

Introduction

The ADvTECH Group remains fully committed to the principles of effective corporate governance and subscribes to the values as set out in the King Report on corporate governance for South Africa 2002 ("King II") and the Companies Act, 61 of 1973, as amended ("the Act"). The Board is confident that the Group currently complies, in all material respects, with the principles incorporated in the Code of Corporate Practices contained in King II and the provisions of the Act. The Board and its Committees acknowledge their responsibility to ensure that the principles of good corporate governance are observed, and the directors, collectively and individually, acknowledge their responsibilities in terms of the JSE Limited Listings Requirements.

The Board has taken cognisance of the revised King Report on corporate governance 2009 ("King III") that has subsequently replaced King II, which espouses the integration of governance, strategy and sustainability, and the Board is pleased to restate that the Group complies therewith, in all material respects. This aspect is dealt with more fully on page 71 in the annual report. The Board is further anticipating the coming into operation of the new Companies Act, 71 of 2008 (the "new Act"), later in 2010, which was given Presidential assent on 9 April 2009. The Board has taken cognisance thereof and is awaiting the finalisation of the Regulations to the new Act.

Five board meetings were held during the financial year under review. The following table indicates attendance at meetings by the directors:

DIRECTORS	20/3	5/6	21/8	9/10	27/11
BD Buckham	✓		✓	✓	✓
DK Ferreira	✓	✓	✓	✓**	✓
BM Gourley			✓**	✓**	✓**
JD Jansen	✓	✓	✓		
HR Levin	✓	✓	✓	✓	✓
JC Livingstone	✓	✓	✓	✓	✓
LW Maasdorp*				✓	✓
JDR Oesch	✓	✓	✓	✓	✓
MI Sacks	✓				✓
FR Thompson	✓	✓	✓	✓	✓
F Titi	✓	✓	✓	✓	✓

*Appointed on 17 July 2009.

**By teleconference.

Board of directors

ADvTECH maintains a unitary board structure. There are two executive and nine non-executive directors on the Board, of which seven are independent. The roles of chairman and CEO are separate, each with clearly defined roles and responsibilities. Details of the directors appears on pages 18 and 19 of the annual report.

The Board as a whole considers the appointment of new directors. When a new director is considered the Nominations Committee evaluates suitable candidates, submits the nomination and assists the Board in the process of appointment. One third of all directors, excluding the CEO, retire by rotation annually, and any director, including the CEO, appointed by the Board are subject to election by the shareholders at the first opportunity after their initial appointment. No director holds any fixed term contract and both executive directors have standard employment contracts, with a minimum of three months notice on termination.

During the year under review JC Livingstone's appointment to the Board on 3 October 2008 was confirmed by shareholders at the Annual General Meeting held on 19 May 2009, and LW Maasdorp was appointed as a non-executive director on 17 July 2009.

The Board retains overall accountability and is responsible to all stakeholders for the proper management and effective control of the Group. The Board has delegated to the CEO and the Executive Committee (Exco) authority to run the day-to-day affairs of the Group. In addition the Board has also created Remuneration, Audit, Litigation, Board Transformation and Nominations Committees to enable it to properly discharge its duties and responsibilities.

The Board and its sub-Committees are furnished with full and timely information ensuring that relevant facts are brought to the attention of directors. Each Committee operates within specific written terms of reference under which certain functions of the Board are delegated with defined purposes, duties and reporting procedures.

Group Executive Committee

The Executive Committee (Exco) is responsible for the day-to-day management of the business of the Group. Exco facilitates the effective control of all the Group's operational activities, acting as a medium of communication and co-ordination between all the various business units, Group companies and the Board. Exco is also responsible for recommendations to the Board with regard to the Group's policies and strategies and for monitoring their implementation in accordance with the Board's directives.

Exco consists of two executive directors and nine senior executives. The operating divisions within the Group have established formal management structures which meet regularly to ensure the maintenance of standards and best practice in respect of corporate governance and internal controls.

Remuneration Committee

The Remuneration Committee consists of the following non-executive directors:

- HR Levin (Chairman)
- JC Livingstone

The Remuneration Committee was chaired by HR Levin and consists entirely of non-executives. The Committee determines, agrees and develops the general policy for executive directors and senior management remuneration for approval by the Board. The objective is to ensure that such remuneration is fair, responsible and appropriate and that the remuneration scales, including share and other incentive schemes and conditions of employment are

market-related and at levels sufficient to attract, retain and motivate individuals of quality. The Remuneration Committee relies on external market surveys and industry reward levels as benchmarks in addition to the advice obtained from independent professional advisers. It recommends to the Board the fees to be paid to directors and guarantees that no person is involved in any decisions as to his or her own remuneration.

The Remuneration Committee meets on an ad hoc basis and met on numerous occasions during the 2009 financial year.

