



STRATEGICALLY PLACED

INTEGRATED ANNUAL REPORT 2012

ABOUT ADCORP

WHAT MAKES US WHO WE ARE

Adcorp was founded in 1975 as the country's first recruitment advertising agency.

In 1987, the Group listed on the JSE Limited. Over the decades, the Group by means of its strategic initiatives has enhanced its product offering through sophistication and technological innovation to become the human capital powerhouse it is known as today.

The Group employs over 3 000 permanent employees and places on average 80 000 contractors on assignment on any given day across the country and into parts of Africa.

Adcorp has a proud tradition of creating value for its shareholders, converting a high proportion of its profits into cash, paying generous dividends, adhering to the highest standards of corporate governance and providing quality service to its clients through operational excellence, innovative product offerings and service solutions.

A great deal of emphasis is placed on developing and upskilling the sizeable candidate base and increasing empowerment credentials across the Group.

Through a recent sizeable acquisition, the Group is strategically placed as South Africa's leading provider offering diverse resourcing solutions, human capital management and business process outsourcing services (BPO).

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

SALIENT FEATURES

Revenue up **19%**

Normalised profit for the year up **12%**

Headline earnings per share up **7%**

Normalised earnings per share up **4%**

Cash conversion ratio **79%**

Gearing up from **12%** to **28%**

Normalised EBITDA margin **4,8%**

Final dividend declared **80 cps**

Paracon acquired for **R637 million**

Market capitalisation increased by **R458 million**

Learnerships facilitated **5 766**

Consolidated BBBEE rating **level 2 contributor**

Corporate Social Investment spend up **84%**
from R2,2 million to R4,1 million

Temporary workforce training up **40%**
from 5,6 million to 7,9 million

Clarity provided on **labour broking debate**





OUR HISTORY



STRATEGIC MOVEMENTS

Adcorp is born, starting out as the country's very first specialist recruitment advertising agency

ACHIEVEMENTS

Secured business with large blue chip clients

BUSINESS APPROACH

Launch of new recruitment advertising business set to change the landscape in South Africa

1975

1987

STRATEGIC MOVEMENTS

Initial public offering on the JSE Limited

BUSINESS APPROACH

Entrepreneurial Adcorp with informal leadership style



STRATEGIC MOVEMENTS

Acquisitive Adcorp grows to 38 companies

ACHIEVEMENTS

Sunday Times Top 100 companies award for the Best Performing Company on the JSE

1999

2006

STRATEGIC MOVEMENTS

Strategy implemented to simplify the Group and focus on core business. Enterprise development initiative established through a management buy-out of Simeka TWS and Graphicor. Acquired Employ-Rite

ACHIEVEMENTS

BBBEE rated first in services sector

BUSINESS APPROACH

Back to basics

STRATEGIC MOVEMENTS

Acquisition of Acumen concluded. Turnaround strategy commences focusing on cash and margin management as well as return on assets managed (ROAM)

BUSINESS APPROACH

Acquisitive; product-centric and EPS driven

2001

2004

STRATEGIC MOVEMENTS

Consolidate nine underlying businesses to establish Adcorp Talent Resourcing and Jobvest as Employer Branding and Recruitment Process Outsourcing (RPO) specialists

ACHIEVEMENTS

Third year of strong economic growth BBBEE-rated first in services sector. 128% of profit converted to cash business set to change the landscape in South Africa



2007

STRATEGIC MOVEMENTS

BBBEE transaction concluded with consortium comprising Wiphold, Simeka and Employee Share Option Plan (ESOP). Acquired FMS Marketing Solutions. Acquired Capital Outsourcing Group. Sale of Research Surveys. Sale of Career Junction.

ACHIEVEMENTS

20 years listed. BBBEE first in services sector



STRATEGIC MOVEMENTS

Continued strong focus on organic growth and strategic acquisitions.
Acquired Staff-U-Need in August 2008

ACHIEVEMENTS

SA's top empowered listed company

BUSINESS APPROACH

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

2008**STRATEGIC MOVEMENTS**

Adcorp facilitates 5 085 learnerships with the aim of positioning the Group as a leading provider of scarce technical skills. JJ Njeke appointed as Chairman – 1 July 2010
Acquisition of Gold Fields External Training Services (GFETS)

ACHIEVEMENTS

SA's Top Empowered company winner – support services sector. Top 500 winner – business services category

BUSINESS APPROACH

Focusing on enhancing market positioning through sophistication, technological advances and strategic initiatives

2010**STRATEGIC MOVEMENTS**

Acquisition of Paracon, Learnsys and Top Temps (UK), direct representations at NEDLAC, Quest and Emmanuel's were merged under the single brand of Quest
Sale of loss-making recruitment advertising business

ACHIEVEMENTS

Sunday Times Top 100 companies award
Financial Mail Top 20 company awards
Placed within the Top 10 of SA's most empowered companies

BUSINESS APPROACH

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

2011**STRATEGIC MOVEMENTS**

Adcorp's Employment Index is launched which reflects the employment outlook in SA

ACHIEVEMENTS

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

BUSINESS APPROACH

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

2012**STRATEGIC MOVEMENTS**

Capitalise on sophistication
Enhanced adoption of technology, more onerous legislative and regulatory compliance
Unrivalled, comprehensive product and service offering
Optimising, standardising and automating internal processes and procedures
Industry gains through industry rationalisation
Growth into other parts of Africa
Scarcity of high-end skills is driving strong demand
Accelerated training and recruitment expertise

ACHIEVEMENTS

25 years of successful trading on the JSE

BUSINESS APPROACH

Strategically placed. Acquisitions strategically strengthen and broaden the spectrum of the Group's offerings under one roof



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
	Position the Group as the largest provider of talent and conduit for job seekers in the country	Provide a preferred channel for youth to secure employment, contribute to the job creation and skills development objectives of the country
	Key stakeholder engagement	Build new and strengthen existing relationships
	Increase sophistication through technology upgrade	Shared services implementation across all operations
	Exploit new business opportunities through diversification and innovation	Focus on new industries and market sectors with a particular interest into Africa
	Business continuity plan	Continue day-to-day business activities in the event of a crisis or fatality among 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 and best practice approach	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	Encourage innovative "green" initiatives Group-wide	Create value from green initiatives introduced particularly relating to procurement
	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
<p>Clients consolidate their supply of labour with larger, reputable suppliers</p> <p>Growing trend to use contract workers in preference to permanent workers, TES industry a major source of job creation, upskill and enhance the potential employability of a sizeable unemployed constituency</p> <p>Engage at a strategic level</p> <p>Greater adoption of technology by clients and candidates, regulatory and legislative compliance</p> <p>Demand for atypical or contract employment, scarce skills and training</p> <p>Opportunity for succession planning</p>	<p>Loss of revenue due to changes in labour legislation</p> <p>Legislative regulation of labour broking potentially compromising the Group's ability to introduce first-time job seekers into the world of work</p> <p>Perception of the impact of legislative regulation of labour broking potentially compromising the Group's reputation</p> <p>Inconsistent IT strategy and framework, cost implications of upgrade. Non-compliance with laws and regulations</p> <p>Static jobs market, inability of the economy to create jobs</p> <p>Inability to respond to client's needs to drive self-sufficiency and disintermediation. Potentially negative reputational impact of new service offerings. Exposure to forex risk and the risks of operating within a foreign region</p> <p>Inability to continue business operations in case of disaster</p>	<p>Representation in NEDLAC negotiations</p> <p>Representation in NEDLAC negotiations</p> <p>Proactive interaction and consultation with various stakeholders</p> <p>Group CIO interaction Microsoft Dynamic Ax 2012 Upgrade project Formal project steering committee Return on investment calculation International consultancy firm appointed</p> <p>Diversify service offerings – emerging businesses Explore possible acquisitions Investment in technology solutions</p> <p>IT disaster recovery plan Physical security Succession plans Individual operating entities have dedicated MD and management teams</p>
<p>Superior financial returns to shareholders</p> <p>Improve client credit terms</p> <p>Engage with clients at a strategic level, offer value-added services in order to generate additional revenue streams</p> <p>Robust cost control, centralised credit control, financial administration and payroll management</p> <p>Leverage the Microsoft Dynamic Ax ERP system upgrade to facilitate and enhance financial reporting</p> <p>Favourable interest rates, long-term debt facilities</p>	<p>Impending threats over labour legislation has negative impact on share price</p> <p>Insufficient cash flow to meet obligations. Payroll payments not done accurately and timeously</p> <p>Margins negatively affected by continued pricing pressure, static job market. Excessive/uncontrolled credit notes. Unsuccessful mergers and acquisitions</p> <p>Excessive operating costs due to decentralised functions Complex and highly customised operating system</p> <p>Inaccurate and unreliable financial reporting</p> <p>Inability to service debt obligations</p>	<p>Proactive involvement in NEDLAC negotiations Continuous information sessions with key stakeholders Strong financial reporting</p> <p>Group credit management function and policy Daily monitoring of cash levels Restructuring of capital structure Payroll process designed with adequate and efficient controls</p> <p>Group strategy to diversify its products and services thereby creating additional revenue streams Group credit note policy</p> <p>Centralised IT, payroll, credit management and centralised procurement policy under review</p> <p>Well-resourced finance team Robust reporting processes enforce compliance</p> <p>Group central treasury management Daily monitoring of cash levels Rationalisation of banking facilities</p>
<p>Value-adding enterprise – level 2 contributor has a procurement recognition level of 125%</p> <p>Provide a channel of learning to the youth of South Africa</p> <p>Continued demand for scarce technical skills, learnership tax breaks</p> <p>Good corporate citizen and leadership reputation</p> <p>Attract and retain top talent, shape SA's workforce through operational excellence</p> <p>Labour relations, succession planning, retention programmes</p>	<p>Financial loss due to inadequate transformation process</p> <p>Misallocation of CSI leading to reputational damage</p> <p>Decrease or loss of financial benefits from learnerships. Additional cost burden for internal learnerships facilitated</p> <p>Cost implications of compliance. Financial and reputational damage due to fraudulent activities. Non-compliance with laws and regulations</p> <p>Employees not contributing to achievement of corporate strategy</p> <p>High dependency on key staff</p>	<p>Formal transformation, social and ethics committee Employee share trust ensures broad-based ownership Formal continued commitment to transformation</p> <p>Bursary policy in place Ad hoc CSI assignment preapproved Monthly monitoring and tracking of bursary performance Annual approval of CSI budget</p> <p>S12H allowance extended for five years Government strategy to develop skills Centralised learnership function Dedicated training and experienced leadership team Automation of learnership tax calculation</p> <p>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</p> <p>Group HR manual Performance management Reward and retention programmes</p> <p>Employee share trust Market-related remuneration strategies Succession planning</p>
<p>Revise service level agreements to ensure that clients and suppliers can benefit from environmental initiatives</p> <p>Create meaningful awareness, innovative solutions around environmental issues</p> <p>Reduce paper and energy consumption</p> <p>Assessing long-term benefits and annual return on investment in eco-efficiency activities</p> <p>Value-adding enterprise</p>	<p>Group seen as irresponsible corporate citizen, changes in the procurement procedures of large clients resulting in difficulties in retaining existing clients and winning new business</p> <p>Cost implications around managing and minimising resource consumption</p> <p>Inability to measure and minimise footprint. Financial impact of carbon tax</p> <p>Ecological footprint that is harmful to health and wellbeing</p> <p>Group seen as irresponsible corporate citizen</p>	<p>Continuous measurement of carbon footprint</p> <p>Environmental policy</p> <p>Continuous measurement of carbon footprint Reduction targets</p> <p>Continuous measurement of carbon footprint</p> <p>Monthly measurement of carbon footprint Reduction targets</p>



STAKEHOLDER ENGAGEMENT

Essential to the effectiveness of Adcorp's integrated and collaborative approach to business is the interaction it maintains with all its stakeholder groups. Adcorp engages proactively with its stakeholders, both individually and collectively, to share information and gain an appreciation for their perspectives. A wide variety of issues were identified, investigated and debated during our stakeholder engagement process including participating in stakeholder forums, making formal submissions to Parliament and the Department of Labour, conducting stakeholder surveys, responding to specific requests of 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	<ul style="list-style-type: none"> Build and strengthen relationships with Government Provide input into the legislative development process that will affect the industry 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Direct engagement through industry body CAPES which is a fully participating member of BUSA and NEDLAC Compliance with relevant regulations 	<ul style="list-style-type: none"> Investor relations – Integrated Annual Report Corporate website Formal IAS presentations, Annual General Meeting Specific meetings with investors The Stock Exchange News Service Media releases 	<ul style="list-style-type: none"> Employee engagement – Corporate intranet, bulk sms, safety brochures Newsbreak emails Chairman's awards Leadership conference Senior management report-back sessions Human resource management activities Anti-fraud, ethics and corruption hotline Awareness induction programme
KEY ISSUE	<ul style="list-style-type: none"> Political agenda on labour broking and proposed labour law amendments 	<ul style="list-style-type: none"> Strategic issues Prospects for performance Industry developments Proposed Labour Law amendments 	<ul style="list-style-type: none"> Strategic issues Proposed Labour Law amendments as for shareholders Fraud Internal developments Injury on duty (Blue-collar)
ACTIONS TAKEN	<ul style="list-style-type: none"> Direct representation as part of the business delegation at the NEDLAC negotiations Proactive interaction and consultation with unions and Department of Labour representatives Business and Government lobbying Engagement at Millennium Labour Council 	<ul style="list-style-type: none"> IAS presentation Announcements on the Stock Exchange News Service Annual General Meeting Specific meetings with investors Corporate website Adcorp Employment Index Amendments to the Labour Bills – ongoing communication has been facilitated through presentations Constant engagement conducted by Group CEO 	<ul style="list-style-type: none"> 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 Partnering with clients to create a safe working environment Corrective action revised procedures SAFEM audits Incentive programmes



Clients	Suppliers	Media	Local communities	Environment
<ul style="list-style-type: none"> Understand and resolve client concerns and utilise them to improve the value proposition Risk mitigation Create awareness of the evolution of service offerings 	<ul style="list-style-type: none"> Maintain an ideal standard of quality and timeous supply of goods and services for Group's operations 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Socio-economic development among communities Create partnerships that will best support the Group's CSI initiatives 	<ul style="list-style-type: none"> Obtain input to ensure Group operations are aware of operating within an environmentally responsible manner
<ul style="list-style-type: none"> Business interactions Client satisfaction and risk mitigation surveys Marketing campaigns Anti-fraud, ethics and corruption hotline 	<ul style="list-style-type: none"> On-site meetings Ongoing interaction with suppliers and contractors Anti-fraud, ethics and corruption hotline 	<ul style="list-style-type: none"> Media engagement – Targeted media engagement utilising the expertise of specialist agencies Digital platforms Proactive press releases Thought leadership articles Access to key spokesperson of the Group 	<ul style="list-style-type: none"> Ongoing support of projects and interaction within the communities Facilitation of bursaries 	<ul style="list-style-type: none"> Internal engagements to raise awareness
<ul style="list-style-type: none"> Workforce optimisation Service delivery Client self-sufficiency and disintermediation Proposed Labour Law amendments as for shareholders 	<ul style="list-style-type: none"> Stability and reliability of IT infrastructure 	<ul style="list-style-type: none"> Negative media around labour broking and Adcorp's Employment Index Reputational impact 	<ul style="list-style-type: none"> Governance around CSI spend and bursary students' performance 	<ul style="list-style-type: none"> Awareness campaign in preliminary phase
<ul style="list-style-type: none"> Labour broking seminars held across the country Increased engagement through thought leader initiatives Responding to client satisfaction issues Executive breakfasts Innovation and diversification 	<ul style="list-style-type: none"> Remote disaster recovery plans Regular maintenance and testing Offsite backups Remote servers Authentication of business credentials 	<ul style="list-style-type: none"> Media relations through specialist agency and increased interaction between media and Group spokespersons Opinion pieces and through leadership articles Media interviews across all platforms including radio, TV and print 	<ul style="list-style-type: none"> Increased controls around the management of CSI spend Continuous monitoring of academic performance 	<ul style="list-style-type: none"> Development of an awareness campaign that supports the newly introduced environmental policy Enhance procurement methods



GROUP AT A GLANCE

GROUP CENTRAL COSTS

	Incorporating/ brands	Description of business	Sectors serviced
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 RESOURCING BUSINESS

BLUE COLLAR	CAPACITY	Capacity Outsourcing is a registered TES (temporary employment service) provider of customised, flexible and contract blue-collar staffing solutions	Basic materials, consumer, financial, healthcare, industrials and Government
	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	Basic materials, consumer, industrials, oil and gas, telecommunications
	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	Industrials
	EMPLOYRITE	Employrite is a provider of temporary staff predominantly to the motor industry	Consumer
	CHARISMA	Charisma provides professional nursing staff to its clients	Healthcare
WHITE COLLAR	PARACON SA	Paracon is a specialised ICT consulting, resourcing and solution business	Consumer, financial, healthcare, industrials, oil and gas, technology, telecommunications and Government
	MONDIAL	Mondial provides ICT resourcing and solutions, specialising in SAP	Financial, industrials, oil and gas, technology and telecommunications
	ALLABOUTXPRT	allaboutXpert provides project management related solutions including services, resourcing, project office, facilitations and training	Consumer, financial, healthcare, industrials, oil and gas, technology, telecommunications and Government
	THE PERSONNEL CONCEPT	The Personnel Concept offers specialised permanent recruitment, placing skilled financial candidates	Operates across all industries and sectors
	QUEST	Quest is one of South Africa's largest recruitment agencies placing both temporary and permanent staff in white-collar careers	Consumer, financial, technology, telecommunications and Government
	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. Specialising in Executive Search, Mid to Top Level Management, Information and Communication Technology, Engineering, Financial Markets, Office Support and German/Foreign Language Speakers	Operates across all industries and sectors
	PREMIER	Premier Personnel focuses on providing specialist recruitment solutions in select areas of expertise, both on a temporary and permanent basis	Operates across all industries and sectors, predominantly financial
	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

NEW GENERATION BUSINESS

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	Operates across all industries and sectors
	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 financial sector – 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
EMERGENT BUSINESS	ADFUSION	Adfusion offers a range of sophisticated and innovative technology solutions to facilitate all aspects of recruitment across organisations	Operates across all industries and sectors

	Footprint	Service offerings	Differentiators	Key drivers for growth
	Gauteng – Head office Bryanston, Johannesburg	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, KwaZulu-Natal Gauteng, Western Cape Gauteng, Western Cape Gauteng Gauteng, Western Cape, Eastern Cape, KwaZulu-Natal, Limpopo, Free State Gauteng, Western Cape Gauteng, Western Cape Gauteng, Western Cape	Market leaders in differentiated recruitment practices including temporary, contract and permanent placements, comprehensive solution offerings across niche competencies, contingent database selection, talent search, executive search	Unique broad range of recruitment and solution offerings, 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

Revenue (R'000)	%	Normalised EBITDA (R'000)	%	
N/A	N/A	N/A	N/A**	 
4 622 841	72,0	226 497	64,4	    
1 602 385	24,9	73 732	21,0	       
193 613	3,0	65 675	18,7	  
4 390	0,1	(14 568)	(4,1)	
Operating activities*				
6 423 229	100	351 336	100	

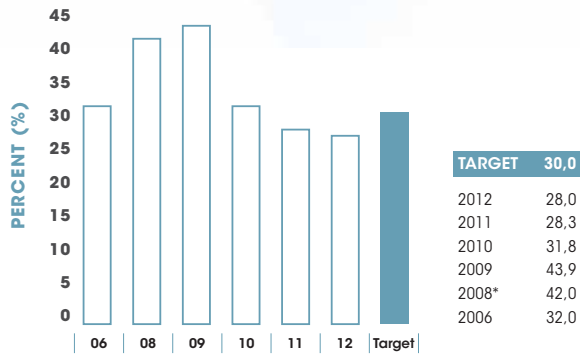
* Excluding central costs.

** Not allocated – refer to Segment Analysis on page 95.

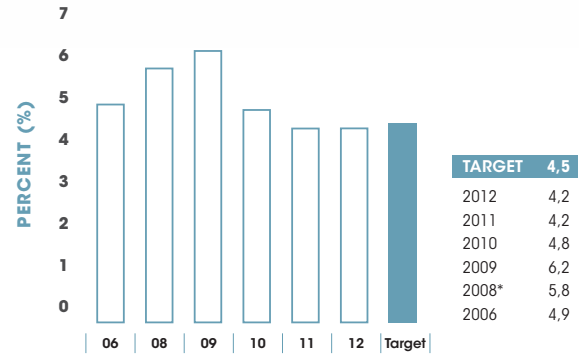


FINANCIAL PERFORMANCE AGAINST STATED TARGETS

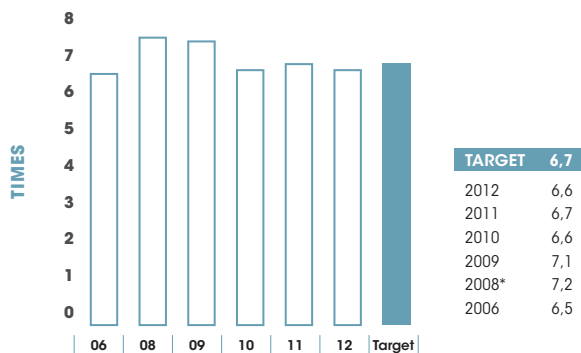
RETURN ON ASSETS MANAGED (ROAM)



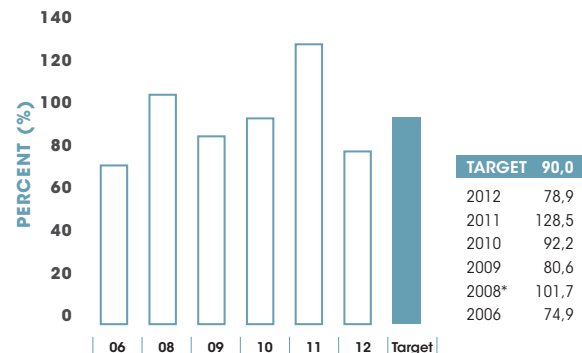
RETURN ON SALES (ROS)



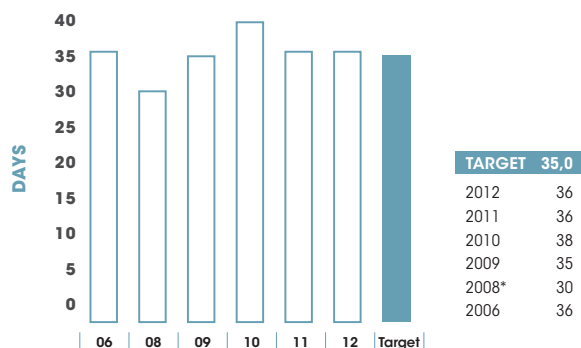
ASSET TURNOVER (ATO)



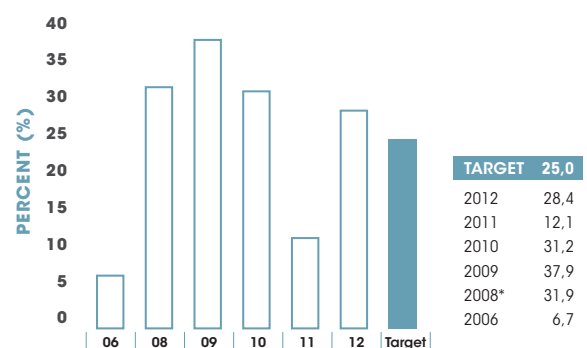
CASH CONVERSION RATIO



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



1 Mfundiso Johnson Ntabankulu ("JJ") Njeke (54)

Independent Chairman

BCom, CA(SA)

Appointed 1 July 2010

Member of Adcorp's Remuneration and Nominations Committee.

Outside directorships held

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

2 Mncane Esau Mthunzi (40)

Independent Non-Executive Director

BCom

Appointed 28 February 2010

Serves as a member on Adcorp's Audit and Risk Committee and the Transformation, Social and Ethics Committee.

Outside directorships held

Accenture's Akha Trust board of trustees.

3 Muthanyi Robinson Ramaite (43)

Non-Executive Director

BJuris, Master's degree

Appointed 1 June 2007

Serves as Chairman on Adcorp's Remuneration and Nominations Committee and of the Transformation and Social and Ethics Committee.

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.

4 Timothy Dacre Aird ("Tim") Ross (67)

Independent Non-Executive Director

CTA, CA(SA)

Appointed 1 September 2009

Serves as Chairman of Adcorp's Audit and Risk Committee.

Outside directorships held

Liberty Holdings, Liberty Group, Eqstra Holdings, Pretoria Portland Cement, Mpact and CIDA Empowerment.

5 Gugulethu Dinga (36)

Non-Executive Director

BCom, CA(SA)

Appointed 18 August 2010

Outside directorships held

Distell Group, ABB SA, MCG Industries, Landis and Gyr and Rural Housing Loan Fund.



6 Nontobeko Sanelisiwe Ndhrazi (37)

Non-Executive Director

BCom (Hons) (Accounting)

Appointed 16 August 2011

Outside directorships held

Emluleni Resorts (Pty) Ltd, USB Executive Development Limited and Learning Leap Foundation.

7 Richard Linden Pike (50)

Chief Executive Officer

BCom (Hons), CA(SA)

Appointed 18 October 2000

No outside directorships held.

8 Campbell Bomela (62)

Chief Risk Officer and Executive Director – Group Services

BCom, MBA

Appointed 11 March 2004

Outside directorships held

Matlapeng Resources.

9 Anthony Mark Sher (41)

Chief Financial Officer

BCom, BAcc, CA(SA), CFA

Appointed 2 December 2009

Outside directorships held

Rockstar Trading 3.

10 Petrus Cornelius ("Nelis") Swart (50)

Chief Operations Officer

MCom

Appointed 9 September 2002

Outside directorships held

BPeSA.

*** Amanda Toise Albäck (38)**

Independent Non-Executive Director

BCompt (Honours), CA(SA)

Appointed 14 April 2009, resigned 6 March 2012 and re-appointed on 14 May 2012

Outside directorships held

Tongaat Hulett Starch and Foskor.

* Photo not available at time of going to print



BOARD OF DIRECTORS CONTINUED

Mfundiso Johnson Ntbankulu ("JJ") Njeke (54)

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, 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.

Muthanyi Robinson Ramaite (43)

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).

Timothy Dacre Aird ("Tim") Ross (67)

Tim studied at the University of Natal. He is a qualified Chartered Accountant and Tax Adviser. He attended Wits Business School in 1984 and completed a six-week executive development programme. 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 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 several of 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 (40)

Mncane holds a BCom degree and diplomas in several management and executive programmes both locally and abroad.

Mncane is the Group Supplier Development Executive for Massmart, a subsidiary of Wal-Mart. He is the former CEO of the Consumer Goods Council of South Africa (CGCSA), an industry association for retailers, manufacturers and service providers. He held the position of Managing Director of the Black Management Forum (BMF) for a period of three years. Prior to joining the BMF he worked for Microsoft as an Enterprise Strategy Consultant and later as a Sales Executive within Microsoft and was also a Senior Manager at PricewaterhouseCoopers. He started his career at Accenture, where he worked in a number of industries both locally and internationally handling large-scale systems integrations and business solutions for a number of clients. Mncane's career spans a number of industries including transport, industrial products, retail, telecommunications, broadcasting, information technology and Government.

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.

Amanda Toise Albäck (38)

Amanda is a qualified Chartered Accountant having obtained her BCompt (Honours) through Unisa. She is currently the Financial Director of Tongaat Hulett Starch. She has previously consulted at Vodacom assisting with the role out of their inaugural Integrated Annual Report post her role at Vodacom. 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.

Nontobeko Sanelisiwe Ndhrazi (37)

Nontobeko has an Honours degree in Accounting from the University of KwaZulu-Natal. She completed her Articles at Deloitte & Touche in 2001 and then immediately took up the position of Special Services Group (SSG) Manager at Deloitte, a tenure which included aligning internal processes with the Public Finance Management Act, developing a financial policies and procedures manual as well as a secondment as Group Financial Accountant. In June 2006, she was appointed as SSG Director, charged with new business development, client relations and budgets. At Deloitte, Ndhrazi was a member of the Transformation Board and the Women's Leadership Initiative. In 2010, she joined WIPHOLD (Women Investment Portfolio Holdings Limited) as Project Manager – Finance, becoming Group Chief Financial Officer a year later. Ndhrazi provides the executive team of WIPHOLD with relevant counsel and advice, plans and directs the group's finance and accounting functions in accordance with strategic imperatives, and ensures the group responds to changing trends and regulations. She is a member of the Business Women's Association (BWA).

Richard Linden Pike (50)

Richard qualified as a Chartered Accountant in 1989 and holds a BCom (Honours) from the University of the Witwatersrand. He has been Chief Executive Officer of Adcorp since 2001. He joined the Group as Deputy Chief Executive Officer the previous year when Adcorp acquired the listed company, Acumen Holdings Limited. In 1995, Richard co-founded Morgan University Alliance, a private education and business consulting initiative that offered degree and diploma courses in business management through the University of Warwick in the UK. Four years later, in 1999, he listed Morgan on the JSE Limited as Acumen Holdings Limited. Before starting this venture, he was Financial Director at HL&H Mining Timber, having previously been Group Financial Manager at Hunt Lechaurs & Hepburn Holdings 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.

Petrus Cornelius ("Nelis") Swart (50)

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.

Campbell Bomela (62)

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 2004. 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 (41)

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 Ellering Bros (Pty) Limited where he had served as an internal investment professional from January 2008 until June 2009. Prior to Ellering 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 a Banking and Insurance Analyst. From 1998 to 2000, Anthony was the Financial Director of a private financial services company he was instrumental in co-founding.

RESIGNATIONS

Amanda Toise Albäck
6 March 2012

Mmakeaya Magoro Tryphosa Ramano
20 June 2011

APPOINTMENTS

Nontobeko Sanelisiwe Ndhrazi
16 August 2011

RE-APPOINTMENTS

Amanda Toise Albäck
14 May 2012





LEADERSHIP OVERVIEW





CHAIRMAN'S REPORT

JJ NJEKE Chairman

"With South Africa recording one of the highest unemployment rates in the world and job creation identified as Government's number one priority, the Adcorp Group continues to make a significant and positive contribution to job creation and the facilitation of first-time job seekers into the South African job market. In this regard, Adcorp is the single biggest recruitment and placement agency in South Africa."

Despite a particularly challenging global and domestic job climate as well as sustained trade union pressure on the temporary employment services (labour broking) industry, it is pleasing to report that the Adcorp Group has weathered the storm and reported modest profit growth for the financial year under review.

With South Africa recording one of the highest unemployment rates in the world and job creation identified as Government's number one priority, the Adcorp Group continues to make a significant and positive contribution to job creation and the facilitation of first-time job seekers into the South African job market. In this regard, Adcorp is the single biggest recruitment and placement agency in South Africa.

The country also suffers from an acute shortage of skills with many professions such as healthcare, engineering, accounting, general management and information technology (IT) experiencing a significant backlog in new graduates necessary to resource the South African economy.

Adcorp is a major contributor to skills development and accounted for the facilitation of approximately 5 766 registered learnerships during the past financial year.

Strategically, the Group continues to be an innovator and trend setter in the staffing industry in South Africa, having embraced technology as a differentiator and value-added tool to best service client and candidate needs alike. Also, with the likelihood of heightened regulation being introduced to the labour broking model and with larger corporations channelling their acquisition of talent through centralised procurement departments, mostly by way of tender, a far higher level of sophistication now characterises the South African staffing market than was previously the case.

Accordingly, the Adcorp Group has fashioned its strategic focus around these developments and opportunities which will tend to favour the larger players such as Adcorp. As such, much time, thought and effort has gone into strategising how best to leverage these opportunities and, in this regard, I believe that the Group is extremely well positioned to take advantage of the significant potential that now presents itself.

The ongoing and vociferous debate surrounding the future of labour broking in South Africa has preoccupied the Adcorp agenda for some time. While it has been a considerable distraction, there are positives to be taken from it. In this regard, it has forced the Group to re-examine its operating model and has forced the industry to ensure that its practices are legally, ethically and morally defensible.

With the recent publication of proposed amendments to existing labour legislation which look set to be passed into law this year, although these proposed amendments are far from desirable, they are manageable in the context of sustaining Adcorp's operations and will hopefully put the debate to rest once and for all such that management can focus on the business of business and, hopefully, Adcorp can begin to assume a less prominent and, arguably, less controversial public image.



A major highlight of the financial year under review has been the acquisition of IT resourcing and solutions company, Paraicon. The acquisition is a sizeable addition to the Group and will significantly strengthen the Group's offerings with regard to the resourcing and placement of professional skills in this industry sector.

With the relatively recent introduction of the new Companies Act, the King III recommendations on corporate governance, additional listings requirements, new legislation with regard to competition laws, consumer protection and others, the Board has focused much attention on compliance and governance issues.

In this regard, effort has been channelled into ensuring the appropriate composition of the Board, appointing effective sub-committees charged with driving these processes, managing risk, revising and relooking the applicability and appropriateness of executive remuneration structures, ensuring proper succession, focusing on the imperative of black economic empowerment and transformation, driving the Group's sustainability agenda and ensuring compliance with all applicable legislation and regulation.

While this all represents a mammoth and a costly task, I believe that the Board has embraced all of these challenges and has made significant progress in all areas. As with such complex matters, it is an ongoing process and the Board will continually look at ways of improving its performance with regard to all aspects of compliance and governance.

With the South African economy starting to show glimmers of hope for accelerated economic growth, with the Group's unique and appropriate strategic positioning, with job creation and skills development likely to continue receiving elevated prominence on the country's strategic agenda, I believe that the Adcorp Group is particularly well positioned for the future.

JJ Njeke
Chairman



CHIEF EXECUTIVE'S REPORT

RICHARD PIKE CEO

"The introduction of sophistication in the area of procurement, legislation, regulation and the adoption of technology by clients all favour a business such as Adcorp which is extremely well equipped and optimally placed to deal with complexity, compliance and technological advances in the industry."

OVERVIEW

The financial year ended 29 February 2012 was not without its challenges but, despite this, the financial performance of the Group and all that has been achieved during the year is most pleasing.

In this regard, the Group's revenues increased by 19% to R6 423 million while earnings before interest tax and depreciation (EBITDA) of R309 million as 20% ahead of the prior year's figure and normalised earnings per share of 300,4 cents was 4% ahead of last year.

The Group's cash generated from operations was R215 million, representing a cash conversion ratio of cash generated by operations to normalised operating profit of 79% (FY2011: 129%). In this regard, the Group's debtors' days outstanding at 29 February 2012 were 36 days (FY2011: 36 days).

