

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 6 of this Circular apply *mutatis mutandis* to this cover page.

### ACTION REQUIRED BY SHAREHOLDERS

1. This entire Circular is important and should be read with particular attention to the section entitled “*Action required by Shareholders*”, which commences on page 3.
2. If you are in any doubt as to what action to take in relation to this Circular, please consult your CSDP, Broker, banker, attorney, accountant or other professional advisor immediately.
3. If you have disposed of all your Shares in Adcorp, please forward this Circular to the purchaser of such Shares or to the CSDP, Broker, banker or other agent through whom the disposal was effected.

**Adcorp does not accept responsibility, and will not be held liable, for any action of, or omission by, any CSDP or Broker including, without limitation, any failure on the part of the CSDP or Broker of any Shareholder to notify such Shareholder of the General Meeting, notice of which is contained in and forms part of this Circular.**

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# adcorp

Connecting Potential

## ADCORP HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1974/001804/06)

ISIN: ZAE000000139

Share Code: ADR

(“Adcorp” or “the Company”)

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## CIRCULAR TO ADCORP SHAREHOLDERS

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*Relating to the approval of the Disposal, which constitutes a category 1 transaction in terms of the JSE Listings Requirements, and incorporating:*

- a **Notice of General Meeting of Shareholders;**
- a **Form of Proxy (yellow) (for use by Certificated Shareholders and Dematerialised Shareholders who have selected Own-Name Registration only).**

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Transaction advisor and sponsor



PSG CAPITAL

Auditors and independent reporting accounts

# Deloitte.

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**Date of issue: Monday, 1 March 2021**

Copies of this Circular are available in English only and may, from the date of posting of this Circular until the date of the General Meeting (both days inclusive), be obtained from the registered office of Adcorp or from PSG Capital, at the addresses set out in the “*Corporate Information*” section of this Circular. A copy of this Circular will also be available on Adcorp’s website at [www.adcorpgroup.com](http://www.adcorpgroup.com).

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## FORWARD-LOOKING STATEMENT DISCLAIMER

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The definitions and interpretations commencing on page 6 of this Circular apply mutatis mutandis to this forward-looking statement disclaimer.

This Circular contains statements about Adcorp that are or may be forward looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as "**believe**", "**aim**", "**expect**", "**anticipate**", "**intend**", "**foresee**", "**forecast**", "**likely**", "**should**", "**planned**", "**may**", "**estimated**", "**potential**" or similar words and phrases.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Adcorp cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industry in which Adcorp operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All these forward-looking statements are based on estimates and assumptions made by Adcorp, as communicated in publicly available documents by Adcorp, all of which estimates and assumptions, although Adcorp believes them to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those statements or assumptions include other matters not yet known to Adcorp or not currently considered material by Adcorp.

Shareholders should keep in mind that any forward-looking statement made in this Circular or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors that could cause the business of Adcorp not to develop as expected may emerge from time to time and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement are not known. Adcorp has no duty to, and does not intend to, update or revise the forward-looking statements contained in this Circular after the date of this Circular, except as may be required by law. Any forward-looking statement has not been reviewed nor reported on by the Auditors.

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## CORPORATE INFORMATION

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The definitions and interpretations commencing on page 6 of this Circular apply *mutatis mutandis* to this “Corporate Information” section.

### Directors

GT Serobe (Chair)\*  
MW Spicer (Lead Independent Non-executive)\*#  
P Roux (Chief Executive Officer)  
N Prendergast (Chief Financial Officer)  
P Mnganga\*#  
H Singh\*#  
SN Mabaso-Koyana\*#  
C Maswanganyi\*#  
S Sithole\*  
MM Nkosi\*  
R van Dijk\*#  
C Smith\*  
M Lubega\*#  
T Mokgabudi\*#

\* *Non-executive*

# *Independent*

### Company Secretary

Lisa Laporte  
Adcorp Place, 102 Western Service Road,  
Gallo Manor Ext 6, Johannesburg, South Africa, 2191  
(PO Box 70635, Bryanston, Johannesburg, South Africa, 2021)  
Direct Tel: +27 (0)10 800 0786  
Email: lisa.laporte@adcorpgroup.com

### Registered Address of Adcorp and ASS

Adcorp Holdings Limited  
Adcorp Place, 102 Western Service Road,  
Gallo Manor Ext 6, Johannesburg, South Africa, 2191  
(PO Box 70635, Bryanston, Johannesburg, South Africa, 2021)  
Tel: +27 (0) 10 800 000  
Email: info@adcorp.co.za

### Date of Incorporation of Adcorp

16 July 1974

### Place of Incorporation of Adcorp

South Africa

### Transfer Secretaries

4 Africa Exchange Registry Proprietary Limited  
Hill On Empire, 4th Floor, Building A,  
16 Empire Road, Parktown,  
Johannesburg, South Africa, 2093  
(Postnet Suite 239, Private Bag X30500, Houghton, 2041)  
Tel: +27 (0) 11 100 8352  
Email: adcorp@4axregistry.co.za

### Date of Incorporation of ASS

15 May 2007

### Place of Incorporation of ASS

South Africa

### Sponsor and Transactional Advisor

PSG Capital Proprietary Limited  
(Registration Number 2006/015817/07)  
1st Floor, Ou Kollege  
35 Kerk Street  
Stellenbosch, 7600  
(PO Box 7403, Stellenbosch 7599)

and

2nd Floor, Building 3, 11 Alice Lane  
Sandhurst  
Sandton, 2196  
(PO Box 650957, Benmore 2010)

### Independent Reporting Accountants and Auditors of the Adcorp Group

Deloitte & Touche  
5 Magwa Crescent  
Midrand  
South Africa  
2066  
(Private Bag X6, Gallo Manor, Johannesburg, South Africa, 2052)

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## ACTION REQUIRED BY SHAREHOLDERS

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The definitions and interpretations commencing on page 6 of this Circular apply, unless the context clearly indicates otherwise, to this section on the action required by Shareholders.