Audit Committee

The Audit Committee consists of the following independent non-executive directors:

- HR Levin (Chairman)
- JC Livingstone
- F Titi

The role of the Audit Committee is to assist the Board in discharging its responsibilities to safeguard the Group's assets and to ensure that proper accounting records are maintained. These roles and responsibilities take into account the recommendations of King III and the amendments to the Companies Act. The Committee also oversees the financial reporting process and ensures compliance with the appointment of the independent auditors, accounting policies, Group policies, legal requirements and internal controls within the Group.

The Group's internal audit function is headed by the Group's internal audit manager. The Audit Committee monitors, supervises and evaluates the effectiveness of the internal audit function.

The Committee met three times during the 2009 financial year. These meetings are attended by the internal and external auditors, the CEO and Group finance director, as well as other Board members and invitees as considered appropriate by the Committee's chairman.

	17/3	17/8	23/11
HR Levin	✓	✓	✓
JC Livingstone	✓	✓	✓
F Titi	✓	✓	✓

The Audit Committee operates in accordance with a written charter authorised by the Board, and provides assistance to the Board with regard to:

- Ensuring compliance with applicable legislation and the requirements of regulatory authorities;
- Matters relating to financial accounting, accounting policies, reporting and disclosure;
- Internal and external audit policy;
- Activities, scope, adequacy and effectiveness of the internal audit function and audit plans;
- Reviewing and approving of external audit plans, findings, problems, reports and fees;
- Compliance with the Code of Corporate Practices and Conduct;
- Compliance with the Group's code of ethics;
- Ensuring that non-audit services will not be obtained from the external auditors where the provision of such services could impair audit independence; and
- Reviewing and recommending the approval of interim and annual results.

The Audit Committee performed its responsibilities in terms of the charter during the 2009 financial year.

Both the external and internal auditors have unrestricted access to the Audit Committee, which ensures that their independence is in no way impaired.

The Audit Committee has considered and is satisfied with the appropriateness of the expertise and experience of the Group financial director.

Litigation Committee

- BD Buckham (Chairman)
- HR Levin
- JC Livingstone

Legal proceedings in respect of substantial claims against Andry Welihockyj, Marina Welihockyj and a company controlled by them are still in process. Every effort is being made to bring these matters to a satisfactory conclusion in the interest of shareholders.

The Litigation Committee, which consists of non-executive directors, has advised the Board that legal counsel remains satisfied with the merits of the Group's claims and that the Group has no additional exposure other than for legal costs in these matters.

The Litigation Committee meets on an ad hoc basis and met on numerous occasions during the 2009 financial year.

Board Transformation Committee

- DK Ferreira (Chairman)
- JD Jansen
- F Titi

DK Ferreira chaired this Committee. The Committee monitors, reviews and evaluates the Group's progress on equity ownership, directors composition, employment equity and HR practices, training and skills development, corporate social responsibility and preferential procurement.

The Committee is further tasked to assist the Board in formulating a strategy in regard to the Group's contribution to the normalisation of the South African society through the implementation of the pillars of transformation listed above.

	20/3	21/8	27/11
DK Ferreira	✓	✓	✓
JD Jansen		✓	
F Titi	✓	✓	✓

Nominations Committee

The Nominations Committee consists of all the non-executive board members and the CEO, and is chaired by MI Sacks.

In line with its terms of reference, the Committee meets on an ad hoc basis to nominate, evaluate and recommend possible new appointments to the Board. During the year under review this Committee recommended LW Maasdorp for appointment to the Board as a non-executive director, which appointment was confirmed on 17 July 2009.

Risk management

There is no formal risk management committee. However, the Board in conjunction with Exco and the internal audit department, reviews and assesses the integrity and the quality of risk control systems and ensures that risk policies and strategies are effectively managed in accordance with the group risk management matrix. The Group's major assets are insured against loss and this together with the disaster recovery plan will ensure that the business, from an

information technology and operational viewpoint, continues with the least amount of disruption.

The Board is satisfied that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group.

Internal control

The Board is responsible for ensuring that appropriate internal control systems are implemented and maintained to ensure that the Group's assets are safeguarded and managed in order to minimise potential losses arising from possible fraud and other illegal acts.

Internal control is implemented through the proper delegation of responsibility within a clearly defined approval framework, through accounting procedures and adequate segregation of duties. The Group's internal accounting controls and systems are designed to provide reasonable assurance as to the integrity of the Group's financial statements and to safeguard, verify and maintain accountability for all its assets.

Internal auditors monitor the operation of the internal controls and systems and report their findings and recommendations to management and the Board. Corrective actions are taken to address control deficiencies and where other opportunities present themselves for improving the systems as they are identified. The Board, operating through its Audit Committee, provides supervision of the financial reporting process and internal control systems.