OPERATING PERFORMANCE

The blue-collar businesses which are the largest contributors to Group profitability performed exceptionally well, recording solid growth for the year. Predominantly, this growth was achieved by way of market share gains in both Capacity and Capital Outsourcing Group as well as by way of an increased demand for highly skilled artisans and technicians in Staff-U-Need.

With much political attention having been focused on the temporary employment services or so-called "labour broking" industry with calls for heightened regulation and, in the extreme, calls for a ban of the practice as demanded by certain trade union groupings, a number of employers have consolidated their supply of contract workers with the larger, more reputable suppliers which has certainly benefited the Adcorp Group.

Also reported as part of the blue-collar operations is nursing staffing provider, Charisma, which returned to modest operating profitability in the financial year following losses recorded in the two previous financial years.

The white-collar contracting businesses of Quest and Emmanuels were merged under the single brand of Quest during the year. The strategic rationale for merging the two businesses was to consolidate back office functions, eradicate duplicated infrastructural costs and to combine the marketing efforts of both businesses.

Market conditions remained difficult for the new merged entity of Quest, particularly in the financial services sector which remains a large focus of their operations and where volumes remain under pressure. As a result, operating profit from this business declined year on year.

The white-collar permanent placement business of DAV recorded strong profit growth buoyed on by a shortage of skills, particularly in the engineering and information technology sectors where DAV is well placed and have a particular expertise while permanent placement business, Premier Personnel, which is focused in the financial services sector, recorded no earnings growth with profits being largely in line with those of the prior year.

Also reported as part of the white-collar staffing segment for the first time, is the recent acquisition of Paracon which was combined into Adcorp's figures with effect from 1 December 2011. As such, there is no comparative figure included in reported profits for Paracon.



IT WOULD BE WAY TOO SIMPLISTIC A CONCLUSION TO LINK ADCORP'S FORTUNES TO THE TRENDS OF THE OVERALL SOUTH AFRICAN LABOUR MARKET. CLEARLY, THERE ARE SOME POCKETS OF GOOD OPPORTUNITY FOR VOLUME GROWTH WITHIN THE MARKET.

Paracon's profits for this initial three-month, post-acquisition period were in line with expectations.

The Business Process Outsourcing (BPO) businesses of the Group delivered a mixed performance. The financial services operations of the Group, whereby relevant financial, wellness and lifestyle products and services are offered to the sizeable contract workforce of the Group, performed particularly well and now contributes approximately a quarter of all BPO profits.

The training operations of the Group also recorded profit growth while FMS, which is the biggest business within the BPO portfolio, recorded a sizeable decline in profitability resulting from the non-renewal of one of its major contracts.

Head office costs were kept roughly in line with inflationary trends despite continuing upward pressure on these costs emanating from ever-increasing compliance and corporate governance requirements.

MACRO ENVIRONMENT

Globally, the labour market has yet to recover significantly and retrace the job losses incurred as a result of the global financial crisis. The South African labour market has been no different, being relatively stagnant overall despite a return of the South African economy to economic growth. As such, the trend has largely been one of "jobless growth" for the past two years post the economic recovery.

A number of factors have contributed to this trend. Firstly, with global economic uncertainty still pervasive, employers have been somewhat reticent to commit to permanent employment decisions, preferring rather to opt for short-term, renewable or extended contracts of employment in order to mitigate against permanent employment risk should economic conditions deteriorate further.

Undoubtedly, restrictive labour legislation, as it relates to dismissal procedures with regard to poor performance and collective bargaining, has also played its part.



CHIEF EXECUTIVE'S REPORT CONTINUED

It is relatively difficult and costly in South Africa to dismiss an employee for poor performance which renders the employment of people on a permanent basis a potentially risky enterprise and therefore mitigates, to an extent, against employment.

In addition, the collective bargaining process whereby industry-wide minimum wage settlements apply equally to all industry employers big and small, whether part of the collective bargaining process or not, has had the effect of pricing labour out of the market as wage inflation has tended to rise at rates that exceed typical inflationary trends.

This has been compounded by the fact that labour productivity has been in decline for some time rendering the "wage gap" (wage inflation coupled with declining labour productivity), prohibitive for many a prospective employer.

In addition, South Africa's labour force has become increasingly unreliable, prone to militant strike action which renders labour a relatively unattractive alternative.

In South Africa during 2011, approximately 16 million work days were lost to strikes. This compares to the roughly 9,5 million annual work days lost during the height of the anti-apartheid rolling mass action protests during the early 1990s.

As such, despite the success of the democratic revolution of the 1990s whereby South Africa transitioned peacefully to a fully fledged democracy, the relationship between employers and employees has never been worse.

There is no doubt that an overregulated and inflexible labour market, an unreliable workforce prone to militant strike action together with wage inflation decoupled from labour productivity gains have been major factors in tempering the demand for labour in the South African context.

... As Adcorp is in the business of attracting identifying and placing skilled candidates, although overall the labour market is fairly stagnant, operating in the upper end of the skills spectrum can be potentially lucrative...

As a result, there is definitely a trend to seek out alternatives to labour whereby businesses are opting to automate, mechanise, outsource, off-shore, sub-contract and utilise contract labour as an alternative to the hiring of permanent employees.

This is against a backdrop whereby South Africa has one of the highest unemployment rates in the world. Ironically, the Congress of South African Trade Unions (COSATU) is now calling for a ban on the practice of labour broking which facilitates the placement of contract workers. In essence, they now seek to slay the dragon they helped create.

Another consequence of this situation has been a marked decline in the labour intensity of the South African economy which has been systematically declining over the past 50 years to the extent that it now takes 36% fewer workers to produce a given level of output than it did in 1960.

During 2009, South Africa's labour intensity fell by a staggering 8,1% - the biggest decline in recorded history. As the use of labour has fallen, the use of capital and technology has risen.

Other factors that have influenced this decline in labour intensity have been the large-scale mechanisation that took place during the 1960s and 1970s in the agricultural sector that replaced jobs as it also did in the mining and manufacturing sectors during that time.

In addition, the widespread adoption of information technology (IT) during the 1990s and 2000s, especially in the historically labour-intensive services sector, has also substantially reduced the economy's dependence on labour.

Given the inter-connectedness of all these factors impacting the labour market, South Africa now experiences one of the highest unemployment rates in the world estimated by Statistics South Africa to be approximately 25% on a narrow definition and 37% on a broad definition which would include the approximately two million people who classify themselves as "discouraged" from looking for work having given up the search for a job.

With regard to assessing the impact these factors have had on the fortunes and prospects of the Adcorp Group, certain of these trends have played strongly into our hands.

Firstly, there is the skills shortage whereby, despite such high levels of unemployment, South Africa has approximately 800 000 high skilled vacancies in its labour market. These are posts where the requisite skills are in short supply making it extremely difficult to fill these posts.

The South African labour market therefore represents a paradox whereby there are very high rates of unemployment at the same time that the country experiences a significant skills shortage.

As Adcorp is in the business of attracting, identifying and placing skilled candidates, although overall the labour market is fairly stagnant, operating in the upper end of the skills spectrum can be potentially lucrative as there is a strong skewing of the demand for skills which are in relatively short supply.

As such, it would be way too simplistic a conclusion to link Adcorp's fortunes to the trends of the overall South African labour market. Clearly, there are some pockets of good opportunity for volume growth within the market.

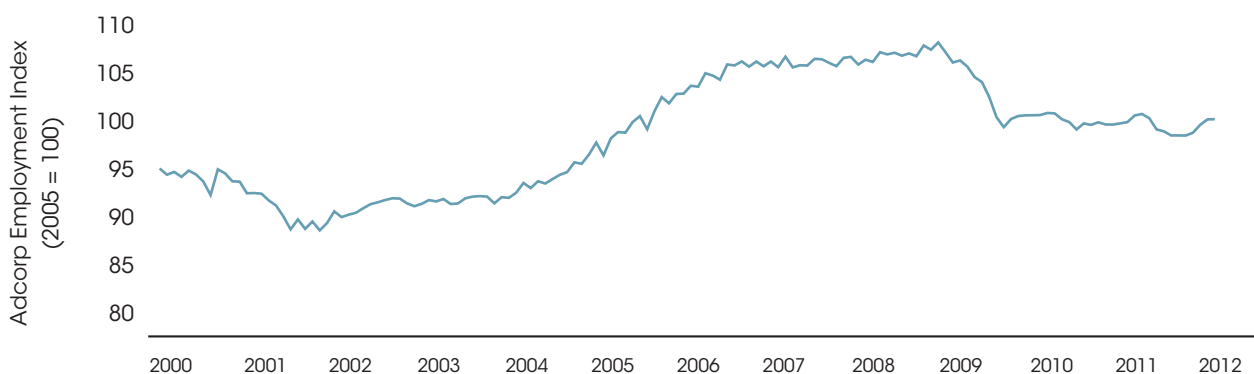
The second opportunity that South Africa's skills shortage spawns is for training of such skills. In this regard, Adcorp and its training operation, PMI, are exceptionally well positioned

to benefit from a number of accelerated training initiatives that are currently taking place, particularly in the area of technical skills and artisan training where the business has a solid track record, quality programmes and sizeable capacity.

Another macro trend that has benefited the Group is the growth in South Africa's contractor workforce for the reasons given above. As Adcorp is the largest temporary employment service provider in South Africa, placing approximately 80 000 contractors on assignment on any given day, the Group has definitely been a beneficiary of this trend and will continue to benefit in the future.

Adcorp compiles an employment index, the Adcorp Employment Index, on a monthly basis which depicts employment trends in the South African labour market. The diagram below shows the overall labour trend in the South African labour market for all types of employment in terms of this index.

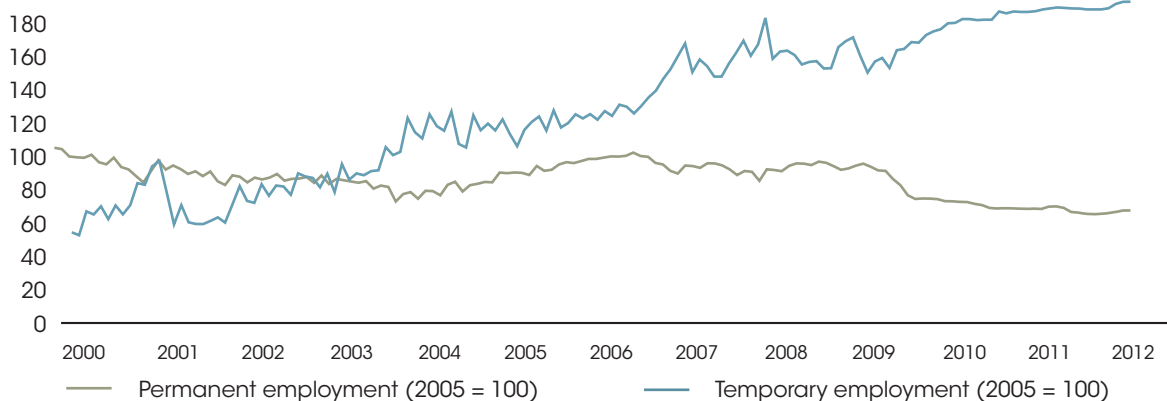
ADCORP EMPLOYMENT INDEX



Source: Adcorp Analytics

While the overall employment trend has been relatively stagnant since 2009 as shown above, the market for a-typical (non-permanent or contract) forms of employment has grown consistently for the past 10 years as opposed to the market for typical or permanent forms of employment which has been in steady decline.

A-TYPICAL EMPLOYMENT



Source: Adcorp Analytics



CHIEF EXECUTIVE'S REPORT CONTINUED

Adcorp's business is closely aligned to the trend seen in atypical forms of employment given its significant exposure to the placement of contract workers.

Also, with the proposed introduction of new legislation to regulate the labour broking market in South Africa, the larger, more reputable players such as Adcorp will benefit.

What such regulation will effectively do is introduce a measure of sophistication and complexity into a market whereby, historically, barriers to entry have been traditionally low.

Also, the adoption of technology as an enabler in the recruitment and placement space has been another trend impacting the market following on from international trends in this regard.

As such, the use of sophisticated vendor management systems (VMS) licensed to Adcorp across the African continent, are gaining traction as is the automation of time gathering, recording and authorisation for contract workers, online candidate assessment, screening and selection, electronic payslips as well as social networking in the identification and acquisition of talent.

Another trend in the acquisition of talent is the ever-increasing role that centralised procurement departments are playing in assessing and authorising potential vendors, particularly by larger organisations and employers.

Once again, this has tended to favour the larger providers such as Adcorp as the ability to respond to larger tenders requires a measure of sophistication as well as the ability to demonstrate track record, financial stability, black economic empowerment credentials, national footprint, quick turnaround times and the like. This makes it difficult for the smaller, owner-managed agencies to participate in these relatively complex tender processes.

While the move to centralised procurement has generally been good for volumes, it has also put margins under pressure. Another feature of the market is that cash collections have become increasingly more difficult in a challenging economic environment with clients taking longer to pay. Despite this, the Group has managed its receivables book to within its target range.

The introduction of sophistication in the areas of procurement, legislation, regulation and the adoption of technology by clients all favours a business such as Adcorp which is extremely well equipped and optimally placed to deal with complexity, compliance and technological advances in the industry.

These factors have resulted in an overall increase in market share for the Group with our share of the market still expected to grow even further. Prior to the global financial crisis, it was estimated that there were in the region of 3 400 individual recruitment agencies operating in the South African market. It is now estimated that the number of agencies has dropped by close to 20% to 2 800 such agencies.

Another important development in the South African labour market is the recognition and acknowledgement by Government that unemployment alleviation is their number one priority.

In this regard, the New Growth Path was published in November 2010 setting targets to achieve an additional five million new jobs in South Africa by 2020.

2011 saw the publication by the National Planning Commission of its recommendations with regard to job creation. Importantly, one of the recommendations is to promote the positive, job-creating role that labour broking can play in the South African labour market.

Another area of growth for the Group is a focus on other regions within the African continent particularly targeting the oil, gas, mining and exploration sector.

The Group has been active in this robust sector for some time and has achieved notable successes, particularly with a number of multi-national clients.

ACQUISITIONS

During the year under review, the Group acquired leading, listed, specialist information and communications technology (ICT) resourcing and solutions business, Paracon, for an amount of R637 million.

The acquisition was settled through the issue of new Adcorp shares as well as a R265 million cash component which approximated 40% of the purchase price.



Following the acquisition, Paracon has subsequently been delisted from the JSE Limited.

The business was originally founded in 1995 and was listed on the JSE in 1999. Services include ICT resourcing, permanent recruitment services, project management, consulting, training, ICT professional services, networking and general ICT solutions. The strength of the business lies in its ability to strategically bring skilled resources together to provide tailor-made solutions for clients.

Paracon also holds a 34,9% equity stake in Nihilent Technologies, an Indian-based ICT solutions provider.

Strategically, the acquisition has significantly strengthened the Group's offerings with regard to the resourcing and placement of professional ICT skills. It is also a well-run, quality, cash-generative business. The acquisition also adds significant advantage to the Group as it broadens the spectrum of comprehensive human resourcing we are able to offer our clients under one roof, particularly in the specialised, niched area of ICT where the Group previously only had a limited offering.

The acquisition also offers an opportunity for the rationalisation of certain costs associated with Paracon's previous stock exchange listing as well as optimising borrowing costs and provides greater career prospects for staff as well as better opportunities to incentivise and retain top talent.

The transaction has also had the advantage of adding critical mass to the Adcorp Group, further diversifying Group risk. Given the significantly bolstered market capitalisation of the merged entity, it is also likely that shareholders will enjoy greater liquidity in the tradability of the shares of the combined entity.

The strategy, business philosophies and strong emphasis on cash generation of the two businesses are similar, which has made for a good cultural fit and, as such, an easier integration of these businesses.

During the year, the Group also acquired Learnsys for an amount of R10 million and Top Temps for an amount of R20,7 million which was funded out of the Group's cash resources.

INDUSTRY DEVELOPMENTS

The debate surrounding the future of labour broking has now dragged on into its third year of negotiations, deliberations and discussions.

Throughout this time, the future prospects of a large portion of the Group's operations has been plagued by uncertainty with regard to regulatory and legislative changes as well as the threat of a ban on labour broking.

This has made for a very difficult trading environment despite which these operations have performed admirably under extremely trying and, at times, hostile circumstances.



CHIEF EXECUTIVE'S REPORT CONTINUED

Negotiations have been ongoing at the National Economic Development and Labour Council (NEDLAC) whereby, Government, business and labour have sought to find common ground on this and other labour-related issues in an attempt to negotiate a new labour dispensation for South Africa.

Following this process, the Department of Labour published a number of draft bills in March 2012 dealing with the issue of labour broking as well as proposing other amendments to labour legislation.

These bills have been approved by cabinet and it is now the intention of the Department of Labour to submit these bills to Parliament for final approval and proclamation.

Importantly, these draft bills have been released in the face of vehement objections by both business and labour which effectively undermines the entire NEDLAC process and threatens to derail it.

In a statement issued by Business Unity South Africa, it says that, "The proposed amendments go way beyond preventing abusive practices, and actually interfere with the flexibility of daily business operations and practices, which is an important factor in making business more competitive".

COSATU on the other hand is insistent on calling for a ban on the practice of labour broking.

A further concern is that the draft bills have not been subjected to any independent regulatory impact assessment which could result in the bills being the subject of protracted legal and constitutional challenges if passed into law.

... Adcorp's business is closely aligned to the trend seen in a-typical forms of employment given its significant exposure to the placement of contract workers ...

The bills seek to regulate all forms of a-typical employment and contain provisions which would effectively limit the duration of temporary and contract assignments to a

period of six months for those workers earning less than a pre-set threshold of R172 000 per annum unless an extension to this period can be motivated on justifiable grounds such as where the work is of a seasonal nature or in respect of a project of limited, defined duration.

The bills also seek to impose a principle of "equal pay for work of equal value". In terms of this principle, the bills provide that a temporary worker earning below the threshold of R172 000 and working in excess of an initial six-month period should be treated and remunerated no less favourably than a permanent employee performing similar work. Exceptions can be made, however, where there is a difference in experience, seniority, length of service, merit and the quality or quantity of work performed.

The implications of the proposals on the Adcorp Group if passed into law would certainly make it more difficult to do business with regard to certain business streams but, at the same time, could also present significant business opportunities.

While the Group is still busy assessing, understanding and analysing the impact of the proposed bills, it appears likely that any negative impact on the Group of these proposals, should they be passed into law, would be minimal.

PROCESS IMPROVEMENT

The Group currently runs its operations on the Microsoft Dynamics Ax ERP (enterprise resource planning) platform. The system is now due for an upgrade in line with Microsoft's latest version updates.

As part of the upgrade to the 2012 version of Microsoft Dynamics Ax, the Group has undertaken an extensive review of its internal processes and procedures together with an external consultant with a view to optimising these processes and procedures, standardising them across all operations and automating them where possible.

The Group will then combine all back office processes into one shared service environment.

It is anticipated that the software upgrade coupled with the anticipated process improvements and the single shared service environment could yield sizeable cost savings for the Group as well as driving economies of scale and providing back office cost flexibility.

It is likely that the entire project will be complete by 1 March 2013.

STRATEGIC OPPORTUNITIES

While overall conditions for employment look relatively stagnant, significant pockets of opportunity exist for the Adcorp Group as already described. These can be summarised as follows:

- Enhanced sophistication of the market will drive market share gains for the larger players. This includes:
 - centralised procurement playing a greater role in the acquisition of talent;
 - greater adoption of technology by clients and candidates; and
 - more onerous legislative and regulatory compliance.
- A growing trend in the use of contract workers in preference to permanent workers.
- Heightened training opportunities as a national priority.
- A scarcity of high-end skills is driving strong demand for these skills.
- Attractive opportunities exist in other parts of the African continent with specific reference to the oil, gas, mining and exploration sectors.
- Job creation as South Africa's number one priority in terms of the National Growth Path and the National Planning Commission's recommendations should position the Group well as the largest provider of talent and conduit of job seekers in the country.
- The growth in the provision of atypical financial services products and services to atypical workers has grown into a sizeable revenue stream for the Group and should continue to achieve solid growth.
- The acquisition of Paracon provides the Group with a unique unrivalled, comprehensive product and service offering as well as diversifying and bulking the Group.
- The Group should benefit from internal efficiencies and cost savings as a result of optimising, standardising and automating internal processes and procedures together with the upgrade of the Microsoft Dynamics Ax ERP system.

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.

OUTLOOK AND PROSPECTS

Given the potential opportunities that exist as a result of the changing face of the South African labour market, proposed impending changes to labour legislation, the Group's strong and continued commitment to black economic empowerment, technological advances in the industry as well as our unique marketing positioning, I believe that the Adcorp Group is extremely 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 period and look forward to their continued support in the future.



Richard Pike
Chief Executive Officer



CHIEF FINANCIAL OFFICER'S REPORT

ANTHONY SHER CFO

"The acquisition of Paracon was achieved as a result of the business models' cash-generative capabilities."

STATEMENT OF NORMALISED EARNINGS*

for the year ended 29 February 2012

	Year to 29 Feb 2012 R'000	Year to 28 Feb 2011 R'000	% change
Revenue	6 423 229	5 384 566	19
Cost of sales	(5 188 742)	(4 264 774)	22
Gross profit	1 234 487	1 119 792	10
Other income	56 113	51 967	8
Administrative marketing, selling and operating expenses	(1 086 278)	(1 014 088)	7
Operating profit	204 322	157 671	30
Adjusted for:			
Depreciation	22 692	24 079	(6)
Amortisation of intangible assets	42 480	44 143	(4)
Share-based payments	34 655	31 900	9
Lease-smoothing	(696)	800	
Transaction costs – Acquisition of Paracon Holdings Limited	5 814		
Normalised EBITDA (excluding share-based payments and lease-smoothing)	309 267	258 593	20
Adjusted for:			
Depreciation	(22 692)	(24 079)	(6)
Amortisation of intangibles other than those acquired in a business combination	(13 834)	(10 459)	32
Normalised operating profit	272 741	224 054	22
Net interest paid	(39 877)	(28 673)	39
Normalised profit before taxation	232 864	195 381	19
Normalised taxation	(36 887)	(20 968)	76
Normalised profit for the year	195 977	174 413	12
Normalised effective tax rate	16%	11%	
Normalised earnings per share – cents	300,4	290,2	4
Diluted normalised earnings per share – cents	294,1	283,5	4
Weighted average No of shares – 000's	65 236	60 110	9
Diluted weighted average No of shares – 000's	66 631	61 520	8

* 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.



THE PHILOSOPHY OF THE GROUP CONTINUES TO BE CONSISTENTLY APPLIED WITH AN EMPHASIS ON THE CASH-GENERATING POTENTIAL OF THE UNDERLYING OPERATING ENTITIES.

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 84 (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 RESOURCING BUSINESS** (incorporating flexible and permanent resourcing) – Includes blue-collar flexible-resourcing services (including nursing), white-collar flexible-resourcing services, independent contracting and permanent recruitment services.

- 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 95.

ACCOUNTING POLICIES APPLIED

The accounting policies applied are in accordance with IFRS, as well as the South African Companies Act, 71 of 2008, 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 non-recurring transaction costs



CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

incurred pursuant to the acquisition of Paracon Holdings Limited (Paracon) (refer below) have been separately identified in the determination of the current year's normalised earnings. The table shown on page 28 sets out the normalised earnings for the year ended 29 February 2012 as well as the comparative year.

Normalised earnings for the year of 300,4 cents per share (FY2011: 290,2 cents per share) were some 4% higher than the comparable normalised earnings per share for the prior year. Group revenue of R6 423 million reflected a 19% increase compared to revenues of R5 385 million achieved in the prior year.

While the different operating entities within the Group continue to experience the effects of the economic environment in varying degrees, the blue-collar flexible-staffing businesses of Capacity Outsourcing, Capital Outsourcing Group and Staff-U-Need performed well. EBITDA attributable to these businesses was some 25% higher year-on-year.

The white-collar segment's performance was boosted by the first time inclusion of the independent contracting business emanating from the acquisition of Paracon. The existing white-collar flexible-staffing, permanent recruiting businesses and recruitment advertising business performed satisfactorily.

A disappointing operating performance was produced by FMS Marketing Solutions (FMS), the Group's main exposure to the business process outsourcing (BPO) sector. This was due to continued challenges within its niche area of activities.

Our training business, Production Management Institute of SA (PMI), having concluded a small acquisition during the year, delivered a credible contribution. Continued success was experienced in delivering 5 766 learnerships in terms of the Skills Development Act within the internal Adcorp contract staffing complement. Consistent with previous years, 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 mainly as a result of further traction in the payroll card rollout and the successful introduction of additional new products.

The Group's normalised EBITDA of R309,3 million is some 20% higher than the R258,6 million of the previous year as a result of the increased contribution from the blue-collar segment and the first-time inclusion of Paracon within the white-collar segment. Operating cost control remained

robust evidenced by an increase in the absolute Rand value of 7% year-on-year and an improvement in the expense ratio to 16,9% (2011: 18,8%).

STATEMENT OF FINANCIAL POSITION

The Group's financial position continued to strengthen due to efficient working capital management throughout the period under review. The acquisition of Paracon was achieved as a result of the business models' cash-generative capabilities. As a direct consequence thereof, the Group was able to fund the Paracon acquisition through a combination of an issue of 14,6 million new shares and the raising of acquisition debt in the amount of R272,5 million. The net interest expense of R39,9 million increased by 39% compared to that in the prior year due to the inclusion of interest on the said acquisition debt. A more detailed discussion of the Group's debt instruments appears under the heading below called "Capital Structure".

ACCOUNTS RECEIVABLE MANAGEMENT

Debtor collection remains a critical part of the business and an ongoing focus area for management. The cash-to-cash cycle is a high priority and, in this regard, days settlement outstanding (DSO) totalled 36 days (FY2011: 36 days). This excellent result was achieved despite a challenging collections environment. The ageing of the accounts receivable book remains very well managed with 91% (2011: 92%) of total trade receivables outstanding not exceeding 60 days.

CASH GENERATION

The philosophy of the Group continues to be consistently applied with an emphasis on the cash-generating potential of the underlying operating entities. As such, a cash conversion target of 90% is the stated management objective. In this regard, the Group underachieved its target whereby 79% (2011: 129%) of normalised operating profit was converted into cash.

The R215 million of cash generated by operations is 25% lower when compared to the R288 million for the prior year. Cash generated from operations before working capital increased by 17% (2011: decrease of 7%) but strain in the management of working capital and the inclusion of Paracon resulted in R89 million being consumed from working capital when compared to the R28 million released in the prior year. Subsequent to the year-end, the management of working capital has normalised significantly.

During the current year, the Group incurred increased cash payments in respect of interest, taxation and dividends. This was a result of the inclusion of the interest arising on the Paracon acquisition debt, a higher normalised effective tax rate and the reversion back to a full cash dividend pay-out.



Group abridged cash flow for the year ended 29 February 2012 as well the comparative year

	Year ended 29 Feb 2012 R'000	Year ended 28 Feb 2011 R'000	% change
Cash generated by operations before working capital	304 134	259 503	17
Decrease/(increase) in working capital	(88 945)	28 351	
Cash generated by operations	215 189	287 854	(25)
Net interest paid	(39 877)	(28 673)	39
Taxation paid	(48 955)	(32 632)	50
Free cash generated by operations	126 357	226 549	(44)
Net dividends paid	(110 610)	(42 216)	162
Cash inflows from operations	15 747	184 333	(91)
Cash outflows from investing activities	(304 612)	(23 565)	
Cash inflows/(outflows) from financing activities	329 800	(15 220)	
Net increase in cash and cash equivalents	40 935	145 548	(72)
Net cash and cash equivalents at the beginning of the year	95 302	(50 246)	
Net cash and cash equivalents at the end of the year	136 237	95 302	43
Free cash generated by operations per share – cents	193,7	376,9	

CAPITAL STRUCTURE

The Group's capital structure utilises a combination of equity and debt to achieve financial stability and flexibility. The Group has adopted a long-term gearing ratio of 25% and as previously reported, the directors believe that an optimal mix between committed long-term and short-term borrowings facilities remains two-thirds as to one-third. During the year under review, a long-term debt loan of R100 million was obtained and, as disclosed on page 113, an interest rate swap was entered into resulting in the capping of the applicable rate of interest at 9,93% per annum for the duration of the loan term.

The Group utilises several debt instruments with varying loan durations to fund its operations. As a consequence of good operational cash generation and the corrective management action taken in previous financial years, the Group is under no strain in meeting its contractual debt obligations as and when they fall due.

This strengthened position allowed the Group to execute the Paracon acquisition with a purchase consideration of approximately R637 million using a combination of equity issued and debt raised in the ratio of 60%:40%. The Paracon acquisition debt is reflected below as short term in nature given the designation as bridge loans. It is anticipated that such debt shall be formalised into long-term debt or extended as bridge loans in the foreseeable future. The inclusion of this acquisition debt resulted in the total gearing level of 28% (2011: 12%) exceeding the self-imposed long-term target level of 25%, but it is anticipated that this ratio shall reduce within the target level during the ensuing year.

As at 29 February 2012, there was R136 million net cash on hand (2011: R95 million), which is deemed necessary to meet the working capital cycle requirements of the Group. A summary of the Group's overdraft facilities appears on page 129.



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 29 Feb 2012 R'000	Year ended 28 Feb 2011 R'000
Net cash on hand	(136 237)	(95 302)
Other non-current liabilities	2 582	4 462
Long-term loan	86 667	60 000
Redeemable preference shares	96 000	116 000
Obligations under finance lease	4 957	249
Current portion of other non-current liabilities	8 838	6 061
Current portion of long-term loan*	323 747	15 000
Current portion of redeemable preference shares	22 182	16 199
Total	408 736	122 669
	%	%
Total long-term debt	47	100
Total short-term debt	53	-
Total	100	100

* Includes R272,5 million of Paracon acquisition debt.

DIVIDEND PAYMENT

The Group has declared a final dividend of 80 cents per share (2011: 121 cents per share). When considered with the interim dividend declared of 57 cents per share (2011: 54 cents per share), the total dividends for the year under review total 137 cents per share (2011: 175 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 pay-out. After careful consideration of the cash-generative characteristics of the Group and the higher debt levels, the directors believe it is appropriate to set the dividend pay-out ratio at 2,2 (2011: 1,7) cover based on normalised earnings.

SIX-YEAR REVIEW

The six-year review of key financial indicators is set out on page 78.

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 28,0% 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 6,6 times in line with the target of 6,7 times.

The performance of the Group against stated financial targets for the year ended 29 February 2012 appears in the table below.

	Financial target	Year to Feb 2012	Year to Feb 2011
Return on assets managed (ROAM) (%)	30,0	28,0	28,3
Return on sales (ROS) (%)	4,5	4,2	4,2
Asset turnover (ATO) (times)	6,7	6,6	6,7
Cash conversion ratio (%)	90,0	78,9	128,5
Debtors days	35	36	36
Gearing target (%)	25,0	28,4	12,1

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

	Year to Feb 2012	Year to Feb 2011
Total dividends (cents per share)	137	175
Interim dividend (cents per share)	57	54
Final dividend (cents per share)	80	121

ACQUISITIONS

During the period under review, the acquisitions of Paracon, Learnsys Proprietary Limited and Top Temp Temps UK Proprietary Limited were undertaken. While differing in size, each transaction was undertaken for strategic reasoning and have performed in line with management's expectations.

Further disclosure of such transactions appear on page 126.

TAXATION

Most legal entities within the Group are in a tax-paying position. South African corporate income tax has been provided for at 28% (2011: 28%) and STC on the interim dividend at 10% (2011: 10% on all dividends declared) in the financial statements. In respect of the final dividend declared on 22 May 2012, STC shall not be provided for pursuant to the introduction of dividends tax (DT) which took effect on 1 April 2012.

The Group's overall normalised effective tax rate remains low at 16% (FY2011: 11%) 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 118.

While it is not the Group's intention to be overdependent 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, these incentives may continue for the foreseeable future.



Anthony Sher
Chief Financial Officer





SUSTAINABILITY REPORT





SUSTAINABILITY REPORT

OVERVIEW

This year's sustainability report has been guided by the Global Reporting Initiative G3 guidelines. The Group has recognised that there is a fair way to go before independent assurance can be obtained and has therefore opted to start this reporting process by obtaining private assurance on selected indicators. This information was presented to the Board in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000).

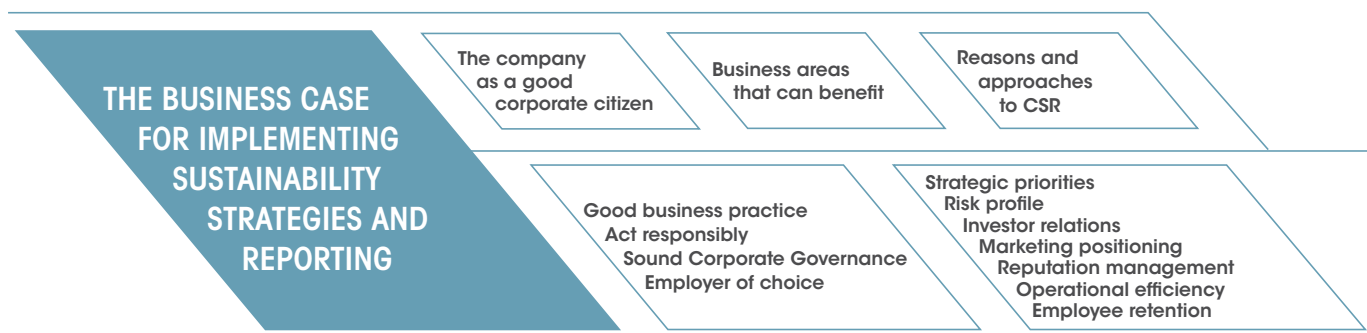
Key sustainability indicators	GRI indicator	2012	2011	2010
Total workforce by employment type, employment contract and region.	LA 1	Page 44	98 352	92 170
Total number of employee turnover by age group, gender and region.	LA 2	Page 44	Not reported	Not reported
Percentage of employees covered by collective bargaining agreements.	LA 4	Page 44		
Average hours of training per employee for the year (specific to learnerships).	LA 10	1 200 notional hours of training per learner	1 200 notional hours of training per learner	Not reported
Total number of incidents of discrimination and actions taken.	HR 4	No incidents reported	No incidents reported	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	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	No operations identified
Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.	HR 7	No operations identified	Not reported	Not reported
Percentage and total number of business units analysed for risks related to corruption.	SO 2	All operations excluding Paracon	All operations	Not reported
Percentage of employees trained in organisation's anti-corruption policies and procedures.	SO 3	All permanent employees excluding Paracon	Permanent employees	Not reported
Actions taken in response to incidents of corruption.	SO 4	None	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	None	Not reported
Materials used by weight or volume.	EN 1	Page 55	Not reported	Not reported
Direct energy consumption by primary energy source.	EN 3	Page 55	Not reported	Not reported
Indirect energy consumption by primary energy source.	EN 4	Page 55	Not reported	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	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 in parallel with the strategic priorities in order to 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. The Group has 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.

