1 119 792	1 097 017	-	-
Other income	29	51 967	39 353	-	-
Administration expenses		(378 852)	(346 123)	(4 524)	(2 357)
Marketing and selling expenses		(477 445)	(451 326)	-	(138)
Other operating expenses		(157 791)	(172 390)	-	-
Operating profit/(loss)	30	157 671	166 531	(4 524)	(2 495)
Interest received	31	3 182	12 859	40 058	35 741
Interest paid	32	(31 855)	(62 127)	(32 093)	(31 112)
Dividends received from subsidiaries		-	-	270 000	-
Impairment of investments and goodwill		(1 796)	(984)	-	-
Loss on sale of investment		-	-	-	(1 185)
Loss on disposal of property and equipment		(194)	(389)	-	-
Profit before taxation		127 008	115 890	273 441	949
Taxation	33	(11 313)	(11 574)	(6 185)	(13 138)
Profit/(loss) for the year		115 695	104 316	267 256	(12 189)
Other comprehensive income					
Exchange differences on translating foreign operations		(877)	(752)	-	-
Fair value adjustment of derivative financial instrument		-	(1 064)	-	-
Taxation		-	201	-	-
Other comprehensive loss for the year, net of tax		(877)	(1 615)	-	-
Total comprehensive income/(loss) for the year		114 818	102 701	267 256	(12 189)
Profit/(loss) attributable to:					
Owners of the parent		115 695	104 316	267 256	(12 189)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		114 818	102 701	267 256	(12 189)
Earnings per share					
Basic (cents)	34	192,5	193,5	-	-
Diluted (cents)	34	188,1	188,7	-	-
Distribution to shareholders during the year		169	210	-	-
Interim dividend (cents)		54	50	-	-
Final dividend (cents) in respect of prior year		115	160	-	-



Statement of changes in equity

for the year ended 28 February 2011

	Share capital R'000	Share premium R'000	Treasury shares R'000	Foreign currency translation reserve R'000	Non- distrib- utable 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 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
Issue of ordinary shares under employee share option plan	3	788	-	-	-	-	791	-	791
Capitalisation of share premium	-	(65 172)	-	-	-	-	(65 172)	-	(65 172)
Ordinary shares issued pursuant to scrip distribution	60	65 112	-	-	-	-	65 172	-	65 172
Treasury shares sold	-	-	66	-	-	9	75	-	75
Dividend distributions	-	-	-	-	-	(42 216)	(42 216)	-	(42 216)
Recognition of BBBEE and staff share-based payments	-	-	-	-	-	31 900	31 900	-	31 900
Profit for the year	-	-	-	-	-	115 695	115 695	-	115 695
Other comprehensive income for the year	-	-	-	(877)	-	-	(877)	-	(877)
Balance as at 28 February 2011	1 546	498 696	(13 227)	(2 001)	-	527 876	1 012 890	421	1 013 311
COMPANY									
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
Issue of ordinary shares under employee share option plan	3	788	-	-	-	-	791	-	791
Capitalisation of share premium	-	(65 172)	-	-	-	-	(65 172)	-	(65 172)
Ordinary shares issued pursuant to scrip distribution	60	65 112	-	-	-	-	65 172	-	65 172
Dividend distributions	-	-	-	-	-	(42 521)	(42 521)	-	(42 521)
Recognition of BBBEE and staff share-based payments	-	-	-	-	-	31 900	31 900	-	31 900
Total comprehensive profit for the year	-	-	-	-	-	267 256	267 256	-	267 256
Balance as at 28 February 2011	1 967	498 696	-	-	119 918	242 347	862 928	-	862 928

Statement of cash flows

for the year ended 28 February 2011

		GROUP		COMPANY	
	Notes	2011 R'000	2010 R'000	2011 R'000	2010 R'000
OPERATING ACTIVITIES					
Profit before taxation and dividends		127 008	115 890	3 441	949
Adjusted for:					
Dividends received for subsidiaries		-	-	270 000	-
Depreciation		24 079	26 423	-	-
Impairment of assets, loans and goodwill		1 796	984	-	-
Amortisation of intangible assets		44 143	68 771	-	-
Amortisation of financial assets		910	260	-	-
Loss/(profit) on disposal of property and equipment		194	389	-	-
Loss on sale of investment		-	-	-	1 185
Fair value adjustments		-	2 647	-	-
Share-based payments expense		31 900	19 008	-	-
Non-cash portion of operating lease rentals		800	(984)	-	-
Interest paid		31 855	59 480	32 093	31 112
Interest received		(3 182)	(12 859)	(40 058)	(35 741)
Cash generated/(utilised) by operating activities before working capital changes		259 503	280 009	265 476	(2 495)
Increase in trade and other receivables and prepayments		(13 512)	(31 856)	(389)	(391)
Increase/(decrease) in trade and other payables and provisions		41 863	(14 732)	1 627	1 700
Net movement in preacquisition and fellow subsidiaries' intercompany accounts		-	(8 665)	(301 804)	82 294
Cash generated/(utilised) by operations		287 854	224 756	(35 090)	81 108
Interest paid		(31 855)	(59 480)	(32 093)	(31 112)
Interest received		3 182	12 859	40 058	35 741
Taxation paid	44	(32 632)	(58 258)	(6 092)	(13 024)
Dividend paid	45	(42 216)	(118 379)	(42 216)	(119 510)
Net cash generated/(utilised) by operating activities		184 333	1 498	(75 433)	(46 797)
INVESTING ACTIVITIES					
Additions to property, equipment and intangible assets	46	(24 014)	(44 643)	-	-
Proceeds from sale of property and equipment		3 323	2 705	-	-
Acquisition of businesses	47	(2 874)	(4 998)	-	-
Net movement on loan from associate		-	35	-	35
Vendor payments		-	(35 000)	-	-
Net cash (utilised)/generated by investing activities		(23 565)	(81 901)	-	35
FINANCING ACTIVITIES					
Issue of shares		866	113 533	866	113 502
Share buy-back		-	(12 822)	-	-
Long-term loan raised		75 000	-	75 000	-
Long-term loan repaid		(91 139)	(20 487)	(91 139)	(20 487)
Decrease in non-current interest-bearing liabilities		53	670	-	-
Net cash generated by financing activities		(15 220)	80 894	(15 273)	93 015
Net increase/(decrease) in cash and cash equivalents		145 548	491	(90 706)	46 253
Net cash and cash equivalents at the beginning of the year		(50 246)	(50 737)	(163 783)	(210 036)
Net cash and cash equivalents at the end of the year	48	95 302	(50 246)	(254 489)	(163 783)



Segment report

for the year ended 28 February 2011

	Group central costs		Staffing		New generation business		
	Central costs	Shared services	Blue collar	White collar	BPO, training and financial services	Emergent business	Total
REVENUE							
- 2011 (R'000)	-	22 366	3 861 945	1 329 000	168 702	2 553	5 384 566
- 2010 (R'000)	238	19 706	3 555 060	1 321 327	154 027	-	5 050 358
Internal revenue							
- 2011 (R'000)	-	-	14 812	31 526	38 833	-	85 171
- 2010 (R'000)	-	-	5 135	14 157	-	-	19 292
Operating profit/(loss)							
- 2011 (R'000)	(48 873)	57	141 445	26 125	43 941	(5 024)	157 671
- 2010 (R'000)	(38 860)	4 886	131 466	25 627	43 412	-	166 531
EBITDA excluding share-based payments and lease-smoothing							
- 2011 (R'000)	(36 111)	2 736	181 370	46 590	68 959	(4 951)	258 593
- 2010 (R'000)	(32 200)	6 218	190 026	46 667	69 038	-	279 749
EBITDA margin excluding share-based payments and lease-smoothing							
- 2011 (%)	-	-	4,7	3,5	40,9	-	4,8
- 2010 (%)	-	-	5,3	3,5	44,8	-	5,5
EBITDA excluding share-based payments and lease-smoothing contribution % to Group EBITDA							
- 2011 (%)	(14,0)	1,1	70,1	18,0	26,7	(1,9)	100,0
- 2010 (%)	(11,5)	2,2	67,9	16,7	24,7	-	100,0
Depreciation and amortisation							
- 2011 (R'000)	1 097	-	21 027	24 560	21 518	20	68 222
- 2010 (R'000)	839	94	43 219	27 202	23 840	-	95 194
Interest income							
- 2011 (R'000)	(13 686)	806	6 669	4 427	4 966	-	3 182
- 2010 (R'000)	2 559	466	2 627	3 997	3 210	-	12 859
Interest expense							
- 2011 (R'000)	21 719	(6)	(41 228)	(1 771)	(10 150)	(419)	(31 855)
- 2010 (R'000)	2 104	(44)	(45 854)	(7 495)	(10 838)	-	(62 127)
Taxation expense/(income)							
- 2011 (R'000)	6 185	5 650	3 180	(2 891)	699	(1 510)	11 313
- 2010 (R'000)	13 136	4 114	(542)	(3 259)	(1 875)	-	11 574
Asset carrying value							
- 2011 (R'000)	65 285	30 708	1 218 479	333 281	272 983	5 937	1 926 673
- 2010 (R'000)	11 628	25 404	1 112 536	303 393	218 836	-	1 671 796
Liabilities carrying value							
- 2011 (R'000)	269 364	34 169	194 238	246 599	168 169	823	913 362
- 2010 (R'000)	172 949	15 252	209 629	212 011	154 012	-	763 853
Additions to property, plant and equipment							
- 2011 (R'000)	167	2 521	8 134	1 659	3 563	118	16 162
- 2010 (R'000)	3 086	2 158	7 962	6 402	3 506	-	23 114

Note

No segmental information is provided in respect of geographical analysis as the Group operates mainly in South Africa. Refer to note 27 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 2011

1. ACCOUNTING FRAMEWORK

The Group applies all applicable International Financial Reporting Standards (IFRS) in preparation of the financial statements.