No material incidents have come to the attention of the Board that would indicate any breakdown in internal controls during the year under review.

Internal audit

The Group's internal audit department has a specific mandate from the Audit Committee to independently appraise the appropriateness, adequacy and effectiveness of the Group's systems, financial internal controls and accounting records, and on the reporting of its findings to divisional management and the Audit Committee. The Group internal audit manager reports to the Group's financial director on an administrative basis and has direct access to the CEO and the chairman of the Audit Committee.

The Board and Exco assessed the Group's internal control system in relation to the criteria for effective internal control over financial reporting according to best practice and in terms of the Group's policies and procedures. The internal control process has been in place up to the date of the approval of the annual financial statements.

The internal audit coverage plan is based on risk assessments performed at each operating unit. The coverage plan, as approved by the Audit Committee, is updated annually, based on the risk assessment and results of the audit work performed. This ensures that the audit coverage is focused on and identifies areas of high risk. Nothing has come to the attention of the Board to indicate that any material breach of these controls has occurred during the year under review.

Ethical standards

The Group has developed and implemented a Code of Ethics (the Code), which has been fully endorsed by the Board and applies to all directors and employees. The Code is regularly reviewed and updated, as and when necessary, to ensure it reflects the highest standards of behaviour and professionalism.

In summary, the Code requires that, at all times, all Group personnel act with the utmost integrity and objectivity and in compliance with the letter and the spirit of both the law and Group policies.

The directors believe that ethical standards are being met and are fully supported by the Group's ethics programme.

Accounting and auditing

The Board places strong emphasis on achieving the highest level of financial management, accounting and reporting to shareholders. The Board is committed to comply with International Financial Reporting Standards (IFRSs), the Act and the JSE Limited Listings Requirements.

The directors are responsible for ensuring that Group companies maintain adequate records in order to report on the financial position of the Group and the results of activities with accuracy and reliability. Financial reporting procedures are applied at all levels in the Group to meet this responsibility. The external auditors are responsible for independently auditing and reporting on these financial statements in accordance with International Financial Reporting Standards.

It is the directors' responsibility to prepare financial statements that fairly present:

- The state of affairs as at the end of the financial year under review;
- Profit or loss for the year;
- Cash flows for the year; and
- Other material non-financial information.

The external auditors, Deloitte & Touche, were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of directors and Committees of the Board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The external auditors provide an independent assessment of systems of internal financial control to the extent necessary for the audit, and express an independent opinion on whether the financial statements are fairly presented.

Going concern

The directors are of the opinion that the business will be a going concern in the year ahead. The Board's statement regarding this is contained in the Directors' responsibility statement on page 6. The Board has also recorded the facts and assumptions on why they concluded that the business will be a going concern for the next financial year.

Company secretary

All directors have access to the advice and services of the company secretary, whose appointment is in accordance with the provisions of the Act, and who is considered by the Board to be fit and proper for the post. The company secretary is responsible to the Board and provides guidance and advice to the Board as stipulated in section 268(G)(d) of the Companies Act, and on matters of ethics and good corporate governance. The company secretary works with the Board to ensure compliance with the rules of the JSE Limited Listings Requirements. The company secretary oversees the induction of new directors and assists the Group chairman and the CEO in setting the annual Board plan and other related matters. The details of the company secretary appear on page 10 of this report.

Insider trading

The Group has a written policy adopted by the Board on insider trading, which states that no director, executive,

manager or any employee with "price sensitive information" may deal directly or indirectly in the Company's shares during closed periods. The Group adheres to two closed periods in each financial year. The first commences at the end of June until the publication of the interim results and the second commences at the end of December, the Group's financial year end, until the final audited results for the year are released. All directors' share dealings require the prior approval of the chairman and the company secretary retains a record of all such share dealings and approvals.

Related transactions

Members of the Board are required to disclose any conflict of interest, which they may have, at the Board meetings. During the year under review no material contracts involving directors' interests were entered into.

Directors

HR Levin is a non-executive director and is a senior partner at HR Levin Attorneys who provide legal services to the Group. (2009: R76 950; 2008: R172 938).

JDR Oesch has been awarded a CrawfordSchools™ bursary for his children in terms of the Group's bursary policy.

Exco

DL Honey is a member of Exco. His brother, E Honey, is a director of Bowman Gilfillan Attorneys, a firm which provides intellectual property services to the Group.

O Francesconi, DL Honey and J Coetzee have been awarded CrawfordSchools™ bursaries for their children in terms of the Group's bursary policy.

Employment equity

The Group continues to subscribe to the philosophy of employee upliftment and has dedicated resources to both training and development programmes to achieve demographic representation in its workforce. This philosophy has enabled the Group to embrace the principles of the Skills Development Levy Act (with its training initiatives) and the Employment Equity Act. All employees are encouraged to develop their full potential for both themselves and the Group.