This Circular is important and requires your immediate attention. The action you need to take is set out below. If you are in any doubt as to what action to take, you should consult your Broker, CSDP, banker, accountant, attorney or other advisor. If you have disposed of any of your Shares, this Circular should be handed to the purchaser to whom, or the Broker, CSDP or other agent through whom, the disposal was effected.

### GENERAL MEETING

**Shareholders are invited to attend the General Meeting which will be held electronically, convened in terms of the Notice of General Meeting, as permitted by the JSE Listings Requirements, the provisions of the Companies Act and Adcorp's MOI, at 10:00 on Tuesday, 30 March 2021 to consider and, if deemed fit, to pass the resolutions required to approve the Disposal. A notice convening such General Meeting is attached to, and forms part of, this Circular.**

#### 1. DEMATERIALISED SHAREHOLDERS WHO ARE NOT OWN-NAME DEMATERIALISED SHAREHOLDERS

##### 1.1. Voting at the General Meeting

- 1.1.1. Your Broker or CSDP should contact you to ascertain how you wish to cast your vote at the General Meeting and should thereafter cast your vote in accordance with your instructions.
- 1.1.2. If your Broker or CSDP has not contacted you, it is advisable for you to contact your Broker or CSDP and furnish them with your voting instructions.
- 1.1.3. If your Broker or CSDP does not obtain voting instructions from you, it will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your Broker or CSDP.
- 1.1.4. **You must not complete the attached Form of Proxy (yellow).**

##### 1.2. Attendance and Representation at the General Meeting

- 1.2.1. In accordance with the custody agreement between you and your CSDP or Broker, you must advise your CSDP or Broker if you wish to:
  - 1.2.1.1 send a proxy to represent you at the General Meeting.

#### 2. CERTIFICATED SHAREHOLDERS AND OWN-NAME DEMATERIALISED SHAREHOLDERS

##### 2.1. Voting and Attendance at the General Meeting

- 2.1.1. You may attend the General Meeting (as explained in paragraph 1) and may vote (or abstain from voting) at the General Meeting.
- 2.1.2. Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached Form of Proxy (yellow) in accordance with the instructions contained therein and lodging it, posting it or sending it via e-mail to the Transfer Secretaries to be received by them preferably by no later than 10:00 on Friday, 26 March 2021, provided that any Form of Proxy not delivered to the Transfer Secretaries by this time may be emailed to the Transfer Secretaries (who will provide same to the chairman of the General Meeting) at any time before the appointed proxy exercises.

##### **Transfer Secretaries**

4 Africa Exchange Registry Proprietary Limited  
Hill On Empire, 4th Floor, Building A,  
16 Empire Road, Parktown,  
Johannesburg, South Africa, 2093  
Electronic Participation at the General Meeting

##### **Electronic Participation at the General Meeting**

Due to the impact of the COVID-19 pandemic and the uncertainty regarding the levels of restrictions that might be in place on public gatherings at the time of the General Meeting, the General Meeting will only be accessible through electronic participation, as provided for in terms of the provisions of the Companies Act and the Company's MOI. Shareholders should inform the Company Secretary at [lisa.laporte@adcorpgroup.com](mailto:lisa.laporte@adcorpgroup.com) and copy A4X on [adcorp@4axregistry.co.za](mailto:adcorp@4axregistry.co.za) or alternatively contact 4AX on +27 11 100 8352 by no later than 09:00 on Friday, 26 March 2021 (electronic notice).

Shareholders are able to vote through proxy submission in the usual manner, despite opting to participate electronically. Shareholders are strongly encouraged to submit votes by proxy before the General Meeting. Shareholders who choose to vote during the meeting will be able to do so electronically. 4AX will assist shareholders with the requirements for electronic meeting participation. 4AX is obliged to validate this information with your CSDP before providing you with the necessary means to access the voting platform. Any reference to "shareholder" in this section includes a reference to that shareholder's proxy.

**In order for the electronic notice to be valid it must contain:**

1. If the shareholder is an individual, a certified copy of his/her identity document and/or passport;
2. If the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution and the relevant resolution must set out who from the relevant entity is authorised to represent the relevant entity at the General Meeting via electronic communication;
3. In the case of (1.) and (2.) above, the shareholders should indicate that their shareholding has been voted and the manner in which it has been cast, so as to provide the Company with assurance that they have understood that their participation is not in order to vote; and
4. A valid email address and telephone number of the participant (by no later than 48 hours prior to the time of the General Meeting, the Company shall use its reasonable endeavours to communicate with each shareholder who has delivered a valid electronic notice, by notifying such shareholder at its contact address and/or number of the relevant details through which the shareholder can participate via electronic communication).

Where the Company is required to provide for electronic participation at the General Meeting, the costs of accessing any means of electronic participation provided by the Company will be borne by the shareholder so accessing the electronic participation. Should a shareholder wish to vote at the General Meeting, he/she may do so by attending and voting at the General Meeting either in person or by proxy regardless of attendance in person or electronically.

- 2.1.3. any Shareholder rights at the General Meeting. The details of the Transfer Secretaries are as set out below:

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## SALIENT DATES AND TIMES

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The definitions and interpretations commencing on page 6 of this Circular apply mutatis mutandis to these salient dates and times.