SUSTAINABILITY STRATEGY



MACROECONOMIC FACTS

FACT:

WHO ARE THE UNEMPLOYED?
Youth, black Africans that have never worked before

FACT:

UNEMPLOYMENT remains the major challenge facing South Africa

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 formally employed**

4,4 million South Africans are currently unemployed

2,0 million permanently discouraged about their prospects of finding work

2,1 million people underemployed (Stats SA)

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

PROSPECTS FOR 2012/13

- **ENHANCED SOPHISTICATION OF THE MARKET** will drive market share gains for the larger players
- A growing trend in the use of **CONTRACT WORKERS** in preference to **PERMANENT WORKERS**
- **HEIGHTENED TRAINING OPPORTUNITIES** as a national priority
- A scarcity of high-end skills is **DRIVING STRONG DEMAND** for these skills
- **ATTRACTIVE OPPORTUNITIES** exist in other parts of the African continent
- **JOB CREATION** as South Africa's **NUMBER ONE PRIORITY**
- Position the Group well as the **LARGEST PROVIDER OF TALENT** and conduit of job seekers in the country
- **UNIQUE UNRIVALLED, COMPREHENSIVE PRODUCT and SERVICE OFFERING**
- The Group should benefit from internal efficiencies and cost savings as a result of **OPTIMISING, STANDARDISING and AUTOMATING INTERNAL PROCESSES and PROCEDURES**
- **SMALLER COMPETITORS** will be squeezed out of the market as they **STRUGGLE TO COMPETE** with greater complexity and sophistication in the market
- 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 CONTINUED

ECONOMIC SOCIO-ECONOMIC IMPACT

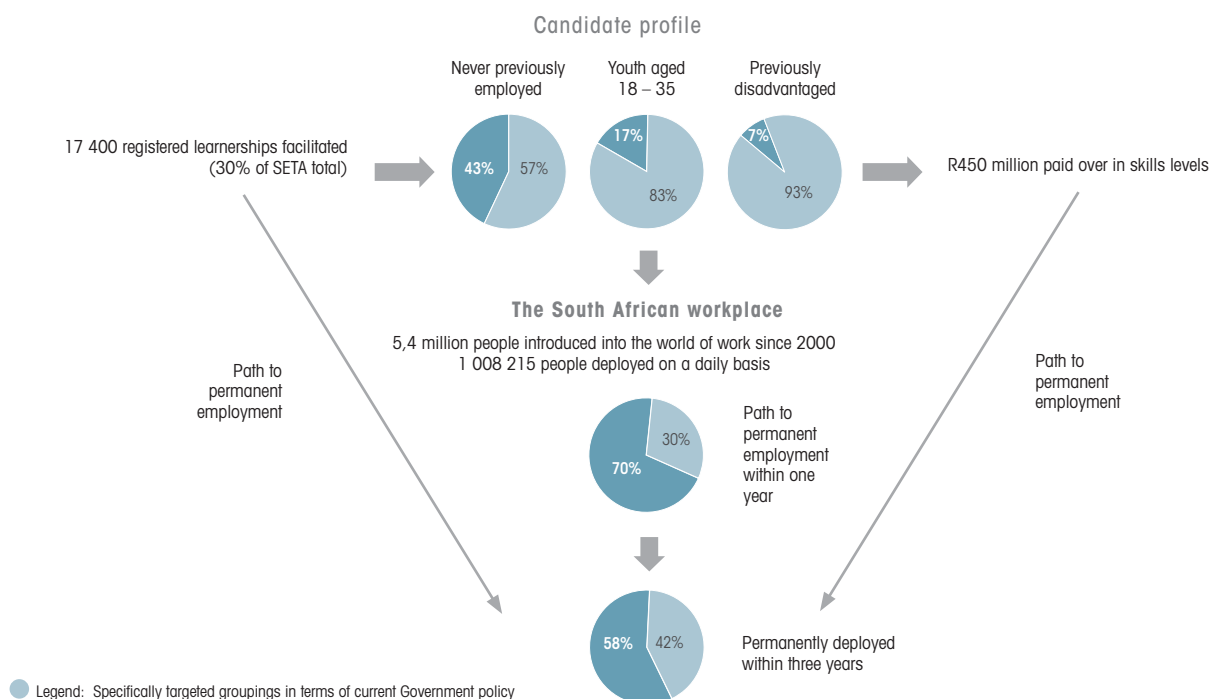
Positioning the Group as the largest provider of talent and conduit for job seekers in the country

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%), in 50% of cases, Adcorp job seekers have never worked before; 72% are youth; and 83% are from disadvantaged backgrounds. This is an important stepping stone for

inexperienced African youth into formal, permanent jobs: 30% go on to permanent employment within one year, and 42% do so within three years.

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. The demographic of the group's workforce can be referred to on pages 42 to 44.

THE SOUTH AFRICAN STAFFING INDUSTRY



SUSTAINABILITY OF LABOUR BROKERS

Labour broking is the fastest-growing sector of the South African labour market. Labour brokers constitute a R45 billion industry employing around 20 000 internal staff and just over one million agency workers ("temps"). In other countries, where labour brokers are called private employment agencies, the industry employs 741 000 internal staff and assign nearly 20 million agency workers in an industry worth R2,3 trillion globally. Agency work now constitutes 7,5% of total employment in South Africa, and it is likely to grow further: in countries with similar levels of development, agency work represents between 12% and 19% of total employment.

The use of labour brokers is overwhelmingly connected to peaks in demand (cited by 61% of clients) and filling-in for absent employees (cited by 48% of clients).

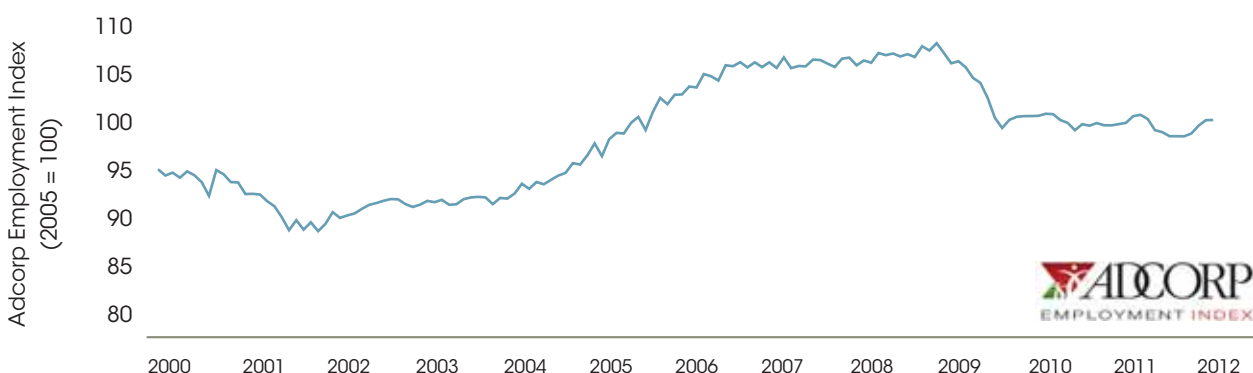
Temporary workers are not substitutes for permanent workers: they play different roles, connected to one or other cycle in the production process, that leads to variable demand for labour. In this context, 3,9 million workers (or 29% of total employment) are temporary in nature – the overwhelming majorities (74%) are employed by companies directly, and a minority (26%, mostly in medium and large business enterprises) are employed through agencies.

Agency workers spend less time looking for work – 90 days, compared to a staggering 806 days (two years and three months) for the average South African job seeker. In addition, agency workers have better access to on-the-job learning: last year labour brokers contributed R450 million to the National Skills Fund and conducted 34% of all learnerships conducted in the country.

ECONOMIC INDICATOR

Adcorp is an eminent authority with regard to the South African labour market and is also a proactive corporate citizen, being involved not only in resourcing, placement and outsourcing services, but also in several public-good initiatives. The labour market is one of the most important markets in South Africa, yet it is relatively poorly understood. It is from this base that the Adcorp Employment Index was developed to provide a barometer of employment trends on a monthly basis. Adcorp's 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 being utilised both locally and internationally.

The index has also presented the Group with the ability to further its reach and extend its positive influence with stakeholders on a strategic level. The Adcorp Employment Index is broadcast in several of South Africa's official languages, published online and in national papers across the country.



ECONOMIC VALUE ADD

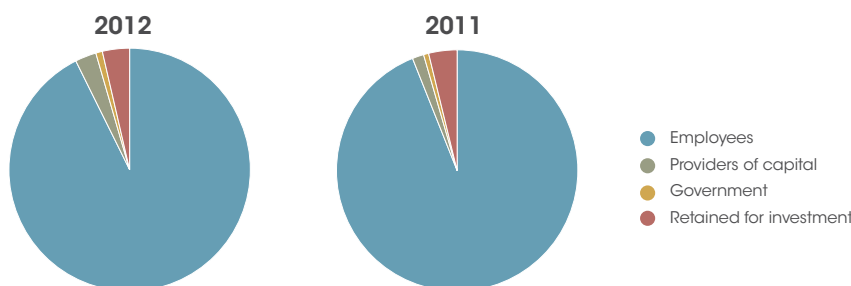
In FY2012, Adcorp's activities generated R5 456 million in economic value add. Adcorp contributes to the socio-economic environment in a variety of ways, including, inter alia, the payment of salaries and wages to Group employees and dividend payments to shareholders. Additionally, taxes paid by the 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	2012	2011	2010
Employees	5 052	4 536	4 166
– Temporary staff	4 403	3 941	3 611
– Permanent staff	649	595	555
Providers of capital	154	74	180
Government	49	33	58
Retained for investment	201	184	199
Total value added	5 456	4 827	4 603





SUSTAINABILITY REPORT CONTINUED

DIVERSIFICATION AND INNOVATION

Through strategic acquisitions, the Group broadened its spectrum of comprehensive resourcing solutions. Adcorp's unique offering provides the Group with a unique unrivalled, comprehensive product and service offering under one roof.

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 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 throughout the Group's operations in order to measure the overall satisfaction levels of clients have 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 receives an individual client rating alongside an overall score.

The Group achieved a consolidated overall "customer service index" of 73% 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.

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.

CASE STUDY



*Top-of-mind –
I'm working towards
being a leading IT
developer*

KGOMOTSO MATJILA

Kgomotso Matjila has worked in several different call centres for various companies located in diverse sectors.

Conventional wisdom would construe this trajectory as counter to developing a solid career path. However, it is precisely this experience that has provided Kgomotso with a promising foundation for further training and career progression.

He started working at a call centre in 2009, an opportunity he found through one of Adcorp's Group companies. The job was coupled with a Recognition of Prior Learning (RPL) assessment followed by intensive training.

"This was effectively a sales position but it provided me with the chance to move around different departments at the bank and to learn. After 12 months, I became an accredited banker, important milestone."

RECOGNISE EVERY JOB AS CAREER BUILDING

FACT FILE

- | | |
|--|---|
| 2002 – Matriculated at Sir John Adamson High School | 2009 – IT call centre contract moves to India, SA contract terminates |
| 2006 – Temp position at a financial institution facilitated through an Adcorp Group company | 2011 – Became a permanent employee at a financial banking institution facilitated by an Adcorp Group company |
| 2008 – Call centre for an IT company servicing customers in the UK | |

Despite enjoying the lifestyle that went with temporary positions, Kgomotso had his sights set on something more permanent.

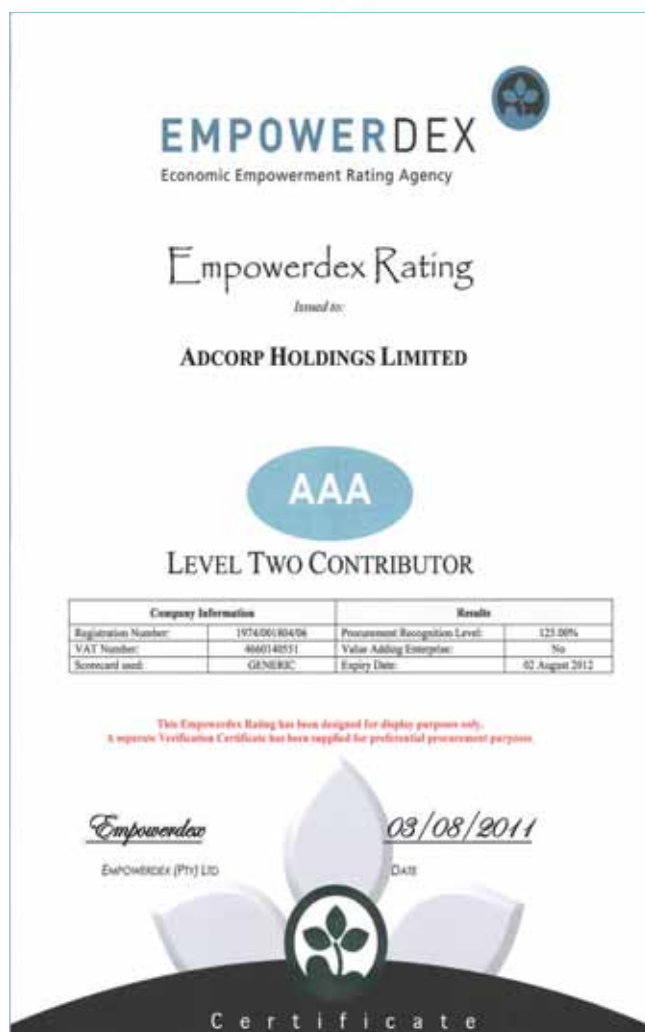
"The account manager explained to me that my track record would stand me in good stead. She made an effort to get to know me so as to find the right placement for me."

As the eldest of three, Kgomotso's mother is proud that her first born has set a fine example for her other two children to follow.

Kgomotso Matjila's words of wisdom:

"You have to ride the tough times; keep focused and be true to yourself."

SOCIAL

**Empowerment – BBBEE accelerating transformation**

Commitment has been obtained from the Board to make the principles of BBBEE very tangible since the inception of democracy in South Africa. The Group's strong empowerment credentials are evident through its consistent performance of being ranked for many years within South Africa's most empowered companies, rated by Empowerdex. Overall, the Group is a level 2 contributor, which has procurement recognition of 125%.

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 Benefit 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% after consideration given to mandated investments. Direct black female ownership in Adcorp Holdings Limited is calculated to be 15,90%, using the modified flow-through principle.

That South Africa is saddled with a legacy of severe socio-economic imbalance between predominantly white and black citizens. 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:

1. Management control
2. Employment equity
3. Skills development
4. Preferential procurement
5. Enterprise development
6. Socio-economic development
7. Ownership

Summary of DTI Codes scores for the Group

Element	Indicator	2012	2011	2010
1. Management control	Board (%)	50	52,78	65,00
	Top black executives (%)	12,5	12,50	25,00
	Score	6,06	6,06	5,94
2. Employment equity	Black representation at senior, junior and middle management level	8,24	8,55	10,00
3. Skills development	Skills spend (%)	1,63	2,34	2,18
	Score	9,25	10,67	10,11
4. Preferential procurement	BBBEE procurement spend (%)	99,92	96,37	89,43
	Score	20,00	20,00	20,00
5. Enterprise development	Average annual value of all enterprise development contributions (%)	2,91	3,98	6,20
	Score	14,57	15,00	15,00
6. Socio-economic development	Average annual value of all socio-economic development contributions (%)	1,05	1,31	1,79
	Score	5,00	5,00	5,00
7. Ownership	Exercisable voting rights (%)	33,04	33,54	33,33
	Economic interest (%)	33,04	33,54	33,33
	Score	21,86	21,78	22,00
Overall BEE score		85,03	87,06	88,05



SUSTAINABILITY REPORT CONTINUED

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

Adcorp positions itself as the largest provider of talent and conduit for job seekers in the country, with a total headcount of 83 784 broken down as follows:

Occupational levels	Male				Female				Foreign nationals		Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top management	5	–	1	22	5	–	2	11	–	2	48
Senior management	3	2	4	40	4	4	5	54	–	1	117
Professionally qualified and experienced specialists and midmanagement	19	11	11	78	15	13	16	137	2	4	306
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	155	89	58	181	156	142	77	376	3	9	1 246
Semi-skilled and discretionary decision-making	392	94	67	100	318	117	61	173	5	2	1 329
Unskilled and defined decision-making	77	11	–	23	118	21	1	31	–	2	284
TOTAL PERMANENT	651	207	141	444	616	297	162	782	10	20	3 330
Temporary employees employed for less than three months	19 192	2 656	998	990	13 469	3 136	696	1 574	371	260	43 342
TOTAL	19 843	2 863	1 139	1 434	14 085	3 433	858	2 356	381	280	46 672
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	19 192	2 656	998	990	13 469	3 136	696	1 574	371	260	43 342
Temporary employees employed for more than three months	19 466	2 804	1 219	566	8 900	2 350	612	491	501	203	37 112
Total number of temporary employees as at 31 March 2012	38 658	5 460	2 217	1 556	22 369	5 486	1 308	2 065	872	463	80 454

EMPLOYMENT EQUITY

PERMANENT STAFF

for the 12 months ended 31 March 2012*

	2012	2011
Total workforce	3 330	2 282
Total employees with disabilities	66	46
Workforce profile		
Race and gender profile		
Non-designated Group (includes foreign nationals)	474	293
White females	782	615
Black males	999	564
Black females	1 075	810
Occupational level profile		
Management (top, senior, middle and junior)*	1 717	1 237
Non-management	1 613	1 045
Management profile by gender (top management, senior management, middle management, junior management)		
Females	1 033	835
Males	684	402
Management profile by race		
Black	797	557
White (includes foreign nationals)	920	680
Non-management profile by gender		
Females	844	613
Males	769	432
Non-management profile by race		
Black	1 277	817
White (includes foreign nationals)	336	228
Disability profile		
Management	9	6
Non-management	57	40
People with disabilities by gender		
Females	39	22
Males	27	24
Total employees before reporting cycle		
Add: Recruits (including intake of SUN 2010 and LearnSys and the Paracon Group 2011)	2 294	999
Less: Resignations (includes absconsions and desertions from 2009 as per instruction from DoL)	797	639
(Project staff)		
Non-renewal of contracts (contract employees)	290	84
Dismissals (misconduct and incapacity)	91	87
Retirements (including in other in previous years)	5	3
Deaths (included in other in previous years) – ito 2010 information, this is included above in retirements	6	6
Retrenchments	57	68
	3 330	2 282

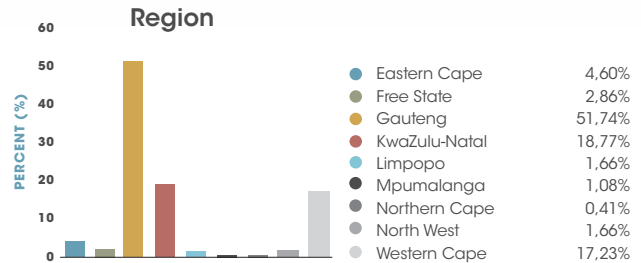
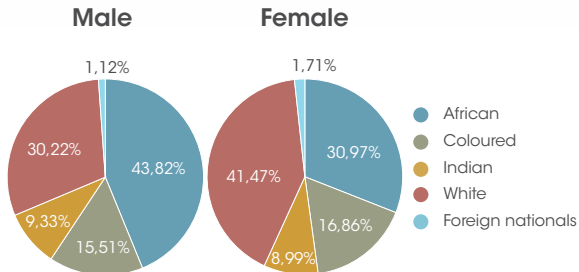
* The skills development-reporting period runs from 1 April to 31 March and the equity-reporting period has been aligned to this. The presentation of this table is consistent with prior years.



SUSTAINABILITY REPORT CONTINUED

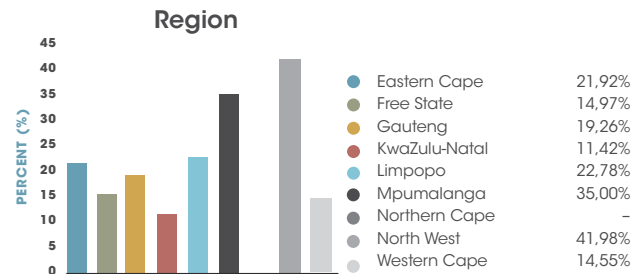
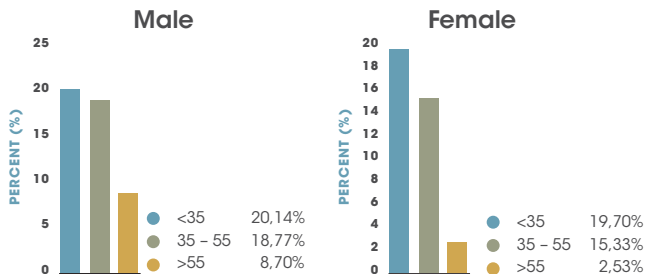
The data reflected below of the Groups total workforce includes all permanent, temporary and independent contract workers for the six-month period – 1 April to 31 October 2011.

TOTAL WORKFORCE



LABOUR TURNOVER

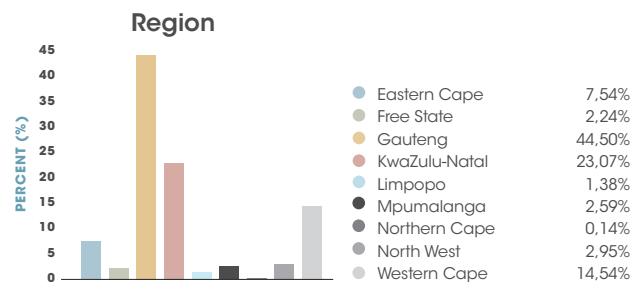
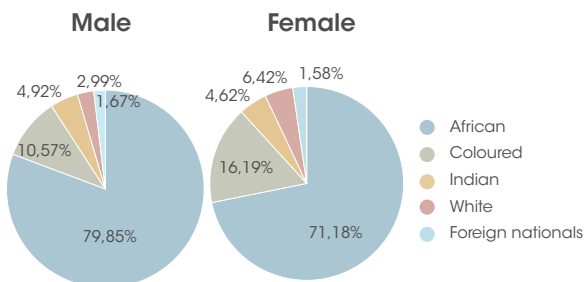
By region, gender and age for the period 1 April 2011 to 31 October 2011



BARGAINING COUNCIL

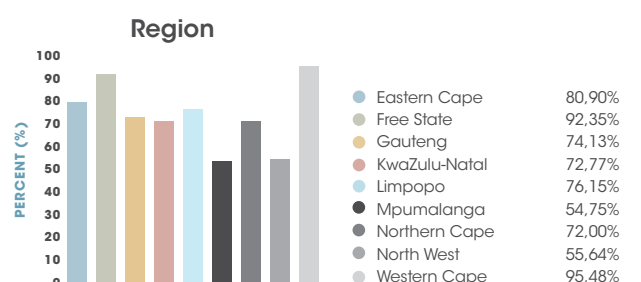
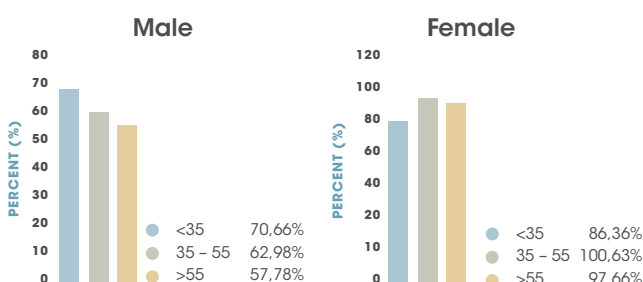
Bargaining Council		Permanent staff		Temporary staff	
		Number	% of total	Number	% of total
Cleaning	Contract Cleaning Service Industry	0	0	12	0.01
Electrical	Electrical Industry	0	0	1 202	1.43
Furniture	Furniture Industry	0	0	401	0.48
MEIBC	Metal and Engineering Bargaining Council	0	0	3 830	4.55
MIBCO	Motor Industry Bargaining Council	0	0	2 517	2.99
NRFBC	National Road Freight Bargaining Council	0	0	1 732	2.06
NBCS	Sugar Industry	0	0	69	0.08
None	No bargaining council	2 414	100	74 413	88.40
GRAND TOTAL		2 414	100	84 176	100.00

TOTAL WORKFORCE



LABOUR TURNOVER

By region, gender and age for the period 1 April 2011 to 31 October 2011



SKILLS DEVELOPMENT AND TRAINING

Position the Group as the leading provider of scarce technical skills

Adcorp's operating divisions are empowered and encouraged to formulate their training and development according to their specific requirements. At the same time, these training initiatives contribute to upskilling the South African workforce in line with Government's stated objectives in this regard.

A new engineering training facility was launched in June 2011. The training centre located in Johannesburg is home to a full infrastructure required to produce qualified electricians, boilermakers and welders – three trades identified as being in particularly short supply. South Africa's shortage of skills, especially artisans, is largely responsible for the country's ongoing failure to achieve its targeted growth rate. Adcorp has sponsored 10 bursaries for a two-year apprenticeship at this facility.

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.

Learnerships

The Group has continued to focus on offering its candidates learnerships, 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 benefit us in terms of the higher calibre of candidates we are able to attract.

There has also been a focus on commercialising the learnership model into the open market, which is gaining momentum. An increasing need for FSB-approved qualifications within the Banking and Insurance sectors has shown a significant spike in demand, coupled with the introduction of a Business Practice qualification as an up-skilling initiative within the blue-collar unskilled and semi-skilled environment.

Over and above this, Adcorp has provided functional work readiness training for over 650 first-time work seekers to prepare them for the world of work across various sectors.

Number of learnerships across the Group

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	1 685	6	2	5	–	1 364	490	746
Capital	1 949	11	4	6	105	1 491	656	929
SUN	297	3	2	4	–	208	76	106
Charisma	50	1	1	1	–	35	48	2
Quest	1 388	14	5	5	–	1 254	551	611
Emmanuels	313	5	3	4	–	299	266	–
AGBS	25	2	2	2	–	10	25	–
PMI	59	5	3	2	–	39	21	16
	5 766	47	5	29	105	4 700	2 133	2 410

* 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.

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.





SOUND HUMAN RESOURCE POLICIES AND BEST PRACTICE APPROACH

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, our employees are aware of the level of performance required for their own, and the Group's continued success.

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.

The new established Adcorp Leadership Academy was developed to create a leadership pipeline to further enhance the existing talent pool within the Group in order to meet increasingly complex business demands, facilitate succession planning and internal promotion opportunities.

This 12-month learning programme was launched on 27 September 2011. It is facilitated and accredited by a recognised business school and the Group will host the first graduation ceremony at the Annual Leadership conference.

CODE OF ETHICAL CONDUCT

Adcorp is committed to conducting healthy business practices with honesty and integrity that 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 1 March 2010, is monitored by an independent audit firm.

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

A total of two alleged fraud cases were reported on the ethics line. Both were investigated and no evidence indicating fraud was found.



RECOGNITION AND REWARD – CHAIRMAN'S AWARDS PICTURES

Adcorp prides itself on the phenomenal performance and sustained growth it has experienced over the past years, none of which would 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 honoured and rewarded.

Adcorp's 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.





SUSTAINABILITY REPORT CONTINUED

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.

A Group-wide assist programme is provided to all 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 80 000, 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 counseling; and
- healthcare and retirement funding.

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, the Group's temporary workforce, which spans various industry sectors, is 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.

The Group's operations are committed to:

- a safe and healthy working environment;
- supporting safety, health and environmental programmes of our clients;
- awareness of health, safety and environmental issues;
- training and developing an understanding of safety, health and environmental obligations;
- continuous development of SHE management systems;
- integrating safety, health and environmental issues in all our business aspects;
- conforming to client's occupational health and safety standards;
- regularly evaluating SHE performance through audits to enhance improvement; and
- reviewing SHE policy on an ongoing basis to ensure continuous alignment with the business ethics.


HIV/Aids remains a major social issue around the world.

The Group's approach to this pandemic 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.






Province of the Eastern Cape
DEPARTMENT OF EDUCATION
IBEBE LEZEMFUNDU
DEPARTEMENT VAN ONDERWYS
P.B.X.3010, BUTTERWORTH 4940, SOUTH AFRICA

Reference: CMBCEIT NO.8 Enquiries: Mr L.M. Ngobetsa Tel. NO: 0870502774 FAX: 047-4919655 DATE: 20 May 2011

The CEO
Adcorp Holding Ltd.
Gauteng
South Africa


RE: ACKNOWLEDGING RECEIPT OF THE BURSARY FUND


The Dept. of Education in the Butterworth district extends its sincere gratitude to the Adcorp Holding Ltd. for the bursary fund (R200,000) that it has deposited to the coffers of Lingeletu Combined School. The commitment made by the company has transformed into reality.

On 25 May 2011 the school put together a ceremony to symbolically hand over the bursaries to the identified learners. This was a well organised ceremony that brought the school community together in celebration and in thanks-giving. The name of Adcorp Holding Ltd was praised and glorified. A district official was sent to officiate in this ceremony.

We promise not to abdicate our obligation of ensuring that the fund is spent wisely and on educational matters. We will not hesitate to act when circumstances warrant.

May you continue to provide opportunities to those who have lost hope.


L.M. NGOBETSHA (District Manager)


M.A. JACK (District Director)

CORPORATE SOCIAL INVESTMENT

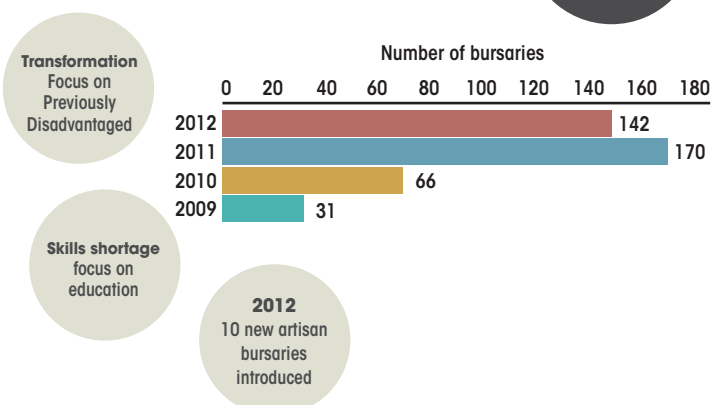
Corporate Social Investment (CSI) is a vital part of Adcorp's identity and it is with a great sense of pride that the Group so positively influences the lives of many. With a history of creating, maintaining and supporting developmental, social and environmental projects distinguishes who we are today. 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, various other ad hoc initiatives 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.

SOCIAL PRIORITIES

Corporate Social Investment

Adcorp currently funds
409 bursaries





SUSTAINABILITY REPORT CONTINUED

CSI initiatives	Description	Progress/outcome
ADCORP VEGETABLE GARDENS	One of Adcorp's very first projects was supporting a number of community-based vegetable gardens. The Adcorp CSI team constructed 13 all-weather hydroponic tunnels at a cost of R5,2 million which are tended for year-round vegetable production. Deserving unemployed people from the surrounding communities were selected and trained to work the gardens, and once the gardens were self-sufficient, Adcorp handed them over to serve as the communities' source of income.	The Group is pleased to report that the vegetable gardens project displayed all the characteristics of a sustainable CSI initiative right from the start. The communities and gardens have reached a point of self-sufficiency which does not require further financial support. As such, Adcorp no longer plays the 'hand-holding' role it did when the project commenced in 2003. This project is proof that a sustained and careful investment in social projects by a corporate pays enormous dividends. It is an achievement of which the Group is truly proud.
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 and landscape such as an area with indigenous vegetation. The 'adoption' may advertise its involvement in this initiative onsite. This initiative encourages the public to take care of the environment.	After an initial investment of R500 000 to rehabilitate an illegal dumping ground, the 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 until 2013.
AFRIKA TIKKUN ADFUSION	Our CSI team collectively raised R20 000 from Adfusion employees and Adcorp. The donation to our CSI partner Afrika Tikkun was spent on food parcels, sports equipment and educational toys, which were distributed to the selected Diepsloot participants within the community, the Youth Development Centre (YDC) and Early Child Development Centre (ECD). More recently, Adfusion took part in our first CSI initiative for the year, with the Adfusion employees collecting and donating chocolate Easter eggs to Afrika Tikkun. The eggs were distributed to children in the Diepsloot community. A portion of the collection was also distributed to support staff within Adfusion and Adcorp Holdings.	The Adfusion team took part in the Discovery 702 Walk the Talk on 24 July 2011, supported by our CSI partner, Afrika Tikkun. Adfusion spent 67 minutes in honour of much-loved Nelson Mandela on Monday, 18 July 2011 in celebration of his birthday. The Adfusion staff visited Diepsloot located in northern Johannesburg and donated blankets to the community. Afrika Tikkun social workers, who are active in the community, carefully selected the recipients of the blankets: those who were most in need.
BIBS FOR CAR GUARDS AND THE POLICE FORUM CAPACITY	In response to a call from Councillor Joe Mkhize of Ward 60, Pretoria Central, Capacity donated 100 bibs to the Pretoria Community Policing Forum, which were issued to the volunteers. A subsequent plea for bibs by Councillor Mkhize was also heard by Capacity. An additional 100 bibs were donated to the Car Watch Project in the area around Church Square.	The initiative is intended to reduce crime by making the Pretoria Community Policing Forum and car guards visible and identifiable.
BURSARIES ADCORP QUEST	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 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. Quest's social interests are connected to the Life College, the cradle of champions. The 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 and sustainable programmes, which empower students to achieve their greatest potential and unlock productivity throughout their lives. In addition to the Life College, Quest for Knowledge sponsors online computer skills training and has influenced the lives of 275 learners to date.	The scheme was launched in 2008. Successful candidates from grades 7 to 10 are individually sponsored, with monies deposited into the schools' bank accounts for tuition, sports, academic costs and accommodation expenses. Learners from families who earn less than R11 000 a month and who achieve a minimum overall academic average of 55%, qualify for the bursaries and scholarships. Academic progress is monitored by Adcorp, as is the responsible use of the monies by the schools. Quest for Knowledge has sponsored the following computer skills training: <ul style="list-style-type: none"> • 60 PowerPoint courses • 76 Excel courses • 65 Word courses • 53 Outlook courses • 1 Internet Explorer course • 2 Access courses



BURSARIES ADCORP AND QUEST



CSI initiatives

Description

Progress/outcome

**CHOC
"THE COWS"
ADCORP**

The CHOC Cows "love living life" and Adcorp fully supports this moving project which raises awareness for the Childhood Cancer Foundation of South Africa (CHOC). CHOC is a countrywide voluntary organisation, bringing together the parents of children who suffer from all types 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.