Consequently, all statements of IFRS that were effective at 28 February 2011 and are relevant to its operations have been applied.

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

New and revised standards

IFRS 3:	Business Combinations – 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, effective for annual periods beginning on or after 1 July 2010.
IFRS 7:	Financial Instruments: Disclosures – Clarification of disclosures, effective for annual periods beginning on or after 1 January 2011.
IFRS 7:	Financial Instruments: Disclosures – Amendments enhancing disclosure about transfers of financial assets, effective for annual periods beginning on or after 1 July 2011.
IFRS 9:	Financial Instruments – Classification and measurement of financial assets, financial liabilities and subsequent derecognition, effective for annual periods beginning on or after 1 January 2013. Will entail a three phased process to replace IAS39: Financial Instruments – Recognition and Measurement.
IAS 1:	Presentation of Financial Statements – Clarification of statement of changes in equity, effective for annual periods beginning on or after 1 January 2011.
IAS 12:	Income Taxes – Limited scope amendment (recovery of underlying assets), effective for annual periods beginning on or after 1 January 2012.
IAS 24:	Related Party Disclosures – Revised definition of related parties, effective for annual periods beginning on or after 1 January 2011.
IAS 27:	Consolidated and Separate Financial Statements – Consequential amendments arising from the amendments to IFRS 3, effective for annual periods beginning on or after 1 July 2010.
IAS 34:	Interim Financial Reporting – Significant events and transactions, effective for annual periods beginning on or after 1 January 2011.

New interpretations

IFRIC 13:	Customer Loyalty Programmes – Fair value of award credits, effective for annual periods beginning on or after 1 January 2011.
IFRIC 19:	Extinguishing Financial Liabilities with Equity Instruments – effective for annual periods beginning on or after 1 January 2011.
Amended IFRIC 14:	IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction – amendments in respect to voluntary prepaid contributions, effective for annual periods beginning on or after 1 January 2011.

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.



Notes to the annual financial statements continued

for the year ended 28 February 2011

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.

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 intangible assets' 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.



Notes to the annual financial statements *continued*

for the year ended 28 February 2011

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

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

Borrowing costs

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

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

Government grants

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

Employee benefits

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



Notes to the annual financial statements *continued*

for the year ended 28 February 2011

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, 2010 as well as those granted in 2011.

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.

Liability at amortised cost

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or a shorter period, to the net carrying amount on initial recognition.



Notes to the annual financial statements continued

for the year ended 28 February 2011

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 doubtful debts

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 11.

Provision for leave pay

In making its judgement, the provision for leave pay was measured at the Group's best estimate of the expenditure required to settle the obligation at 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 25.

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 11.

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 Goldfields External Training Services (Pty) Limited (GFETS). 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 10 and 33.

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 40.

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.

	Land, buildings and leasehold improvements 2011 R'000	Computer and office equipment, furniture and fittings 2011 R'000	Capitalised leased assets 2011 R'000	Total 2011 R'000	Total 2010 R'000
4. PROPERTY, PLANT AND EQUIPMENT GROUP					
Balance at the beginning of the year	16 488	33 802	3 115	53 405	59 807
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)
Current year movements					
Additions	1 581	14 475	106	16 162	23 114
Acquisitions through business combinations	-	1 106	-	1 106	-
Effect of foreign currency exchange differences	-	(39)	-	(39)	-
Cost	-	(66)	-	(66)	-
Accumulated depreciation	-	27	-	27	-
Other reallocations	-	818	(818)	-	-
Disposals	(160)	(2 232)	(242)	(2 634)	(3 093)
Cost	(460)	(11 078)	(833)	(12 371)	(11 267)
Accumulated depreciation	300	8 846	591	9 737	8 174
Depreciation	(4 490)	(18 588)	(1 001)	(24 079)	(26 423)
Net book value at the end of the year	13 419	29 342	1 160	43 921	53 405
Represented by:					
Assets at cost	33 708	129 324	3 379	166 411	161 553
Accumulated depreciation	(20 289)	(99 982)	(2 219)	(122 490)	(108 148)
Net book value at the end of the year	13 419	29 342	1 160	43 921	53 405
COMPANY					
Balance at the beginning of the year	-	-	-	-	-
Assets at cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Additions	-	-	-	-	-
Depreciation	-	-	-	-	-
Transferred to another company	-	-	-	-	-
Assets at cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
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 (refer to note 20).					
The Group's obligations under finance leases (refer to note 23) are secured by the lessor's title to the leased assets, which have a carrying amount of R1,2 million (2010: R3,1 million).					



Notes to the annual financial statements continued

for the year ended 28 February 2011

	Capitalised development 2011 R'000	Trade- marks 2011 R'000	Accredi- tation of programmes 2011 R'000	Customer base 2011 R'000	Other 2011 R'000	Total 2011 R'000	Total 2010 R'000
5. INTANGIBLE ASSETS							
GROUP							
Balance at the beginning of the year	83 643	4 885	916	74 247	15 643	179 334	209 087
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)
Additions	6 298	-	296	-	1 258	7 852	340
Additions from internal developments	-	-	-	-	-	-	21 189
Acquisitions through business combinations	-	-	-	-	-	-	17 489
Amortisation expense	(9 332)	(964)	(338)	(28 163)	(5 346)	(44 143)	(68 771)
Impairment loss recognised in profit and loss	-	-	-	(24)	-	(24)	-
Net book value at the end of the year	80 609	3 921	874	46 060	11 555	143 019	179 334
Represented by:							
Assets at cost	98 014	12 578	1 758	231 688	22 378	366 416	358 564
Accumulated amortisation	(17 405)	(8 657)	(884)	(185 628)	(10 823)	(223 397)	(179 230)
Net book value at the end of the year	80 609	3 921	874	46 060	11 555	143 019	179 334

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 ten years.

Trademarks are amortised over their 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 ABSA teller programme which was acquired by one of the blue-collar staffing businesses. This programme is used to train bank tellers. The programme will be amortised over its useful life of three years. Also included in "Other" is the employee benefit business (EBB) and payroll card business (PCB) that was acquired in the prior year. EBB and PCB are amortised over their estimated useful lives which is three and a half years.

Amortisation of intangible assets is disclosed in operating profit (refer to note 30).

An impairment loss was recognised on a contract list included in customer base as it will no longer result in future economic benefits.

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
6. GOODWILL				
Cost				
Opening balance	581 289	581 289	-	-
Additional amounts recognised from business combinations during the year (refer to note 47)	1 881	-	-	-
Closing balance	583 170	581 289	-	-
Impairment				
Opening balance	(26 999)	(26 081)	-	-
Impairment of goodwill during the year	(1 773)	(918)	-	-
Closing balance	(28 772)	(26 999)	-	-
Carrying amount at the end of the year	554 398	554 290	-	-

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	
	2011 R'000	2010 R'000
Staffing	389 878	391 651
Business process outsourcing, training and financial services	164 520	162 639
	554 398	554 290

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 5% 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 10,21% (2010: 9,9%).

The Group uses a terminal growth rate into perpetuity of 5% per annum.

During the year, Adcorp acquired the shares of Goldfields External Training Services (Pty) Limited. As a result of this acquisition an amount of R1,881 million was recognised as goodwill. This goodwill was allocated to the Business process outsourcing, training and financial services segment.

During the current year, a subsidiary company incurred trading losses as a consequence of severe recessionary conditions. In this regard, the recoverable amount based on the value-in-use calculation was less than the carrying amount of goodwill attributable to this subsidiary. The Group determined that goodwill associated with this subsidiary was impaired by R1,773 million (2010: R0,918 million). The subsidiary in question operates within the staffing segment.



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for the year ended 28 February 2011

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
7. INVESTMENT IN SUBSIDIARIES				
(for details refer to Annexure A)	-	-	653 069	653 069
Shares at cost less amounts written off				
Shares at cost	-	-	659 795	659 795
Less: Provision for impairment of investment	-	-	(6 726)	(6 726)
Directors' valuation	-	-	1 669 955	1 601 346
The directors have valued the cash-generating units at a value in excess of the Group market capitalisation as at 28 February 2011. As a consequence, the directors' valuation shown above has been limited to the abovementioned market capitalisation value.				
The investment in Research Surveys (Pty) Limited has been impaired as the business was sold and the company is now dormant.				
8. INVESTMENT IN ASSOCIATES				
(for details of the Group refer to Annexure A)				
Carrying values at the beginning of the year	-	100	-	-
Decrease in investment	-	(35)	-	-
Impairment of investment	-	(65)	-	-
Total investment in associates	-	-	-	-
Directors' valuation	-	-	-	-
Summarised financial information in respect of the Group's associates is set out below:				
Total assets	-	-	-	-
Total liabilities	-	-	-	-
Net assets	-	-	-	-
Total revenue	-	-	-	-
Total profit for the year	-	-	-	-
During the previous 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 impaired the value of this associate to nil.				
9. OTHER FINANCIAL ASSETS				
Adcorp Empowerment Share Incentive Trust	-	-	794	869
36 705 at R8,85 (2010: 38 802 shares at R8,85)	-	-	325	343
Loan to PDI Share Trust	-	-	469	526
Held-to-maturity investment carried at amortised cost				
Raising fee	-	910	-	-
	-	910	794	869

A raising fee of R1,3 million was paid to Standard Bank in respect of the R120 million term loan raised in 2009 and in terms of IAS 39 it was disclosed as a financial asset. During the current year, the Standard Bank loan was repaid and as a result of this, the carrying value of R0,91 million was expensed in the statement of comprehensive income.