**2021**

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Record date in order to be eligible to receive this Circular, including the Notice of General Meeting	Friday, 19 February
Circular distributed to Shareholders on	Monday, 1 March
Announcement providing salient dates, advising of the distribution of this Circular and giving the date and place of the General Meeting released on SENS on	Monday, 1 March
Last day to trade in Shares in order to be eligible to attend, participate in and vote at the General Meeting	Tuesday, 16 March
General Meeting record date in order to be eligible to attend, participate in and vote at the General Meeting	Friday, 19 March
For administrative purposes, last day for receipt of Forms of Proxy in respect of the General Meeting by 10:00 on	Friday, 26 March
Forms of Proxy not lodged with the Transfer Secretaries to be handed to the chairperson of the General Meeting, at any time before the proxy exercises any rights of the Shareholders at the General Meeting	Tuesday, 30 March
General Meeting of Shareholders to be held at 10:00 on	Tuesday, 30 March
Results of General Meeting released on SENS on	Tuesday, 30 March

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### Notes

1. All of the above dates and times are subject to change. Any changes made will be notified to Shareholders on SENS.
2. Shareholders should note that, as transactions in shares are settled in the electronic settlement system used by Strate, settlement of trades takes place three Business Days after such trade. Therefore, persons who acquire Shares after the last day to trade in order to be eligible to vote at the General Meeting, namely, Tuesday, 16 March 2021, will not be able to vote thereat.
3. If the General Meeting is adjourned or postponed, Forms of Proxy submitted for the initial General Meeting will remain valid in respect of any such adjournment or postponement.
4. All times given in this Circular are local times in South Africa.

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## DEFINITIONS AND INTERPRETATIONS

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In this Circular, unless the context indicates otherwise, reference to the singular shall include the plural and vice versa, words denoting one gender include the other, words and expressions denoting natural persons include juristic persons and associations of persons and the words and expressions in the first column have the meanings stated opposite to them in the second column.

<b>“Adcorp Group”</b>	Adcorp Holdings including its subsidiaries;
<b>“Adcorp Holdings” or “Adcorp” or “the Company”</b>	Adcorp Holdings Limited, registration number 1974/001804/06, a limited liability public company duly incorporated in South Africa and listed on the JSE;
<b>“Adcorp Workforce Solutions” or “the Seller”</b>	Adcorp Workforce Solutions Proprietary Limited, registration number 1999/026249/07, a limited liability private company duly incorporated in accordance with the laws of South Africa, a wholly owned subsidiary of Adcorp Holdings;
<b>“Adcorp Support Services” or “ASS”</b>	Adcorp Support Services Proprietary Limited, registration number 2007/013705/07, a limited liability private company duly incorporated in accordance with the laws of South Africa including its subsidiaries, a wholly owned subsidiary of the Seller, whose operations include the EB Division and the FMS Division;
<b>“Advantage”</b>	Adcorp Advantage Proprietary Limited, registration number 2014/101926/07, a limited liability private company duly incorporated in accordance with the laws of South Africa, and a wholly-owned subsidiary of Adcorp;
<b>“Agile”</b>	Agile Capital Four Proprietary Limited, registration number 2019/326588/07, a limited liability private company duly incorporated in accordance with the laws of South Africa, a private equity fund owned by its management team with the support of FirstRand Group Limited;
<b>“Agreement”</b>	the disposal agreement entered into between the New Holdco Shareholders, Management, New Holdco, New Opco, Adcorp Holdings, ASS and the Seller on the Signature Date;
<b>“Board” or “Directors”</b>	the board of directors of Adcorp;
<b>“Broker”</b>	a “stockbroker” as defined in the Financial Markets Act, or its nominee;
<b>“Business Day”</b>	any day, other than a Saturday, Sunday or public holiday in South Africa;
<b>“Certificated Shareholders”</b>	holders of Certificated Shares;
<b>“Certificated Shares”</b>	Shares being “certificated securities” as defined in the Financial Markets Act and having accordingly not been Dematerialised, title to which are evidenced by Documents of Title;
<b>“Circular”</b>	this circular to Shareholders, dated Monday, 1 March 2021, including all annexures hereto;
<b>“Closing Date”</b>	5 (five) business days immediately following the Fulfilment Date, or such other date as the Consortium and Seller agree to in writing;
<b>“Companies Act”</b>	Companies Act, No. 71 of 2008, as amended;
<b>“Company Secretary”</b>	Lisa Laporte, further particulars of which appear in the “ <i>Corporate Information</i> ” section of this Circular;
<b>“Competition Act”</b>	the Competition Act, No 89 of 1998;
<b>“Competition Authorities”</b>	the commission established pursuant to Chapter 4, Part A of the Competition Act or the tribunal established pursuant to Chapter 4, Part B of the Competition Act or the appeal court established pursuant to Chapter 4, Part C of the Competition Act, as the case may be;
<b>“Conditions Precedent”</b>	the conditions precedent to the Disposal as set out in paragraph 2.4 of this Circular;
<b>“Consortium”</b>	collectively, Corvest and Agile;