Adcorp has sponsored the Cows for three consecutive years in their attempts to raise awareness for CHOC, by riding a branded ice-cream bike in the Momentum 94.7 Cycle Challenge. The 2011 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. The project's reach is twofold, as the bike is donated to an informal vendor after the race. These bike donations make a dramatic change in the lives of the vendors.

**DOT
DAV**

DOT (Do One Thing) is initiated, driven and supported by DAV employees. The DOT programme is underpinned by the motto: Building a Better Tomorrow, Today. Animals in distress, the elderly, orphaned children and troubled teens are helped by staff who use their own time and resources to enable upliftment and welfare.

Investment is made in various forms, from financial assistance to time and clothing. To date, R24 325 has been donated by staff from their own pockets.

Buy-in: This CSI programme is thoroughly supported by executive management and employees. It is evident in the fact that the volunteering participants represent all categories within the organisation.

We will continue to achieve more buy-in by:

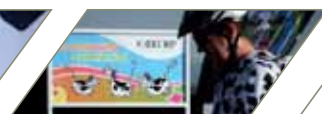
- continuously identifying employee involvement opportunities;
- providing feedback of initiatives through our internal communication channel; and
- encouraging our stakeholders to get involved.

**'I CAN'
ADCORP/PMI/
ADFUSION**

Adcorp, PMI and I Can have collectively established 'disability incubators' in KZN and Gauteng. The target group consists of persons with intellectual disabilities who are trained on life skills through an adapted Learnership assessment methodology.

Last year ADFusion was proud to be part of a canteen and car wash initiative at the PMI Campus in Durban. Following the success of this initiative, ADFusion and I Can extended the Enterprise Development initiative to the enterprise Khulisani (Growing Together). Khulisani is a 50,1% black female-owned enterprise, which will see to the opening of canteens in every PMI Campus nationally. These canteens will create employment for disabled learners across the country.

This project has multiple benefits including the upliftment of persons with intellectual disabilities, and the creation of a mechanism for corporate clients (both in and outside Adcorp) to participate with the downstream benefit of positively impacting their BBEE scorecards and 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 holistic intervention consisting of an occupational therapist, speech therapist and remedial educator.

AFRIKA TIKKUN ADFUSION

**CHOC
"THE COWS"
ADCORP**




SUSTAINABILITY REPORT CONTINUED

CSI initiatives	Description	Progress/outcome
EMPLOYABILITY-VUL'INDELELA CAPACITY	Capacity is committed to upliftment and empowerment via training initiatives that extend beyond Capacity's own staff and assignees. It has therefore entered into development programmes within relevant communities. Opening the Way: EmployAbility-Vul'indlela creates supported employment opportunities for people with intellectual disabilities in mainstream working environments via a job coach.	<p>Over the past years, Capacity has assisted the organisation to build capacity and embark on specific community-based development projects. One of EmployAbility's key focus areas has been to extend its services on a larger scale into disadvantaged communities.</p> <p>This partnership has paralleled the growth of EmployAbility, and has increased Capacity's monthly support. The funding from Capacity has been utilised towards the employment of John Dikgale as a Job Coach.</p> <p>To date, John has assisted in doing pro bono job coaching for a number of individuals from disadvantaged communities surrounding Johannesburg. He is currently working on a transition from school to the workplace project with a group of four learners at the Casa-da-Sol School for learners with special needs. This project has been named the Capacity Outreach Project.</p>
EMPLOYABILITY "CASUAL DAY" ADCORP	Casual Day supports EmployAbility, a non-profit organisation supporting people with intellectual disabilities.	Adcorp sponsors all its permanent employees' participation in Casual Day, as a Group-wide team-building initiative. This year the Group's employees 'dressed for laughs'. Although it was a very festive Friday, it provided Adcorp with the opportunity to support those less fortunate by raising funds and awareness among our various stakeholders.
IKAGENG ITIRELENG AIDS MINISTRY STAFF-U-NEED	<p>Ikageng is an NGO which was founded by Carol Dyantyi in 2003. This community outreach project currently serves over 1 300 HIV/Aids orphaned and vulnerable children. Most of the children come from child-headed households, where one child in an average of six children per household is forced by circumstances to meet the needs of the younger siblings or assume the role of the parent. Others have a terminally ill parent or no parents at all.</p> <p>Staff-U-Need's permanent female employees initiated the project and have been collecting supplies for these orphaned children since 2009.</p>	It is Staff-U-Need's intention to adopt this NGO and assist with the collecting of supplies and its education programmes.

'I CAN' ADCORP/PMI/ADFUSION



CSI initiatives	Description	Progress/outcome
IKAYA INAKEKELAYO (PREVIOUSLY NAKAKELE CRÈCHE), RICHARDS BAY CAPACITY	<p>The iKaya iNakekelayo project in Richards Bay, northern KwaZulu-Natal, provides a place of safety for abandoned and/or abused babies and young children from previously disadvantaged communities.</p> <p>Support is given by contributing towards the salaries of the care workers.</p> <p>Regular collections and donations by Capacity staff assist with the day-to-day overhead costs and needs of the facility, like toys and clothing.</p>	Currently, the project enjoys less formalised, but more passionate support from individual staff members, particularly over the festive season.
LIFELONG LEARNING: COMMUNITY-BASED LEARNERSHIPS CAPACITY	Further training initiatives include the full Learnership in Business Practice, with 29 unemployed community members already several months into the pilot project. Another very exciting project, also a collaborative partnership with a client, provided the training for six disabled, unskilled and unemployed individuals to drive forklifts.	<p>The project was a resounding success and all six participants achieved full licensing and:</p> <ul style="list-style-type: none"> • one of the individuals has been employed permanently; • three are employed regularly on contract basis; and • two have been added to Capacity's database and are employed on an ad hoc basis.
RAPID RESPONSE VOLUNTEERS CAPACITY	Capacity has been managing the litter collecting within Ateridgeville, working with one of the youth leaders, Mr Lehlonolo Mokwena. Capacity has provided employment for the youth; approximately 1 000 volunteers have been involved with litter picking over the past two years. Many of these volunteers now work part-time for Capacity.	Mr Mokwena is responsible for monitoring Rapid Response cleaning, and also participated in the coordination of teams who kept the city clean during the strike period. He is a founding member of YARD (Youth in Agricultural and Rural Development), whose role it is to raise awareness among the youth on agricultural topics, lobby for rural development and educate on the environment. Capacity looks forward to further collaboration with YARD and the youth in the Tshwane area in the initiatives planned for Recycling and Social Development.
SMILE WEEK DAV	Thanks to the Smile Foundation and DAV, 15 children born with cleft palates received facial reconstructive surgery that has changed their lives forever. Consultants were challenged to reach placement targets and by successfully achieving them, DAV sponsored 15 surgeries and put smiles on children's faces.	In support of Smile Week, R300 000 was allocated for the surgeries in 2011. A further R300 000 has been budgeted for 2012.
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 the team is the responsibility of Capital employee Joe Mahlangu. Joe is an orphan himself and therefore identified with this team in need. An injury left him unable to play soccer but he felt an immense need to share his knowledge. Through the financial support of COG and Joe taking on the role of coach and mentor, the team has been given the opportunity to shine. COG's sponsorship has gone far beyond a financial contribution and employment has been secured for team members without jobs. The team's success is overwhelming; 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 stars.



SMILE WEEK DAV





SUSTAINABILITY REPORT CONTINUED

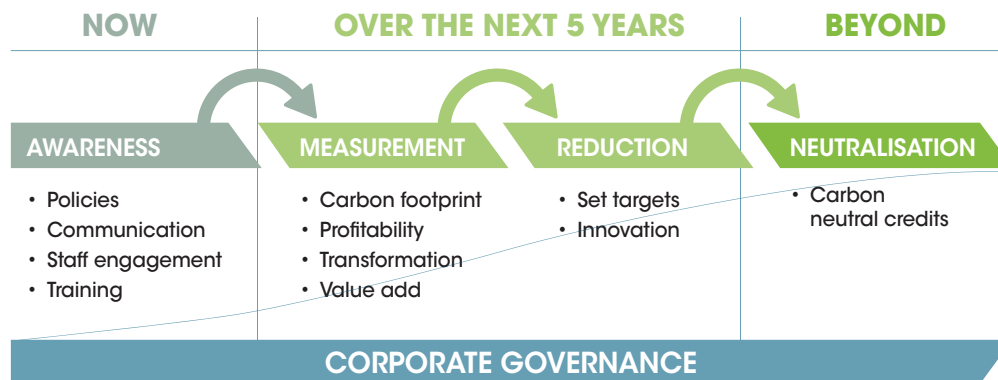
ENVIRONMENTAL

ENCOURAGE INNOVATIVE "GREEN" INITIATIVES GROUP-WIDE

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, being 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.

ENVIRONMENTAL STRATEGY



CREATING AWARENESS AROUND THE GROUP'S ENVIRONMENTAL IMPACT

The Group's awareness campaign around environmental sustainability is a journey that commenced last year and is set to be implemented in stages over the next five years. In the near future, Adcorp intends it to be a part of the Group's defining identity and not just an ambitious business strategy. 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 that will ultimately enable the existing entrepreneurial spirit of the Group's operations to thrive and create business value in the day-to-day activities.

Various initiatives within the operations have already gained traction on a "reduce, reuse, recycle" approach which encourages commitment and a focus to reducing the Group's carbon footprint.

LEAD INDUSTRY INITIATOR IN CARBON OFFSETTING INNOVATIVE TECHNOLOGY PRODUCTS

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 offering diverse logical solutions enterprise-wide that facilitate workforce optimisation and unlock optimum client benefits to promote greater environmental responsibility.

Last year the Group was unable to measure its direct impact and the exact paper consumption for the period under review, substantial progress has been made in monitoring the Group's carbon footprint for the current reporting period.

A sustainability and environmental policy has been developed, approved by the Executive Committee and followed by a Group-wide awareness campaign.

"Work smart. Go Green...in 5 easy steps."

It is **Green Office Week (GOW)** from
16 – 20 April 2012

Quest encourages all employees to participate and add their contribution to eco-friendly workplaces.

Each day, starting from next Monday, we will be sharing Green Office Tips with you in 5 easy steps to help bring you closer to eco-friendly workplaces. Look out for these easy steps at the main entrance of your branches.

We will also be emailing tips focusing on different areas that can contribute to eco-friendly environments throughout the week. So keep your inboxes in check.

To mark the start of this initiative, each staff member will receive an eco-friendly Quest branded pen made out of recycled material. Everytime you use the pen, Think Quest and about the environment.

COMPETITION

To ensure that all Quest employees are engaged in this worthy cause, we will be running an exciting competition under the theme "Don't be left Green with Envy". All you need to do is send an email to marketing@quest.co.za with suggestions on how we can make our workplace greener and you could stand a chance of winning 1 of 3 Meal Vouchers to the value of R250 each.

Competition starts on 16 April and closes on 30 April 2012. On your Marks. Get Set. Ready... GOW!!!



GOOD CORPORATE CITIZEN

A joint partnership with one of our office automation suppliers 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 that 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.

52% of printing reported for the Group may be considered carbon neutral

	Unit	Total Group	CO ₂ emissions	Calculation metrics
Electricity	kWh	3 771 396	3 733,68	1 ton CO ₂ e/MWh
Paper	Copies printed	26 692 625	365,86	1 581 kg CO ₂ e per ton paper*
Fuel – Petrol	Litre	461 733	1 066,60	2,31kg CO ₂ /l
Fuel – Diesel	Litre	266 008	710,24	2,31kg CO ₂ /l

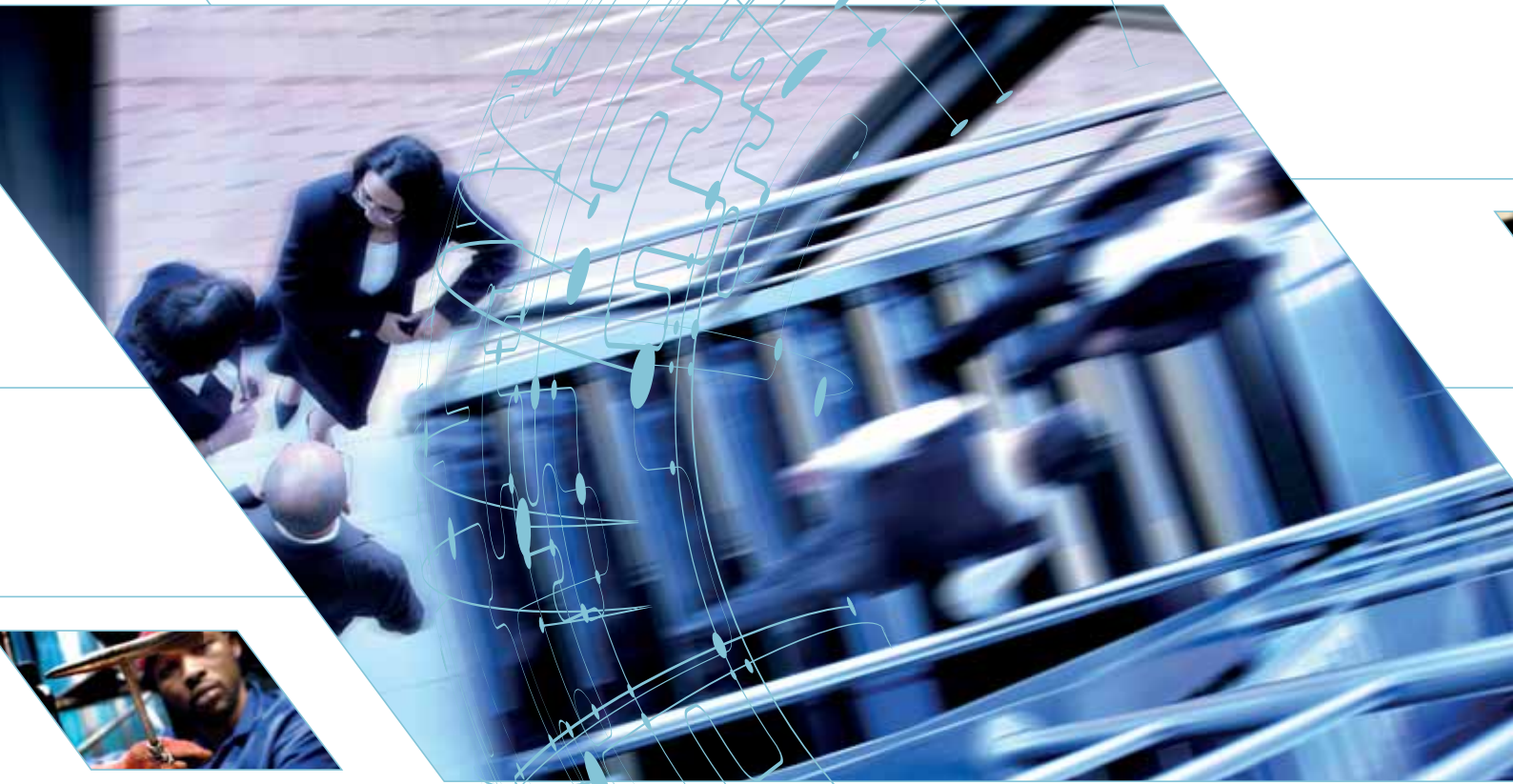
* 1 581 kg CO₂e per ton paper

The emissions to air at production were 1 581 kg per ton paper and was obtained from Mondi and Sappi Paper Profiles for: Sappi Typek Office Paper Recycled; Sappi Typek Office White & Mondi Rotatrim Business Paper. The electricity consumption by the paper producer was 1 172 kWh per ton of paper and was obtained from Mondi Business Paper and based on production at their Merebank Mill in Durban South Africa.
1 172 kWh per ton paper
500 sheets = 2.5 kgs

The information reported above has been calculated in line with the following in- and exclusions:

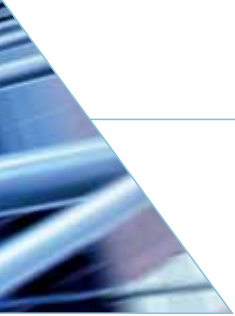
Area	Inclusions	Exclusions
Electricity – kilowatt	Actual or estimated electricity consumption associated with buildings rented by Adcorp.	n/a
Paper – copies printed	Actual number of printed copies as reported by third-party suppliers.	Pre-printed stationery, envelopes and paper bought not used in printers monitored by third-party suppliers*.
Payslips printed	Actual payslips printed for temporary and permanent employees.	
Fuel – Petrol/ Diesel	Actual consumption of all vehicles owned by Adcorp	Actual consumption for vehicles used for business purposes, owned by employees*.

* The Group is in the process of making the necessary amendments to the current systems and processes that will enable the inclusion of some of the areas excluded in this report, in future years.





CORPORATE GOVERNANCE



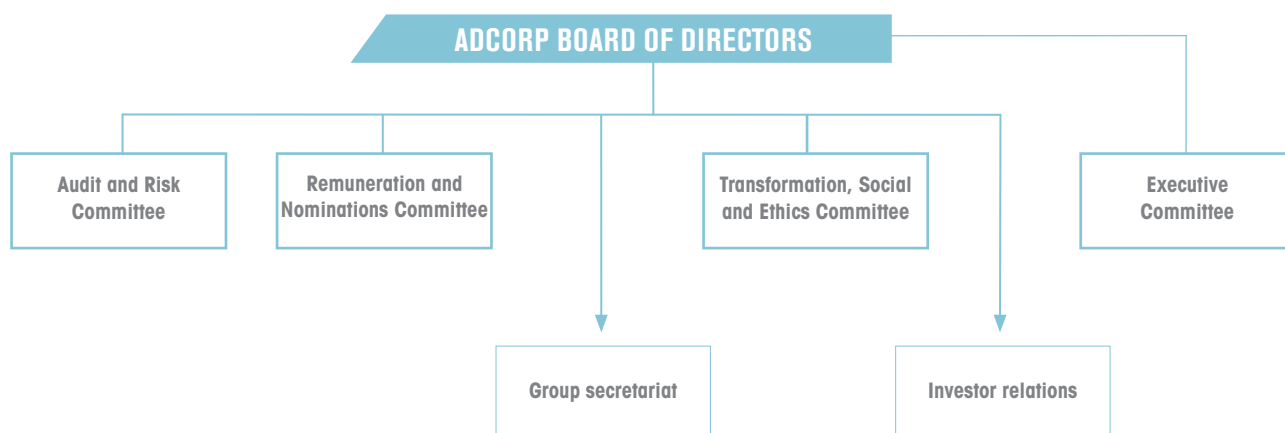


CORPORATE GOVERNANCE

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 continues to make significant progress in implementing structures, policies and procedures all aimed at strengthening governance within the Group. The Board believes that the Group has materially entrenched the majority of King III Report principles and will continue to do so.

GOVERNANCE STRUCTURES

Adcorp's financial and non-financial performance objectives are overseen by the Board and its committees. The Board has three committees, namely the Audit and Risk Committee, Remuneration and Nominations Committee and Transformation, Social and Ethics Committee. The diagram below details the structure addressed in this report by the Chairman of each Committee.



CORPORATE GOVERNANCE ETHOS

Corporate governance is integral to the business philosophy of Adcorp. The Board 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 the King III Report included:

- revisions to the charter and work plan of the Board, terms and reference and work plans of its various committees;

- approval of trading in securities policy;
- revisions to internal limits of authority;
- an internally initiated risk assessment and corporate governance gap analysis;
- Board effectiveness evaluation was completed; and
- private assurance obtained on sustainability figures.

The Board has determined its own role, functions and performance criteria, as well as that for directors on the Board and for committees. These serve as a benchmark against which actual performance is assessed. The Board evaluated the performance of the Chairman, the Board and its committees through a self-evaluation process against their respective mandates in terms of the Board Charter and the terms of reference of the committees. A consolidated summary of the evaluation was reported to and discussed by the Board, including any actions and suggestions for improvements.

Statement of compliance

The Board, through the Audit and Risk Committee, has satisfied itself with the extent of the company's compliance with the King III Report and with the JSE Listings Requirements during the financial year ended 29 February 2012. The table as set out on page 73 of how the Group has applied the principles set out in the King III Report during the period under review and highlights any exceptions.

The Companies Act, 71 of 2008 (Act)

The Act and the Regulations thereto came into effect on 1 May 2011. The Board is committed to the implementation of the new Act. The adoption and approval of the Memorandum of Incorporation by shareholders will be addressed within the transition period set out in the Act.

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 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 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 29 February 2012 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 Securities Exchange News Service (SENS), financial publications, newspapers, and through the company website (www.adcorp.co.za). The directors strive to ensure that disclosures are based on the principles of transparency and substance over form.

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

Shareholders are also notified timeously of the Annual General Meeting and its agenda. Voting takes place by

way of a ballot, and the results of the voting are published immediately afterwards in a SENS announcement.

Memberships and associations

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

CAPES represents the collective interests of more than 1 000 private employment agencies who place between 500 000 and 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 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 names, ages, qualifications and experience of the Board is set out on page 12.



CORPORATE GOVERNANCE CONTINUED

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 the date of this report, the Board consisted of 10 individuals, four of whom are executive (Messrs RL Pike (CEO), AM Sher (CFO), PC Swart (COO) and C Bomela (CRO)), a further three are non-executive (Mr MR Ramaite, Ms G Dinga and Ms N Ndhrazi), while the balance is classified as independent non-executive directors (Messrs MJN Njeke, TDA Ross, ME Mthunzi).

The independent non-executive directors completed an assessment (which was based on the guidelines contained in the JSE Listings Requirements, the King Report and the Act) and are considered by the Board to be independent in mind, character and judgement.

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. Six of the Board members are black, of which two are women. The functions of Chairman and CEO are performed by two different individuals, and the Chairman is an independent non-executive director.

Mr Johnson Njeke was appointed as Chairman on 10 June 2010. The Chairman is independent and free of any conflicts of interest. Mr Njeke sets the ethical tone for the Board and the company and provides overall leadership to the Board.

Mr Richard Pike was appointed as the CEO on 1 June 2000. 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. Board authority conferred on management is delegated through the CEO in accordance with approved authority levels.

Ms Nontobeko Ndhrazi was appointed as a non-executive director on 16 August 2011. Ms Mmakeaya Magoro Ramano resigned as non-executive director on 20 June 2011 and Ms Amanda Albäck resigned as an independent non-executive director on 6 March 2012 and was subsequently re-appointed to the Board on 14 May 2012.

Each year, one-third of Adcorp's directors retire, and their re-election is subject to the approval of shareholders at the annual general meeting. Messrs PC Swart, C Bomela, TDA Ross and ME Mthunzi retire and, being eligible, have offered themselves for re-election. Their biographical details are provided on pages 12 and 13 of this Integrated Annual Report to enable shareholders to make an informed decision in respect of their election.

In accordance with the company's articles, the appointment as directors of the Board will be confirmed by shareholders at the forthcoming Annual General Meeting.

The Board has adopted a policy on the procedures for the appointment of directors to ensure that the appointments are formal, transparent and a matter for the Board as a whole. This process is overseen by the Remuneration and Nominations Committee. In considering potential appointments, consideration is given to experience, diversity, skills and demographics. New directors are given a formal induction presentation detailing the Group's strategy and their duties and responsibilities. The reappointment of non-executive directors is subject to eligibility and performance.

Role

The Board 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 and approved terms of reference 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:

- appointing the CEO, CFO as well as other senior executive officers;
- 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;
- debating and considering issues of unethical behaviour; and
- assessment of the effectiveness of the risk management framework and compliance function.

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.

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. Board meetings are convened by formal notice incorporating detailed agendas and accompanied by clear and concise background material regarding matters to be discussed at each meeting to enable the directors to prepare in advance.

Attendance by directors at Board meetings is set out below:

Name	Category	Year appointed	Possible	Attended
RL Pike	Executive	2000	4	4
AM Sher	Executive	2009	4	4
PC Swart	Executive	2002	4	4
C Bomela	Executive	2006	4	4
MJN Njeke	Independent Non-Executive	2010	4	4
TDA Ross	Independent Non-Executive	2009	4	4
ME Mthunzi	Independent Non-Executive	2010	4	3
AT Albäck ³	Independent Non-Executive	2009	4	4
MR Ramaite	Non-Executive	2007	4	3
G Dingaan	Non-Executive	2010	4	3
N Ndhlati ²	Non-Executive	2011	3	3
MMT Ramano ¹	Non-Executive	2007	1	0

¹ Resigned on 20 June 2011.

² Appointed on 16 August 2011.

³ Resigned on 6 March 2012 and re-appointed on 14 May 2012.

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 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. The different committees completed formal evaluation proceedings to assess their effectiveness during the year under review.

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 directors are those who represent Adcorp's BEE partners.
- Independent non-executive directors are all other directors.



CORPORATE GOVERNANCE CONTINUED

Company Secretary

Following the retirement of Lynette Sudbury as Company Secretary on 1 July 2011, Ms Duduzile Mthimunya was appointed as Company Secretary on 1 July 2011 but resigned on 30 September 2011. Mr Anthony Sher, the CFO, was appointed as Company Secretary on 30 September 2011 to assume these responsibilities until a suitable replacement was found. Premium Corporate Consulting Services (Pty) Limited (PremCorp) was appointed as Company Secretary on 22 February 2012. PremCorp 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. 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 the JSE Listings Requirements, King Report and the Act. The Company Secretary provides appropriate guidance in this regard.

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.

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

The Board updated its Trading in Securities Policy to ensure compliance with the JSE Listings Requirements. The Company Secretary informs the Board and employees of its 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' and prescribed officers (or their associates') interests in Adcorp shares

Only the directors mentioned in the table below held any direct and/or indirect beneficial interests in Adcorp's shares as at 29 February 2012.

	29 February 2012			28 February 2011		
	Number of Adcorp ordinary shares held			Number of Adcorp ordinary shares held		
	Direct beneficial	Indirect beneficial	Total	Direct beneficial	Indirect beneficial	Total
RL Pike	253 080	–	253 080	253 080	–	253 080
MR Ramaite	15 000	–	15 000	15 000	–	15 000

There were no changes in the interests of the directors and prescribed officers (or their associates) between the financial year-end and the date of the notice of the annual general meeting.

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

22 May 2012

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 independent 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.

Ms AT Albäck resigned from the Board and as member of the Audit and Risk Committee on 6 March 2012 and was re-appointed on 14 May 2012. The members were nominated by the Board for re-election as members of the Audit and Risk Committee subject to shareholder approval at the Annual General Meeting to be held on Monday, 9 July 2012.

Name		Status	Possible	Attended
TDA Ross	Chairman	Independent Non-Executive	4	4
AT Albäck ¹	Member	Independent Non-Executive	4	3
ME Mthunzi	Member	Independent Non-Executive	4	4
MMT Ramano ²	By invitation	Non-independent Non-Executive	1	0
RL Pike	By invitation	CEO	4	4
AM Sher	By invitation	CFO	4	4
K Pienaar	By invitation	CIO	2	2
C Bomela	By invitation	CRO	4	4
H Lamprecht	By invitation	CAE	4	4
R Wessels	By invitation	General Manager: Finance	4	4
Deloitte & Touche	By invitation	External auditors	4	4

¹ Resigned on 6 March 2012 and re-appointed on 14 May 2012.

² Resigned on 20 June 2011.

Attendance

The Board determined that non-executive directors and 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 members and Committee Chairman, without management present, as and when required.

Role

The Committee's role and responsibilities include its statutory duties per the 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 terms of reference to ensure that its obligations in terms of the King III Report 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, the appointment of Deloitte & Touche as the external auditor firm and Mr RM Duffy as the designated auditor responsible for performing the functions of auditor of the company for the 2013 financial year. 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 on page 117 of the financial statements together with the fees paid for non-audit services provided.



Statutory reporting

The Audit and Risk Committee has evaluated the annual financial statements of the company and the Group for the year ended 29 February 2012 and, based on the information provided to the Audit and Risk Committee, considers that the company and Group comply, in all material respects, with the requirements of the Act as amended, the International Financial Reporting Standards (IFRS), the AC 500 Standards as issued by the Accounting Practices Board and its successor, JSE Listing Requirements and applicable legislation.

The Audit and Risk Committee agendas provide for confidential meetings between Committee members and the internal auditors.

Internal financial controls

The Committee has oversight of the Group's financial statements and reporting process, including the system of internal financial control. It is responsible for ensuring that the Group's internal audit function is independent and has the necessary resources, standing and authority in the organisation to discharge its duties. The Committee oversees cooperation between internal and external auditors, and serves as a link between the Board and these functions.

The Committee is of the opinion after having considered the assurance provided by the internal audit function that the Group's system of internal financial controls in all key material aspects is effective and provides reasonable assurance that the financial records may be relied upon for the preparation of the annual financial statements. This is based on the information and explanations given by management and the Group internal audit function.

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.
- Results and reports from internal and external auditors.

As required by the JSE, the company has appointed a Chief Financial Officer. The position is currently held by Mr AM Sher, who is an executive director and is deemed competent by the Committee.

Risk

- 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.
- Evaluation of the adequacy and effectiveness of internal audit.

RISK MANAGEMENT

The risk management framework was developed and recommended for approval to the Board. This framework provides clear criteria to evaluate risks, as well as a defined risk appetite statement. A strategic risk register was developed by executive management and approved by the audit and risk committee. The key risks that were identified during this process are tabled on page 5 of this report.

INTERNAL AUDIT

The internal audit function was executed this financial year by the in-house internal audit team, led by the Chief Audit Executive (CAE). To maintain independence, the CAE reports functionally to the Committee and, only from an administrative perspective, to the Chief Financial Officer. The CAE holds a senior position within the Group and her appointment or dismissal is subject to ratification by the Committee. The in-house internal audit function has been strengthened by the appointment of two qualified, experienced internal auditors, in April and May 2011 respectively.

The internal audit activities were directed by the risk-based annual operational internal audit plan, as approved by the Audit and Risk Committee.

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 CEO, 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.



CORPORATE GOVERNANCE CONTINUED

Combined 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.

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 page 5.

ADCORP COMBINED ASSURANCE MODEL



The following is a summary of the material business processes where assurance was provided by third-line assurance providers:

Business process	Assurance output	Assurance provider	Integrated report reference
Annual financial statements	Audit report	Deloitte & Touche	Page 82
Three months Paracon financial information	Audit report	Grant Thornton	n/a
Selected GRI indicators	Audit report	Deloitte & Touche	n/a, report issued to Board
Empowerment credentials	Rating Certificate	Empowerdex	Page 41
Financial Services Board compliance	Compliance certificate	Moonstone compliance	n/a
Key business processes at selected operating companies	Internal audit reports	Internal audit	Corporate Governance section – Audit Committee report

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.

Sustainability reporting

The Committee supported the appointment of Deloitte & Touche to perform private assurance on selected indicators on the sustainability content of this Integrated Annual Report (IAR).

Recommendation of the Integrated Annual Report (IAR)

The Committee, having fulfilled the oversight role regarding the reporting process and having regard to material factors

that may impact the integrity of the IAR, recommended that the IAR and the consolidated annual financial statements be approved by the Board.

The Committee is satisfied that it has met the requirements of its terms of reference.

TDA Ross

Chairman, Audit and Risk Committee

22 May 2012

REMUNERATION AND NOMINATIONS COMMITTEE

Composition

The Committee meets three times a year, which the board deems sufficient to fulfil its purpose and responsibilities. It was chaired during the financial year under review by the company's non-executive Chairman MR Ramaite and further comprised independent non-executive directors AT Albäck and MJN Njeke. The CEO and CFO and any other directors may attend meetings by invitation, but are then excluded from deliberations relating to their individual remuneration. Attendance at committee meetings for the year under review is outlined below.

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

Name	Status	Possible	Attended
MR Ramaite	Chairman	3	3
AT Albäck*	Member	3	3
MJN Njeke	Member	3	3
RL Pike (CEO)	Ex officio	3	3
AM Sher (CFO)	Ex officio	3	3

* Resigned on 6 March 2012 and re-appointed on 14 May 2012.

A formal charter codifies the tasks and responsibilities of the committee. While the Committee is responsible for ensuring that the principles and objectives set out in the Review (as above) are achieved, and advising the board on the remuneration of executives and the group as a whole, it fulfils also the nomination role in respect of the Board. It is further responsible for reviewing the executive succession plan and key skills level within the organisation.

There is a policy in place stipulating the formal and transparent process by which directors are appointed. With regard to potential appointments, consideration is given to experience, diversity, skills and demographics. All new appointees are subject to confirmation of appointment at the next annual general meeting.

Executive directors are typically employed in terms of a standard employment contracts. Currently, neither the CEO nor the COO has a formal contract of employment. In this regard, the Committee is in the process of negotiating management contracts with these executives to ensure their continued service with the Group for a minimum 5 year period commencing 1 March 2012 and will also contemplate a restraint of trade agreement with these executives. It is anticipated that these agreements will be concluded shortly.

The re-appointment of non-executive directors is subject to eligibility and performance, without limit as to tenure, and to shareholder approval.

Role

The Remuneration and Nominations Committee ("the Committee") assists the board in ensuring that group remuneration and recruitment is aligned with overall business strategy, with the aim of enabling Adcorp to attract and retain personnel who will create long-term value for all stakeholders.

In a business in which intellectual property is the key asset and lynchpin of success, long-term retention of

key personnel is a critical strategic objective. The challenge for the Committee is to devise appealing remuneration that will adequately incentivise and retain talent in a highly competitive market, while remaining mindful of optimising shareholder returns.

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 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 directors;
- conducted an independent review of executive remuneration philosophy and strategy
- commissioned a first time formal, benchmarking against industry standards
- developed formal executive payscale targets
- considered the proposed Adcorp Forfeitable Share Plan



CORPORATE GOVERNANCE CONTINUED

- 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 on the approval of non-executive directors' fees.

Executive Remuneration Culture

As a primarily sales-driven organisation, Adcorp values and rewards individual contribution. Executive reward is therefore by its nature individualistic and performance based. While six key financial targets ("the Six Keys") are applied across the board, each executive's remuneration in addition aligns with distinct targets relevant to his/her business unit. Accordingly, the guaranteed component of executive remuneration is relatively small, with a larger variable component specific to each individual. Consequently, bonuses are characterised by a high degree of negotiation and discussion, in keeping with the group's collaborative management style, leading to a degree of differentiation in incentives within the executive.

2012 Independent Review

In an effort to ensure that the Committee operates in a relevant and regulated context, consulting and advisory firm PwC was tasked during the year with a review of the group's executive remuneration and reward strategy ("the Review"). The goal was to align policies, practises and structures with current market trends.

The Review was conducted as a multi-phased project beginning with data collection following extensive stakeholder engagement, then in-depth analysis such as industry benchmarking and internal workshops, leading to the development of a new reward philosophy framework, and finally developing the structures to give effect to the philosophy such as graded pay scales.