	As at 28 Feb 2010 R'000	Charged to the statement of comprehensive income R'000	Arising on business combination R'000	As at 28 Feb 2011 R'000
10. DEFERRED TAXATION				
GROUP				
Tax effect of:				
Deferred tax raised on provisions	15 885	9 047	249	25 181
Excess tax allowances and depreciation charge	(137)	280	-	143
Expenditure incurred but not allowable for tax purposes in the period in which it is incurred	(24 411)	9 597	-	(14 814)
Operating lease timing adjustments	1 278	214	-	1 492
Computed losses	9 101	13 042	-	22 143
Prepayments	(486)	(526)	(206)	(1 218)
Income received in advance	876	(83)	-	793
AXAPTA	(3 656)	(697)	-	(4 353)
Other assets	(13 471)	13 471	-	-
Other liabilities	13 731	(13 731)	-	-
	(1 290)	30 614	43	29 367
			28 Feb 2011 R'000	28 Feb 2010 R'000
Analysed as:				
Deferred tax assets			49 753	13 669
Deferred tax liabilities			(20 386)	(14 959)
			29 367	(1 290)



Notes to the annual financial statements continued

for the year ended 28 February 2011

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS	740 207	717 047	780	391
Trade receivables	694 243	678 393	-	-
Provision for doubtful debts	(6 401)	(7 041)	-	-
Deposits and staff loans	3 677	2 337	500	-
Prepayments	29 580	15 171	18	-
Other	19 108	28 187	262	391
The Group partakes in learnerships that are registered with the Services Seta and receives Government grants in order to develop its employees.				
During the current period, the Group incurred training expenses of R5 684 282 (2010: R13 203 610) 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:				
	1 128	8 023	-	-
Opening balance	8 023	4 701	-	-
Claims submitted	5 684	13 204	-	-
Grants received	(12 579)	(9 882)	-	-
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:				
	694 243	678 393	-	-
Domestic	671 524	660 981	-	-
Foreign	22 719	17 412	-	-
The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:				
	694 243	678 393	-	-
Agriculture, hunting, forestry and fishing	13 671	9 123	-	-
Community, social and personal services	91 785	96 889	-	-
Construction	45 831	88 150	-	-
Manufacturing	193 887	166 357	-	-
Financial intermediation, insurance, real estate and business services	129 256	123 637	-	-
Electricity, gas and water supply	64 108	70 839	-	-
Transport, storage and communication	75 472	71 818	-	-
Mining and quarrying	33 483	26 225	-	-
Wholesale and retail, repair of motor vehicles, motor cycles, personal and household goods, and hotels and restaurants	46 750	25 355	-	-

Debtors days outstanding at end February 2011 was 36 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 all banking facilities available to the Group as disclosed in notes 21, 22 and 50 respectively.

	GROUP				COMPANY			
	Gross Impairment		Gross Impairment		Gross Impairment		Gross Impairment	
	2011		2010		2011		2010	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS <i>continued</i>								
The ageing of trade receivables at the reporting date was:								
	694 243	(6 401)	678 393	(7 041)	-	-	-	-
Not past due	517 908	-	460 720	-	-	-	-	-
Past due 0 – 30 days	90 406	-	118 755	-	-	-	-	-
Past due 31 – 60 days	32 955	-	29 591	-	-	-	-	-
Past due 61 – 120 days	18 127	-	18 230	(488)	-	-	-	-
Past due 121 – 365 days	34 847	(6 401)	51 097	(6 553)	-	-	-	-
Movement in the provision for credit losses during the period under review was as follows:								
Closing balance	-	6 401	-	7 041	-	-	-	-
Balance at the beginning of the year	-	7 041	-	6 535	-	-	-	-
Amounts written off	-	(3 829)	-	(2 194)	-	-	-	-
Impairment loss/(gain) recognised	-	3 189	-	2 700	-	-	-	-

	GROUP		COMPANY	
	2011	2010	2011	2010
	R'000	R'000	R'000	R'000
12. AMOUNTS DUE TO/(BY) SUBSIDIARY COMPANIES (for details refer to Annexure A)				
			541 504	208 105
Amounts due by subsidiary companies	-	-	756 390	567 780
Amounts due to subsidiary companies	-	-	(214 886)	(359 675)
13. ASSETS CLASSIFIED AS HELD-FOR-SALE				
Assets	-	845	-	-

13.1 Property held-for-sale

The Group disposed of one of its properties situated at 22 Swart Street, Kempton Park. The property was previously used in the Group's staffing operations.



Notes to the annual financial statements continued

for the year ended 28 February 2011

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
14. SHARE CAPITAL				
Authorised				
183 177 151 ordinary shares of 2,5 cents each (2010: 183 177 151)	4 579	4 579	4 579	4 579
16 822 849 'A' ordinary shares of 2,5 cents each (2010: 16 822 849)	421	421	421	421
	5 000	5 000	5 000	5 000
Issued				
61 850 171 ordinary shares of 2,5 cents each (2010: 59 309 129)	1 546	1 483	1 546	1 483
16 822 849 'A' ordinary shares of 2,5 cents each (2010: 16 822 849)	-	-	421	421
	1 546	1 483	1 967	1 904
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)	61 252	58 738	61 850	59 309
Opening balance	59 309	54 219	59 309	54 219
Issue of ordinary shares under employee share option plan	147	90	147	90
Issue of shares pursuant to a general issue of shares for cash	-	5 000	-	5 000
Issue of ordinary shares pursuant to scrip distribution	2 394	-	2 394	-
Shares in issue	61 850	59 309	61 850	59 309
Treasury shares	(557)	(532)	-	-
Share Trust consolidated	(41)	(39)	-	-
15. SHARE PREMIUM	498 696	497 968	498 696	497 968
Balance at 1 March 2010	497 968	384 594	497 968	384 594
Arising from the issue of 146 771 ordinary shares under employee share option plan (2010: 89 478)	788	999	788	999
Capitalisation of share premium	(65 172)	-	(65 172)	-
Issue of ordinary shares pursuant to scrip distribution	65 112	-	65 112	-
Arising from the issue of nil ordinary shares pursuant to a general issue of shares for cash (2010: 5 000 000)	-	112 375	-	112 375
16. TREASURY SHARES	(13 227)	(13 293)	-	-
Adcorp Empowerment Share Incentive Trust shares 36 705 (2010: 38 802)	(303)	(424)	-	-
Dividends on treasury shares	-	90	-	-
8 500 shares redeemed (2010: 4 000)	66	31	-	-
	(237)	(303)	-	-
Adcorp Fulfillments Services (Pty) Limited 557 240 shares (2010: 532 493)	(12 822)	(12 822)	-	-
Adcorp Employee Benefit Trust consolidated 6 729 140 'A' shares (2010: 6 729 140)	(168)	(168)	-	-
17. NON-DISTRIBUTABLE RESERVE				
Unrealised profit arising on sale of BEE companies into new entity during 2004	-	-	119 918	119 918

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
18. FOREIGN CURRENCY TRANSLATION RESERVE	(2 001)	(1 124)	-	-
Balance at 1 March	(1 124)	(372)	-	-
Arising on translation of foreign operation	(877)	(752)	-	-
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.				

19. BEE SHAREHOLDERS' INTEREST

In terms of the BEE transaction, Adcorp has created and issued a total of 16 822 849 (2010: 16 822 849) 'A' ordinary shares to its empowerment shareholders at a par value of 2,5 cents per share, of which 6 729 140 (2010: 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	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Issued				
16 822 849 'A' ordinary shares of 2,5 cents each (2010: 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 320 million per annum)	26 600	31 920		
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			



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Adcorp Employee Benefit Trust

	Number of shares 2011	Number of shares 2010	Weighted average exercise price 2011 R	Weighted average exercise price 2010 R
19. BEE SHAREHOLDERS' INTEREST continued				
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	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
20. OTHER NON-CURRENT LIABILITIES				
Operating lease timing adjustment	5 570	437	-	-
Mortgage bond – Hampden Road and Poplar Road	4 157	5 155	-	-
	9 727	5 592	-	-
Less: Current portion of other non-current liabilities disclosed in current liabilities	(5 265)	(558)	-	-
	4 462	5 034	-	-
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 instalments (refer to note 4).				

21. LONG-TERM LOAN

Secured – at amortised cost

Bank loans	75 000	91 139	75 000	91 139
Current portion	15 000	31 227	15 000	31 227
Non-current portion	60 000	59 912	60 000	59 912

The Group raised a loan of R120 million from Standard Bank on 22 July 2008 to finance the acquisition of Staff-U-Need. Interest was charged at an inclusive rate, meaning a rate of interest equal to the Johannesburg Inter Bank Agreed Rate (JIBAR) plus 285 (two hundred and eighty-five) basis points per annum (nominal annual compounded quarterly). The loan was repayable in quarterly instalments over five years.

During the current year, the Standard Bank long-term loan was replaced with a long-term loan from ABSA Bank Limited (ABSA). Interest is charged at an inclusive rate, being JIBAR plus 255 (two hundred and fifty-five) basis points per annum (nominal annual compounded quarterly). The loan is repayable in quarterly instalments over five years.