<b>“Corvest”</b>	Corvest 12 Proprietary Limited, registration number 2018/505198/07, a limited liability private company duly incorporated in accordance with the laws of South Africa, a subsidiary of FirstRand Group Limited;
<b>“CSDP”</b>	a Central Securities Depository Participant, accepted as a participant in terms of the Financial Markets Act, with whom a Shareholder holds a Dematerialised share account;
<b>“Custody Agreement”</b>	a custody mandate agreement between a Shareholder and a CSDP or Broker, regulating their relationship in respect of Dematerialised Shares held on Adcorp’s uncertificated securities register administered by a CSDP or Broker on behalf of that person;
<b>“Dare Disposal”</b>	the disposal by Adcorp, via its wholly-owned subsidiary, Adcorp Holdings Australia (Proprietary) Limited to dispose of its 100% issued shares of Dare Holdings (Proprietary) Limited and Adcorp Holdings Singapore (Private) Limited incorporating Dare Energy (Proprietary) Limited to Competentia (Proprietary) Limited, announced on SENS on 22 September 2020;
<b>“Dematerialise” or “Dematerialisation”</b>	the process by which Certificated Shares are converted into an electronic format as Dematerialised Shares and recorded in Adcorp’s uncertificated securities register administered by a CSDP;
<b>“Dematerialised Shareholders”</b>	Shareholders who hold Dematerialised Shares;
<b>“Dematerialised Shares”</b>	Shares which have been Dematerialised and incorporated into the Strate system and which are no longer evidenced by certificates or other physical Documents of Title;
<b>“Disposal”</b>	the disposal by the Seller of the Sale Shares for the Total Purchase Consideration to the Purchaser, as contemplated in the Agreement;
<b>“Divisions Deferred Payment”</b>	to the extent that the Target EBITDA is achieved or exceeded, the amount payable in respect of the FMS Division, 4 (four) multiplied by (FMS Division’s normalised EBITDA less R36 500 000 (thirty six million five hundred thousand Rand)), capped at an amount of R22 700 000 (twenty two million seven hundred thousand Rand), and/or in respect of the EB Division, 3 (three) multiplied by (EB Division’s normalised EBITDA less R15 500 000 (fifteen million five hundred thousand Rand)), capped at an amount of R11 500 000 (eleven million five hundred thousand Rand);
<b>“Documents of Title”</b>	share certificates, certified transfer deeds, balance receipts or any other physical documents of title pertaining to the Shares in question, acceptable to the Board;
<b>“Due Diligence Investigation”</b>	the legal, tax and financial due diligence investigation undertaken by the Consortium and their advisors into the business operations of ASS;
<b>“EB Division”</b>	the employee benefits division of ASS;
<b>“EBITDA”</b>	ASS earnings before income tax as per the income statement; before interest received or receivable and interest paid or payable; adding back depreciation, impairment and amortisation, excluding once off and non-recurring items;
<b>“Financial Markets Act”</b>	the Financial Markets Act, No 19 of 2012, as amended;
<b>“FMS Division”</b>	FMS marketing solutions division of ASS;
<b>“Form of Proxy”</b>	for purposes of the General Meeting, the form of proxy (yellow) for use only by Certificated Shareholders and Own-Name Dematerialised Shareholders;
<b>“Fulfilment Date”</b>	the date on which the last of the Conditions Precedent have been fulfilled or waived (to the extent legally permissible), as the case may be;
<b>“General Meeting”</b>	the general meeting of Shareholders to be held electronically on Tuesday, 30 March 2021 at 10:00, convened in terms of the Notice of General Meeting enclosed and forming part of this Circular;
<b>“IFRS”</b>	International Financial Reporting Standards;

<b>“Independent Reporting Accountants” or “Auditors”</b>	Deloitte & Touche, with practice number 902276, the independent reporting accountant and auditor of the Group;
<b>“Investco”</b>	ASS Investco Proprietary Limited, registration number 2020/787340/07, a limited liability private company duly incorporated in accordance with the laws of South Africa, which will be owned by Agile (51%) and Corvest (49%) on the Closing Date;
<b>“JSE”</b>	the exchange, licensed under the Financial Markets Act, operated by the JSE Limited, registration number 2005/022939/06, a limited liability public company duly incorporated in South Africa;
<b>“JSE Listings Requirements”</b>	the Listings Requirements of the JSE in force as at the Last Practicable Date;
<b>“Last Practicable Date”</b>	the last practicable date before finalisation of this Circular, which date was Friday, 19 February 2021;
<b>“Long Stop Date”</b>	Wednesday, 31 March 2021 (or such later date as may be agreed in writing between the Consortium and the Seller on or before the Longstop Date);
<b>“Management”</b>	collectively, Trevor Fowler, Ben van der Merwe and Warrick Henderson;
<b>“Manco 1”</b>	K2020796180 Proprietary Limited, registration number 2020/796180/07, a limited liability private company duly incorporated in accordance with the laws of South Africa, the sole shareholder being Trevor Fowler;
<b>“Manco 2”</b>	K2020796194 Proprietary Limited, registration number 2020/796194/07, a limited liability private company duly incorporated in accordance with the laws of South Africa, the sole shareholder being Warrick Henderson;
<b>“Manco 3”</b>	K2020796213 Proprietary Limited, registration number 2020/796213/07, a limited liability private company duly incorporated in accordance with the laws of South Africa, the sole shareholder being Ben van der Merwe;
<b>“Material Adverse Change”</b>	the adverse effect, fact or circumstance or event with regard to the operations, continued existence, business, condition, assets and/or liabilities of ASS must have (or to be reasonably expected to have) an adverse impact resulting in a R5 million decline in the EBITDA when compared to the Target EBITDA or decline in the net asset value of ASS as recorded in the relevant ASS audited accounts when compared to the net asset value on 31 August 2020 or a loss as a result of a breach of any of the warranties provided by the Seller;
<b>“MOI”</b>	the memorandum of incorporation of Adcorp;
<b>“New Holdco” or “Purchaser”</b>	K2020791073 Proprietary Limited, registration number 2020/791073/07, a limited liability private company duly incorporated in accordance with the laws of South Africa, which will be owned by Investco (49%), Corvest (21%), Manco 1 (17.5%), Manco 2 (10%) and Manco 3 (2.5%) on the Closing Date;
<b>“New Holdco Shareholders”</b>	Corvest, Investco, Manco 1, Manco 2 and Manco 3;
<b>“New Opco”</b>	K2020791335 Proprietary Limited, registration number 2020/791335/07, a limited liability private company duly incorporated in accordance with the laws of South Africa, a wholly owned subsidiary of New Holdco;
<b>“Notice of General Meeting”</b>	the notice of the General Meeting enclosed and forming part of this Circular;
<b>“Own-Name Registration” or “Own-Name Dematerialised Shareholders”</b>	Shareholders who hold Shares that have been Dematerialised and are recorded by the CSDP on the sub-register kept by that CSDP in the name of such Shareholder;
<b>“Prime Rate”</b>	the publicly quoted basic rate of interest, compounded monthly in arrears and calculated on a 365 day year published by FirstRand Bank Limited;
<b>“Purchase Price”</b>	an amount equal to R181 100 000 (one hundred and eight one million and one hundred thousand Rand) less the W&I Insurance Policy Fees;