PwC reached a number of conclusions, which support the credibility of the Executive Remuneration Culture (above). Adcorp's fixed component of remuneration for executives and senior management has been consistently well managed to date. Further, the degree of differentiation in total remuneration packages reflects the value placed on individual performance and contribution, which also ties into the conclusion that the non-financial elements of the reward model are being well handled.

Importantly the Review did note that the differentiation in reward for average and for excellent performance may not be sufficiently distinct at present. Guided by the Committee, the Board will address this by raising the minimum and maximum reward parameters to ensure a significantly higher reward potential in the case of excellence – up to 18 months of total annual remuneration (excluding long-term incentives).

Executive Reward Philosophy and Strategy

The fundamental aims of the new Reward Philosophy and Strategy were defined as being:

- To provide an integrated approach for reward management that effectively attracts, motivates, engages and retains the talent required to achieve the desired results.
- To align reward practices with business strategy through a process of analysis.
- To adhere to legal, ethical and best practice standards, and to reflect good corporate governance and citizenship by complying with industry and statutory standards.

PwC then outlined a number of guiding principles to achieve these aims, based on general cognisance that fair rewards and effective performance management motivate a high performance culture. The principles include:

- Offering an appropriate mix of total rewards, including financial and non-financial (for instance career development opportunities).
- Aligning reward policies and practices with overall business strategy and objectives.
- Using a consistent and fair job evaluation scheme as a basis for reward management.
- Balancing internal equity with external competitiveness through reliable benchmarking.
- Ensuring employee benefits allow the executive to manage his/her own benefits effectively.
- Ensuring all reward communication is comprehensive, transparent and timely.
- Applying proper reward governance standards at all times.

Executive Remuneration

Executives' and senior management's remuneration consists of a fixed component comprising basic salary and benefits, and a variable annual performance-related reward as well as participation in incentive schemes.

Remuneration is structured into the following broad categories:

- Competency-based basic salary plus benefits;
- Performance-based rewards; and
- Retention-driven long-term incentives.

In addition, 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 independently and therefore separately from the group's assets. All permanent employees are further required to belong to a medical aid scheme. The necessary deductions are drawn monthly from the fixed component of remuneration in accordance with regulation and legislation.

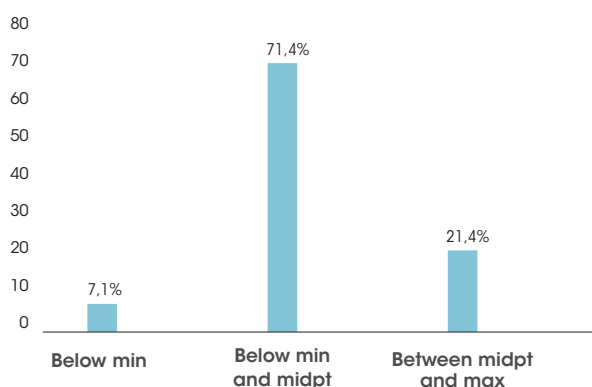
Performance-based rewards

The Review determined that Adcorp requires a structured approach to performance management with some flexibility to align with the group's Executive Remuneration Culture (above). Adcorp's pay scales were benchmarked for the first time against 'Paterson Modern Ranges'. Going forward the intention is to repeat the exercise every two years.

The 75th percentile of the National All Industries Market reflects the midpoint of pay scales to which Adcorp aims to adhere, and will serve as a reference for total executive packages going forward. Salaries are reviewed in March each year and where necessary will be adjusted over time to meet this objective. The midpoint band has further been divided into lower and upper quartiles so as to position pay according to experience, capability, competence and consistent performance. The differentials are therefore wide enough to provide Adcorp with sufficient scope for career development within the given pay band, or to progress if necessary to the next band.

Currently 71,4% of Adcorp's executives and senior management fall between the minimum and mid-point, with 7,1% below the minimum and 21,4% between the mid-point and maximum.

POSITIONING OF ADCORP EXECUTIVES AND SENIOR MANAGERS AGAINST PROPOSED PAY SCALE



The structure of annual performance incentives is primarily (roughly 60%) determined by group performance conditions, and more specifically the Six Key Performance Areas:

- Profit before taxation against budget
- Return on assets managed
- Return on sales %
- Asset turnover
- Cash conversion ratio
- Receivables Days Settlement Outstanding (DSO)

The exact Key Performance Areas will be revisited and re-set annually by the Committee. The weighting allocated to each Key will depend on the level of each employee and his sphere of influence on that criterion.

The balance of the annual reward is variable, allowing the flexibility to take into account the specific circumstances and contribution of each individual.

Long-term incentives

The group has in place an incentive share scheme designed to align the objectives of executives with those of stakeholders for a 'win-win' scenario that will generate long-term sustainability.

The current scheme, previously approved by Adcorp shareholders, grants Share Appreciation Rights (SARs) as well as Performance Shares (PFs), and employees have six years from date of grant to exercise their rights in respect of these. SARs provide employees, at the date of vesting, with the right to receive shares equal in value to the appreciation in the company's share price since the date of granting of the SARs. The PFs vest conditional on the achievement of performance criteria.

The company is currently revisiting the existing scheme with regard to compliance with JSE Listing requirements. Further, following an internal review commissioned by the Committee during the year, Adcorp is considering implementing an alternative Forfeitable Share Plan (FSP). In terms of the FSP:

- Eligible participants will include executives, senior management, and other key management.
- Participants will be awarded shares in the group and will be entitled to vote and share in dividends immediately.
- Awards will vest and be released for trading within two years of the date of grant.
- While participants will own their shares immediately, they will be subject to the risk of forfeiture and certain restrictions for the vesting period. Examples occasioning risk of forfeiture would be termination of employment or failure to meet performance criteria.
- An average limit is proposed of 10% of the issued share capital of Adcorp, which amounts currently to 7 737 393 shares.
- A proposed individual limit is proposed of 1% or 773 739 shares.

The proposed FSP has a number of advantages over the current incentive scheme, which include:

- Immediately addressing the risk of shorter-term retention as employees will immediately become owners of the shares and receive dividends.
- Appropriately addressing the risk of longer-term retention as the shares could be forfeited if employment is terminated or performance falls below par prior to the vesting date.
- Fewer shares are needed than under a share option scheme to provide similar benefit.
- Performance conditions will be introduced for all awards, which is good corporate governance and a real incentive for group growth.
- A shorter vesting period means comparatively less uncertainty regarding dilution of value.
- The FSP is naturally hedged as the shares are settled upfront and there is no future market risk to the group to deliver shares
- The administration is less burdensome than the current or a share option scheme
- There is constant value as the participants benefit from the full share rather than only the upside (share price appreciation)



CORPORATE GOVERNANCE CONTINUED

The proposed FSP is in line with practice internationally – as well as with several recently adopted plans for larger JSE companies. It is still under consideration and subject to revision and refinement. As soon as a structure has been finalised, the intention is to present to shareholders in general meeting for approval. Shareholders will be notified in due course.

The new reward philosophy and strategy will be implemented in the coming year.

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 fee is comprised 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 incentive schemes.

NON-EXECUTIVE DIRECTORS' FEES

2012 Non-executive directors' fees compared to 2011

Fee per year (Rand)	Independent Non-Executive 2012	Non-Executive 2012	Independent Non-Executive 2011	Non-Executive 2011
Committee chairs				
– Board	270 300		159 000	
– Audit and Risk Committee	113 420		106 000	
– Remuneration and Nominations Committee		33 268		31 092
– Transformation, Social and Ethics Committee		33 268		31 092
Committee members				
– Board	136 104	92 412	127 200	86 368
– Audit and Risk Committee	95 272	64 468	89 040	60 252
– Remuneration and Nominations Committee	29 572		27 638	
– Transformation, Social and Ethics Committee	29 572		27 638	

Details of directors' and prescribed officers remuneration and their interests in shares appear on page 124 and 126 respectively.

The Committee oversees the preparation of this remuneration report which form part of this integrated annual report. The chairman also attends the annual general meeting of the company to liaise with shareholders on any matters within the ambit of the Committee.

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

MR Ramaite

Chairman, Remuneration and Nominations Committee

22 May 2012

THE TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE

Composition

Transformation, Social and Ethics Committee membership is composed of non-executive and executive directors and a consultant. The non-executive directors include representatives of Adcorp's BEE partners. The Committee is chaired by a non-executive 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, driving environmental responsibility, other sustainability issues 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;
- reviewed corporate social investment projects on behalf of the Group;
- developed a sustainability and environmental policy; and
- approved the scope and boundary document for the collection of data for the key sustainability indicators.

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.
- 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 42 and 43.

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 (Proprietary) 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.

Sustainability

Adcorp has made significant progress in the reporting of non-financial information, in line with the King III principles on integrated reporting. A sustainability policy was approved by the Board, as well as a scope and boundary document that was used as guideline to collect and report on non-financial information. Deloitte & Touche was appointed to review the non-financial information as reported at 31 December 2011, and will provide the Board with private assurance. Although significant progress was made, substantial enhancements to this process are envisaged in future years.

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 page 49.

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

Name		Status	Possible	Attended
MR Ramaite	Chairman	Non-Executive Director	3	1
ME Mthunzi	Member	Non-Executive Director	3	3
C Bomela	Member	Executive Director	3	3
D Marsden	Ex officio	Consultant	3	1

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



MR Ramaite

Chairman, Transformation, Social and Ethics Committee

22 May 2012



CORPORATE GOVERNANCE CONTINUED

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 (CAE) 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.
- Production of transparent Group reporting and stakeholder communication.

Proceedings

Adcorp's Executive Committee meets monthly.

Human resource management

Adcorp employs 3 330 permanent staff and over 80 000 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

22 May 2012

KING REPORT GAP ANALYSIS

Note	Ethical leadership and corporate citizenship	Status
n/a*	Board provides effective leadership based on ethical foundation	√
n/a*	Responsible corporate citizen	√
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	√
n/a*	Strategy, risk, performance and sustainability are inseparable	√
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 of whom a majority are independent 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	√
6	Evaluation of Board, its committees and the individual directors performed every year	√
5	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	√
1	Remuneration of individual directors and certain senior executives is disclosed	P
n/a	Shareholders approved the remuneration policy	√
Note	Audit and Risk Committee	Status
n/a	Effective and independent	√
n/a	Members are suitably skilled, experienced, independent and non-executive	√
n/a	Chairman independent and non-executive	√
n/a*	Oversee integrated reporting	√
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	√
n/a*	The Audit and Risk Committee assists the Board in carrying out its risk responsibilities	√
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 and monitoring of risks	√
2	The Board receives assurance on the effectiveness of the risk management process	x
n/a	Sufficient risk disclosure to stakeholders	√



CORPORATE GOVERNANCE 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
3	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	√
3	Compliance risk forms an integral part of the company's risk management process	P
3	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	√
2	Written assessment of the effectiveness of the company's system of internal controls and risk management	P
n/a	The Audit and Risk 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	P

√ Fully comply

P Partially comply

x Do not comply

* Moved from partially comply to fully comply in past year

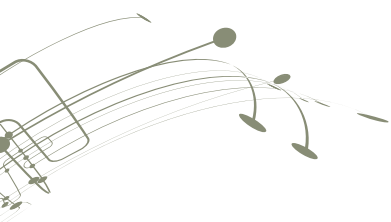
Notes

No	Explanation
1	The remuneration of the three most highly paid employees who are not directors has been disclosed in the prescribed officers remuneration on page 124.
2	External assurance on the risk and internal audit function will be considered in future financial years.
3	A dedicated compliance officer has not been appointed, however, continuous updates and advice is obtained from independent, external advisers.
4	Second year of sustainability reporting. Deloitte & Touche was appointed to give independent, private assurance to the Board.
5	The Transformation, Social and Ethics Committee are chaired by Mr Robinson Ramaite who is a non-executive director. Strong consideration will be given to nominate a current, independent non-executive member as the chairperson.
6	Analysis of the results of the appraisal processes is not included in the Integrated Annual Report due to it being considered sensitive information.





FINANCIAL STATEMENTS





SIX-YEAR REVIEW

	2012	2011	2010	2009	2008*	2006
STATEMENT OF COMPREHENSIVE INCOME						
Revenue (R'000)	6 423 229	5 384 566	5 050 358	4 837 123	4 430 105	2 700 216
Operating profit before IFRS adjustments, depreciation and amortisation (R'000)**	-	-	-	-	284 499	149 603
Normalised earnings before IFRS adjustments, depreciation and amortisation (normalised EBITDA) (R'000)**	309 267	258 593	279 749	326 048	-	-
Operating profit including discontinued operations (R'000)**	-	-	-	-	108 723	125 165
Normalised operating profit (R'000)**	272 741	224 054	243 728	300 526	-	-
Profit before taxation (R'000)	164 762	127 008	115 890	194 155	168 171	136 460
Normalised effective tax rate (%)	15,8	10,7	13,8	24,1	18,3	23,5
Profit for the period (R'000)	135 702	115 695	104 316	144 073	126 968	105 620
Core headline earnings (R'000)**	-	-	-	-	183 080	108 077
Normalised earnings (R'000)**	195 977	174 413	169 948	206 024	-	-
STATEMENT OF FINANCIAL POSITION						
Fixed and other non-current assets (R'000)	1 382 865	741 338	787 939	826 074	646 210	121 707
Deferred taxation	57 774	49 753	13 669	19 348	29 239	16 665
Current assets (R'000)	1 399 800	1 135 582	870 188	868 178	714 485	511 496
Total assets (R'000)	2 840 439	1 926 673	1 671 796	1 713 600	1 389 934	649 868
Ordinary shareholders' interest (R'000)	1 438 764	1 012 890	907 522	803 481	667 750	310 703
Minority and BEE shareholders' interest (R'000)	2 223	421	421	421	421	82
Non-current liabilities (R'000)	192 394	180 711	197 543	214 620	156 694	1 586
Deferred taxation (R'000)	77 439	20 386	14 959	35 050	38 540	3 424
Current liabilities (R'000)	1 129 619	712 265	551 351	660 028	526 529	334 073
Total equity and liabilities (R'000)	2 840 439	1 926 673	1 671 796	1 713 600	1 389 934	649 868
PROFITABILITY						
Return on assets managed (ROAM) (%)	28,0	28,3	31,8	43,9	42,0	32,0
Return on equity (%)	16,0	18,2	19,9	28,0	30,0	34,0
Return on sales (operating margin) (%)	4,2	4,2	4,8	6,2	5,8	4,9
Normalised EBITDA/revenue (%)	4,8	4,8	5,5	6,8	6,4	5,5
Asset turnover	6,6	6,7	6,6	7,1	7,2	6,5
Expense ratio (%)	16,9	18,8	19,2	19,0	22,6	21,7
Number of employees	3 330	2 282	2 170	2 440	1 755	1 810
LIQUIDITY						
Cash generated by operations to normalised operating profit (%)	78,9	128,5	92,2	80,6	101,7	74,9
Current ratio	1,2	1,6	1,6	1,3	1,4	1,5
Total net interest-bearing liabilities (R'000)	408 736	122 669	283 502	304 797	213 264	20 933
Gearing (%)	28,4	12,1	31,2	37,9	31,9	6,7
Interest-bearing debt to normalised EBITDA	1,32	0,47	1,01	0,93	0,75	0,14
Interest-bearing debt to tangible asset value	2,42	0,39	1,63	7,70	2,57	0,09
Days settlement outstanding	36	36	38	35	30	36
STATISTICS						
Weighted average number of shares in issue ('000)	65 236	60 110	53 903	52 808	49 122	42 882
Total number of shares in issue ('000)	77 374	61 850	59 309	54 219	50 831	43 382
Core headline earnings per share (cents)**	-	-	-	-	372,2	252,0
Normalised earnings per share (cents)**	300,4	290,2	315,3	390,1	-	-
Earnings per share (cents)	208,0	192,5	193,5	272,8	258,5	251,8
Annual dividend per share (cents)***	137	175	165	222	215	168
Dividend/capital/scrip distribution cover (times) based on normalised EPS	2,2	1,7	1,9	1,8	1,7	1,5
Net asset value (R'000)	1 440 987	1 013 311	907 943	803 902	668 171	310 785
Net tangible asset value (R'000)	166 229	315 894	174 319	39 607	82 921	225 042
Net asset value per share (cents)	1 862	1 638	1 531	1 483	1 314	716
Net tangible asset value per share (cents)	215	511	294	73	163	519

* 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.

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 profit divided by the annual dividend or capital/scrip distribution.

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 net 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.

NORMALISED EBITDA/REVENUE

Normalised operating profit as a percentage of revenue.

NORMALISED OPERATING PROFIT

Operating profit adjusted for amortisation of intangibles arising on business combinations as well as share-based payments, lease-smoothing and once-off transaction costs relating to acquisitions.

NORMALISED PROFIT

Normalised operating profit after interest and normalised taxation.

NORMALISED TAXATION

Actual tax charge adjusted for tax on amortisation of intangibles arising on business combinations and lease-smoothing.

RETURN ON ASSETS MANAGED (ROAM)

Normalised operating profit divided by the average total of property and equipment, trade and other receivables and deferred tax.

RETURN ON EQUITY

Normalised profit divided by average equity of shareholders.

RETURN ON SALES (OPERATING MARGIN)

Normalised operating profit 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, 71 of 2008, and comply with International Financial Reporting Standards and incorporate full and reasonable disclosure in line with the accounting policies of the Group.

These financial statements have been audited in compliance with the requirements of the South African Companies Act, 71 of 2008.

These financial statements were prepared by: A Viljoen, assisted by: H Farndell, W Manthe and T Mhlungu and supervised by: A Sher (Group CFO).

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 82. The annual financial statements for the year ended 29 February 2012 set out on pages 78 to 133 were approved by the Board of Directors on 22 May 2012 and are signed on its behalf by:

RL Pike
Chief Executive Officer

AM Sher
Chief Financial Officer

Johannesburg
22 May 2012



CERTIFICATION BY COMPANY SECRETARY

I certify that, to the best of my knowledge and belief, Adcorp Holdings Limited has, in respect of the financial year reported upon, lodged with the Companies Intellectual Property Commission all returns required of a public company in terms of the Companies Act, 71 of 2008 (as amended), and that all such returns are true, correct and up to date.

Premium Corporate Consulting Services Proprietary Limited
Company Secretary

Johannesburg
22 May 2012



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 29 February 2012, 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, other explanatory information, the directors' report and the Audit and Risk Committee report, as set out on pages 83 to 113.

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 accordance with the requirements of the Companies Act, 71 of 2008, 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 consolidated and separate financial position of Adcorp Holdings Limited as at 29 February 2012, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act, 71 of 2008.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per RM Duffy
Partner
22 May 2012

Deloitte & Touche
Buildings 1 and 2
Deloitte Place
The Woodlands
Woodlands Drive
Woodmead
Sandton
Docex 10 Johannesburg

Private Bag X6
Gallo Manor
2052
South Africa

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

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

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code.

Member of Deloitte & Touche Tohmatsu Limited.



REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 29 February 2012

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 2012 financial year during which the members fulfilled their functions as prescribed by the Companies Act, 71 of 2008, and as recommended by King III.

The members of the ARC were recommended by the Board to shareholders and were formally appointed at the annual general meeting on 24 June 2011. The composition of the Committee and details of their attendance at Committee meetings is set out on page 63. 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 63 to 66.

In order to execute his responsibilities, the Chairman of the ARC met separately during the course of the year with the Chief Audit Executive, 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 and that the financial records may be relied upon for preparing the financial statements in accordance with IFRS and maintaining accountability for the Group's assets and liabilities. 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 interaction from the internal and external auditors and Group Chief Financial Officer, 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

22 May 2012



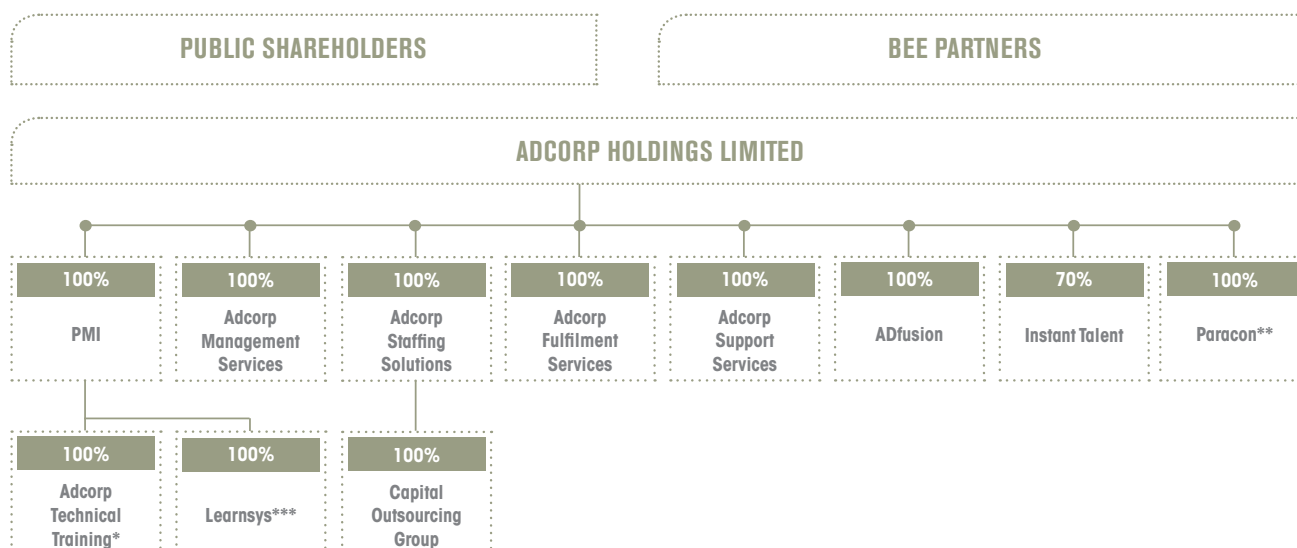
DIRECTORS' REPORT

for the year ended 29 February 2012

The directors have pleasure in submitting their report and financial statements for the year ended 29 February 2012.

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



* Formerly Goldfields External Training Services Proprietary Limited.

** Acquired with effect 1 December 2011 – Paracon Holdings Limited.

*** Acquired with effect 1 July 2011 – Learnsys Proprietary 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 29 February 2012 was 77 373 934 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 2010		
Issued shares	59 309	1 483
Scrip dividend: 2 394 271 shares at 2,5 cents	2 394	60
Employee share scheme: 146 771 shares at 2,5 cents	147	3
Opening balance 1 March 2011	61 850	1 546
Issue of shares: Acquisition of Paracon Holdings Limited	14 588	365
Employee share scheme: 935 914 shares at 2,5 cents	936	23
Closing balance 29 February 2012	77 374	1 934

SHARE PREMIUM

Movements in share premium during the year are shown below:

	2012 R'000	2011 R'000
Opening balance 1 March	498 696	497 968
- Employee combined option/deferred payment scheme 1 039 (2011: 10 000) ordinary shares created at a premium of R11,88 (2011: R8,825) per share	12	88
- Employee combined option/deferred payment scheme Nil (2011: 53 000) ordinary shares created at a premium of R11,975 per share	-	635
- Employee combined option/deferred payment scheme Nil (2011: 5 000) ordinary shares created at a premium of R12,975 per share	-	65
- Nil (2011: 2 394 271) shares created for scrip distribution	-	(60)
- 14 587 849 (2011: Nil) ordinary shares created at a premium of R25,46 pursuant to acquisition of Paracon Holdings Limited	371 334	-
- Paracon acquisition transaction costs capitalised to share premium	(4 100)	
Closing balance 29 February	865 942	498 696

DIVIDEND

An interim dividend of 57 cents per share was paid on 15 November 2011.

On 22 May 2012, the Board approved and declared a final gross dividend of 80 cents per share (2011: 121 cents per share). The source of the dividend will be from distributable reserves and paid in cash.

The salient dates are as follows:

Last date to trade cum dividend	Friday, 10 August 2012
Date trading commences ex dividend	Monday, 13 August 2012
Record date	Friday, 17 August 2012
Date of payment	Monday, 20 August 2012

Share certificates may not be dematerialised or rematerialised between Monday, 13 August 2012 and Friday, 17 August 2012, both days inclusive.

In determining the dividends tax (DT) of 15% to withhold in terms of the Income Tax Act for those shareholders who are not exempt from the DT no secondary tax on companies (STC) credits have been utilised. Shareholders who are not exempt from the DT will therefore receive a dividend of 68 cents per share net of DT. The company has 77 373 934 ordinary shares in issue and its income tax reference number is 9233/68071/0.

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 29 February 2012

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 88 500 shares (2011: 117 744) as at 29 February 2012. 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 2011				Option exercised			Closing balance 29 Feb 2012		
Quantity	Price (R)	Value (R)	Date option granted	Quantity	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
29 244	11,90	348 004	31/05/01	(29 244)	11,90	(348 004)	-	-	-
58 500	13,00	760 500	31/05/04	-	13,00	-	58 500*	13,00	760 500
117 744		1 299 004		(29 244)		(348 004)	88 500		951 000

* Refer to note 39 on page 122.

ADCORP EMPOWERMENT SHARE INCENTIVE TRUST

The trust owns nil (2011: 28 205) Adcorp shares which were unallocated as a result of employees leaving the Group.

Unallocated – 1 March 2011	28 205
Transfer of unallocated shares to Adcorp Share Trust	(28 205)
Total	-

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

Opening balance 1 March 2011				Closing balance 29 Feb 2012		
Quantity	Price (R)	Value (R)	Transfer to Adcorp Share Trust	Quantity	Price (R)	Value (R)
28 205	8,85	249 614	(28 205)	-	-	-
28 205	8,85	249 614	(28 205)	-	-	-

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 29 February 2012, the value inherent in the 11 688 500 SARs below was R23 358 950. Based on the share price at that date of R28,75 per share, this would have required the issue of 812 485 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 2011											Closing balance 29 Feb 2012		
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)
143 500	18,15	2 604 525	21/11/2005	-	-	-	-	(50 000)	18,15	(907 500)	93 500	18,15	1 697 025
1 700 000	26,31	44 727 000	30/04/2006	-	-	-	-	-	26,31	-	1 700 000	26,31	44 727 000
2 550 000	32,31	82 390 500	01/03/2007	-	-	-	-	-	32,31	-	2 550 000	32,31	82 390 500
100 000	37,80	3 780 000	30/11/2007	-	-	-	-	-	37,80	-	100 000	37,80	3 780 000
1 950 000	31,02	60 489 000	03/03/2008	-	-	-	-	-	31,02	-	1 950 000	31,02	60 489 000
1 935 000	16,50	31 927 500	01/03/2009	-	-	-	-	(1 270 000)	16,50	(20 955 000)	665 000	16,50	10 972 500
690 000	16,50	11 385 000	01/03/2009	-	-	-	-	(420 000)	16,50	(6 930 000)	270 000	16,50	4 455 000
2 340 000	26,39	61 752 600	26/02/2010	-	-	-	(80 000)	-	26,39	(2 111 200)	2 260 000	26,39	59 641 400
790 000	26,39	20 848 100	26/02/2010	-	-	-	(30 000)	-	26,39	(791 700)	760 000	26,39	20 056 400
2 450 000	26,75	65 537 500	31/01/2011	-	-	-	(80 000)	-	26,75	(2 140 000)	2 370 000	26,75	63 397 500
820 000	26,75	21 935 000	31/01/2011	-	-	-	(30 000)	-	26,75	(802 500)	790 000	26,75	21 132 500
			22/02/2012	-	905 000	24 905 600	-	-	27,52	24 905 600	905 000	27,52	24 905 600
15 468 500		407 376 725		-	905 000	24 905 600	(220 000)	(1 740 000)		(9 732 300)	14 413 500		397 644 425

The 1 320 000 SARs exercised during the year converted into the issue of 514 875 ordinary shares.

Summarised as follows:

SARs	11 688 500
PFs	2 725 000
	14 413 500



DIRECTORS' REPORT CONTINUED

for the year ended 29 February 2012

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 (2011: 6 729 140) Adcorp 'A' ordinary 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' ordinary shares will convert to Adcorp ordinary shares depending on the amount of the notional debt that has been repaid at that time. Based on the amount of the notional debt that has been paid down as at 29 February 2012 and using the same share price at that date, the theoretical number of shares that would have vested is nil. This is due to Adcorp's share price being below the share price prevailing at the time of conclusion of the BBBEE transaction in 2007.

SUBSIDIARIES AND ASSOCIATES

Details of the company's operating subsidiaries and associates are set out in Annexure A on pages 130 and 133.

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

	2012 R'000	2011 R'000
Total profit after taxation	206 748	180 422
Total losses after taxation	(31 110)	(56 856)
	175 638	123 566

SIGNIFICANT SHAREHOLDERS

Details of significant shareholders are included on page 136.

SPECIAL RESOLUTIONS

At the annual general meeting held on 24 June 2011, Adcorp's shareholders passed the following special resolutions during the year for the purposes indicated:

- **Special resolution 1:** To authorise the directors, in terms of and subject to the provisions of section 45 of the Companies Act, to cause the company to provide any financial assistance to any company that may be related or interrelated to the Company.
- **Special resolution 2:** To approve, in terms of section 66 (9) of the Companies Act, the remuneration payable to executive and non-executive directors for their services as directors.

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 on pages 124 and 126 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.

EVENTS AFTER REPORTING DATE

There are no significant events after the reporting date, being 29 February 2012, to the date of approval of the Integrated Annual Report, including the audited annual financial statements, namely 22 May 2012.

AUDITORS

The Audit and Risk Committee has nominated, for re-election at the annual general meeting of shareholders, that Deloitte & Touche continue in office in accordance with section 94(7) of the Companies Act, 71 of 2008.

DIRECTORATE AND SECRETARY

The names of the directors and Company Secretary are set out on pages 12 and 62 respectively. Changes to the directorate and Company Secretary during 2011/12 are detailed on pages 15 and 62.