As security for the debt facilities provided to Adcorp, a shared security agreement was entered into, on 26 November 2010, between FirstRand Bank Limited (FirstRand) and ABSA. The shared security agreement holds a cession over the trade receivables, credit balances and an unlimited Group cross suretyship between the following operating subsidiaries of the Adcorp Group:

- Adcorp Management Services (Pty) Limited
- Adcorp Fulfilment Services (Pty) Limited
- Adcorp Staffing Solutions (Pty) Limited
- Adcorp Support Services (Pty) Limited
- Adfusion (Pty) Limited
- Capital Outsourcing Group (Pty) Limited

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
22. REDEEMABLE PREFERENCE SHARES – INTEREST BEARING				
Redeemable preference shares issued	130 000	130 000	-	-
Redeemable preference shares redeemed	-	-	-	-
	130 000	130 000	-	-
Interest accrued – current	2 199	2 362	-	-
	132 199	132 362	-	-

225 000 redeemable cumulative variable rate preference shares were issued on 10 July 2007. The shares were redeemable on 30 June 2012 or earlier at Adcorp's option. 95 000 shares were redeemed during the years prior to 2010. During the current year, Adcorp entered into an amended and restated preference share subscription agreement with FirstRand Bank Limited acting through its Rand Merchant Bank division (RMB). The agreement provides for a preference coupon of 75% of the prevailing prime interest rate of interest (previously 69%) and a term of five years (previously two years to expiry).

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 November 2015.

The preference shares are secured by inclusion in the shared security agreement referred to in note 21.

23. 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	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Within one year	812	2 168	796	2 140
Later than one year and not later than five years	285	2 200	249	2 023
	1 097	4 368	1 045	4 163
Less: Future finance charges	(52)	(205)	-	-
Present value of finance lease obligations	1 045	4 163	1 045	4 163
Current portion	796	1 566	796	2 140
Non-current portion	249	2 597	249	2 023
	1 045	4 163	1 045	4 163



Notes to the annual financial statements continued

for the year ended 28 February 2011

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
24. TRADE AND OTHER PAYABLES	275 731	249 073	3 327	1 700
Trade creditors	47 110	26 188	250	-
VAT	57 812	49 985	(259)	(132)
Accruals	150 750	129 456	2 939	1 805
Income received in advance	2 831	3 348	-	-
Other	17 228	40 096	397	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 stipulated credit time frame.

Payroll accruals of R67,4 million have been reallocated from other to accruals.

	As at 28 Feb 2010 R'000	Provisions raised 2011 R'000	Provisions utilised 2011 R'000	Acquired through business combination 2011 R'000	As at 28 Feb 2011 R'000
25. PROVISIONS					
Group					
Leave pay	44 208	150 627	(143 438)	1 500	52 897
Bonuses	31 262	106 126	(90 171)	626	47 843
Other	2 380	16 504	(16 789)	-	2 095
Total	77 850	273 257	(250 398)	2 126	102 835

Leave pay

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

Bonuses

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

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
26. REVENUE				
Continuing operations				
Revenue from the rendering of services	5 384 566	5 050 358	-	-
	5 384 566	5 050 358	-	-

27. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is currently organised into four operating segments being Group central costs, traditional staffing and new generation business (including business process outsourcing, training, financial services and emergent businesses). These segments are further segmented into blue collar (including nursing) and white collar within the staffing segment and central costs and shared services within the Group central cost segment.

The principal activities are as follows:

- **GROUP CENTRAL COSTS** - Includes those segments that have not been aggregated with the other identified reportable segments. These include the items of income and expenditure related to Adcorp Holdings Limited, group marketing, corporate social investment, shared services and the central head office.
- **TRADITIONAL STAFFING BUSINESS** (incorporating flexible and permanent staffing) - Includes blue-collar flexible-staffing services (including nursing), white-collar flexible-staffing services, permanent recruitment services and recruitment advertising.
- **NEW GENERATION BUSINESS** (incorporating business process outsourcing (BPO), training, financial services and emergent business) - Includes value-added services within the BPO segment, training, the provision of financial service products and technology-enabling products and services.

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 84.

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
28. COST OF SALES				
The analysis of cost of sales is as follows:	(4 264 774)	(3 953 341)	-	-
Course material	(3 845)	(2 048)	-	-
Lecturing	(38 001)	(12 370)	-	-
Criminal and credit checks	(7 009)	(5 798)	-	-
Media	(31 662)	(64 342)	-	-
Placements	-	(189)	-	-
Production	(109)	(2 588)	-	-
Project costs	(158 677)	(161 417)	-	-
Protective clothing	(15 880)	(11 956)	-	-
Temporary employee costs	(3 941 122)	(3 610 899)	-	-
Transportation costs	(34 663)	(35 787)	-	-
Financial services	(3 141)	-	-	-
Other	(30 665)	(45 947)	-	-
29. OTHER INCOME	51 967	39 353	-	-
Bad debts recovered	359	178	-	-
Training levies recovered	10 959	17 325	-	-
Restraint of trade payment recovered	5 000	-	-	-
Financial services	3 871	-	-	-
SETA	18 781	11 180	-	-
Rent recovered	5 622	5 089	-	-
Subcontractor income	2 977	-	-	-
Other	4 398	5 581	-	-



Notes to the annual financial statements continued

for the year ended 28 February 2011

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
30. OPERATING PROFIT/(LOSS)				
Operating profit/(loss) is determined after allowing for the following items requiring separate disclosure:				
Amortisation (refer to note 5)	(44 143)	(68 771)	-	-
Amortisation of intangibles acquired in business combinations	(33 684)	(59 173)	-	-
Amortisation of intangibles other than those acquired in business combinations	(10 459)	(9 598)	-	-
Auditors' remuneration	(6 304)	(5 870)	(495)	(1 002)
- fee for audit	(5 670)	(5 475)	(158)	(150)
- fee for audit (prior year over-/ (underprovision))	170	375	-	-
- fee for other services	(804)	(770)	(337)	(852)
Consulting fees	(45 229)	(38 371)	(327)	(4)
Depreciation (refer to note 4)	(24 079)	(26 423)	-	-
Foreign exchange loss	(2 229)	(14 577)	-	-
Government grants in respect of learnerships (refer to note 11)	5 684	13 204	-	-
Directors' emoluments				
- executive directors	(14 208)	(15 481)	-	-
- non-executive directors	(1 375)	(2 831)	-	-
Leasing and rentals				
- properties and premises	(48 421)	(42 832)	-	-
- office furniture and equipment	(10 497)	(11 191)	-	-
- motor vehicles	-	(722)	-	-
Staff costs	(547 981)	(517 380)	-	-
Share-based payments expense*	(31 900)	(19 008)	-	-
* The share-based payments expense recorded is net of amounts charged to subsidiaries.				
31. INTEREST RECEIVED	3 182	12 859	40 058	35 741
Group loans	-	-	40 058	24 563
Bank deposits	576	12 456	-	11 165
Other	2 606	403	-	13
32. INTEREST PAID	(31 855)	(62 127)	(32 093)	(31 112)
Bank overdrafts	(21 665)	(49 235)	(18 575)	(31 112)
Group loans	-	-	(13 518)	-
Interest on preference share loan	(8 966)	(10 245)	-	-
Other	(1 224)	-	-	-
Fair value adjustments	-	(2 647)	-	-

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
33. TAXATION				
SA normal tax – current	32 070	19 331	1 913	1 179
Under/(over) provision prior year	4 688	(2 489)	15	-
Deferred taxation	(30 614)	(19 320)	-	-
Underprovision prior year	-	961	-	-
Secondary tax on companies	5 169	13 091	4 257	13 091
	11 313	11 574	6 185	13 138
Standard tax rate (%)	28	28	28	28
Normal tax at standard rate	35 562	32 449	76 563	266
Adjustment for the tax effect at the standard rate of the following items:				
- Loss on sale of investment	-	-	-	332
Exempt income:				
- Dividends received	-	-	(75 600)	-
- Associated company profit already subject to tax	-	-	-	-
Non-deductible items charged against income:				
- Capital losses/(profits)	948	582	948	581
- Dividend on preference share loan	2 511	2 869	-	-
- Impairment of assets and investments	473	275	-	-
- Share-based payments	8 932	5 322	-	-
Special allowances claimed:				
- Learnerships	(51 390)	(43 931)	-	-
Tax losses not recognised	13 063	3 627	-	-
Prior year under/(over) provision	4 688	(1 528)	15	-
Other permanent differences	(8 643)	(1 182)	2	-
Secondary tax on companies	5 169	13 091	4 257	13 091
Actual tax charge for the year	11 313	11 574	6 185	13 138
Reconciliation of estimated tax losses available in the Group:				
Estimated losses at the beginning of the year	45 458	9 022	-	-
Tax losses raised – current year	90 993	46 794	-	-
Net tax losses utilised	(931)	(10 358)	-	-
Tax loss revised on assessment	(895)	-	-	-
	134 625	45 458	-	-
Which consists of:				
Losses recognised	87 971	32 504	-	-
Losses not recognised	46 654	12 954	-	-
	134 625	45 458	-	-