<b>“PSG Capital” or “Sponsor”</b>	PSG Capital Proprietary Limited, registration number 2006/015817/07, a limited liability private company duly incorporated in South Africa, further particulars of which appear in the “ <i>Corporate Information</i> ” sector of this Circular;
<b>“Rand” or “R”</b>	South African Rand;
<b>“Register”</b>	the register of Shareholders;
<b>“Relevant Period”</b>	the period commencing on 1 March 2020 and ending on 28 February 2021;
<b>“Restraint Period”</b>	a period of 3 (three) years commencing on the Closing Date;
<b>“Sale Shares”</b>	all of the ordinary par value shares with a par value of R1.00 (one Rand) each in the issued share capital of ASS held by the Seller constituting 100% (one hundred percent) of the entire issued share capital of ASS;
<b>“SENS”</b>	the Stock Exchange News Service of the JSE;
<b>“Shareholders” or “Adcorp Shareholders”</b>	registered holders of Shares;
<b>“Shares” or “Adcorp Shares”</b>	ordinary par value shares in the share capital of Adcorp and which shares are listed on the JSE;
<b>“Signature Date”</b>	the date of signature of the Agreement by the last party last signing (provided that all of the parties have signed), being 30 November 2020;
<b>“South Africa”</b>	the Republic of South Africa;
<b>“Strate”</b>	Strate Proprietary Limited, registration number 1998/022242/07, a limited liability private company duly incorporated in South Africa, a central securities depository licensed in terms of the Financial Markets Act and responsible for the electronic clearing and settlement system provided to the JSE;
<b>“Subsidiary”</b>	a subsidiary as defined in the Companies Act;
<b>“Target EBITDA”</b>	the normalised EBITDA of greater than R36 500 000 (thirty six million five hundred thousand Rand) for the FMS Division and/or greater than R15 500 000 (fifteen million five hundred thousand Rand) for the EB Division for the Relevant Period;
<b>“Transfer Secretaries” or “4AX”</b>	4 Africa Exchange Registry Proprietary Limited, registration number 2016/396777/07, a limited liability private company duly incorporated in South Africa, further particulars of which appear in the “ <i>Corporate Information</i> ” sector of this Circular;
<b>“Total Deferred Payment”</b>	collectively the Upfront Deferred Payment and the Divisions Deferred Payment;
<b>“Total Purchase Consideration”</b>	the sum of the Purchase Price and to the extent applicable, the Total Deferred Payment;
<b>“Upfront Deferred Payment”</b>	an amount equal to R12 000 000 (twelve million Rand) which will bear interest at the Prime Rate from the Closing Date until payment thereof, subject to the EB Division maintaining a certain minimum number of policy holders who are Adcorp employees and a commission target of R 3 000 000 (three million Rand) on the employee benefits or a minimum revenue of R23 300 000 (twenty three million three hundred thousand Rand) from Adcorp employees for the period from 1 January 2021 until 31 December 2021;
<b>“W&amp;I Insurance Policy”</b>	Warranty and indemnity insurance policy taken out by the Seller and Adcorp Holdings whereby a third party underwriter indemnifies the Seller and Adcorp Holdings against all or a portion of any loss suffered as a result of a breach of warranty or indemnity provided by the Seller and Adcorp Holdings; and
<b>“W&amp;I Insurance Policy Fees”</b>	an amount of approximately R2 700 000 (two million seven hundred thousand Rand) payable by the Seller and Adcorp Holdings in relation to the W&I Insurance Policy.



Connecting Potential

**ADCORP HOLDINGS LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number: 1974/001804/06)

ISIN: ZAE000000139

Share Code: ADR

("Adcorp" or "the Company")

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## CIRCULAR TO SHAREHOLDERS

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### Directors

GT Serobe (Chair)\*

MW Spicer (Lead Independent Non-executive)\*#

P Roux (Chief Executive Officer)

N Prendergast (Chief Financial Officer)

P Mnganga\*#

H Singh\*#

SN Mabaso-Koyana\*#

C Maswanganyi\*#

S Sithole\*

MM Nkosi\*

R van Dijk\*#

C Smith\*

M Lubega\*#

T Mokgabudi\*#

\* *Non-executive*

# *Independent*

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## CIRCULAR TO ADCORP SHAREHOLDERS

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### 1. INTRODUCTION AND PURPOSE OF THIS CIRCULAR

- 1.1. Shareholders are referred to the Company's announcement released on SENS on Tuesday, 1 December 2020 advising that Adcorp had concluded the Agreement and that a circular would be distributed to Shareholders containing further details of the Disposal.
- 1.2. In terms of the Disposal, it is proposed that the Seller disposes of its entire shareholding in ASS to the Purchaser.
- 1.3. The purpose of this Circular is to:
  - 1.3.1 provide Shareholders with the requisite information in accordance with the JSE Listings Requirements regarding the Disposal so as to enable Shareholders to make an informed decision on how they will vote on the resolutions set out in the Notice of the General Meeting enclosed with this Circular; and
  - 1.3.2 convene the General Meeting of Shareholders in order to pass such resolutions as are necessary to authorise and implement the Disposal.

### 2. DETAILS OF THE DISPOSAL

#### 2.1. Overview

- 2.1.1 As mentioned above, in terms of the Disposal, the Seller will dispose of the Sale Shares, to the Purchaser for the Total Purchase Consideration.

## 2.2. **Rationale for the Disposal and use of Proceeds**

2.2.1 Adcorp has developed a clearly articulated corporate strategy which, amongst others, sets out the strategic portfolio intent. The ASS business does not meet the growth and portfolio criteria as encapsulated by our Vision 2025; to become a leading workplace solutions company in select geographies. It is therefore deemed to be non-core. The proceeds from the sale, being the Purchase Price and the Total Deferred Payment will further bolster the already improved liquidity of the Adcorp Group, thereby improving the gearing to targeted levels.

## 2.3. **Application of the Total Purchase Consideration**

2.3.1 The proceeds of the Disposal will be used to reduce debt facilities and strengthen the already improved liquidity of the Adcorp Group.