STATEMENT OF FINANCIAL POSITION

for the year ended 29 February 2012

		GROUP		COMPANY	
		2012	2011	2012	2011
	Notes	R'000	R'000	R'000	R'000
ASSETS					
Non-current assets		1 440 639	791 091	1 289 768	653 863
Property and equipment	4	58 399	43 921	-	-
Intangible assets	5	363 188	143 019	-	-
Goodwill	6	911 570	554 398	-	-
Investment in subsidiaries	7	-	-	1 289 768	653 069
Investment in associates	8	49 708	-	-	-
Other financial assets	9	-	-	-	794
Deferred taxation	10	57 774	49 753	-	-
Current assets		1 399 800	1 135 582	847 665	757 170
Trade and other receivables and prepayments	11	1 079 508	740 207	825	780
Amounts due by subsidiary companies	12	-	-	846 340	756 390
Taxation prepaid		9 827	14 153	319	-
Cash resources	47	310 465	381 222	181	-
Total assets		2 840 439	1 926 673	2 137 433	1 411 033
EQUITY AND LIABILITIES					
Capital and reserves		1 440 987	1 013 311	1 156 234	862 928
Share capital	13	1 934	1 546	2 355	1 967
Share premium	14	865 942	498 696	865 942	498 696
Treasury shares	15	(12 891)	(13 227)	-	-
Non-distributable reserve	16	-	-	119 918	119 918
Share-based payments reserve		189 534	165 676	189 534	165 676
Foreign currency translation reserve	17	(1 587)	(2 001)	-	-
Cash flow hedging reserve	18	(955)	-	(955)	-
Accumulated profit/(loss)		396 787	362 200	(20 560)	76 671
Equity attributable to equity holders of the parent		1 438 764	1 012 890	1 156 234	862 928
Non-controlling interest		1 302	-	-	-
BEE shareholders' interest	19	921	421	-	-
Non-current liabilities		269 833	201 097	87 659	60 000
Other non-current liabilities	20	2 582	4 462	-	-
Long-term loan – interest bearing	21	86 667	60 000	86 667	60 000
Redeemable preference shares – interest bearing	22	96 000	116 000	-	-
Derivative financial instrument	18	955	-	955	-
Obligations under finance lease	23	4 957	249	-	-
Operating lease liability		1 233	-	-	-
Deferred taxation	10	77 439	20 386	37	-
Current liabilities		1 129 619	712 265	893 540	488 105
Non-interest-bearing current liabilities		600 624	389 085	407 341	218 616
Trade and other payables	24	461 779	275 731	935	3 327
Amounts due to subsidiary companies	12	-	-	406 406	214 886
Provisions	25	133 696	102 835	-	-
Taxation		5 149	10 519	-	403
Interest-bearing current liabilities		528 995	323 180	486 199	269 489
Current portion of other non-current liabilities	20/23	8 838	6 061	-	-
Current portion of long-term loan	21	323 747	15 000	323 747	15 000
Current portion of redeemable preference shares	22	22 182	16 199	-	-
Bank overdrafts	47	174 228	285 920	162 452	254 489
Total equity and liabilities		2 840 439	1 926 673	2 137 433	1 411 033



STATEMENT OF COMPREHENSIVE INCOME

for the year ended 29 February 2012

	Notes	GROUP		COMPANY	
		2012 R'000	2011 R'000	2012 R'000	2011 R'000
Revenue	26	6 423 229	5 384 566	-	-
Cost of sales	28	(5 188 742)	(4 264 774)	-	-
Gross profit		1 234 487	1 119 792	-	-
Other income	29	56 113	51 967	209	-
Administration expenses		(423 483)	(378 852)	(10 476)	(4 524)
Marketing and selling expenses		(506 674)	(477 445)	-	-
Other operating expenses		(156 121)	(157 791)	-	-
Operating profit/(loss)	30	204 322	157 671	(10 267)	(4 524)
Interest received	31	3 677	3 182	43 726	40 058
Interest paid	32	(43 554)	(31 855)	(51 899)	(32 093)
Dividends received		-	-	33 000	270 000
Share of profits from associates		683	-	-	-
Impairment of investments and goodwill		(1 199)	(1 796)	-	-
Impairment of loans		-	-	(459)	-
Profit on disposal of a business		160	-	-	-
Profit/(loss) on disposal of property and equipment		673	(194)	-	-
Profit before taxation		164 762	127 008	14 101	273 441
Taxation	33	(29 060)	(11 313)	(10 844)	(6 185)
Profit for the year		135 702	115 695	3 257	267 256
Other comprehensive income/(loss)					
Exchange differences on translating foreign operations		414	(877)	-	-
Fair value adjustment of derivative financial instrument		(955)	-	(955)	-
Non-controlling interest		(1 302)	-	-	-
Other comprehensive loss for the year, net of tax		(1 843)	(877)	(955)	-
Total comprehensive income for the year		133 859	114 818	2 302	267 256
Profit attributable to:					
Owners of the parent		134 400	115 695	3 257	267 256
Non-controlling interest		1 302	-	-	-
Total comprehensive income attributable to:					
Owners of the parent		133 859	114 818	2 302	267 256
Non-controlling interest		1 302	-	-	-
Earnings per share					
Basic (cents)	34	208,0	192,5	-	-
Diluted (cents)	34	203,7	188,1	-	-
Distribution to shareholders during the year		178	169	-	-
Interim dividend (cents)		57	54	-	-
Final dividend (cents) in respect of prior year		121	115	-	-



STATEMENT OF CHANGES IN EQUITY

for the year ended 29 February 2012

	Share capital R'000	Share premium R'000	Treasury shares R'000	Non- distributable reserve R'000
GROUP				
Balance as at 28 February 2010	1 483	497 968	(13 293)	-
Issue of ordinary shares under employee share option plan	3	788	-	-
Capitalisation of share premium	-	(65 172)	-	-
Ordinary shares issued pursuant to scrip distribution	60	65 112	-	-
Treasury shares sold	-	-	66	-
Dividend distributions	-	-	-	-
Recognition of BBBEE and staff share-based payments	-	-	-	-
Share options exercised during the year	-	-	-	-
Profit for the year	-	-	-	-
Other comprehensive loss for the year	-	-	-	-
Balance as at 28 February 2011	1 546	498 696	(13 227)	-
Issue of ordinary shares - Paracon acquisition	365	371 334	-	-
Capitalisation of transaction cost - Paracon acquisition	-	(4 100)	-	-
Issue of ordinary shares under employee share option plan	23	12	-	-
Treasury shares sold	-	-	336	-
Dividend distributions	-	-	-	-
Recognition of BBBEE and staff share-based payments	-	-	-	-
Share options exercised during the year	-	-	-	-
Profit for the year	-	-	-	-
Other comprehensive income/(loss) for the year	-	-	-	-
Balance as at 29 February 2012	1 934	865 942	(12 891)	-
COMPANY				
Balance as at 28 February 2010	1 904	497 968	-	119 918
Issue of ordinary shares under employee share option plan	3	788	-	-
Capitalisation of share premium	-	(65 172)	-	-
Ordinary shares issued pursuant to scrip distribution	60	65 112	-	-
Dividend distributions	-	-	-	-
Recognition of BBBEE and staff share-based payments	-	-	-	-
Share options exercised during the year	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Balance as at 28 February 2011	1 967	498 696	-	119 918
Issue of ordinary shares - Paracon acquisition	365	371 334	-	-
Capitalisation of transaction cost - Paracon acquisition	-	(4 100)	-	-
Issue of ordinary shares under employee share option plan	23	12	-	-
Dividend distributions	-	-	-	-
Recognition of BBBEE and staff share-based payments	-	-	-	-
Share options exercised during the year	-	-	-	-
Other comprehensive loss for the year	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Balance as at 29 February 2012	2 355	865 942	-	119 918

Share-based payment reserve R'000	Foreign currency translation reserve R'000	Cash flow hedging reserve R'000	Accumulated profit R'000	Attributable to equity holders of the parent R'000	Non- controlling interest R'000	BEE share- holders' interest R'000	Total R'000
141 492	(1 124)	-	280 996	907 522	-	421	907 943
-	-	-	-	791	-	-	791
-	-	-	-	(65 172)	-	-	(65 172)
-	-	-	-	65 172	-	-	65 172
-	-	-	9	75	-	-	75
-	-	-	(42 216)	(42 216)	-	-	(42 216)
31 900	-	-	-	31 900	-	-	31 900
(7 716)	-	-	7 716	-	-	-	-
-	-	-	115 695	115 695	-	-	115 695
-	(877)	-	-	(877)	-	-	(877)
165 676	(2 001)	-	362 200	1 012 890	-	421	1 013 311
-	-	-	-	371 699	-	-	371 699
-	-	-	-	(4 100)	-	-	(4 100)
-	-	-	-	35	-	-	35
-	-	-	-	336	-	-	336
-	-	-	(110 610)	(110 610)	-	-	(110 610)
34 655	-	-	-	34 655	-	500	35 155
(10 797)	-	-	10 797	-	-	-	-
-	-	-	134 400	134 400	-	-	134 400
-	414	(955)	-	(541)	1 302	-	761
189 534	(1 587)	(955)	396 787	1 438 764	1 302	921	1 440 987
141 492	-	-	(155 780)	605 502	-	-	605 502
-	-	-	-	791	-	-	791
-	-	-	-	(65 172)	-	-	(65 172)
-	-	-	-	65 172	-	-	65 172
-	-	-	(42 521)	(42 521)	-	-	(42 521)
31 900	-	-	-	31 900	-	-	31 900
(7 716)	-	-	7 716	-	-	-	-
-	-	-	267 256	267 256	-	-	267 256
165 676	-	-	76 671	862 928	-	-	862 928
-	-	-	-	371 699	-	-	371 699
-	-	-	-	(4 100)	-	-	(4 100)
-	-	-	-	35	-	-	35
-	-	-	(111 285)	(111 285)	-	-	(111 285)
34 655	-	-	-	34 655	-	-	34 655
(10 797)	-	-	10 797	-	-	-	-
-	-	(955)	-	(955)	-	-	(955)
-	-	-	3 257	3 257	-	-	3 257
189 534	-	(955)	(20 560)	1 156 234	-	-	1 156 234



STATEMENT OF CASH FLOWS

for the year ended 29 February 2012

		GROUP		COMPANY	
		2012	2011	2012	2011
	Notes	R'000	R'000	R'000	R'000
OPERATING ACTIVITIES					
Profit/(loss) before taxation and dividends		164 762	127 008	(18 899)	3 441
Adjusted for:					
Dividends received		-	-	33 000	270 000
Depreciation		22 692	24 079	-	-
Impairment of investments, goodwill and loans		1 197	1 796	459	-
Amortisation of intangible assets		42 480	44 143	-	-
Amortisation of financial assets		-	910	-	-
(Profit)/loss on disposal of property and equipment		(673)	194	-	-
Profit on sale of business		(160)	-	-	-
Share-based payments expense		34 655	31 900	-	-
Non-cash portion of operating lease rentals		(696)	800	-	-
Interest received		(3 677)	(3 182)	(43 726)	(40 058)
Interest paid		43 554	31 855	51 899	32 093
Cash generated by operating activities before working capital changes		304 134	259 503	22 733	265 476
Increase in trade and other receivables and prepayments		(204 195)	(13 512)	(45)	(389)
Increase/(decrease) in trade and other payables and provisions		115 250	41 863	(2 392)	1 627
Net movement in holding and fellow subsidiaries' intercompany accounts		-	-	136 225	(301 804)
Cash generated/(utilised) by operations		215 189	287 854	156 521	(35 090)
Interest received		3 677	3 182	43 726	40 058
Interest paid		(43 554)	(31 855)	(51 899)	(32 093)
Taxation paid	43	(48 955)	(32 632)	(11 530)	(6 092)
Dividend paid	44	(110 610)	(42 216)	(111 285)	(42 216)
Net cash generated/(utilised) by operating activities		15 747	184 333	25 533	(75 433)
INVESTING ACTIVITIES					
Additions to property, equipment and intangible assets	45	(46 355)	(24 014)	-	-
Proceeds from sale of business		160		-	-
Proceeds from sale of property and equipment		1 478	3 323	-	-
Acquisition of businesses	46	(254 966)	(2 874)	(269 100)	-
Investment in associates		(4 929)	-	-	-
Net cash utilised by investing activities		(304 612)	(23 565)	(269 100)	-
FINANCING ACTIVITIES					
Issue of shares		371	866	371	866
Issue of 'A' ordinary shares		500	-	-	-
Loans raised		375 414	75 000	375 414	75 000
Long-term loan repaid		(54 000)	(91 139)	(40 000)	(91 139)
Decrease in non-current interest-bearing liabilities		7 515	53	-	-
Net cash generated/(utilised) by financing activities		329 800	(15 220)	335 785	(15 273)
Net increase/(decrease) in cash and cash equivalents		40 935	145 548	92 218	(90 706)
Net cash and cash equivalents at the beginning of the period		95 302	(50 246)	(254 489)	(163 783)
Net cash and cash equivalents at the end of the period	47	136 237	95 302	162 271	(254 489)



SEGMENT REPORT

for the year ended 29 February 2012

	Group central costs		Staffing		New generation business		
	Central costs	Group recoveries*	Blue collar	White collar	BPO, training and financial services	Emergent business	Total
REVENUE							
- 2012 (R'000)	-	-	4 622 841	1 602 385	193 613	4 390	6 423 229
- 2011 (R'000)	-	22 366	3 861 945	1 329 000	168 702	2 553	5 384 566
Internal revenue							
- 2012 (R'000)	-	-	30 691	97 694	44 191	-	172 576
- 2011 (R'000)	-	-	14 812	31 526	38 833	-	85 171
Operating profit/(loss)							
- 2012 (R'000)	(62 907)	(2 890)	193 369	51 249	40 821	(15 320)	204 322
- 2011 (R'000)	(48 873)	57	141 445	26 125	43 941	(5 024)	157 671
Normalised EBITDA excluding share-based payments, lease-smoothing and Paracon transaction cost							
- 2012 (R'000)	(41 885)	(184)	226 497	73 732	65 675	(14 568)	309 267
- 2011 (R'000)	(36 111)	2 736	181 370	46 590	68 959	(4 951)	258 593
Normalised EBITDA margin excluding share-based payments and lease-smoothing							
- 2012 (%)	-	-	4,9	4,6	33,9	-	4,8
- 2011 (%)	-	-	4,7	3,5	40,9	-	4,8
Normalised EBITDA excluding share-based payments and lease-smoothing contribution % to Group EBITDA							
- 2012 (%)	(13,4)	(0,1)	73,2	23,8	21,2	(4,7)	100,0
- 2011 (%)	(14,0)	1,1	70,1	18,0	26,7	(1,9)	100,0
Depreciation and amortisation							
- 2012 (R'000)	1 094	-	16 920	27 038	20 075	45	65 172
- 2011 (R'000)	1 097	-	21 027	24 560	21 518	20	68 222
Interest income							
- 2012 (R'000)	(17 033)	739	5 652	8 267	6 047	5	3 677
- 2011 (R'000)	(13 686)	806	6 669	4 427	4 966	-	3 182
Interest expense							
- 2012 (R'000)	15 107	(363)	(44 518)	(10 720)	(1 622)	(1 438)	(43 554)
- 2011 (R'000)	21 719	(6)	(41 228)	(1 771)	(10 150)	(419)	(31 855)
Taxation expense/(income)							
- 2012 (R'000)	10 844	7 018	4 551	2 861	2 862	924	29 060
- 2011 (R'000)	6 185	5 650	3 180	(2 891)	699	(1 510)	11 313
Asset carrying value							
- 2012 (R'000)	3 270	16 946	1 845 573	704 942	266 166	3 542	2 840 439
- 2011 (R'000)	65 285	30 708	1 218 479	333 281	272 983	5 937	1 926 673
Liabilities carrying value							
- 2012 (R'000)	259 609	28 953	529 011	553 435	25 152	3 292	1 399 452
- 2011 (R'000)**	269 364	34 169	454 238	116 599	38 169	823	913 362
Additions to property, plant and equipment							
- 2012 (R'000)	59	7 591	9 292	10 033	4 234	-	31 209
- 2011 (R'000)	167	2 521	8 134	1 659	3 563	118	16 162

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.

* In the current year Adcorp Key Accounts was reclassified from Group recoveries to white collar, resulting in enhanced disclosure.

** Preference share debt amounting to R130 million has been moved from BPO, Training and financial services segment to white collar to better reflect the original intent of the related debt.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2012

1. ACCOUNTING FRAMEWORK

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

Consequently, all IFRS statements that were effective at 29 February 2012 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 international Financial Reporting standards		Effective date
IFRS 1: First-time Adoption of International Financial Reporting Standards	Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRS'	Annual periods beginning on or after 1 July 2011
IFRS 1: First-time Adoption of International Financial Reporting Standards	Additional exemption for entities ceasing to suffer from severe hyperinflation	Annual periods beginning on or after 1 July 2011
IFRS 7: Financial Instruments: Disclosures	Amendments enhancing disclosures about transfers of financial assets	Annual periods beginning on or after 1 July 2011
IFRS 7: Financial Instruments: Disclosures	Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	Annual periods beginning on or after 1 January 2013
IFRS 7: Financial Instruments: Disclosures	Amendments requiring disclosures about the initial application of IFRS 9	Annual periods beginning on or after 1 January 2015
IFRS 9: Financial Instruments: Classification and Measurement	The standard is set to replace the current IAS 39	Annual periods beginning on or after 1 January 2013
IFRS 9: Financial Instruments	Accounting for financial liabilities and derecognition	Annual periods beginning on or after 1 January 2015
IFRS 10: Consolidated Financial Statements	The standard establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities	Annual periods beginning on or after 1 January 2013
IFRS 11: Joint Arrangements	The standard is set to replace the current version of IAS 31 and establishes principles for financial reporting by entities that have an interest in joint ventures	Annual periods beginning on or after 1 January 2013
IFRS 12: Disclosure of Interests in Other Entities	The standard deals with the disclosure requirements regarding an entity's interests in subsidiaries, joint arrangements, investments in associates or other unconsolidated structured entities	Annual periods beginning on or after 1 January 2013
IFRS 13: Fair Value Measurement	The standard provides a single framework within which fair value is defined, provides guidelines on how to measure fair value and also provides guidelines on the required disclosures	Annual periods beginning on or after 1 January 2013
IAS 1: Presentation of Financial Statements	Amendments to revise the way other comprehensive income is presented	Annual periods beginning on or after 1 July 2012
IAS 12: Income Taxes	Limited scope amendment (recovery of underlying assets)	Annual periods beginning on or after 1 January 2012
IAS 19: Employee Benefits	Amended Standard resulting from the Post-Employment Benefits and Termination benefits projects	Annual periods beginning on or after 1 January 2013
IAS 27: Consolidated and Separate Financial Statements	Reissued as IAS 27: Separate Financial Statements (as amended in 2011)	Annual periods beginning on or after 1 January 2013
IAS 28: Investments in Associates	Reissued as IAS 28: Investments in Associates and Joint Ventures (as amended in 2011)	Annual periods beginning on or after 1 January 2013
IAS 32: Financial Instruments: Presentation	Amendments to application guidance on the offsetting of financial assets and financial liabilities	Annual periods beginning on or after 1 January 2014

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

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and incorporate the following principal accounting policies. In all material respects, these policies have been followed by all companies in the Group. The accounting policies are consistent with the prior year.

Basis of consolidation

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

All intergroup transactions, balances, income and expenses have been eliminated upon consolidation. All shares and investments are held at cost and are reviewed annually to determine any impairment. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as is appropriate.

Business combinations

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

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

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

Investment in associates

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

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

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

Taxation

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

The tax currently payable is based on taxable profit for the 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.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 29 February 2012

2. SIGNIFICANT ACCOUNTING POLICIES continued

Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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

Property and equipment

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

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

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

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

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

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses.

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

Internally generated intangible assets – research and development expenditure

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

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

- The technical feasibility of completing the intangible asset so that it will be available for us.
- 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 balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated.

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

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

Revenue recognition

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

Revenue is recognised at the date the services are rendered.

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

Dividend income

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

Investment income

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

Cost of sales

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

Leases

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

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

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

Foreign currency transactions

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



NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 29 February 2012

2. SIGNIFICANT ACCOUNTING POLICIES continued

Borrowing costs

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

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

Government grants

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

Employee benefits

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

Contributions to medical aid are recognised as an expense in the period during which the related services are rendered. All employee benefits cease on termination of employment.

Provisions

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

Share-based payments

The Group has complied with the requirements of IFRS 2: Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied retrospectively to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005 and to all liabilities for share-based transactions existing at 1 January 2005. The standard therefore applies to share options granted in 2005, 2006, 2008, 2009, 2010, 2011 as well as those granted in 2012.

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

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

Financial instruments

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

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

Trade and other receivables

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

Trade and other payables

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

Investments

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

Cash and cash equivalents

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

Bank borrowings

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

Equity instruments

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

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate risk, which includes interest rate swaps, collars and other applicable instruments.

These derivative financial instruments are initially recognised in the statement of financial position at fair value on the date which a derivative contract is entered into (the best evidence of fair value on day one is the transaction price) and subsequently remeasured at their fair value on reporting date. The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option-pricing models, as appropriate, and from other service providers (banks, corporate financiers), as the case may be. All derivatives are carried as derivative financial assets when fair value is positive and as derivative financial liabilities when fair value is negative.

Hedge accounting

The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or
- hedges of highly probable forecast transactions (cash flow hedge).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions, is documented. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are expected to be and have been highly effective in offsetting changes in fair values or cash flows of hedged items.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of all such derivative instruments are recognised immediately in profit or loss.

Cash flow hedges

The Group recognises fair value changes of derivatives that are designated and qualify as cash flow hedges and prove to be highly effective in relation to the hedged risk, in the cash flow hedging reserve in the statement of other comprehensive income (equity). The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Financial asset or liability

Amounts accumulated in the statement of other comprehensive income (equity) are recycled to profit or loss in the period in which the hedged item will affect the profit or loss. Where the forecast transaction subsequently results in the recognition of a financial asset or liability, the gains or losses deferred in equity are transferred from the statement of other comprehensive income (equity) when the financial asset or liability is sold or impaired.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to 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 29 February 2012

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the Group's accounting policies

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

Provision for credit losses

The provision was measured at the Group's best estimate of future unrecoverable trade receivables, taking into account circumstances prevailing at year-end. Details of the provision are provided in note 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 balance sheet 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 the business of Crestfin Group. The free cash flow method was used and the key estimates involved were growth rates, discount rate, as well as return on the contracts or key customer relationships.

Recognition of deferred tax assets

The Group has exercised judgement in determining whether deferred tax assets should be recognised. Judgement is involved in determining the extent to which it is probable that taxable profit in the various subsidiaries will be available against which the deferred tax assets will be utilised. Details of these deferred tax assets are provided in note 10.

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 39.

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 2012 R'000	Computer and office equipment, furniture and fittings 2012 R'000	Capitalised leased assets 2012 R'000	Total 2012 R'000	Total 2011 R'000
4. PROPERTY AND EQUIPMENT					
GROUP					
Balance at the beginning of the period	13 419	29 342	1 160	43 921	53 405
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)
Current year movements					
Additions	9 105	20 332	1 772	31 209	16 162
Acquisitions through business combinations	590	6 178	-	6 768	1 106
Effect of foreign currency exchange differences	-	967	-	967	(39)
Cost	-	1 055	-	1 055	(66)
Accumulated depreciation	-	(88)	-	(88)	27
Disposals	-	(1 706)	(68)	(1 774)	(2 634)
Cost	(1 501)	(19 253)	(479)	(21 233)	(12 371)
Accumulated depreciation	1 501	17 547	411	19 459	9 737
Depreciation	(4 615)	(17 152)	(925)	(22 692)	(24 079)
Net book value at the end of the period	18 499	37 961	1 939	58 399	43 921
Represented by:					
Assets at cost	41 902	137 548	4 672	184 122	166 411
Accumulated depreciation	(23 403)	(99 587)	(2 733)	(125 723)	(122 490)
Net book value at the end of the period	18 499	37 961	1 939	58 399	43 921
COMPANY					
Balance at the beginning of the period	-	-	-	-	-
Assets at cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Additions	-	-	-	-	-
Depreciation	-	-	-	-	-
Transferred to another company	-	-	-	-	-
Assets at cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Net book value at the end of the period	-	-	-	-	-
Represented by:					
Assets at cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Net book value at the end of the period	-	-	-	-	-

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 R1,9 million (2011: R1,2 million).



NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 29 February 2012

	Capitalised development 2012 R'000	Trade- marks 2012 R'000	Accredi- tation of programmes 2012 R'000	Customer base 2012 R'000	Other 2012 R'000	Total 2012 R'000	Total 2011 R'000
5. INTANGIBLE ASSETS							
GROUP							
Balance at the beginning of the period	80 609	3 921	874	46 060	11 555	143 019	179 334
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)
Additions	12 367	-	834	1 945	-	15 146	7 852
Acquisitions through business combinations	25 276	88 469	-	133 758	-	247 503	-
Amortisation expense	(10 226)	(1 475)	(447)	(25 335)	(4 997)	(42 480)	(44 143)
Impairment loss recognised in profit and loss	-	-	-	-	-	-	(24)
Net book value at the end of the period	108 026	90 915	1 261	156 428	6 558	363 188	143 019
Represented by:							
Assets at cost	135 657	101 047	2 592	367 391	22 378	629 065	366 416
Accumulated amortisation	(27 631)	(10 132)	(1 331)	(210 963)	(15 820)	(265 877)	(223 397)
Net book value at the end of the period	108 026	90 915	1 261	156 428	6 558	363 188	143 019

The capitalised development represents costs incurred to date on the development of the Dynamix AX ERP System. This software is amortised over its estimated useful lives ranging from 10 to 15 years.

Trademarks are amortised over their estimated useful lives ranging from seven to 15 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 lives 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 lives which range from three to 15 years. Other intangible assets relates to learning programmes and NQF accreditations development. These assets are amortised over their 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 life which is three and a half years.

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

	GROUP		COMPANY	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
6. GOODWILL				
Cost				
Opening balance	583 170	581 289	-	-
Additional amounts recognised from business combinations during the year	358 369	1 881	-	-
Closing balance	941 539	583 170	-	-
Impairment				
Opening balance	(28 772)	(26 999)	-	-
Impairment of goodwill during the year	(1 197)	(1 773)	-	-
Closing balance	(29 969)	(28 772)	-	-
Carrying amount at the end of the year	911 570	554 398	-	-

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	
	2012	2011
	R'000	R'000
Staffing	404 154	389 878
Independent contracting	334 985	-
Business process outsourcing, training and financial services	172 431	164 520
	911 570	554 398

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 10,72% (2011: 10,21%).

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

During the year Adcorp acquired Paracon Holdings Limited, LearnSys Proprietary Limited and Top Temps Proprietary Limited (UK). As a result of these acquisitions an amount of R355,4 million was recognised as goodwill. This goodwill was allocated to the blue- and white-collar segments as well as to BPO, training and financial services segments.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 29 February 2012

	GROUP		COMPANY	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
7. INVESTMENT IN SUBSIDIARIES				
(for details refer to Annexure A)				
Shares at cost less amounts written off	-	-	1 289 768	653 069
Shares at cost	-	-	1 296 494	659 795
Less: Provision for impairment of investment	-	-	(6 726)	(6 726)
Directors' valuation			2 224 501	1 669 955
The directors have valued the cash-generating units at a value in excess of the Group market capitalisation as at 29 February 2012. As a consequence the directors' valuation shown above has been limited to the abovementioned market capitalisation value.				
The investment in Research Surveys has been impaired as the business was sold and the company is now dormant.				
8. INVESTMENT IN ASSOCIATES				
(for details of the Group refer to Annexure A)				
Carrying values at the beginning of the period	-	-	-	-
Increase in investment	49 027	-	-	-
Nihilent Technologies PVT Limited	44 777			
EnvisionMe Virtual Talent Management Co Proprietary Limited	4 250			
Impairment of investment	(2)	-	-	-
Share of current period earnings (net of dividends received)	683	-	-	-
Total investment in associates	49 708	-	-	-
Summarised financial information in respect of the Group's associates is set out below:				
Total assets	180 703	-	-	-
Non-current assets	9 313			
Current assets	171 390	-	-	-
Total liabilities	55 555	-	-	-
Non-current liabilities	-	-	-	-
Current liabilities	55 555	-	-	-
Net assets	125 148	-	-	-
Group's share of associates' profit/(loss) for the year	683	-	-	-
Nihilent Technologies PVT Limited	1 888	-	-	-
EnvisionMe Virtual Talent Management Co Proprietary Limited	(1 207)	-	-	-
Klatrade 200074 Proprietary Limited	2	-	-	-

Nihilent Technologies PVT Limited

The Group holds an indirect effective 34,6% equity investment in Nihilent Technologies PVT Limited (Nihilent) that was acquired with Paracon Holdings Limited. Nihilent is a business consulting and technology services company incorporated in India. The year-end of the associate is 31 March. Management accounts reviewed by Nihilent's auditors were utilised to calculate the share of profits from Nihilent for the period. Nihilent's profit for the year has been converted from Indian Rupees to South African Rand using an average exchange rate for the financial year ended 29 February 2012 of USD1 = ZAR7,98. The financial position of Nihilent has been converted from Indian Rupees to South African Rand using the spot exchange rate of USD1 = ZAR7,55 as at 29 February 2012.

EnvisionMe Virtual Talent Management Co Proprietary Limited

As at 28 February 2011, the Group held an indirect effective 0,004% equity investment in EnvisionMe Virtual Talent Management Co Proprietary Limited (EnvisionMe). Subsequent to the issue of additional shares by EnvisionMe in June and November 2011, the Group's indirect shareholding in EnvisionMe increased above 20% to 25,1% as at June 2011 and 45,1% in November 2011. The Group obtained significant influence over EnvisionMe from 1 June 2011 and from that date has equity accounted for its investment in EnvisionMe in terms of IAS 28.

EnvisionMe is a web design company incorporated in South Africa. The year-end of the associate is 29 February.

Klatrade 200074 Proprietary Limited

The Group holds an indirect effective 52,5% equity investment in Klatrade 2000074 Proprietary Limited (Klatrade). Klatrade is a dormant company incorporated in South Africa. The year-end of the associate is 29 February.

	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
9. OTHER FINANCIAL ASSETS				
Adcorp Empowerment Share Incentive Trust	-	-	-	794
(2011: 28 205 shares at R8,85)	-	-	-	325
Loan to Adcorp Empowerment Share Incentive Trust	-	-	-	469
The loan was fully impaired at the end of February 2012.				

	As at 28 Feb 2011	Charged to the statement of comprehensive income	Arising on business combination	As at 29 Feb 2012
10. DEFERRED TAXATION				
GROUP				
Tax effect of:				
Deferred tax raised on provisions	25 181	7 688	3 203	36 072
Excess tax allowances and depreciation charge	143	7	-	150
Expenditure incurred but not allowable for tax purposes in the period in which it is incurred	(14 814)	5 849	6 221	(2 744)
Operating lease timing adjustments	1 492	(214)	414	1 692
Computed losses	22 143	(3 282)	-	18 861
Prepayments	(1 218)	(305)	-	(1 523)
Income received in advance	793	103	-	896
AXAPTA	(4 353)	(708)	-	(5 061)
Finance lease obligation	-	101	-	101
Intangibles and other	-	1 252	(69 361)	(68 109)
	29 367	10 491	(59 523)	(19 665)
			29 Feb 2012 R'000	28 Feb 2011 R'000
Analysed as:				
Deferred tax assets			57 774	49 753
Deferred tax liabilities			(77 439)	(20 386)
			(19 665)	29 367



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for the year ended 29 February 2012

	GROUP		COMPANY	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS	1 079 508	740 207	825	780
Trade receivables	1 014 656	694 243	-	-
Provision for credit losses	(5 645)	(6 401)	-	-
Deposits and staff loans	6 860	3 677	500	500
Prepayments and sundry billings	33 750	29 580	132	18
SETA	6 154	7 405	-	-
Sundry loan	4 000	-	-	-
Other	19 733	11 703	193	262
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 R7 974 975 (2011: R5 684 282) that have been claimed from the Services Seta.				
Included in SETA receivables are amounts due from the Services Seta in respect of learnerships that the Group has engaged in:	6 154	1 128	-	-
Opening balance	1 128	8 023	-	-
Claims submitted	10 926	5 684	-	-
Grants received	(5 900)	(12 579)	-	-
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:	1 014 656	694 243	-	-
Domestic	980 847	671 524	-	-
Foreign	33 809	22 719	-	-
The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:	1 014 656	694 243	-	-
Agriculture, hunting, forestry and fishing	10 443	13 671	-	-
Community, social and personal services	126 138	91 785	-	-
Construction	103 229	45 831	-	-
Manufacturing	267 152	193 887	-	-
Financial intermediation, insurance, real estate and business services	260 082	129 256	-	-
Electricity, gas and water supply	106 964	64 108	-	-
Transport, storage and communication	77 720	75 472	-	-
Mining and quarrying	33 744	33 483	-	-
Wholesale and retail, repair of motor vehicles, motor cycles, personal and household goods, and hotels and restaurants	29 184	46 750	-	-

Debtors days outstanding at end February 2012 was 36 days (2011: 36 days). No interest is charged on trade receivables for the first 60 days from 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 49 respectively.

	GROUP				COMPANY			
	Gross Impairment		Gross Impairment		Gross Impairment		Gross Impairment	
	2012		2011		2012		2011	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS								
continued								
The ageing of trade receivables at the reporting date was:								
Not past due	1 014 656	(5 645)	694 243	(6 401)	-	-	-	-
Past due 0 – 30 days	731 908	(160)	517 908	-	-	-	-	-
Past due 31 – 60 days	136 694	(268)	90 406	-	-	-	-	-
Past due 61 – 90 days	51 314	-	32 955	-	-	-	-	-
Past due 91 – 365 days	31 616	(188)	18 127	-	-	-	-	-
	63 124	(5 029)	34 847	(6 401)	-	-	-	-
Movement in the provision for credit losses during the period under review was as follows:								
Closing balance	-	5 645	-	6 401	-	-	-	-
Balance at the beginning of the period	-	6 401	-	7 041	-	-	-	-
Amounts written off	-	(6 689)	-	(3 829)	-	-	-	-
Impairment loss/(gain) recognised	-	5 933	-	3 189	-	-	-	-

	GROUP		COMPANY	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
12. AMOUNTS DUE TO/(BY) SUBSIDIARY COMPANIES				
(for details refer to Annexure A)				
			439 934	541 504
Amounts due by subsidiary companies	-	-	846 340	756 390
Amounts due to subsidiary companies	-	-	(406 406)	(214 886)



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for the year ended 29 February 2012

	GROUP		COMPANY	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
13. SHARE CAPITAL				
Authorised				
183 177 151 ordinary shares of 2,5 cents each (2011: 183 177 151)	4 579	4 579	4 579	4 579
16 822 849 'A' ordinary shares of 2,5 cents each (2011: 16 822 849)	421	421	421	421
	5 000	5 000	5 000	5 000
Issued				
77 373 934 ordinary shares of 2,5 cents each (2011: 61 850 171)	1 934	1 546	1 934	1 546
16 822 849 'A' ordinary shares of 2,5 cents each (2011: 16 822 849)	-	-	421	421
	1 934	1 546	2 355	1 967
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)	76 817	61 252	77 374	61 850
Opening balance	61 850	59 309	61 850	59 309
Issue of ordinary shares under employee share option plan	936	147	936	147
Issue of ordinary shares – acquisition of Paracon Holdings Limited	14 588	-	14 588	-
Issue of shares pursuant to scrip distribution	-	2 394	-	2 394
Shares in issue	77 374	61 850	77 374	61 850
Treasury shares	(557)	(557)	-	-
Share Trust consolidated	-	(41)	-	-
14. SHARE PREMIUM	865 942	498 696	865 942	498 696
Balance at 1 March 2011	498 696	497 968	498 696	497 968
Arising from the issue of 1 039 ordinary shares under employee share option plan (2011: 68 000)	12	788	12	788
Capitalisation of share premium	-	(65 172)	-	(65 172)
Issue of ordinary shares pursuant to scrip distribution	-	65 112	-	65 112
Issue of shares – acquisition of Paracon Holdings Limited	371 334	-	371 334	-
Capitalisation of transaction costs – acquisition of Paracon Holdings Limited	(4 100)	-	(4 100)	-
15. TREASURY SHARES	(12 891)	(13 227)	-	-
Adcorp Empowerment Share Incentive Trust shares: Nil (2011: 28 205)	(237)	(303)	-	-
Shares redeemed: 28 205 (2011: 8 500)	336	66	-	-
	99	(237)	-	-
Adcorp Fulfilment Services Proprietary Limited 557 240 shares (2011: 557 240)	(12 822)	(12 822)	-	-
Adcorp Employee Benefit Trust consolidated 6 729 140 'A' shares (2011: 6 729 140)	(168)	(168)	-	-
Movement in the shares held by Adcorp Empowerment Share Incentive Trust appears on page 86.				
16. NON-DISTRIBUTABLE RESERVE				
Unrealised profit arising on sale of BEE companies into new entity during 2004	-	-	119 918	119 918

	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
17. FOREIGN CURRENCY TRANSLATION RESERVE	(1 587)	(2 001)	-	-
Balance at 1 March	(2 001)	(1 124)	-	-
Arising on translation of foreign operation	414	(877)	-	-
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.				

	GROUP				COMPANY			
	Assets		Liabilities		Assets		Liabilities	
	2012		2011		2012		2011	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
18. DERIVATIVE FINANCIAL INSTRUMENT								
Group:								
Interest rate swap – cash flow hedges	-	955	-	-	-	955	-	-
Current portion	-	-	-	-	-	-	-	-
Non-current portion	-	955	-	-	-	955	-	-
	-	955	-	-	-	955	-	-

The full fair value of a hedging derivative is classified as a non-current asset or liability as the remaining maturity of the hedged item is more than 12 months subsequent to year-end.

Interest rate swap – cash flow hedge

During the current financial year the Group entered into a three-year term loan facility of a R100 million, interest is payable at a variable rate based on ZAR-JIBAR-SAFEX with a designated maturity of 3 month, +300 basis points. The variable interest rate on the loan facility will result in variable cash flows. To hedge the risk of variable cash flows due to changes in JIBAR interest rates, the Group entered into an interest rate swap to swap the floating rate of interest on the term loan for a fixed rate of 9,93%. The intention of the swap is to hedge the cash flows emanating from the variable interest rate on the underlying loan.

The trade date of the interest rate swap was 20 April 2011 and maturity date which corresponds with the final settlement date of the term loan is 13 May 2014. Cash flows on both the term loan facility and the interest rate swap occur quarterly and commenced from August 2011. The notional principal amount of the outstanding interest rate swap contract at 29 February 2012 was R83,3 million (2011: Rnil).

Below is an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The interest rate swap is considered to be a Level 2 financial instrument. The Group does not hold any Level 1 or Level 3 financial instruments.

The fair value of the interest rate swap is determined at the end of the reporting period.

Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 29 February 2012 will be continuously released/charged to the statement of comprehensive income until the repayment of the bank borrowings.

Refer to note 21 for further details with regard to the terms and conditions of the hedged term loan facility.



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for the year ended 29 February 2012

19. BEE SHAREHOLDERS' INTEREST

In terms of the BEE transaction in 2007, Adcorp has created and issued a total of 16 822 849 (2011: 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 (2011: 6 729 140) are owned by a company called Moody Blue Trade and Invest 93 Proprietary 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 notional interest and reduced by notional and/or trickle 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.

During the year certain subsidiary companies issued 'A' ordinary shares to entities within the Wiphold stable. These shares were issued as part of a deal whereby the Adcorp subsidiary companies' BBBEE credentials were enhanced.