Notes to the annual financial statements continued

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	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
34. EARNINGS PER SHARE				
The calculation of earnings per share is based on earnings of R115 694 894 (2010: R104 315 115) and ordinary shares of 60 110 351 (2010: 53 902 695) being the weighted average number of shares relative to the above earnings.				
Basic earnings per share	192,5	193,5	-	-
Diluted earnings per share is based on 61 519 596 (2010: 55 271 894) weighted diluted number of shares				
Diluted earnings per share	188,1	188,7	-	-
Reconciliation of diluted number of shares				
Ordinary shares	60 110 351	53 902 695	-	-
Adcorp Employee Share Schemes	1 409 245	1 369 199	-	-
Diluted number of shares	61 519 596	55 271 894	-	-
Reconciliation of headline earnings				
Profit for the year	115 695	104 316	-	-
Profit on sale of property, plant and equipment	194	389	-	-
Taxation thereon	(54)	(109)	-	-
Impairment of investments and goodwill	1 796	984	-	-
Headline earnings	117 631	105 580	-	-
Headline earnings per share – cents	195,7	195,9	-	-
Diluted headline earnings per share – cents	191,2	191,0	-	-
<i>Notes</i>				
<i>– The dilution of shares results from the exercise of options in the Employee Share Scheme and Empowerment Share Trust which are below the year-end market price.</i>				
<i>– Headline earnings per share are based on earnings adjusted for profit on sale of asset and impairment of investments and goodwill.</i>				
35. CONTINGENT LIABILITIES – GROUP AND COMPANY				
35.1 The bank has guaranteed payments to creditors on behalf of the Group amounting to R11,619 million (2010: R12,238 million).				
35.2 The bank has guaranteed payment to creditors on behalf of the company amounting to R6,388 million (2010: R6,904 million).				
36. 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.				
As disclosed in the prior year	26 379	13 926	-	-
Reallocation from salaries in respect of prior year	-	14 389	-	-
Total contribution by the Group for the year	26 379	28 315	-	-

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
37. OPERATING LEASE ARRANGEMENTS				
The Group as lessee				
Minimum lease payments under operating leases recognised as an expense in the year	59 938	54 745	-	-
At the statement of financial position date, the Group has outstanding commitments under non-cancellable operating leases which fall due as follows:	73 844	69 683	-	-
Within one year	35 086	27 244	-	-
In the second to fifth years inclusive	38 758	42 439	-	-
After five years	-	-	-	-
Average lease terms (months)	50	57	-	-

38. 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 maturity profile of the financial assets (trade receivables) appears in note 11 and the financial liabilities in note 49.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Short-term borrowing facilities are reflected in note 50.

Credit risk

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

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

Other financial assets/liabilities

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

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
39. DIVIDEND PAID				
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
The cash dividend election of 115 cents per share was declared on 4 May 2010 and was paid to shareholders on 16 August 2010*	9 123	-	9 123	-
An interim dividend of 54 cents per share was declared on 13 October 2010 and was paid to shareholders on 15 November 2011	33 268	-	33 268	-
A final dividend of 121 cents per share was declared on 25 May 2010, and will be paid to shareholders on 18 July 2011 (Dividend paid based on 61 850 171 shares in issue at 25 May 2011)	74 839	-	74 839	-

* Payment of a scrip distribution with a cash dividend election of 115 cents per share.

In the prior year, shareholders approved a scrip distribution to ordinary shareholders. Fully paid ordinary shares of 2,5 (two and a half) cents were issued to shareholders recorded in the register of Adcorp Holdings Limited on the record date, being Friday, 13 August 2010.



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40. 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	58 500*	24/06/04	31/05/14	13,00	3,28
Issued 31 May 2005	143 500	22/11/05	31/05/11	18,15	6,78
Issued 31 May 2006	1 700 000	30/04/06	31/05/12	26,31	4,30
Issued 1 March 2007	2 550 000	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	1 950 000	03/01/08	28/02/14	31,02	4,96
Issued 1 March 2009	2 625 000	19/03/09	28/02/15	16,50	3,50
Issued 26 February 2010	3 130 000	26/02/10	28/02/16	26,39	6,58
Issued 31 January 2011	3 270 000	31/01/11	31/01/17	26,75	5,40

* Old Adcorp Employee Option Scheme.

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

	31 Jan 2011	26 Feb 2010	1 March 2009	1 March 2008
Weighted average share price (R)	27,30	27,00	16,50	31,01
Weighted average exercise price (R)	26,75	26,39	16,50	31,02
Expected volatility (%)	41,46	40,75	46,14	26,86
Vesting period (years)	2,03	2,01	1,95	2,00
Risk-free rate (%)	6,63	7,36	9,46	9,59
Expected dividend yield (%)	7,56	7,56	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.

40. SHARE-BASED PAYMENTS *continued*

2. Adcorp Holdings 2006 Share Trust *continued*

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

	Number of share options 2011	Weighted average exercise price 2011 (R)	Number of share options 2010	Weighted average exercise price 2010 (R)
Adcorp Share Trust				
Outstanding at the beginning of the year	63 500	13,00	136 000	11,33
Exercised during the year	(5 000)	13,00	(39 500)	13,00
Adjustment prior year	-	-	(33 000)	6,35
Outstanding at the end of the year	58 500	13,00	63 500	13,00
Exercisable at the end of the year	58 500	13,00	63 500	13,00
Adcorp Holdings 2006 Share Trust				
Outstanding balance at the beginning of the year	13 542 500	22,49	7 843 000	23,89
Forfeited during the year	(945 000)	25,65	(1 425 000)	23,21
Granted during the year	3 270 000	26,75	7 155 000	21,08
Exercised during the year	(399 000)	21,68	(30 500)	18,15
Outstanding at the end of the year	15 468 500	26,34	13 542 500	22,49
Exercisable at the end of the year	4 493 500	29,71	4 827 000	29,87
Adcorp Employee Benefit Trust (arising from the BBBEE transaction – refer to note 19)				
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
2011	
Issued 31 May 2000	53 000
Issued 31 May 2002	10 000
Issued 31 May 2004	5 000
Issued 31 May 2005	64 000
Issued 31 May 2006	200 000
Issued 1 March 2009	135 000
	467 000
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

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 R27,69 (2010: R24,99).

The Group recognised a total expense of R31 899 580 (including the BBBEE transaction (refer to note 19) during the year) (2010: R19 007 810) related to equity-settled share-based payment transactions.



	GROUP	
	2011 R'000	2010 R'000
41.3 Compensation paid to key management (which excludes payments to directors set out in note 42)		
Short-term employment benefits	28 964	32 902
Share-based payments	-	117
Total	28 964	33 019
Key management includes operational managing executives and other senior management.		
41.4 BEE shareholders' interest		
Certain directors of the Group are directors of the Group's BEE partners (refer to note 19).		

	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 2011 R'000	Total cost to company 2010 R'000	Total remuner- ation 2011 R'000	Total remuner- ation 2010 R'000
42. DIRECTORS' EMOLUMENTS										
Executive directors										
RL Pike	2 241	2 299	564	152	-	-	5 256	5 408	5 256	5 408
FD Burd*	-	-	-	-	287	-	287	3 218	287	3 218
PC Swart	1 886	1 515	406	199	-	-	4 006	3 877	4 006	3 877
C Bomela	1 403	644	267	10	-	-	2 324	2 411	2 324	2 411
AM Sher	1 490	375	334	136	-	-	2 335	567	2 335	567
	7 020	4 833	1 571	497	287	-	14 208	15 481	14 208	15 481
Non-executive directors										
MJN Njeke	-	-	-	-	-	101	101	-	101	-
MR Ramaitse	-	-	-	-	-	134	134	152	134	152
MMT Ramano	-	-	-	-	-	169	169	225	169	225
GP Duda**	-	-	-	-	-	22	22	128	22	128
LM Mojela**	-	-	-	-	-	68	68	127	68	127
AT Albäck	-	-	-	-	-	276	276	246	276	246
ME Mthunzi	-	-	-	-	-	265	265	-	265	-
TDA Ross	-	-	-	-	-	297	297	155	297	155
G Dinga***	-	-	-	-	-	43	43	-	43	-
F Van Zyl Slabbert**	-	-	-	-	-	-	-	1 798	-	1 798
	-	-	-	-	-	1 375	1 375	2 831	1 375	2 831

* Disqualified and removed FD Burd – 6 December 2009.

** Resigned F Van Zyl Slabbert – 14 October 2009, GP Duda – 26 February 2010, LM Mojela 16 August 2010.

*** Appointed 16 August 2010.



Notes to the annual financial statements continued

for the year ended 28 February 2011

Directors' shareholding at 28 February 2011	Number of unexercised options as at 28 Feb 2010	Number of options granted in 2010/11	Number of options exercised during 2010/11	Number of options forfeited during 2010/11	Number of unexercised options as at 28 Feb 2011	Option price (R)	Date from which exercisable
43. 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	16,05	28/02/11#
	200 000	-	-	-	200 000	26,39	28/02/12*
	65 000	-	-	-	65 000	26,39	28/02/12#
	-	250 000	-	-	250 000	26,75	31/01/13*
	-	65 000	-	-	65 000	26,75	31/01/13#
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#
	-	350 000	-	-	350 000	26,75	31/01/13*
	-	120 000	-	-	120 000	26,75	31/01/13#
AM Sher	200 000	-	-	-	200 000	26,39	28/02/12*
	65 000	-	-	-	65 000	26,39	28/02/12#
	-	300 000	-	-	300 000	26,75	31/01/13*
	-	85 000	-	-	85 000	26,75	31/01/13#
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#
	-	300 000	-	-	300 000	26,75	31/01/13*
	-	100 000	-	-	100 000	26,75	31/01/13#

> Adcorp Share Trust.

* Share appreciation rights (SARs).

Performance shares (PFs).