## 2.4. **The Conditions Precedent**

2.4.1 The Disposal is subject to the fulfilment or waiver of the following outstanding Conditions Precedent:

2.4.1.1. by no later than 31 January 2021, or such date as may be agreed in writing by the Consortium and Seller:

2.4.1.1.1 Adcorp obtaining approval from its shareholders for the Disposal;

2.4.1.1.2 the Disposal being unconditionally approved by the Competition Authorities in terms of the Competition Act, or conditionally approved on terms acceptable to the relevant party affected by such condition;

2.4.1.1.3 the written bridge loan facility agreement between New Holdco and First National Bank, a division of FirstRand Bank Limited, is concluded and becomes unconditional in accordance with its terms;

2.4.1.1.4 that no Material Adverse Change has occurred, or an independent auditor has certified that a Material Adverse Change has occurred but the Consortium has delivered a written notice to the Seller stating that it wishes to proceed with the Disposal;

2.4.1.1.5 ASS will complete a reorganisation whereby the loans that are owing by wholly owned Adcorp Group companies to ASS will be disposed of, the investment held in Advantage will be unbundled and the loans owing to wholly owned Adcorp Group companies will be extinguished by a loan set-off on the issue of share capital by ASS;

2.4.1.1.6 Corvest, Investco, Agile, New Opco and New Holdco take out the W&I Insurance Policy; and

2.4.1.1.7 other conditions precedent that are customary for a transaction of this nature, being inter alia, the obtaining of change of control consents for certain commercial agreements, cession and assignment of certain contracts, the extension of a select number of service level agreements, the signing of final resolutions, issuing of share certificates and CIPC submissions.

## 2.5. **The Total Purchase Consideration and Payment**

2.5.1 The Total Purchase Consideration is payable as follows:

2.5.1.1. with effect from the Closing Date payment of the Purchase Price, at which point ownership of and all risk in, and benefit attaching to the Sale Shares will, against payment of the Purchase Price, pass to the Purchaser;

2.5.1.2. to the extent that the Target EBITDA hurdles are achieved, the Divisions Deferred Payment, which payment will be made on the later of 10 Business Days of the finalisation of the management accounts ending on 28 February 2021 and the Closing Date; and

2.5.1.3. to the extent applicable, the Upfront Deferred Payment, which payment will be made within 10 Business Days of the finalisation of the management accounts for the period ending 31 December 2021.

## 2.6. **The Effective Date of the Disposal**

The effective date of the Disposal will be on the Closing Date.

## 2.7. **Other Significant Terms of the Agreement**

2.7.1 ASS will transfer its approximately 70 permanent employees to New Opco;

2.7.2 the Seller and Adcorp Holdings (collectively, the “Restrained Parties”) undertake and warrant in favour of New Holdco, New Holdco Shareholders and Agile, that for the duration of the Restraint Period, none of the Restrained Parties shall, whether directly or indirectly, be interested, engaged or concerned, whether as principal, agent, partner, representative, shareholder, director, employee, consultant, adviser, member, financier, administrator or in any other like capacity in any competitive activity with that of ASS carried on anywhere within South Africa.

2.7.3 the Seller and Adcorp Holdings have provided warranties and indemnities typical of a transaction of this nature for which the W&I Insurance Policy has been taken out.

## 2.8. **Categorisation of the Disposal**

2.8.1 In terms of the JSE Listings Requirements, the Disposal exceeds 30% of the Company's market capitalisation as at the date of the Signature Date, it meets the definition of a category 1 transaction as contemplated in section 9 of the JSE Listings Requirements. In addition, the condition precedent set out in paragraph 2.4.1.2.5 falls within the exclusion set out in paragraph 9.1(c)(iii) of the JSE Listings Requirements, being a transaction between wholly owned subsidiaries, thus resulting in no further categorisation requirements, in relation to the Disposal.

2.8.2 For the avoidance of doubt, the Disposal does not constitute the greater part of the assets or undertaking of Adcorp, as contemplated in section 112 of the Companies Act.

2.8.3 As a result, the General Meeting will be convened and an ordinary resolution in respect of the Disposal will be required to be approved by Shareholders at the General Meeting.

2.8.4 The Disposal is not made to a related party and there are accordingly no related party transaction implications in terms of the JSE Listings Requirements.

## 3. **THE BUSINESS OF ASS**

ASS comprises of two divisions:

3.1 FMS Division which is a leading provider of body repatriation, funeral support and related value-added services including emergency medical services, legal support, trauma, assault and HIV support, airtime vouchers; and

3.2 EB Division which offers employee benefits and insurance products and services including core insurance benefits, income protector, lifestyle benefits, employee benefits equalisation (provident fund and medical).

## 4. **HISTORICAL FINANCIAL INFORMATION OF ASS**

4.1. The reviewed historical financial information of ASS for the financial years ended 28 February 2018 and 28 February 2019, and the audited historical financial information of ASS for the financial year 29 February 2020, is annexed hereto as **Annexure 1**.

4.2. The reviewed historical financial information of ASS for the six-month period ended 31 August 2020, is annexed hereto as **Annexure 2**;

4.3. The report of the Independent Reporting Accountant in respect of the ASS historical financial information referred to in paragraph 4.1 and 4.2 above, appear in **Annexure 3** to this Circular.

4.4. Copies of the aforementioned historical financial information of ASS will also be available for inspection by Shareholders during normal business hours at the registered office of Adcorp and at the offices of the Sponsor from Monday, 1 March 2021 until the date of the General Meeting (both days inclusive).

## 5. **PRO FORMA FINANCIAL INFORMATION OF ADCORP**

5.1. The *pro forma* financial effects of the Disposal are the responsibility of the Directors. The consolidated *pro forma* financial effects are presented in a manner consistent with the basis on which the historical financial information of Adcorp has been prepared and in terms of Adcorp's accounting policies. The *pro forma* financial effects have been presented for illustrative purposes only and, because of their nature, may not fairly present Adcorp's financial position, changes in equity, results of operations or cash flows post the implementation of the Disposal.