The structure of these deals mirrors the Adcorp BBBEE transaction outlined above.

These 'A' ordinary shares carry full voting rights and have been funded by notional debt computed at the time of issue plus notional interest and reduced by notional and/or trickle dividends.

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

	GROUP		COMPANY	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
Issued				
16 822 849 'A' ordinary shares of 2,5 cents each (2011: 16 822 849)	421	421	-	-
400 'A' ordinary shares of no par value in Quest Staffing Solutions Proprietary Limited (2011: nil)	270	-	-	-
450 'A' ordinary shares of no par value in Fortress Administration Proprietary Limited (2011: nil)	230	-	-	-
	921	421		
The fair value of the option in terms of the Adcorp 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 remaining 10-year period are as follows:				
Current year	5 320	5 320		
Year 5 – year 9 (expense of R5 320 million per annum)	21 280	26 600		
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			

	Number of shares 2012	Number of shares 2011	Weighted average exercise price 2012 R	Weighted average exercise price 2011 R
19. BEE SHAREHOLDERS' INTEREST <i>continued</i>				
Outstanding at the beginning of the period	6 729 140	6 729 140	29,91	29,91
Issued during the period	-	-	-	-
Exercised during the period	-	-	-	-
Outstanding at the end of the period	6 729 140	6 729 140	29,91	29,91
Exercisable at the end of the period	-	-	-	-

	GROUP		COMPANY	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
20. OTHER NON-CURRENT LIABILITIES				
Operating lease	4 769	5 570	-	-
Mortgage bond – Hampden Road and Poplar Road	3 498	4 157	-	-
	8 267	9 727	-	-
<i>Less: Current portion of other non-current liabilities disclosed in current liabilities</i>	<i>(5 685)</i>	<i>(5 265)</i>	-	-
	2 582	4 462	-	-

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 – INTEREST BEARING
Secured – at amortised cost less amount capitalised

Bank loans

Current portion of long-term loans

Bridge loans raised for Paracon acquisition

Accrued interest

Paracon transaction costs capitalised

Current portion

Non-current portion

48 333	15 000	48 333	15 000	
272 500	-	272 500	-	
7 485	-	7 485	-	
(4 571)	-	(4 571)	-	
323 747	15 000	323 747	15 000	
86 667	60 000	86 667	60 000	

During the year, the Group raised a long-term loan from ABSA in the amount of R100 million. Interest is charged at an inclusive rate being JIBAR plus 300 (three hundred) basis points per annum (nominal annual compounded quarterly). The loan is repayable in quarterly instalments over three years.

The Group entered into an interest rate swap agreement with ABSA and fixed the interest rate payable on the interest rate swap at 9,93% for the duration of the loan term.

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 Proprietary Limited
- Adcorp Fulfilment Services Proprietary Limited
- Adcorp Staffing Solutions Proprietary Limited
- Adcorp Support Services Proprietary Limited
- ADfusion Proprietary Limited
- Capital Outsourcing Group Proprietary Limited

In order to finance the cash portion of the Paracon purchase consideration, on 5 December 2011 the Group raised a loan of R140 million from ABSA Bank Limited (ABSA) and R132,5 million from Rand Merchant Bank (RMB) a division of FirstRand Bank Limited.

Interest on these loans is charged at an inclusive rate, meaning a rate of interest equal to the Johannesburg Interbank Agreed Rate (JIBAR) plus 400 (four hundred) basis points per annum (nominal annual compounded quarterly). These loans are categorised as short-term as they are repayable on 5 June 2012 and shall be either converted into a long-term loans or extended as bridge loans from such a date.



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	GROUP		COMPANY	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
22. REDEEMABLE PREFERENCE SHARES – INTEREST BEARING				
Redeemable preference shares issued	116 000	130 000	-	-
Interest accrued	2 182	2 199	-	-
	118 182	132 199	-	-
Long-term portion preference shares issued	96 000	116 000	-	-
Current portion	22 182	16 199	-	-
Current portion preference shares issued	20 000	14 000	-	-
Interest accrued current portion	2 182	2 199	-	-
	118 182	132 199	-	-

During the prior year, Adcorp entered into an amended and restated preference share subscription agreement with RMB.

The preference coupon rate was amended to 82,5% of the prevailing prime rate (previously 75%) in order to cater for the abolishment of secondary tax on companies (STC).

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 between three and 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	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
Within one year	3 654	812	3 153	796
Later than one year and not later than five years	5 638	285	4 957	249
	9 292	1 097	8 110	1 045
<i>Less: Future finance charges</i>	(1 182)	(52)	-	-
Present value of finance lease obligations	8 110	1 045	8 110	1 045
Current portion	3 153	796	3 153	796
Non-current portion	4 957	249	4 957	249
	8 110	1 045	8 110	1 045

	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
24. TRADE AND OTHER PAYABLES	461 779	275 731	935	3 327
Trade creditors	63 588	47 110	56	250
VAT	85 861	57 812	(1 164)	(259)
Accruals	282 931	150 750	1 617	2 939
Income received in advance	4 852	2 831	-	-
Other	24 547	17 228	426	397

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

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

	As at 28 Feb 2011 R'000	Provisions raised 2012 R'000	Provisions utilised 2012 R'000	Acquired through business combination 2012 R'000	As at 29 Feb 2012 R'000
25. PROVISIONS					
Group					
Leave pay	52 897	142 715	(130 285)	5 511	70 838
Bonuses	47 843	109 272	(102 906)	2 015	56 224
Other	2 095	26 377	(25 752)	3 914	6 634
Total	102 835	278 364	(258 943)	11 440	133 696

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.

Other

Other provisions relates to paid public holidays and a lease commitment.

	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
26. REVENUE				
Continuing operations				
Revenue from the rendering of services	6 423 229	5 384 566	-	-
	6 423 229	5 384 566	-	-



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27. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is currently organised into three 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 COST** – 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 RESOURCING BUSINESS** (incorporating flexible and permanent resourcing) – Includes blue-collar flexible-resourcing services (including nursing), white-collar flexible-resourcing services, independent contracting and permanent recruitment services.
- **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 segment report is disclosed on page 95.

	GROUP		COMPANY	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
28. COST OF SALES				
The analysis of cost of sales is as follows:	(5 188 742)	(4 264 774)	-	-
Course material	(4 449)	(3 845)	-	-
Lecturing	(43 634)	(38 001)	-	-
Criminal and credit checks	(7 184)	(7 009)	-	-
Media and placements	(29 731)	(31 662)	-	-
Production	(970)	(109)	-	-
Project costs	(190 533)	(158 677)	-	-
Protective clothing	(19 799)	(15 880)	-	-
Temporary employee costs	(4 403 021)	(3 941 122)	-	-
Transportation costs	(44 746)	(34 663)	-	-
Financial services	(2 480)	(3 141)	-	-
Independent contracting	(232 047)	-	-	-
Foreign temp salaries	(175 107)	-	-	-
Other	(35 041)	(30 665)	-	-
29. OTHER INCOME	56 113	51 967	209	-
Bad debts recovered	256	359	-	-
Training levies recovered	19 181	10 959	-	-
Restraint of trade payment recovered	-	5 000	-	-
Financial services	10 606	3 871	-	-
SETA	4 297	18 781	-	-
Rent recovered	4 897	5 622	-	-
Subcontractor income	-	2 977	-	-
Dividend received – Regent Life	3 504	-	-	-
Travel income	1 078	-	-	-
External payroll	5 500	-	-	-
Other	6 794	4 398	209	-

	GROUP		COMPANY	
	2012	2011	2012	2011
	R'000	R'000	R'000	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)	(42 480)	(44 143)	-	-
Amortisation of intangibles acquired in business combinations	(28 646)	(33 684)	-	-
Amortisation of intangibles other than those acquired in business combinations	(13 834)	(10 459)	-	-
Auditors' remuneration	(9 606)	(6 304)	(2 078)	(495)
- fee for audit	(6 559)	(5 670)	(342)	(8)
- fee for audit (prior year (under-)/overprovision)	(416)	170	-	(150)
- fee for other services	(2 631)	(804)	(1 736)	(337)
Consulting fees	(33 226)	(45 229)	(2 382)	(327)
Depreciation (refer to note 4)	(22 692)	(24 079)	-	-
Foreign exchange gains/(loss)	2 517	(2 229)	-	-
Government grants in respect of learnerships	6 594	5 684	-	-
Directors' emoluments				
- executive directors	(16 785)	(14 208)	-	-
- non-executive directors	(954)	(1 375)	(954)	-
Leasing and rentals				
- properties and premises	(54 096)	(48 421)	-	-
- office furniture and equipment	(10 537)	(10 497)	-	-
- motor vehicles	(961)	-	-	-
Lease smoothing	696	(800)	-	-
Staff costs	(596 860)	(547 981)	-	-
Share-based payments expense*	(34 655)	(31 900)	-	-
Transaction costs – Acquisition of Paracon Holdings Limited	(5 814)	-	-	-
* The share-based payments expense is net of amounts charged to subsidiaries.				
31. INTEREST RECEIVED	3 677	3 182	43 726	40 058
Group loans	-	-	42 898	40 058
Bank deposits	2 823	576	828	-
Other	854	2 606	-	-
32. INTEREST PAID	(43 554)	(31 855)	(51 899)	(32 093)
Group loans	-	-	(17 934)	(13 518)
Bank overdrafts	(34 352)	(21 665)	(33 965)	(18 575)
Interest on preference share loan	(8 642)	(8 966)	-	-
Other	(560)	(1 224)	-	-



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	GROUP		COMPANY	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
33. TAXATION				
SA normal tax – current	25 711	32 070	–	1 913
Under/(overprovision) prior year	1 744	4 688	(321)	15
Deferred taxation	(10 491)	(30 614)	37	–
Underprovision prior year	522	–	–	–
Rate change				
Secondary tax on companies	11 574	5 169	11 128	4 257
	29 060	11 313	10 844	6 185
Standard tax rate (%)	28	28	28	28
Normal tax at standard rate	46 133	35 562	3 948	76 563
Adjustment for the tax effect at the standard rate of the following items:				
– Loss on sale of investment	–	–	–	–
Exempt income:				
– Dividends received	–	–	(9 240)	(75 600)
– Associated company profit already subject to tax	(529)	–	–	–
Non-deductible items charged against income:				
– Capital profits	1 886	948	1 885	948
– Dividend on preference share loan	2 420	2 511	–	–
– Impairment of assets and investments	335	473	128	–
– Share-based payments	9 704	8 932	–	–
Special allowances claimed:				
– Learnerships	(54 029)	(51 390)	–	–
Tax losses not recognised	11 986	13 063	1 574	–
Prior year under/(overprovision)	1 744	4 688	(321)	15
Other permanent differences	(1 504)	(8 643)	1 742	2
Prior year overprovision in deferred tax	(660)	–	–	–
Secondary tax on companies	11 574	5 169	11 128	4 257
Actual tax charge for the year	29 060	11 313	10 844	6 185
Reconciliation of estimated tax losses available in the Group:				
Estimated losses at the beginning of the period	134 625	45 458	–	–
Tax losses raised – current period	32 897	90 993	5 622	–
Net tax losses utilised	(10 702)	(931)	–	–
Tax loss revised on assessment	–	(895)	–	–
	156 820	134 625	5 622	–
Which consists of:				
Losses recognised	67 359	87 971	–	–
Losses not recognised	89 461	46 654	5 622	–
	156 820	134 625	5 622	–

	GROUP		COMPANY	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
34. EARNINGS PER SHARE				
The calculation of earnings per share is based on earnings of R135 701 838 (2011: R115 694 894) and ordinary shares 65 236 311 (2011: 60 110 351) being the weighted average number of shares relative to the above earnings.				
Basic earnings per share	208,0	192,5	-	-
Diluted earnings per share is based on 66 631 154 (2011: 61 519 596) weighted diluted number of shares				
Diluted earnings per share	203,7	188,1	-	-
Reconciliation of diluted number of shares				
Ordinary shares	65 236 311	60 110 351	-	-
Adcorp Employee Share Scheme – shares matured	1 394 843	1 409 245	-	-
Diluted number of shares	66 631 154	61 519 596	-	-
Reconciliation of headline earnings				
Profit for the year	135 702	115 695	-	-
(Profit)/loss on sale of property and equipment	(673)	194	-	-
Taxation	188	(54)	-	-
Impairment of goodwill and investments	1 197	1 796	-	-
Headline earnings	136 414	117 631	-	-
Headline earnings per share – cents	209,1	195,7	-	-
Diluted headline earnings per share – cents	204,7	191,2	-	-
<i>Notes</i>				
- The dilution of shares results from the exercise of options in the Adcorp Holdings 2006 share plan.				
- Headline earnings per share is based on earnings adjusted for profit on sale of assets and impairment of investments and goodwill.				
35. COMMITMENTS AND CONTINGENT LIABILITIES – GROUP AND COMPANY				
The bank has guaranteed payments to creditors amounting to	11 742	11 619	3 783	6 388
IT capital commitments contracted for and relating to Microsoft Dynamix Ax upgrade 2012	7 980	-	-	-
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.				
Total contribution by the Group for the year	30 195	26 379	-	-



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for the year ended 29 February 2012

	GROUP		COMPANY	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
37. OPERATING LEASE ARRANGEMENTS				
The Group as lessee				
Minimum lease payments under operating leases recognised as an expense in the year	65 594	59 938	-	-
At the statement of financial position date, the Group has outstanding commitments under non-cancellable operating leases which fall due as follows:	100 333	73 844	-	-
Within one year	39 680	35 086	-	-
In the second to fifth years inclusive	48 352	38 758	-	-
After five years	12 301	-	-	-
Average lease terms (months)	46	50	-	-
38. DIVIDEND DECLARED				
A 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 2010		33 268		33 268
A final dividend of 121 cents per share was declared on 25 May 2011 and was 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
An interim dividend of 57 cents per share was declared on 12 October 2011 and was paid to shareholders on 15 November 2011	35 636		35 636	
A final dividend of 80 cents per share was declared on 22 May 2012, and will be paid to shareholders on 20 August 2012. (Dividend paid based on 77 373 934 shares in issue at 22 May 2012.)	61 899			

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

39. SHARE-BASED PAYMENTS

Employee share option plan

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

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

1. Adcorp 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 (PF's). 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 PF's vest depending on performance.

Both SARs and PF's 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 PF's 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	88 500*	24/06/04	31/05/14	13,00	3,28 [^]
Issued 31 May 2005	93 500	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	665 000	19/03/09	28/02/15	16,50	3,50 [^]
Issued 1 March 2009	270 000	19/03/09	28/02/15	16,50	14,26~
Issued 26 February 2010	2 260 000	26/02/10	28/02/16	26,39	5,44 [^]
Issued 26 February 2010	760 000	26/02/10	28/02/16	26,39	22,83~
Issued 31 January 2011	2 370 000	31/01/11	31/01/17	26,75	5,40 [^]
Issued 31 January 2011	790 000	31/01/11	31/01/17	26,75	23,12~
Issued 22 February 2012	905 000	22/02/12	22/02/18	27,52	24,30~

* Old Adcorp Employee Option Scheme. [^] SARs ~PF's

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

	22 Feb 2012	31 Jan 2011	26 Feb 2010	1 Mar 2009	1 Mar 2008
Weighted average share price (R)	27,76	27,30	27,00	16,50	31,01
Weighted average exercise price (R)	27,52	26,75	26,39	16,50	31,02
Expected volatility (%)	26,90	41,46	40,75	46,14	26,86
Vesting period (years)	2,03	2,03	2,01	1,95	2,000
Risk-free rate (%)	7,30	6,63	7,36	9,46	9,59
Expected dividend yield (%)	6,41	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.



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for the year ended 29 February 2012

39. 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 2012	Weighted average exercise price 2012 (R)	Number of share options 2011	Weighted average exercise price 2011 (R)
Adcorp Share Trust				
Outstanding at the beginning of the year	58 500	13,00	58 500	13,00
Outstanding at the end of the year	58 500	13,00	58 500	13,00
Exercisable at the end of the year	58 500	13,00	58 500	13,00
Adcorp Holdings 2006 Share Trust				
Outstanding balance at the beginning of the year	15 468 500	26,34	13 542 500	22,49
Forfeited during the year	(220 000)	26,57	(945 000)	25,65
Granted during the year	905 000	27,52	3 270 000	26,75
Exercised during the year	(1 740 000)	16,55	(399 000)	21,68
Outstanding at the end of the year	14 413 500	27,59	15 468 500	26,34
Exercisable at the end of the year	10 348 500	27,85	4 493 500	29,71
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
2012	
Issued 31 May 2005 – SARs	50 000
Issued 1 March 2009 – SARs	1 270 000
Issued 1 March 2009 – PF's	420 000
	1 740 000
2011	
Issued 31 May 2005 – SARs	64 000
Issued 30 April 2006 – SARs	200 000
Issued 01 March 2009 – SARs	135 000
	399 000

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 R26,49 (2011: R27,69).

The Group recognised a total expense of R34 655 170 (including the BBBEE transaction (refer to note 19) during the year (2011: R31 899 580) related to equity-settled share-based payment transactions.

	Sale of services		Holding company management fees		Accounting and information technology fees	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000	2012 R'000	2011 R'000
40. RELATED PARTIES						
The Group did not enter into any transactions with Group parties other than those with subsidiaries which were eliminated on consolidation.						
All transactions took place on an arm's length basis.						
40.1 Trading transactions						
During the period, Group entities entered into the following transactions:						
Adcorp Holdings Limited						
Subsidiaries of Adcorp Holdings Limited	172 576	85 171	76 000	59 600	91 171	94 455
Refer to Annexure A for related-party balances.						
40.2 Interest received						
Interest has been received from Group companies as reflected in note 31.						
40.3 Interest paid						
Interest has been paid by Group companies as reflected in note 32.						
	GROUP					
	2012 R'000	2011 R'000				
40.4 Compensation paid to key management and prescribed officers (which excludes payments to directors set out in note 41)						
Short-term employment benefits	26 842	28 964				
Share-based payments	16 911	-				
Total	43 753	28 964				
Key management includes operational managing executives and other senior management.						
40.5 BEE shareholders' interest						
Certain directors of the Group are directors of the Group's BEE partners (refer to note 19).						



NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 29 February 2012

	Salary R'000	Bonus R'000	Medical aid/ provident fund R'000	Allow- ances R'000	Sundry R'000	Direc- tors' fees R'000	Gains on share options	Total cost to company 2012 R'000	Total cost to company 2011 R'000	Total remuner- ation 2012 R'000	Total remuner- ation 2011 R'000
41. DIRECTORS' EMOLUMENTS											
Executive directors											
RL Pike	2 416	2 557	604	96	25	-	6 991	12 689	5 256	12 689	5 256
FD Burd*	-	-	-	-	-	-	-	-	287	-	287
PC Swart	2 069	1 843	440	120	-	-	-	4 472	4 006	4 472	4 006
C Bomela	1 533	974	304	-	-	-	-	2 811	2 324	2 811	2 324
AM Sher	1 647	1 458	411	120	-	-	-	3 636	2 335	3 636	2 335
	7 665	6 832	1 759	336	25	-	6 991	23 608	14 208	23 608	14 208
Non-executive directors											
MJN Njeke	-	-	-	-	-	218	-	218	101	218	101
MR Ramaite	-	-	-	-	-	56	-	56	134	56	134
MMT Ramano**	-	-	-	-	-	25	-	25	169	25	169
GP Duda**	-	-	-	-	-	-	-	-	22	-	22
LM Mojela**	-	-	-	-	-	-	-	-	68	-	68
AT Albäck**	-	-	-	-	-	188	-	188	276	188	276
ME Mthunzi	-	-	-	-	-	188	-	188	265	188	265
TDA Ross	-	-	-	-	-	187	-	187	297	187	297
GP Dingaan	-	-	-	-	-	69	-	69	43	69	43
NS Ndhlati***	-	-	-	-	-	23	-	23	-	23	-
	-	-	-	-	-	954	-	954	1 375	954	1 375

* Disqualified and removed FD Burd – 6 December 2009.

** Resigned: GP Duda – 26 February 2010, LM Mojela – 16 August 2010, MMT Ramano – 20 June 2011 and AT Albäck – 6 March 2012
(AT Albäck was re-appointed on 14 May 2012).

*** Appointed 16 August 2011.

	Salary R'000	Bonus R'000	Medical aid/ provident fund R'000	Allow- ances R'000	Sundry R'000	Direc- tors' fees R'000	Gains on share options	Total cost to company 2012 R'000	Total cost to company 2011 R'000	Total remuner- ation 2012 R'000	Total remuner- ation 2011 R'000
Prescribed officers											
Employee A	1 377	1 500	-	120	30	-	3 874	6 901	2 618	6 901	2 618
Employee B	925	1 050	198	506	-	-	3 874	6 553	2 830	6 553	2 830
Employee C	1 857	1 140	168	-	-	-	-	3 165	2 209	3 165	2 209
Employee D	904	-	-	75	-	-	-	979	-	979	-
	5 063	3 690	366	701	30	-	7 748	17 598	7 657	17 598	7 657

Directors' shareholding at 29 February 2012	Number of unexercised options as at 28 Feb 2011	Number of options granted in 2011/12	Number of options exercised during 2011/12	Number of options forfeited during 2011/12	Number of unexercised options as at 29 Feb 2012	Option price (R)	Date from which exercisable
42. 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#
	-	65 000	-	-	65 000	27,52	22/02/14#
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#
	-	150 000	-	-	150 000	27,52	22/02/14#
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#
	-	85 000	-	-	85 000	27,52	22/02/14#
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#
	-	125 000	-	-	125 000	27,52	22/02/14#

> Adcorp Share Trust.

* Share appreciation rights (SARs).

Performance shares (PFs).



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Directors' interest in shares	Number of shares held as at 29 Feb 2012		Number of shares held as at 28 Feb 2011	
	Beneficially held	Non-beneficially held	Beneficially held	Non-beneficially held
42. DIRECTORS' SHAREHOLDING continued				
RL Pike	253 080	-	253 080	-
MR Ramaite	15 000	-	15 000	-

	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
43. TAXATION PAID				
Amount prepaid/(unpaid) at the beginning of the year	3 634	13 827	(403)	(310)
Amount charged to statement of comprehensive income	(29 060)	(11 313)	(10 844)	(6 185)
Adjustment for deferred tax to statement of comprehensive income	(10 491)	(30 614)	35	-
Taxation acquired	(8 360)	(898)	-	-
Amount (prepaid)/unpaid at the end of the year	(4 678)	(3 634)	(318)	403
Net cash payment	(48 955)	(32 632)	(11 530)	(6 092)
44. DIVIDEND PAID				
Amounts declared and paid	(111 285)	(42 216)	(111 285)	(42 521)
Received on treasury shares	675	-	-	305
Net cash payments	(110 610)	(42 216)	(111 285)	(42 216)
45. ADDITIONS TO PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS				
Land and buildings – replacement	(9 105)	(1 581)	-	-
Furniture and computer equipment – replacement	(22 104)	(14 581)	-	-
Accreditation of programmes	(834)	(296)	-	-
Customer lists	(1 945)	-	-	-
Computer software – expansion	(12 367)	(7 556)	-	-
	(46 355)	(24 014)	-	-

Subsidiary acquired	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Cost of acquisition R'000
46. ACQUISITION OF BUSINESS				
2012				
Paracon Holdings Limited	Independent contracting	2011/12/11	100	636 699
LearnSys Proprietary Limited (LearnSys)	Training and educational-related services	2011/07/01	100	10 000
Top Temps Proprietary Limited – UK (Top Temps)	Blue-collar staffing	2011/07/01	100	20 707
2011				
Goldfields External Training Services Proprietary Limited	Business process outsourcing	2010/07/01	100	5 000

	GROUP		COMPANY	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
Total purchase consideration for all business combinations	667 406	5 000	636 699	-
Less: Non-cash consideration for amount owing to Adcorp Holdings Limited	-	-	-	-
Less: Cash and cash equivalents acquired	(44 841)	(2 126)	-	-
Net purchase consideration for all business combinations	622 565	2 874	636 699	-
Cash outflow on acquisition of businesses				
Net purchase consideration for all business combinations	622 565	2 874	636 699	-
Issue of ordinary shares – Paracon acquisition	(371 699)	-	(371 699)	-
Capitalisation of transaction cost – Paracon acquisition	4 100	-	4 100	-
Cash outflow on acquisition of businesses	254 966	2 874	269 100	-

The fair value of the assets and liabilities acquired in respect of the various acquisitions in the year are as follows:

	2012			2011
	Paracon	Other	Total	Total
Property, plant and equipment	5 868	900	6 768	1 106
Intangible assets	236 817	10 686	247 503	-
Investment in associate	44 777	-	44 777	-
Trade and other receivables	118 629	16 060	134 689	10 524
Cash and cash equivalents	43 121	1 720	44 841	2 126
Trade and other payables	(76 463)	(13 755)	(90 218)	(7 656)
Provisions	(11 440)	-	(11 440)	(2 126)
Taxation	(3 125)	(5 235)	(8 360)	(898)
Deferred taxation	(56 470)	(3 053)	(59 523)	43
	301 714	7 323	309 037	3 119
Resulting goodwill on acquisition	334 985	23 384	358 369	1 881
Total consideration	636 699	30 707	667 406	5 000

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

The rationale for the acquisition of Paracon Holdings Limited (Paracon) was based on enhanced and integrated product offerings to the clients of both businesses, greater penetration into larger corporate clients and a reduced risk profile due to the diversification offered by the two businesses.

The Group acquired control of Paracon by way of acceptance of the offer to acquire the entire issued share capital of Paracon, excluding the Paracon shares held by subsidiaries of Paracon, by way of a scheme of arrangement between Paracon and Paracon shareholders.

The goodwill in Paracon arose because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

At acquisition of Paracon there were no contingent liabilities.

No goodwill amount will be deductible for tax purposes.

The Group undertook the acquisition outlined above. Paracon was acquired with effect from 1 December 2011 and was funded by a combination of shares issued and debt incurred. Included in net profit before tax for the period is R8,3 million attributable to the additional business generated by Paracon. Had this business combination been effected 1 March 2011, the revenue of the Group would be R7 258 million and net profit after tax would have been R140 million. The directors of the Group consider these pro forma numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

In addition the Group undertook the acquisitions of LearnSys Proprietary Limited and Top Temp Proprietary Limited – UK being relatively small in size, were funded out of working capital and their contribution to Group revenue and profits are considered immaterial.



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	GROUP		COMPANY	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
47. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:				
Cash resources	310 465	381 222	181	-
Bank overdrafts	(174 228)	(285 920)	(162 452)	(254 489)
	136 237	95 302	(162 271)	(254 489)

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

48. 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 2011. The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 20 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 higher gearing ratio of 29% results from, inter alia, the debt incurred to acquire Paracon and the raising of a long-term loan of R100 million during the year (referred to in note 21). 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 96 to 102.

	GROUP		COMPANY	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
48.1 Categories of financial instruments				
Financial assets				
Amortised cost				
Loans and receivables (including cash resources)	1 356 223	1 091 849	847 033	757 152
Financial liabilities				
Amortised cost (including bank overdraft)	1 106 055	762 944	1 005 507	562 379
The following table details the Group's remaining contractual maturity for its financial liabilities:				
Within one year	873 305	554 967	910 746	493 078
Later than one year and not later than five years	232 750	207 977	94 761	69 301
More than five years		-		-

48.2 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.

48.3 Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period 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 the year after tax would decrease/increase by R5 175 000 (2011: decrease/increase by R2 865 000).

The Group's sensitivity to interest rates has decreased during the current year mainly due to the interest rate swap on a portion of the interest bearing debt from floating rate debt to fixed rate debt.

48.4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The maturity probability of the financial assets (trade receivables) appears in note 11 and the financial liabilities in note 24.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Borrowing facilities are reflected in note 21.

48.5 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.

48.6 Other financial assets/liabilities

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

49. GROUP OVERDRAFT FACILITIES

	2012 R'million	2011 R'million
The Group had the following overdraft facilities as at 29 February 2012:		
ABSA	70,0	87,5
First National Bank	127,5	100,0
Total overdraft facility	197,5	187,5

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

50. SUBSEQUENT EVENTS

No subsequent events to report on.



ANNEXURE A: DETAILS OF SUBSIDIARIES AND ASSOCIATES

Name of subsidiary	Nature of business/status	Share type	Authorised share capital of subsidiary/associate		Issued share capital of subsidiary/associate	
			Feb 2012	Feb 2011	Feb 2012	Feb 2011
Adcorp Accountability Proprietary Limited*	Dormant	Ordinary	4 000	4 000	200	200
Adcorp Flexible Staffing Solutions Proprietary Limited	Dormant	B Ordinary	1 000	1 000	1 000	1 000
		A1 Ordinary	6 500	6 500	6 500	6 500
		A2 Ordinary	2 500	2 500	2 500	2 500
Adcorp Fulfilment Services Proprietary Limited	Holding company	Ordinary	20 000	9 998	9 000	8 998
		A Preference	–	1	–	1
		B Preference	–	1	–	1
Adcorp Management Services Proprietary Limited	Holding company	Ordinary	4 000	4 000	400	400
Adcorp Staffing Proprietary Limited*	Dormant	Ordinary	4 000	4 000	2	2
Adcorp Staffing Solutions Proprietary Limited	Holding company	Ordinary	4 000	4 000	100	100
		Preference	150 000	150 000	123 000	–
Adcorp Support Services Proprietary Limited	Financial services	Ordinary	1 000	1 000	100	100
Adcorp Technical Training Proprietary Limited* (formerly Goldfields External Training Services Proprietary Limited)	Training	Ordinary	1 000	1 000	100	100
Adfusion Proprietary Limited	Emergent business	Ordinary	1 000	1 000	100	100
Business Employee and Management Training Proprietary Limited*	Flexible staffing	Ordinary	1 000	1 000	100	100
Capacity Outsourcing Proprietary Limited*	Dormant		4 000	4 000	200	200
Capital Outsourcing Group Proprietary Limited*	Flexible staffing		100 000	100 000	10 600	10 600
Capital Outsourcing Group Proprietary Limited – Angola*	Flexible staffing		–	–	–	–
Capital Outsourcing Group Proprietary Limited – Australia*	Flexible staffing		100	100	100	100
Capital Outsourcing Group – Ghana*	Flexible staffing		–	–	–	–
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 Proprietary Limited*	Dormant	Ordinary	1 000	1 000	100	100

Number of shares held by Adcorp Group		Cost of investment held by Adcorp Holdings Limited (before impairment)		Indebtedness (to)/by the subsidiary to Adcorp Holdings Limited		Attributable profit/(loss) before tax of the subsidiary/associate	
		R'000	R'000	R'000	R'000	R'000	R'000
Feb 2012	Feb 2011	Feb 2012	Feb 2011	Feb 2012	Feb 2011	Feb 2012	Feb 2011
200	200	-	-	-	-	-	-
1 000	1 000	208	208	1 251	-	-	-
6 500	6 500	-	-	-	-	-	-
2 500	2 500	-	-	-	-	-	-
9 000	8 998	221 916	221 916	151 533	45 562	91 863	111 792
-	1	-	-	-	-	-	-
-	1	-	-	-	-	-	-
400	400	-	-	75 651	127 160	8 118	2 332
2	2	-	-	-	-	-	(9)
100	100	148 259	148 259	540 668	530 312	(2 075)	(42 848)
123 000	-	-	-	-	-	-	-
100	100	-	-	8 296	9 826	4 853	(918)
100	100	-	-	14 078	2 551	1 252	4 379
100	100	-	-	26 908	8 702	(16 837)	(5 456)
100	100	-	-	-	-	403	2 364
200	200	-	-	-	-	-	(2)
10 600	10 600	-	-	(26 964)	24 894	50 435	46 829
-	-	-	-	-	-	9 431	3 584
100	100	-	-	-	-	1 591	(247)
-	-	-	-	-	-	(12)	-
10 000	10 000	-	-	-	-	6	(79)
-	-	-	-	-	-	(2 308)	678
-	-	-	-	-	-	-	(8)
-	-	-	-	-	-	875	(6)
-	-	-	-	-	-	(1 395)	939
1	1	-	-	-	-	(3 030)	(1 070)
100	100	-	-	-	-	-	(63)



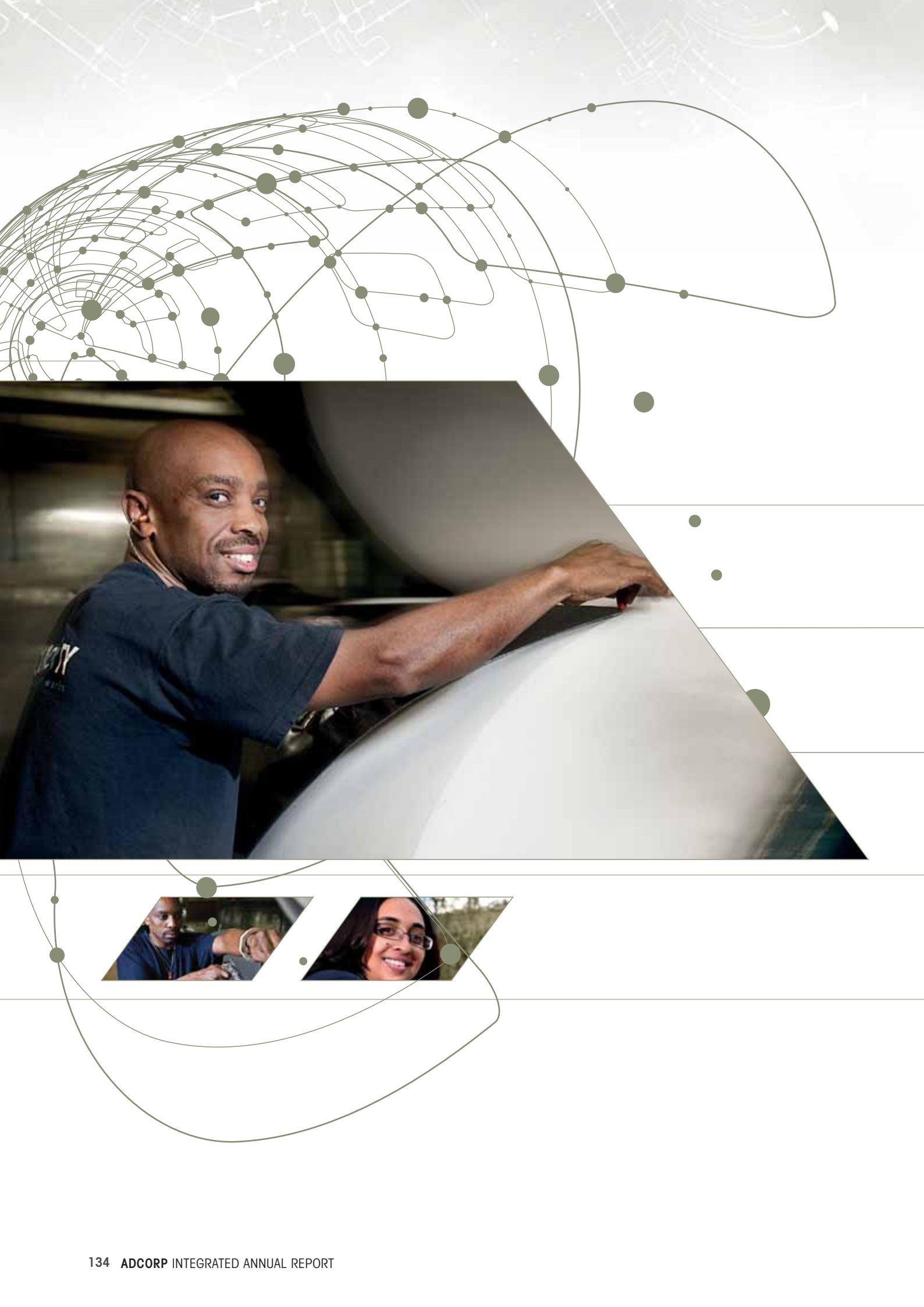
ANNEXURE A: DETAILS OF SUBSIDIARIES AND ASSOCIATES CONTINUED

Name of subsidiary	Nature of business/status	Share type	Authorised share capital of subsidiary/associate		Issued share capital of subsidiary/associate	
			Feb 2012	Feb 2011	Feb 2012	Feb 2011
Convergent Network Proprietary Limited*	Flexible staffing		–	1 000	–	100
DAV Professional Placement Group Proprietary Limited	Dormant	Ordinary	1 000	1 000	100	100
Emmanuel's Staffing Services Proprietary Limited*	Dormant	Ordinary	1 000	1 000	100	100
Employ-Rite Proprietary Limited	Dormant	Ordinary	1 000	1 000	100	100
FMS Marketing Solutions Proprietary Limited	Dormant	Ordinary	1 000	1 000	1 000	1 000
Fortress Administration Proprietary Limited*		Ordinary	550	1 000	550	100
		A Ordinary	450	–	450	–
Funerary Marketing Solutions Proprietary Limited	Dormant	Ordinary	1 000	1 000	100	100
Instant Talent Proprietary Limited* (formerly JobVest Proprietary Limited) (70% owned)	Recruitment	Ordinary	4 000	4 000	2 000	2 000
Jarrell Proprietary Limited*			5 000	–	100	
LearnSys Proprietary Limited*		Ordinary	1 000	–	100	–
Paracon Holdings Limited		Conv Red Prefs	100 000 000	–	–	–
		Ordinary	900 000 000	–	349 716 709	–
Premier Personnel Proprietary Limited	Dormant	Ordinary	100	100	100	100
PMI of South Africa Proprietary Limited	Training	Ordinary	4 000	4 000	100	100
Quest Flexible Staffing Solutions Proprietary Limited*	Dormant	Ordinary	100	100	100	100
Quest Holdings Proprietary Limited	Dormant	Ordinary	10 000	10 000	10 000	10 000
Quest Staffing Solutions Proprietary Limited	Flexible staffing	Ordinary	600	–	600	–
		A Ordinary	400	–	400	–
Research Surveys Proprietary Limited	Dormant	Ordinary	100 000	100 000	200	200
		A Ordinary	100 000	100 000	–	–
Skillstream Proprietary Limited (formerly Ikhwezi Staffing Solutions Proprietary Limited*)	Dormant	Ordinary	1 000	1 000	100	100
Top Temps (UK) Proprietary Limited*		Ordinary	5 000	–	5 000	–
Subtotal negative						
Subtotal positive						
Total subsidiaries						
Name of associate						
Klatrade 200074 Proprietary Limited	Training	Ordinary	1 000	1 000	1 000	1 000
EnvisionMe Virtual Talent Management Co Proprietary Limited	Emergent business	Ordinary	1 000	1 000	458	252
Hatch Investments (Mauritius) Limited**	Holding company	Ordinary	100 000	–	1 004	–
Total associates						

* Owned by subsidiary companies.