Directors' interest in shares	Number of shares held as at 28 Feb 2011 beneficially held	Non-beneficially held	Number of shares held as at 28 Feb 2010 beneficially held	Non-beneficially held
43. DIRECTORS' SHAREHOLDING continued				
RL Pike	253 080	-	253 080	-
MR Ramaite	15 000	-	15 000	-

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
44. TAXATION PAID				
Amount (unpaid)/prepaid at the beginning of the year	13 827	(14 453)	(310)	(196)
Amount charged to statement of comprehensive income	(11 313)	(11 574)	(6 185)	(13 138)
Adjustment for deferred tax to statement of comprehensive income	(30 614)	(18 359)	-	-
Adjustment to prior year balance	-	(45)	-	-
Taxation - acquisition of business	(898)	-	-	-
Amount (prepaid)/unpaid at the end of the year	(3 634)	(13 827)	403	310
Net cash payment	(32 632)	(58 258)	(6 092)	(13 024)
45. DIVIDEND PAID				
Amounts declared and paid	(42 216)	(118 469)	(42 521)	(119 600)
Received on treasury shares	-	90	305	90
Net cash payments	(42 216)	(118 379)	(42 216)	(119 510)
46. ADDITIONS TO PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS				
Land and buildings - replacement	(1 581)	(5 261)	-	-
Furniture and computer equipment - replacement	(14 581)	(17 853)	-	-
Accreditation of programmes	(296)	(316)	-	-
Customer lists	-	(24)	-	-
Computer software - expansion	(7 556)	(21 189)	-	-
	(24 014)	(44 643)	-	-

Subsidiary acquired	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Cost of acquisition R'000
47. ACQUISITION OF BUSINESS				
2011				
Goldfields External Training Services (Pty) Limited	Business process outsourcing	1 Jul 2010	100	5 000
2010				
Crest Financial Group	Business process outsourcing	3 Oct 2009	-	13 663



Notes to the annual financial statements continued

for the year ended 28 February 2011

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
47. ACQUISITION OF BUSINESS continued				
Total purchase consideration for all business combinations	5 000	13 663	-	-
Less: Non-cash consideration for Adcorp Holdings Limited	-	(8 665)	-	-
Less: Cash and cash equivalents acquired	(2 126)	-	-	-
Cash outflow on acquisition of businesses	2 874	4 998	-	-
The fair value of the assets and liabilities acquired in respect of the various acquisitions in the year are as follows:				
Property, plant and equipment	1 106	-	-	-
Trade and other receivables	10 524	-	-	-
Cash and cash equivalents	2 126	-	-	-
Trade and other payables	(7 656)	-	-	-
Provisions	(2 126)	-	-	-
Taxation	(898)	-	-	-
Deferred taxation	43	-	-	-
	3 119	-	-	-
Resulting goodwill on acquisition	1 881	-	-	-
Total consideration	5 000	-	-	-

In complying with the IFRS statement on purchase accounting (IFRS 3), the Group determined the fair value of the assets and liabilities acquired on the acquisition of the business.

The resulting difference between the identified tangible assets and liabilities was attributable to goodwill. Details of the resulting goodwill arising on the business combination is set out on page 95.

GFETS was acquired with effect from 1 July 2010 and was funded by working capital. Included in net profit before tax for the period is R4,3 million attributable to the additional business generated by GFETS. Had this business combination been effected on 1 March 2010, the revenue of the Group would have been R5 403 million and net profit after tax would have been R129,1 million. The directors of the Group consider these 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.

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
48. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:				
Cash resources	381 222	137 593	-	-
Bank overdrafts	(285 920)	(187 839)	(254 489)	(163 783)
	95 302	(50 246)	(254 489)	(163 783)

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

49. 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 2010. The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 21 to 23, 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 a monthly 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 25% revised from 30% determined as the proportion of net debt to equity. The current lower gearing ratio of 12% results from, inter alia, the cash conservation arising from the 87% take-up of the scrip distribution (refer to note 39) superlative working capital management and repayments of contractual debt obligations. The policy regarding the utilisation of gearing is consistent with prior years, albeit that the targeted level has been reduced to 25% from 30%.

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 85 to 92.

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
49. FINANCIAL INSTRUMENTS <i>continued</i>				
49.1 Categories of financial instruments				
Financial assets				
Amortised cost	-	910	-	-
Loans and receivables (including cash resources)	1 091 849	839 469	757 152	569 040
Financial liabilities				
Amortised cost (including bank overdraft)	762 944	657 654	562 379	616 297
The following table details the Group's remaining contractual maturity for its financial liabilities:				
Within one year	554 967	443 007	493 078	556 385
Later than one year and not later than five years	207 977	213 204	69 301	59 912
More than five years	-	1 443	-	-

49.2 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.

49.3 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 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 865 000 after tax.

50. GROUP OVERDRAFT FACILITIES

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

	2011 R million	2010 R million
ABSA	87,5	23,0
First National Bank	100	155,0
Standard Bank	-	16,0
Total overdraft facility	187,5	194,0

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

51. SUBSEQUENT EVENTS

Subsequent to the year end, the Group obtained an additional R100 million long-term debt facility in order to compensate for the reduction of short term facilities that took effect on 28 February 2011.

The Group has agreed in principle to proceed with the acquisition of iSolve Business Solutions ("iSolve"), subject to the fulfillment of various conditions precedent. iSolve is an information technology infrastructure consulting and development business and the maximum purchase price payable by the Group has been agreed as R27 million.



Annexure A: Details of Subsidiaries and Associates

Name of subsidiary	Nature of business/status	Authorised share capital		Issued share capital	
		Feb 2011	Feb 2010	Feb 2011	Feb 2010
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	100	100
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	Financial services	1 000	1 000	100	100
Adcorp Technical Training (Pty) Limited (formerly Goldfields External Training Services (Pty) Limited)	Training	1 000	-	100	-
Adfusion (Pty) Limited	Emergent business	1 000	1 000	100	100
Business Employee and Management Training (Pty) Limited*	Flexible staffing	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 Limited – Namibia*	Flexible staffing	-	-	-	-
Capital Outsourcing Group Limited – North Sudan*	Flexible staffing	-	-	-	-
Capital Outsourcing Group Limited – South 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
Convergent Network (Pty) Limited*	Flexible staffing	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
Instant Talent (Pty) Limited (formerly 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					
Klatrade 200074 (Pty) Limited	Training	1 000	1 000	1 000	1 000
Total associates					

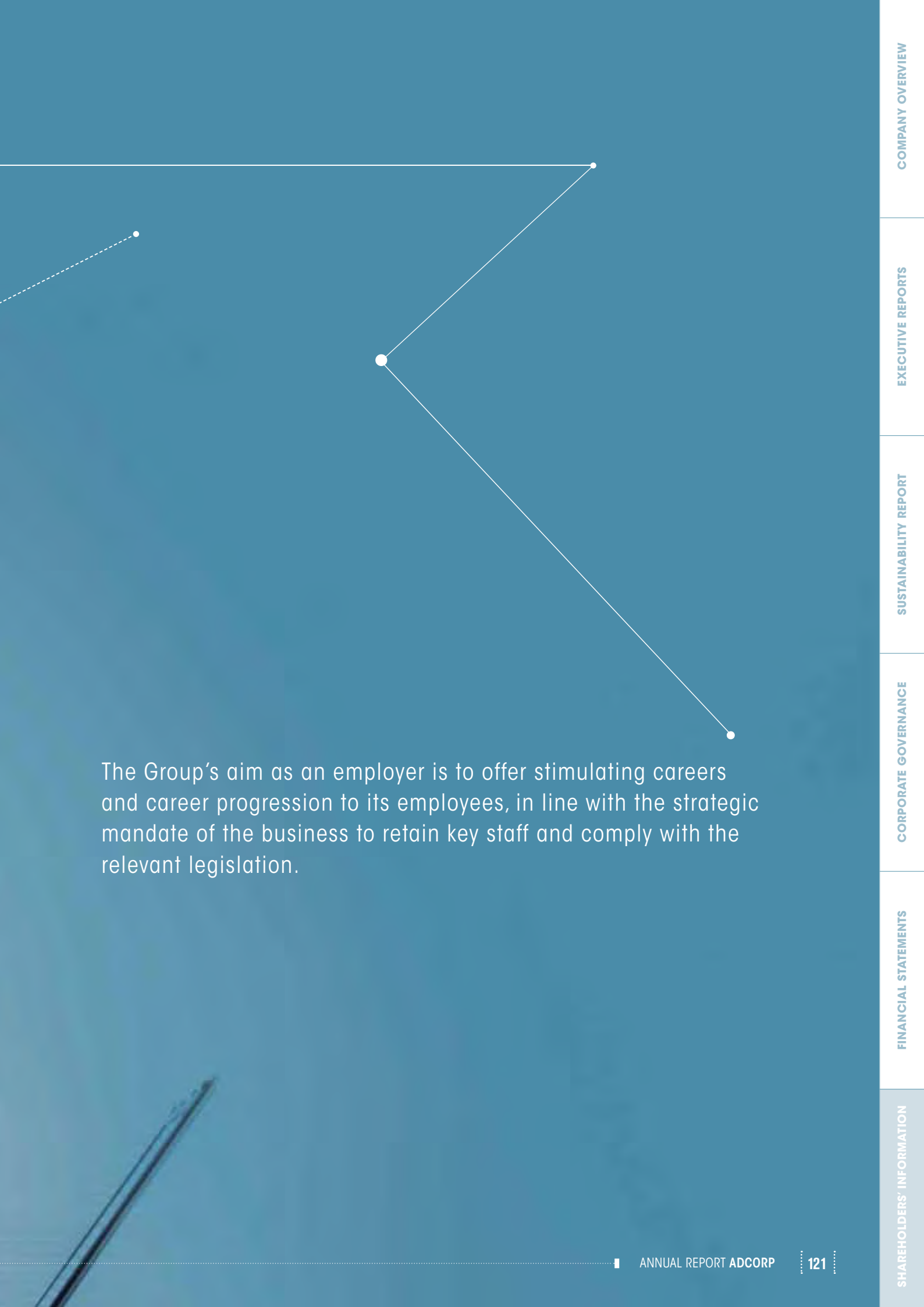
* Owned by subsidiary companies.