- 5.2. The *pro forma* financial information of Adcorp has been prepared based on the published unaudited unreviewed final financial information of Adcorp for the six months ended 31 August 2020.
- 5.3. The *pro forma* financial effects should be read in conjunction with the *pro forma* statement of comprehensive income and the *pro forma* statement of financial position as set out in **Annexure 4**, together with the assumptions upon which the financial effects are based, as indicated in the notes thereto in **Annexure 4**.
- 5.4. The report of the Independent Reporting Accountant in respect of the *pro forma* financial statements referred to in paragraph 5.3 above, appears in **Annexure 5** to this Circular.

## 6. INFORMATION RELATING TO ADCORP

### 6.1. Share Capital

The authorised and issued share capital of Adcorp as at the Last Practicable Date, before and after the Disposal, is set out below:

<b>Before and After</b>	<b>Number of Shares</b>	<b>Stated Capital R'000</b>
<b>Authorised</b>		
Ordinary Shares of par value at 2.5 cents each	183 177 151	4 579
B Ordinary Shares of 2.5 cents each	16 822 849	421
<b>Issued</b>		
Ordinary shares of par value at 2.5 cents	109 954 675	2 749
B Ordinary Shares of 2.5 cents each	16 822 849	421
Share Premium	-	1 738 109
Treasury shares	2 554 620	6 387

### 6.2. Major Shareholders and Interests

6.2.1 As far as Adcorp is aware, as at the Last Practicable Date the following persons, other than Directors, are beneficially interested, directly or indirectly, in 5% or more of the Shares in issue:

<b>Name of Shareholder (Fund managers holding greater than 5% of issued shares)</b>	<b>Total number of Shares</b>	<b>Percentage of Shares in issue</b>
Value Capital Partners	37 250 596	29.79
Allan Gray	20 577 508	18.71
Kagiso Asset Management	17 609 351	16.02
PSG Asset Management	9 464 780	8.61
Total	84 902 235	73.13

<b>Name of Shareholder (Beneficial shareholders holding greater than 5% issued shares)</b>	<b>Total number of Shares</b>	<b>Percentage of Shares in issue</b>
H4 Collective Investments	17 842 621	16.23
Allan Gray	9 589 353	8.72
PSG Asset Management	9 464 780	8.61
Sentinel Mining Industry Retirement Funds	6 361 816	5.79
Total	43 258 570	39.34

6.2.2 There has been no change in the controlling Shareholder nor trading objects of Adcorp in the five years prior to the Last Practicable Date, nor in respect of any of its Major Subsidiaries and there will be no change in the shareholding in Adcorp as a result of the Disposal.

### 6.3. Material Changes

There have been no material changes in the financial or trading position of Adcorp, since the publication of the unaudited unreviewed financial results for the six-month period ended 31 August 2020, until the Last Practicable Date save for the Dare Disposal as set out below in paragraph 6.6.

### 6.4. Prospects

The proceeds from the Disposal will further bolster the already improved liquidity of the Adcorp Group, thereby improving the gearing to targeted levels.

The Disposal is in keeping strategically with the continuous honing of the portfolio. The consequent benefit is greater focus on that part of the portfolio which fits the corporate vision.



## 6.5. Material Borrowings

- 6.5.1 The Disposal will not result in any change in the borrowing facilities of Adcorp, but will be used to reduce the drawn-down portion of the facilities.
- 6.5.2 ASS received an inter-group loan of R60 million from Kelly Group Limited, renamed Adcorp Workforce Solutions. The loan is unsecured, interest free and there are no fixed terms of repayment. ASS has no other material loans. This inter-group loan will be set off as outlined in paragraph 2.4.1.2.4.

## 6.6. Material Contracts

- 6.6.1 In addition to the Agreement, Adcorp concluded the Dare Disposal, the details of which were announced on SENS on Tuesday, 22 September 2020.
- 6.6.2 Save for the Dare Disposal, there have been no material contracts entered into either verbally or in writing by Adcorp or ASS being restrictive funding arrangements and/or a contract entered into otherwise than in the ordinary course of the business carried on or proposed to be carried on by Adcorp and/or ASS, within the two years preceding the date of this Circular, or concluded at any time, and which contain an obligation or settlement that is material to Adcorp and/or ASS at the date of this Circular.

## 6.7. Acquisition of Material Assets

No material assets have been acquired by ASS during the last three years preceding the date of this Circular.

## 7. INFORMATION RELATING TO DIRECTORS

### 7.1. Directors' Interests in the Issued Shares of Adcorp

The table below sets out the direct and indirect beneficial interests of the Directors (and their associates), including any directors who may have resigned during the last 18 months, in Adcorp's issued share capital as at the Last Practicable Date:

<b>Director</b>	<b>Direct Beneficial</b>	<b>Indirect Beneficial</b>	<b>Total</b>	<b>% Held</b>
I Dutiro <sup>1</sup>	6 330	–	6 330	
CJ Kujenga <sup>2</sup>	–	2 554 620	2 554 620	2.33%
S Sithole	–	32 758 743	32 758 743	29.79%
C Smith	–	1 601 463	1 601 463	1.46%
MW Spicer	–	48 000	48 000	0.04%
MM Nkosi	–	32 758 743	32 758 743	29.79
Total	6 330	98 164 825	98 171 155	
Less double counting for Value Capital Partners <sup>3</sup>	–	(65 517 486)	(65 517 486)	(59.59%)
Total	6 330	32 647 339	32 653 669	29.70%

#### Notes:

1. I. Dutiro resigned as an executive director with effect on 8 October 2019.
2. CJ Kujenga resigned as an executive director with effect on 31 May 2020.
3. Value Capital Partners is represented by Messers Moeketsi, Sithole and Nkosi.