** 34,6% of Nihilent Technologies PVT Limited held through investment in Hatch Investments (Mauritius) Limited.

Number of shares held by Adcorp Group		Cost of investment held by Adcorp Holdings Limited (before impairment)		Indebtedness (to)/by the subsidiary to Adcorp Holdings Limited		Attributable profit/(loss) before tax of the subsidiary/associate	
Feb 2012	Feb 2011	R'000 Feb 2012	R'000 Feb 2011	R'000 Feb 2012	R'000 Feb 2011	R'000 Feb 2012	R'000 Feb 2011
-	100	-	-	-	-	-	(159)
100	100	7 270	7 270	-	-	-	(54)
100	100	-	-	-	-	-	-
100	100	41 478	41 478	121	121	-	-
1 000	1 000	231 363	231 363	-	-	-	-
550	100	-	-	14 200	-	14 272	-
450	-	-	-	-	-	-	-
100	100	-	-	-	-	-	-
1 400	1 400	-	-	378	456	(304)	(5 936)
100	-	-	-	-	-	6 765	-
100	-	-	-	93	-	(170)	-
-	-	636 699	-	(20 419)	-	8 274	-
349 716 709	-	-	-	-	-	-	-
100	100	1 946	1 946	-	-	-	-
100	100	629	629	13 163	6 806	8 578	7 525
100	100	-	-	-	-	-	-
10 000	10 000	-	-	(197 031)	(197 031)	-	-
600	-	-	-	(144 137)	-	(4 979)	-
-	-	-	-	-	-	-	-
200	200	6 726	6 726	(17 855)	(17 855)	-	(1)
-	-	-	-	-	-	-	-
100	100	-	-	-	-	-	-
5 000	-	-	-	-	-	32	-
		-	-	(406 406)	(214 886)	(31 110)	(56 856)
		1 296 494	659 795	846 340	756 390	206 748	180 422
		1 296 494	659 795	439 934	541 504	175 638	123 566
525	525	-	-	-	-	-	-
207	1	-	-	-	-	(1 207)	-
502	-	-	-	-	-	3 049	-
		-	-	-	-	1 842	-





SHAREHOLDERS' INFORMATION





SHAREHOLDERS' INFORMATION

as at 29 February 2012

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
SHAREHOLDER SPREAD				
1 - 1 000	1 639	53,37	516 496	0,67
1 001 - 10 000	1 069	34,81	3 276 804	4,24
10 001 - 100 000	233	7,59	7 770 107	10,04
100 001 - 1 000 000	113	3,68	34 230 583	44,24
1 000 001 and above	17	0,55	31 579 944	40,81
Totals	3 071	100,00	77 373 934	100,00

DISTRIBUTION OF SHAREHOLDERS

Collective investment schemes	100	3,26	32 673 454	42,23
Retirement benefit funds	118	3,84	16 301 678	21,07
Private companies	52	1,69	9 529 708	12,32
Insurance companies and medical aid funds	32	1,04	6 068 303	7,84
Individuals	2 269	73,88	4 386 116	5,67
Custodians	26	0,85	2 768 286	3,58
Trusts	344	11,20	2 763 161	3,57
Public companies	7	0,23	969 824	1,25
Own holdings	2	0,07	557 240	0,72
Investment partnerships	24	0,78	365 219	0,47
Foundations and charitable funds	16	0,52	325 595	0,42
Hedge funds	2	0,07	232 736	0,30
Stockbrokers and nominees	18	0,59	140 607	0,18
Scrip lending	5	0,16	137 425	0,18
Close corporations	36	1,17	90 402	0,12
Share trusts	1	0,03	20 184	0,03
Public entities	2	0,07	41 908	0,05
Unclaimed scrip	17	0,55	2 088	0,00
Total	3 071	100,00	77 373 934	100,00

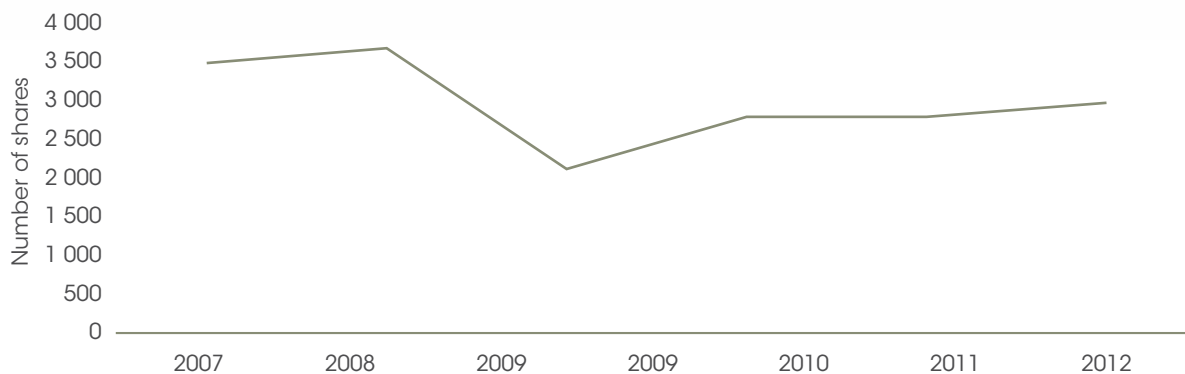
SHAREHOLDER TYPE

Non-public shareholders	5	0,17	845 504	1,10
Adcorp Share Trust	1	0,03	20 184	0,03
Directors	2	0,07	268 080	0,35
Adcorp Fulfilment Services Proprietary Limited	2	0,07	557 240	0,72
Public shareholders	3 066	99,83	76 528 430	98,90
Total	3 071	100,00	77 373 934	100,00

BENEFICIAL SHAREHOLDERS WITH A HOLDING OF 5% AND GREATER

Investec Asset Management	13 691 949	17,70
Allan Gray	11 875 056	15,35
Sanlam Investment Management	10 125 432	13,09
Afena Capital	5 861 539	7,58
Old Mutual Investment Group	5 757 820	7,44
Britehouse Holdings Proprietary Limited	4 721 645	6,10
Total	52 033 441	67,26

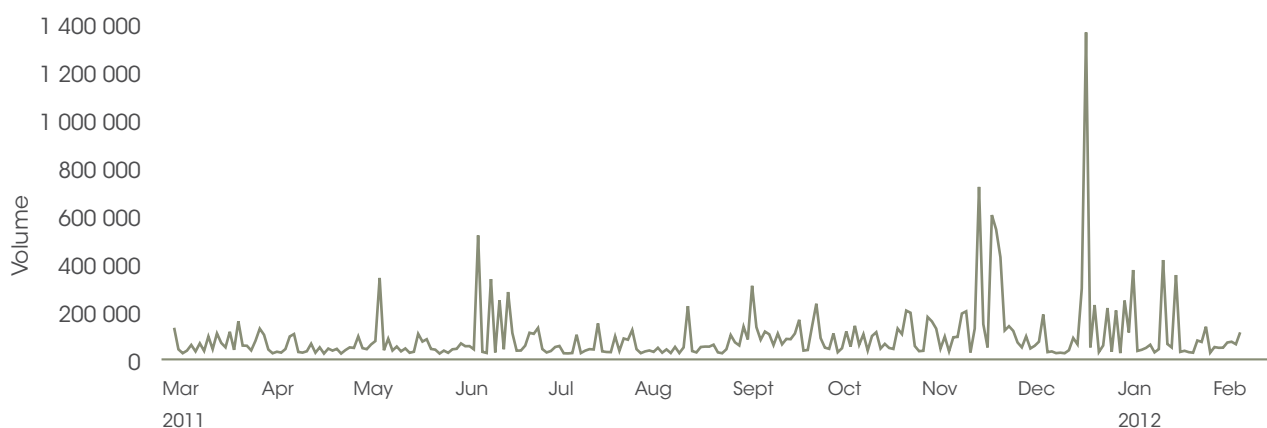
FIVE-YEAR SHARE PRICE PERFORMANCE



ADCORP PRICE CHART – DAILY CLOSING PRICE



ADCORP VOLUME CHART – 1 MARCH 2011 TO 29 FEBRUARY 2012



JSE share price performance	2012	2011
Closing price of Adcorp Holdings (29 February 2012) (cents)	2 875	2 700
Total number of trades (million)	17,03	17,20
Total value traded (million Rands)	443,89	466,90
Price of shares traded – highest (cents)	3 000	3 420
Price of shares traded – lowest (cents)	2 350	2 440
Total value traded as % of year-end market cap	19,95	27,90
Total value traded as % of average market cap	25,37	27,88



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")

A. NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting will be held at Adcorp Block A, 28 On Sloane Street, 28 Sloane Street, Bryanston, Johannesburg, South Africa on Monday 9 July 2012 at 08:00.

Shareholders or their proxies may participate in the annual general meeting by way of a teleconference call and, if they wish to do so:

- must contact the Company Secretary (by email at the address sw@premcorp.co.za) by no later than 08:00 on Monday, 2 July 2012 in order to obtain a pin number and dial-in details for that conference call;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the annual general meeting.

This notice of meeting includes the attached proxy form.

B. ATTENDANCE AND VOTING

In terms of section 59(1)(a) and (b) of the Companies Act, 71 of 2008, as amended (the Act), the Board of Directors (Board) has set the record date for the purpose of determining which shareholders are entitled to:

- receive notice of the annual general meeting, ie the Notice Record Date (being the date on which a shareholder must be registered in the company's share register in order to receive notice of the annual general meeting) as Friday, 25 May 2012; and
- participate in and vote at the annual general meeting, ie the Meeting Record Date (being the date on which a shareholder must be registered in the company's share register in order to participate in and vote at the annual general meeting) as Friday, 29 June 2012.

If you are a registered shareholder as at the Meeting Record Date, you may attend the annual general meeting in person. Alternatively, you may appoint a proxy (who need not be a shareholder of the company) to represent you at the Annual General Meeting. Any appointment of a proxy may be effected by using the attached proxy form and, in order for the proxy to be effective and valid, must be completed and delivered in accordance with the instructions contained in the attached proxy form.

If you are a beneficial shareholder and not a registered shareholder as at the Meeting Record Date:

- and wish to attend the annual general meeting, you must obtain the necessary letter of representation to represent the registered shareholder of your shares from your Central Securities Depository Participant (CSDP) or broker;
- and do not wish to attend the annual general meeting, but would like your vote to be recorded at the annual general meeting, you should contact the registered shareholder of your shares through your CSDP or broker and furnish them with your voting instructions; and
- you must not complete the attached proxy form.

Please note that all participants at the annual general meeting will be required to provide identification reasonably satisfactory to the chairman of the annual general meeting, before being entitled to participate in or vote at the annual general meeting. Forms of identification that will be accepted include original and valid identity documents, driver's licences and passports.

C. PURPOSE OF THE MEETING

The purpose of this meeting is to:

- present the audited annual financial statements of the company for the year ended 29 February 2012 (including the directors' report and the Audit and Risk Committee report);
- consider any matters raised by shareholders; and
- consider and, if deemed fit, pass, with or without modification, the resolutions set out below.

In order for a proposed ordinary resolution to be approved by shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the annual general meeting.

In order for a proposed special resolution to be approved by shareholders, it must be supported by at least 75% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the Annual General Meeting.

1. **Ordinary resolution number 1: Adoption of annual financial statements**
To adopt the audited annual financial statements for the year ended 29 February 2012.
2. **Ordinary resolution number 2: Re-election of directors**
To re-elect Messrs PC Swart, C Bomela, TDA Ross and ME Mthunzi as directors by way of separate resolutions, who retire in accordance with the provisions of the Articles of Association (Articles) at this annual general meeting, and, being eligible, offer themselves for election.
3. **Ordinary resolution number 3: Appointment of director**
To confirm the appointment of Ms N Ndhrazi who was appointed as a non-executive director by the Board of Directors on 16 August 2011.
4. **Ordinary resolution number 4: Election of the Audit and Risk Committee members**
To elect, by way of separate resolutions, Messrs TDA Ross (Chairman) and ME Mthunzi as members of the Audit and Risk Committee until the next annual general meeting.

The Board is satisfied that the abovementioned directors are suitably skilled and experienced independent non-executive directors and that they collectively have the appropriate experience and qualifications to fulfil their Audit and Risk Committee obligations as set out in section 94 of the Act.

A brief curriculum vitae of the directors set out in ordinary resolutions numbers 2 to 4 reflecting their experience and qualifications, are provided on page 14 of the Integrated Annual Report and forms an integral part of this notice of annual general meeting.
5. **Ordinary resolution number 5: Reappointment of auditors**
To reappoint Deloitte & Touche upon the recommendation of the Audit and Risk Committee as the independent registered auditors of the Group and to note Mr RM Duffy as the individual determined by Deloitte & Touche to be responsible for performing the functions of the auditor and who will undertake the audit of the company for the ensuing financial year.
6. **Ordinary resolution number 6: Employee share trust shares placed under the control of the directors**
To place 1 500 000 shares in the authorised but unissued share capital of the company under the control of the directors as a specific authority in terms of Article 3.1 of the Articles, subject to the provisions of the Adcorp Holdings Limited 2006 Share Plan, the Act and the JSE Listings Requirements, until the conclusion of the next annual general meeting.

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 Plan.
7. **Ordinary resolution number 7: Approve amendments to the rules of the Adcorp Holdings Limited 2006 Share Plan**
To approve the amendments to the rules of the Adcorp Holdings 2006 Share Plan (plan) in terms of the addendum thereto, prepared in accordance with Schedule 14 of the JSE Listings Requirements tabled at this annual general meeting and initialled by the Chairman for identification purposes, be and are hereby approved and adopted by Adcorp shareholders and to authorise any director of the company to do all such acts and things as are considered necessary and desirable to give effect to the plan and the implementation thereof.

In terms of the Listings Requirements, the approval by 75% of votes cast by shareholders present or represented by proxy at the annual general meeting, is required for this ordinary resolution number 7 to become effective.

Equity securities held by the Trust will not have their votes at the general meeting taken into account for the purposes of the resolutions proposed in terms of the JSE Listings Requirements.

The salient terms of the amendments to the plan are set out on page 141 of the Integrated Annual Report (IAR). A copy of the rules of the plan will be available for inspection during normal business hours from 2 July 2012 to 6 July 2012 at Adcorp's registered office at Block A, 28 on Sloane, Sloane Street, Bryanston, 2021. Shareholders requiring a hard copy of the plan may request such from the Company Secretary at sw@premcorp.co.za.
8. **Ordinary resolution number 8: 10% of unissued shares to be placed under the control of the directors**
To place, as a general authority in terms of Article 3.1 of the company's Articles, but subject to the provisions of the JSE Listings Requirements and the Act, 10% of the company's authorised but unissued share capital, as at the date of this resolution, under the control of the directors, 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.
9. **Ordinary resolution number 9: Remuneration policy**
To consider and endorse, by way of a non-binding advisory vote, the Remuneration Policy of the company (which excludes the fees payable to non-executive directors for their services as directors of the company), set out in the remuneration report on pages 67 to 70 of this Integrated Annual Report, for the financial year ended 29 February 2012, in accordance with the provisions of the King III Report.



NOTICE OF ANNUAL GENERAL MEETING CONTINUED

10. Special resolution number 1: Non-executive directors' remuneration

To approve the annual fees payable to the non-executive directors for their services as directors of the Company with effect from 1 March 2012, as follows:

	Non-executive (R)	Independent Non-executive (R)	Chairman (R)
Board	98 884	145 632	289 220
Audit and Risk Committee	68 984	101 940	121 360
Remuneration and Nominations Committee	31 642	31 642	34 792
Transformation, Social and Ethics Committee	31 642	31 642	35 596

Reason for and effect of this resolution

The reason for and effect of this resolution is to grant the company the authority to pay remuneration to its directors for their services as directors of the company.

11. Special resolution number 2: Financial assistance in terms of sections 44 and 45 of the Act

That the Board may authorise the company (for a period of two years from the date on which this resolution is passed), to the extent required in terms of sections 44 and/or 45 of the Act, subject to compliance with the requirements of the Act, the Memorandum of Incorporation and the JSE Listings Requirements, to provide any direct or indirect financial assistance to any of its present or future subsidiaries and/or any other company or entity that is or becomes a related or interrelated company to Adcorp or the Group.

Reason for and effect of this special resolution

The reason for and effect of this special resolution is that, from time to time, the company may be required to provide any direct or indirect financial assistance to any of its present or future subsidiaries and/or any other company or entity that is or becomes a related or interrelated company to Adcorp or the Group.

12. Ordinary resolution number 10: Authority to implement resolutions passed at the annual general meeting

That any director or Company Secretary of the company be authorised to do all such things, perform all acts and sign all such documentation as may be required to give effect to the ordinary and special resolutions adopted at this annual general meeting.

In compliance with paragraph 11.26 of the JSE Listings Requirements, the following information is disclosed in the Integrated Annual Report:

- Directors and management (page 12)
- Major shareholders (page 136)
- Directors' interests in securities (page 125)
- Share capital of the company (page 110)

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 annual financial statements and the date of this notice.

Directors' responsibility statement

The directors, whose names are given on page 12 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 the special resolutions contain all such information as required by law and the JSE Listings Requirements.

Litigation statement

In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names are given on page 12 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.

By order of the Board

Premium Corporate Consulting Services (Pty) Limited
Company Secretary
22 May 2012



SALIENT FEATURES OF AMENDMENTS TO THE ADCORP HOLDINGS LIMITED 2006 SHARE PLAN

INTRODUCTION

The purpose of these salient features is to provide Adcorp shareholders with background to the proposed amendments to the Adcorp Holdings Limited 2006 Share Plan (plan). The amendments are made to ensure compliance with Schedule 14 of the JSE Listings Requirements and the King Code of Governance Principles – 2009 and the King Report on Governance for South Africa – 2009 (King III).

The provisions of Schedule 14 of the JSE Listings Requirements were amended effective 15 October 2008 and as a result of such amendments it has become necessary to amend certain provisions of the plan. The JSE Listings Requirements dictate that all issuers are required to amend existing schemes to ensure compliance with Schedule 14 of the JSE Listings Requirements.

Shareholders' approval will be sought for the proposed amendments at the annual general meeting of Adcorp shareholders to be held at Block A, 28 on Sloane, 28 Sloane street, Bryanston, Johannesburg, on Monday, 9 July 2012 to approve an ordinary resolution necessary to effect the approval, which will result in the amendment of the trust deed in terms of which the plan is constituted.

The amendments to the plan will not affect the rights of any participants to whom performance shares have been awarded or share appreciation rights have been allocated prior to the implementation of the amendments to the plan.

PRINCIPAL AMENDMENTS

The principal amendments are summarised as follows:

- Currently, the maximum number of shares that may be issued under the plan is set at 15% of all issued share capital. The JSE Listings Requirements require that a number be stated and accordingly the maximum number of shares that may be issued under the plan will be set at 11 606 091, being approximately 15% of the current issued share capital. This limit is permitted to be increased proportionately to reflect changes in capital structure, as specified in the rules (refer to rule 12.5 of the plan). In addition, it is clarified that shares purchased in the market in settlement of the plan and awards or allocations that are forfeited are excluded from this limit. (The 15% limit has not been amended from the limit approved at the inception of the plan.)
- Similar to the company limit, the rules will be amended to limit the number of shares that can be allocated to any participant under the plan to 773 739 amounting to approximately 1% of the current issued share capital. (The 1% limit has not been amended from the limit approved at the inception of the plan.)

- The plan has been amended to update references to re-enactments, replacements or amendments to legislation, most notably the Companies Act.
- Non-executive directors are excluded from participation in the plan.
- Definitions of "Vesting Condition" and "Vesting Period" have been inserted and all references to the two-year period required for vesting of the share appreciation rights or release of the performance shares have been removed. The Vesting Period required to fulfil the Vesting Condition will be specified in the allocation letter or award letter respectively.
- A clause has been added to the termination of employment provisions to provide for the forfeiture of performance shares and share appreciation rights in the event of resignation or dismissal on grounds of misconduct, proven poor performance or proven dishonest or fraudulent conduct, in line with King III and best practice.
- A clause has been inserted that the provisions relating to:
 - the definition of Eligible Employees;
 - the definition of Allocation Price;
 - the definition of Fair Market Value;
 - the calculation of the total number of shares which may be acquired for the purposes of or pursuant to the plan;
 - the calculation of the maximum number of shares which may be acquired by any participant in terms of the plan;
 - the basis upon which awards are made; the amount payable upon the grant, settlement or vesting of an award or allocation;
 - the voting, dividend, transfer and other rights attached to the awards or allocations, including those arising on a liquidation of the company;
 - the adjustment of awards or allocations in the event of a variation of capital of the company or a change of control of the company; and
 - the procedure to be adopted in respect of the vesting of awards or allocations in the event of termination of employment;may not be amended without the prior approval of the JSE and by ordinary resolution of 75% (seventy five percent) of shareholders of the company present or by proxy, in general meeting, excluding all the votes attached to shares owned by persons as a result of the vesting of performance shares and the exercise of share appreciation rights under this plan and who are existing participants in the plan.



ADMINISTRATION

ADCORP HOLDINGS LIMITED

Registration number 1974/001804/06
Founded 1968, listed 1987
Website: <http://www.adcorp.co.za>

REGISTERED OFFICE

Adcorp Holdings Limited
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

COMPANY SECRETARY

Premium Corporate Consulting Services (Pty) Limited
(PremCorp)
Attention: Solete de Sousa Wilke
Unit 28, First Floor, Waterford Office Park
Cnr Witkoppen & Waterford Drive
Fourways, 2188
PO Box 1078, Jukskei Park, 2153
Tel: 011 658 0473/4
Fax: 011 086 512 8872
Email: sw@premcop.co.za

INVESTOR ENQUIRIES

Website: www.adcorp.co.za
Email: cfo@adcorp.co.za

AUDITORS

Deloitte & Touche
The Woodlands
20 Woodlands Drive
Woodmead, Sandton, 2146
Private Bag X6, Gallo Manor, 2052
Tel: 011 806 5000
Fax: 011 806 5111

LEGAL ADVISERS

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

Webber Wentzel
18 Fricker Road, Illovo Boulevard, Illovo,
Johannesburg, 2196
PO Box 61771, Marshalltown, Johannesburg, 2107
Tel: 011 530 5000
Fax: 011 530 5414

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

SPONSORS

Deloitte & Touche Sponsor Services Proprietary Limited
Building 6, Deloitte Place
The Woodlands
20 Woodlands Drive
Woodmead, Sandton, 2146
Private Bag X6, Gallo Manor, 2052
Tel: 011 806 5000
Fax: 011 806 5666

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")

To be completed by registered certificated shareholders and dematerialised shareholders with own-name registration only.

For use in respect of the annual general meeting of the company to be held at Block A, 28 on Sloane Street, Sloane Street, Bryanston, Johannesburg, South Africa, on Monday 9 July 2012 at 08:00. Ordinary shareholders who have dematerialised their shares with a CSDP or broker, other than with own-name registration, must arrange with the CSDP or broker concerned to provide them with the necessary Letter of Representation to attend the annual general meeting or the ordinary shareholders concerned must instruct their CSDP or broker 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 concerned.

I/We (full name in block letters)

of (address)

Telephone (work)

(home)

being the registered owner/s of

ordinary shares in the company do hereby appoint

or, failing him/her,

the chairperson of the annual general meeting, as my/our proxy to act for me/us and on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the ordinary and special resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instructions:

** Please indicate with an "X" in the appropriate spaces below how you wish your votes to be cast. Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.*

	Number of votes		
	For*	Against*	Abstain*
1. Ordinary resolution number 1: Adoption of annual financial statements			
2. Ordinary resolution number 2: Re-election of directors			
2.1 Mr PC Swart			
2.2 Mr C Bomela			
2.3 Mr TDA Ross			
2.4 Mr ME Mthunzi			
3. Ordinary resolution number 3: Appointment of director			
3.1 Appointment of Ms N Ndhlazi as a non-executive director			
4. Ordinary resolution number 4: Election of Audit and Risk Committee members			
4.1 Mr TDA Ross			
4.2 Mr ME Mthunzi			
5. Ordinary resolution number 5: Reappointment of auditors			
6. Ordinary resolution number 6: Employee share trust shares placed under the control of the directors			
7. Ordinary resolution number 7: Adcorp Holdings Limited 2006 Share Plan amendments			
8. Ordinary resolution number 8: 10% of unissued shares to be placed under the control of the directors			
9. Ordinary resolution number 9: Remuneration policy			
10. Special resolution number 1: Approval of non-executive directors' remuneration			
10.1 Chairman			
10.2 Director			
10.3 Audit and Risk Committee Chairman			
10.4 Audit and Risk Committee member			
10.5 Nominations and Remuneration Committee Chairman			
10.6 Nominations and Remuneration Committee member			
10.7 Transformation, Social and Ethics Committee Chairman			
10.8 Transformation, Social and Ethics Committee member			
11. Special resolution number 2: Financial assistance in terms of sections 44 and 45 of the Act			
12. Ordinary resolution number 10: Authority to implement resolutions passed at the annual general meeting			

Signed this

day of

2012

Signature

Assisted by (if applicable)



SUMMARY OF HOLDERS' RIGHTS IN RESPECT OF PROXY APPOINTMENTS AS SET OUT IN SECTIONS 56 AND 58 OF THE ACT INCLUDING INSTRUCTIONS AND NOTES TO THE PROXY FORM

1. Section 56 grants voting rights to holders of beneficial interests in certain circumstances, namely if the beneficial interest includes the right to vote on the matter, and the person's name is on the company's register of disclosures as the holder of a beneficial interest. A person who has a beneficial interest in any securities that are entitled to be voted on by him/her, may demand a proxy appointment from the registered holder of those securities, to the extent of that person's beneficial interest, by delivering such a demand to the registered holder, in writing, or as required by the applicable requirements of a CSDP.
 2. A proxy appointment must be in writing, dated and signed by the person appointing a proxy.
 3. This proxy form will not be effective at the meeting unless received at the company's transfer office, Link Market Services (SA) (Pty) Limited, Rennie House, 13th Floor, 19 Ameshoff Street, Braamfontein, by no later than 08:00 on Friday, 6 July 2012. If a shareholder does not wish to deliver this proxy form to that address, it may also be posted, at the risk of the shareholder, to Link Market Services (SA) (Pty) Limited, PO Box 4844, Johannesburg, 2000.
 4. This form is for use by registered shareholders who wish to appoint another person (a proxy) to represent them at the meeting. If duly authorised, companies and other corporate bodies who are registered shareholders may appoint a proxy using this form, or may appoint a representative in accordance with paragraph 12 below.

Other shareholders should not use this form. All beneficial shareholders who have dematerialised their shares through a CSDP or broker, must provide the CSDP or broker with their voting instruction. Alternatively, if they wish to attend the meeting in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between the beneficial shareholder and the CSDP or broker.
 5. This proxy shall apply to all ordinary shares registered in the name of the shareholder who signs this proxy form at the Meeting Record Date unless a lesser number of shares is inserted.
 6. A shareholder may appoint one person of his own choice as his proxy by inserting the name of such proxy in the space provided. Any such proxy need not be a shareholder of the company. If the name of the proxy is not inserted, the chairman of the meeting will be appointed as proxy. If more than one name is inserted, then the person whose name appears first on the proxy form and who is present at the meeting will be entitled to act as proxy to the exclusion of any persons whose names follow. The proxy appointed in this proxy form may delegate the authority given to him/her in this proxy form by delivering to the company, in the manner required by these instructions, a further proxy form which has been completed in a manner consistent with the authority given to the proxy in this proxy form.
 7. Unless revoked, the appointment of a proxy in terms of this proxy form remains valid until the end of the meeting, even if the meeting or part thereof is postponed or adjourned.
 8. If:
 - 8.1 a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against or to abstain from voting on any resolution; or
 - 8.2 the shareholder gives contradictory instructions in relation to any matter; or
 - 8.3 any additional resolution/s which is/are properly put before the meeting; or
 - 8.4 any resolution listed in the proxy form is modified or amended,then the proxy shall be entitled to vote or abstain from voting, as he/she thinks fit, in relation to that resolution or matter. If, however, the shareholder has provided further written instructions which accompany this form and which indicate how the proxy should vote or abstain from voting in any of the circumstances referred to in 6.1 to 6.4, then the proxy shall comply with those instructions.
 9. If this proxy is signed by a person (signatory) on behalf of the shareholder, whether in terms of a power of attorney or otherwise, then this proxy form will not be effective unless:
 - 9.1 it is accompanied by a certified copy of the authority given by the shareholder to the signatory; or
 - 9.2 the company has already received a certified copy of that authority.
 10. The chairman of the meeting may, in his discretion, accept or reject any proxy form or other written appointment of a proxy which is received by the chairman prior to the time when the meeting deals with a resolution or matter to which the appointment of the proxy relates, even if that appointment of a proxy has not been completed and/or received in accordance with these instructions. However, the chairman shall not accept any such appointment of a proxy unless the chairman is satisfied that it reflects the intention of the shareholder appointing the proxy.
 11. Any alterations made in this proxy form must be initialled by the authorised signatory/ies.
 12. This proxy form is revoked if the shareholder who granted the proxy:
 - 12.1 gives written notice of such revocation to the company, so that it is received by the company by not later than 08:00 on Friday, 6 July 2012; or
 - 12.2 subsequently appoints another proxy for the meeting; or
 - 12.3 attends the meeting himself/herself in person.
 13. All notices which a shareholder is entitled to receive in relation to the company shall continue to be sent to that shareholder and shall not be sent to the proxy.
 14. If duly authorised, companies and other corporate bodies who are shareholders of the company having shares registered in their own names may, instead of completing this proxy form, appoint a representative to represent them and exercise all of their rights at the meeting by giving written notice of the appointment of that representative. That notice will not be effective at the meeting unless it is accompanied by a duly certified copy of the resolution/s or other authorities in terms of which that representative is appointed and is received at the company's transfer office, Link Market Services (SA) (Pty) Limited, Rennie House, 13th Floor, 19 Ameshoff Street, Braamfontein, by no later than 08:00 on Friday, 6 July 2012. If a shareholder does not wish to deliver that notice to that address, it may also be posted, at the risk of the shareholder, to Link Market Services (SA) (Pty) Limited, PO Box 4844, Johannesburg, 2000.
 15. The completion and lodging of this form of proxy does not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person to the exclusion of any proxy appointed by the shareholder.
 16. The chairman of the annual general meeting may accept or reject any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he shall not accept a proxy unless he is satisfied as to the manner in which a shareholder wishes to vote.
- Transfer secretaries' office**
Link Market Services (SA) (Pty) Limited
Rennie House, 13th Floor, 19 Ameshoff Street, Braamfontein
(PO Box 4844, Johannesburg, 2000)