Number of shares held		Cost of investment (before impairment)		Indebtedness (to)/by the subsidiary		Attributable profit/(loss)	
		R'000	R'000	R'000	R'000	R'000	R'000
Feb 2011	Feb 2010	Feb 2011	Feb 2010	Feb 2011	Feb 2010	Feb 2011	Feb 2010
200	200	-	-	-	-	-	-
7 500	7 500	208	208	-	-	-	-
9 000	9 000	221 916	221 916	45 562	(91 269)	111 792	94 096
400	400	-	-	127 160	-	2 332	8 227
1	1	-	-	-	94 145	(9)	(164)
100	100	148 259	148 259	530 312	455 136	(42 848)	(19 915)
100	100	-	-	9 826	14 143	(918)	320
100	-	-	-	2 551	-	4 379	-
100	100	-	-	8 702	-	(5 456)	-
100	100	-	-	-	-	2 364	1 892
200	200	-	-	-	-	(2)	(482)
10 600	10 600	-	-	24 894	(48 988)	46 829	24 298
-	-	-	-	-	-	3 584	3 255
100	100	-	-	-	-	(247)	(508)
10 000	10 000	-	-	-	-	(79)	(212)
-	-	-	-	-	-	678	252
-	-	-	-	-	-	(8)	-
-	-	-	-	-	-	(6)	-
-	-	-	-	-	-	939	1 334
1	1	-	-	-	-	(1 070)	(925)
100	100	-	-	-	-	(63)	(7)
100	-	-	-	-	-	(159)	-
100	100	7 270	7 270	-	-	(54)	-
100	100	-	-	-	-	-	-
100	100	41 478	41 478	121	121	-	(360)
1 000	1 000	231 363	231 363	-	-	-	-
100	100	-	-	-	-	-	-
100	100	-	-	-	-	-	-
1 400	1 400	-	-	456	4 235	(5 936)	(7 623)
100	100	1 946	1 946	-	-	-	-
100	100	629	629	6 806	(4 531)	7 525	10 277
100	100	-	-	-	-	-	-
10 000	10 000	-	-	(197 031)	(197 031)	-	-
200	200	6 726	6 726	(17 855)	(17 856)	(1)	-
		659 795	659 795	(214 886)	(359 675)	(56 856)	(30 196)
		-	-	756 390	567 780	180 422	143 951
		659 795	659 795	541 504	208 105	123 566	113 755
750	750	65	65	-	-	-	-
		65	65	-	-	-	-



Shareholders' information





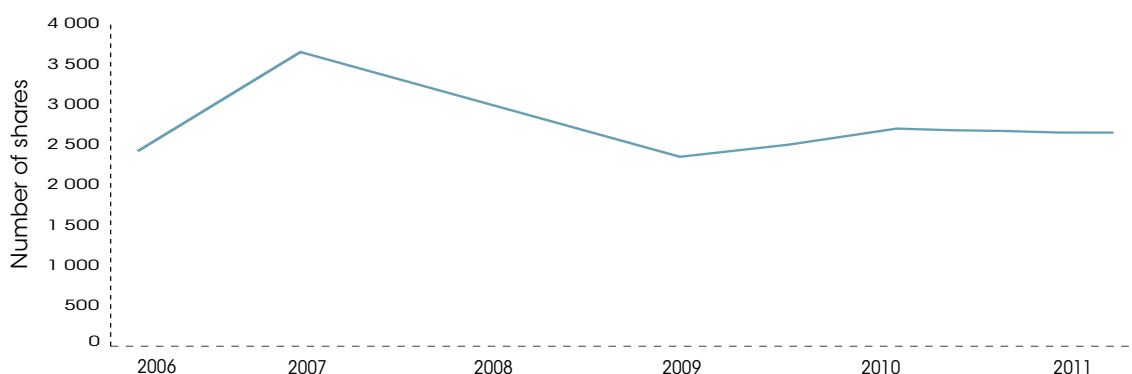
The Group's aim as an employer is to offer stimulating careers and career progression to its employees, in line with the strategic mandate of the business to retain key staff and comply with the relevant legislation.



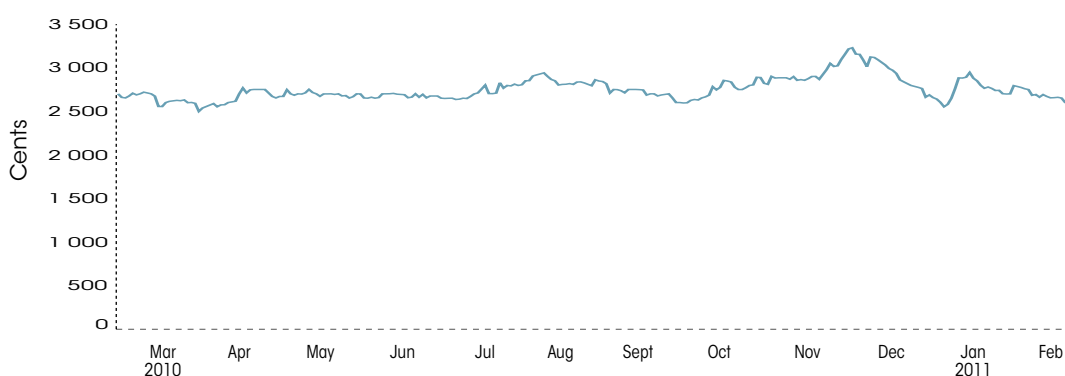
Shareholders' information

	Number of holders	% of total shareholders	Number of shares	% of total issued share capital
1. ANALYSIS OF SHAREHOLDINGS				
1 – 1 000	831	40,30	329 351	0,54
1 001 – 10 000	864	41,90	2 684 083	4,34
10 001 – 100 000	241	11,69	8 345 128	13,49
100 001 – 1 000 000	115	5,58	32 991 986	53,34
1 000 001 and above	11	0,53	17 499 623	28,29
Totals	2 062	100,00	61 850 171	100,00
2. DISTRIBUTION OF SHAREHOLDERS				
Banks	13	0,63	1 817 014	2,94
Close corporations	24	1,16	31 883	0,05
Individuals	1 331	64,55	3 288 681	5,32
Insurance companies	19	0,92	3 579 944	5,79
Collective investment schemes and mutual funds	261	12,66	34 905 073	56,43
Nominees and trusts	236	11,45	1 913 237	3,09
Pension funds and medical schemes	138	6,69	14 659 900	23,70
Private companies	37	1,79	1 048 810	1,70
The company	3	0,15	605 629	0,98
Totals	2 062	100,00	61 850 171	100,00
3. SHAREHOLDER SPREAD				
Share trust	1	0,05	48 389	0,08
Directors	2	0,10	268 080	0,43
The company	3	0,15	557 240	0,90
Non-public	6	0,30	873 709	1,41
Public	2 056	99,70	60 976 462	98,59
Totals	2 062	100,00	61 850 171	100,00
4. MAJOR SHAREHOLDERS (5% AND MORE OF THE SHARES IN ISSUE)				
Investec Asset Management			13 747 268	22,23
Allan Gray			10 961 288	17,72
Sanlam Investment Management			6 671 094	10,79
Coronation Fund Managers			6 041 579	9,77
Afena Capital			3 512 666	5,68
Old Mutual Investment Group			3 362 077	5,44

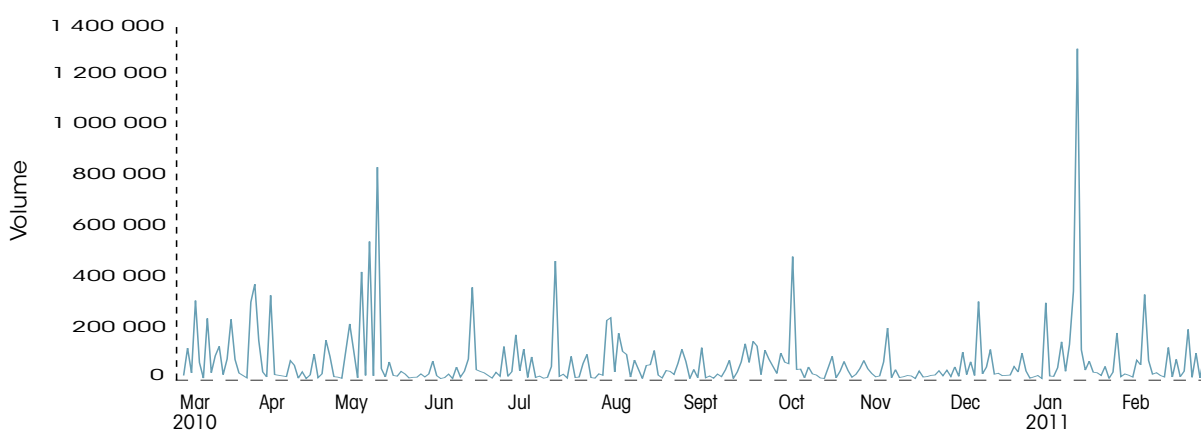
FIVE-YEAR SHARE PRICE PERFORMANCE



ADCORP PRICE CHART – DAILY CLOSING PRICE



ADCORP VOLUME CHART – 1 MARCH 2010 TO 28 FEBRUARY 2011



Adcorp Holdings stats from 1 March 2010 to February 2011

	2011	2010
Closing price of Adcorp Holdings (28 February 2011) (cents)	2 700	2 700
Total number of trades (million)	17,20	25,20
Total value traded (million rands)	466,90	603,80
Price of shares traded – highest (cents)	3 420	2 890
Price of shares traded – lowest (cents)	2 440	1 650
Total value traded as % of year-end market cap	27,90	37,70
Total value traded as % of average market cap	27,88	42,30



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 Street, Sloane Street, Bryanston, Johannesburg on 24 June 2011 at 09:00am.

The record date on which members must be recorded as such in the register maintained by the transfer secretaries of the company for the purposes of being entitled to attend and vote at the meeting is 22 June 2011.

All meeting participants will be required to provide identification reasonably satisfactory to the chairman of the meeting.

The purpose of the meeting is to transact the business set out below, and to consider and, if deemed fit, to pass, with or without modification, the resolutions set out below:

AS ORDINARY RESOLUTIONS

1. To receive, approve and adopt the audited annual financial statements for the year ended 28 February 2011.
2. To elect JJ Njeke as a director of the company.
3. To elect Gugu Dingaan as a director of the company.
4. To re-elect Richard Pike as a director of the company.
5. To re-elect Tryphosa Ramano as a director of the company.
6. To re-elect Robinson Ramaite as a director of the company.

A brief curriculum vitae of each of the directors mentioned above can be found on pages 12 and 13 of this Integrated Annual Report to which this notice forms part.

7. To approve the remuneration payable to non-executive directors for the ensuing year as outlined hereunder:

Board/Committee	Non-independent Non-executive (R)	Independent Non-executive (R)	Chairman (R)
Board Chairman			270 300
Board member	92 412	136 104	
Audit/Risk Committee	64 468	95 272	113 420
Remuneration/Nominations Committee	29 572	29 572	32 516
Transformation Committee	29 572	29 572	33 268

8. To consider and endorse, by way of a non-binding advisory vote, the remuneration policy of the company, set out in pages 63 to 64 of this Integrated Annual Report, for the financial year ended 28 February 2011, in accordance with the provisions of the King III Code.
9. To resolve that Deloitte & Touche be reappointed as auditors of the Group with RM Duffy as lead partner until the next annual general meeting.
10. To confirm the appointment of Mr TDA Ross, Mrs AT Albäck and Mr ME Mthunzi, who are independent non-executive directors of the company, as members of the company's audit and risk committee for the ensuing year.

A brief curriculum vitae of each of the directors mentioned above can be found on pages 12 and 13 of this Integrated Annual Report to which this notice forms part.

11. 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 article 3.1 of Adcorp's articles of association. 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.
12. To resolve that, as a general authority in terms of article 3.1 of Adcorp's articles of association, but subject to the provisions of the Listings Requirements of the JSE Limited and the Companies Act, 71 of 2008, as amended ("Companies 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.
13. To transact such other business as may be transacted at an annual general meeting.

SPECIAL RESOLUTIONS

Special resolution 1

To resolve that, to the extent required in terms of section 45 of the Companies Act, and as contemplated in section 45(3) (a)(ii), any direct or indirect financial assistance granted or about to be granted by Adcorp to a related or inter-related

company of Adcorp as authorised by the board pursuant to section 45(2) of the Companies Act, be and is hereby approved.

The reason and effect of special resolution 1 is to approve, to the extent required by section 45 of the Companies Act, the granting of any direct or indirect financial assistance by Adcorp to any of its related or inter-related companies as authorised by the board in terms of section 45(2) of the Companies Act.

Special resolution 2

To resolve that, in terms of section 66 (9) of the Companies Act, the remuneration payable to executive and non-executive directors in their capacities as such, as set out on page 113 be and is hereby approved.

The reason and effect of special resolution 2 is to approve the remuneration to be paid to the directors of Adcorp for their services as directors as required by section 66 (9) of the Companies Act.

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

- Directors and management (pages 12 and 13)
- Major shareholders of Adcorp (page 122)
- Directors' interests in securities (pages 114 and 115)
- Share capital of Adcorp (page 100)

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 12 and 13 of the Integrated 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 12 and 13 of the Integrated 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, 24 June 2011 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, 23 June 2011. 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.

Shareholders will be able to participate in the meeting by means of electronic communication, by dialing + 27 (0) 11 535 3600 and identifying themselves. Shareholders participating in this manner will still have to appoint a proxy to vote on their behalf at the meeting (see below). Access to the means of electronic communication will be at the expense of the shareholder.

SHAREHOLDER RIGHTS

In terms of section 58 of the Companies Act, No. 71 of 2008 (as amended), shareholders have rights to be represented by proxy as herewith stated.

- (1) At any time, a shareholder of the company may appoint any individual, including an individual who is not a shareholder of the company, as a proxy to:
 - (a) participate in, and speak and vote at, a shareholders meeting on behalf of the shareholder; or
 - (b) give or withhold written consent on behalf of the shareholder to a decision contemplated in section 60.

Provided that the shareholder may appoint more than one proxy to exercise voting rights attached to different shares held by the shareholder



Notice of annual general meeting continued

- (2) A proxy appointment:
- (a) must be in writing, dated and signed by the shareholder; and
 - (b) remains valid for:
 - (i) one year after the date on which it was signed; or
 - (ii) any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in subsection (4) (c), or expires earlier as contemplated in subsection (8) (d).
- (3) Except to the extent that the Memorandum of Incorporation of the company provides otherwise:
- (a) a shareholder of the company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder;
 - (b) a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
 - (c) a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders meeting.
- (4) Irrespective of the form of instrument used to appoint a proxy:
- (a) the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
 - (b) the appointment is revocable unless the proxy appointment expressly states otherwise; and
 - (c) if the appointment is revocable, a shareholder may revoke the proxy appointment by:
 - (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and
 - (ii) delivering a copy of the revocation instrument to the proxy, and to the company.
- (5) The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of:
- (a) the date stated in the revocation instrument, if any; or
 - (b) the date on which the revocation instrument was delivered as required in subsection (4) (c) (ii).
- (6) If the instrument appointing a proxy or proxies has been delivered to the company, as long as that appointment remains in effect, any notice that is required by this Act or the company's Memorandum of Incorporation to be delivered by the company to the shareholder must be delivered by the company to
- (a) the shareholder; or
 - (b) the proxy or proxies, if the shareholder has
 - (i) directed the company to do so, in writing; and
 - (ii) paid any reasonable fee charged by the company for doing so
- (7) A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the Memorandum of Incorporation, or the instrument appointing the proxy, provides otherwise.
- (8) If the company issues an invitation to shareholders to appoint one or more persons named by the company as a proxy, or supplies a form of instrument for appointing a proxy:
- (a) the invitation must be sent to every shareholder which is entitled to notice of the meeting at which the proxy is intended to be exercised;
 - (b) the invitation, or form of instrument supplied by the company for the purpose of appointing a proxy, must:
 - (i) bear a reasonably prominent summary of the rights established by this section;
 - (ii) contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by the shareholder; and
 - (iii) provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or is to abstain from voting;
 - (c) the company must not require that the proxy appointment be made irrevocable; and
 - (d) the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to subsection (5).
- (9) Subsection (8) (b) and (d) do not apply if the company merely supplies a generally available standard form of proxy appointment on request by a shareholder.

By order of the board

LJ Sudbury
Company Secretary

25 May 2011

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, 24 June 2011.

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, 24 June 2011 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, 24 June 2011 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 JJ Njeke)			
Ordinary resolution 3 (Elect Gugu Dingaan)			
Ordinary resolution 4 (Re-elect Richard Pike)			
Ordinary resolution 5 (Re-elect Tryphosa Ramona)			
Ordinary resolution 6 (Re-elect Robinson Ramaite)			
Ordinary resolution 7 (Approve the remuneration payable to non-executive directors)			
Ordinary resolution 8 (Endorse the remuneration policy of the company)			
Ordinary resolution 9 (Reappointment of Deloitte & Touche - lead partner RM Duffy)			
Ordinary resolution 10 (Appointment of members of Audit and Risk committee)			
Ordinary resolution 11 (Employee share trust shares placed under control of directors)			
Ordinary resolution 12 (10% of unissued shares placed under the control of directors)			
Ordinary resolution 13 (Transact other business)			
Special resolution 1: (Authority to the directors to provide financial assistance to related or inter-related companies)			
Special resolution 2: (Approve remuneration to directors for services as directors)			

Signed by me/us this day of 2011

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, Rennie House, 13th Floor, 19 Ameshoff Street, Braamfontein (PO Box 4844, Johannesburg, 2000), to be received by not later than 09:00 on Thursday, 23 June 2011.
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.
6. Shareholders will be able to participate in the meeting by means of electronic communication, by dialing + 27 (0) 11 535 3600, and identifying themselves. Shareholders participating in this manner will still have to appoint a proxy to vote on their behalf at the meeting (see above). Access to the means of electronic communication will be at the expense of the shareholder.



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 ADVISORS

Rudolph Burnstein and Associates
Registration number 2008/017666/21
Block B, 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
Rennie House
13th Floor
19 Ameshoff Street
Braamfontein
PO Box 4844
Johannesburg, 2000
Tel: 086 154 6572
Fax: 086 674 1960

COMMERCIAL BANKERS

FirstRand of Southern Africa Limited
Registration number 1905/001225/06
ABSA Bank Limited
Registration number 1986/004794/06

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 Integrated Annual Report being produced from a sustainable resource, the paper used is recyclable, biodegradable and provides assurance of a responsible manufacturing process.



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