## 7.2. Directors' Remuneration

Non-executive director's fees for the year ended 29 February 2020 are as follows:

<b>Non-Executive Director</b>	<b>Fees</b>
GT Serobe	927 000
P Mnganga	361 000
GP Dingaana	406 000
H Singh	607 000
SN Mabaso-Koyana	1 059 000
C Maswanganyi	349 000
TP Moeketsi (resigned 6 June 2019)	184 000
ME Mthunzi (resigned 6 June 2019)	99 000
FS Mufamadi	368 000
S Sithole	441 000
MW Spicer	636 000
MM Nkosi (appointed 6 June 2019, previously alternative director from 19 October 2018)	455 000
R van Dijk (appointed 6 June 2019)	355 000
C Smith	295 000

Executive director's emoluments for the year ended 29 February 2020 are as follows:

	<b>Salary</b>	<b>Bonus</b>	<b>Employee benefits</b>	<b>Sub-total</b>	<b>Realised gains on share options</b>	<b>Separation costs</b>	<b>Notice and leave pay</b>	<b>Total</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
I Dutiro*	3 404	–	680	4 084	–	11 661	2 237	17 982
CJ Kujenga#	3 695	–	381	4 076	–	1 241	–	5 317
	7 099	–	1 061	8 160	–	12 902	2 237	23 299

\* resigned 8 October 2019

# resigned 31 May 2020

The remuneration of the Directors will not be varied as a result of the Disposal.

## 7.3. Directors' Interests in the Disposal

7.3.1 Save for being a Shareholder of Adcorp, no Director (including any person who may have resigned as a director within the last 18 months) has any material beneficial interest, directly or indirectly in the Disposal or in any transactions that were:

7.3.1.1. effected by Adcorp during the current or immediately preceding financial year; or

7.3.1.2. during an earlier financial year and remain in any respect outstanding or unperformed.

## 7.4. Service Contracts of Executive Directors

7.4.1 Each of the executive Directors has concluded service contracts with terms and conditions that are standard for such appointments, which are available for inspection in terms of paragraph 15 below.

7.4.2 Restraints of trade have been imposed by Adcorp on any Directors in respect of the business conducted by Adcorp and the contracts of all executive Directors are terminable with varying notice periods.

7.4.3 The duration of each executive Director's appointment is determined by the service contracts referred to in paragraph 7.4.1 above, whilst the duration of the appointment of non-executive Directors is determined by the MOI which is also available for inspection in terms of paragraph 15 below.

## 8. WORKING CAPITAL STATEMENT

The Directors are of the opinion that the working capital available to Adcorp is sufficient for Adcorp's present working capital requirements and will, post-implementation of the Disposal be adequate for at least 12 months from the date of issue of this Circular.

## 9. LITIGATION STATEMENT

There are no legal or arbitration proceedings (including any such proceedings that are pending or threatened) of which the Company is aware, which may have or have over the previous 12 months had a material effect on the financial position of Adcorp and ASS.

## 10. EXPENSES

The estimated costs of preparing and distributing this Circular, holding the General Meeting and implementing the Disposal, including the fees payable to professional advisors, are approximately R2.476 million, excluding Value Added Tax (where applicable), and include the following:

		<b>R'000</b>
Transactional advisor	PSG Capital	150
Sponsor	PSG Capital	200
JSE documentation fees	JSE	70
Independent Reporting Accountants	Deloitte	410
Tax Consulting	Deloitte	739
Legal Advisor	Webber Wentzel	850
Printing, publication and distribution expenses	Bastion	57
<b>TOTAL<sup>1</sup></b>		<b>2 476</b>

### Notes:

1. Other than as set out above, Adcorp has incurred no preliminary expenses in relation to the Disposal during the three years preceding this Circular.

## 11. GENERAL MEETING AND VOTING

- 11.1. A General Meeting of Shareholders will be held electronically on Tuesday, 30 March 2021 at 10:00, to consider and, if deemed fit, to pass, with or without modification, the requisite resolutions required to give effect to the Disposal.
- 11.2. A notice convening the General Meeting is attached hereto and forms part of this Circular and contains the resolutions to be considered at the General Meeting. Full details of the action required by Shareholders are set out in the "Action required by Shareholders" section of this Circular.
- 11.3. The ordinary resolutions relating to the Disposal set out in the Notice of General Meeting is subject to more than 50% of the votes cast by the Shareholders, present in person or represented by proxy at the General Meeting, being cast in favour thereof.

## 12. OPINIONS AND BOARD'S RECOMMENDATION

The Board has considered the terms and conditions of the Disposal and the resolutions and is of the opinion that they are in the interests of Shareholders.

## 13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, whose names are given in the "Corporate Information" section of this Circular collectively and individually accept full responsibility for the accuracy of the information furnished relating to Adcorp and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made, and that this Circular contains all information required by law and the JSE Listings Requirements.

## 14. ADVISORS' CONSENTS

Each of the advisors, whose names appear on the "Corporate Information" section of this Circular, have consented in writing to act in the capacities stated and to the inclusion of their names and, where applicable, to the inclusion of their reports in this Circular in the form and context in which they appear and have not withdrawn their consents prior to the publication of this Circular.

## 15. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection by Shareholders during normal business hours at the registered office of Adcorp and at the offices of the Sponsor from the date of posting of this Circular, until the date of the General Meeting (both days inclusive) –

- 15.1. the MOI and the memoranda of incorporation of Adcorp and the major subsidiaries;
- 15.2. Historical financial information of ASS for the financial years ended 28 February 2018, 28 February 2019, 29 February 2020 as set out in **Annexure 1**;
- 15.3. Historical financial information of ASS for the six-month period ended 31 August 2020 as set out in **Annexure 2**;

- 15.4. Independent Reporting Accountant's report on historical financial information of ASS for the financial years ended 29 February 2020, 28 February 2019 and 28 February 2018 and the six -month period ended 31 August 2020, as set out in **Annexure 3**;
- 15.5. *Pro forma* financial information of Adcorp as set out in **Annexure 4**;
- 15.6. Independent Reporting Accountant's assurance report on the *pro forma* financial information of Adcorp as set out in **Annexure 5**;
- 15.7. the Agreement;
- 15.8. the Dare Disposal agreement;
- 15.9. the written consents from each of the advisors referred to in paragraph 14;
- 15.10. the executive Directors' service contracts entered into in the three years preceding the Last Practicable Date; and
- 15.11. a copy of this Circular and all annexures hereto.

**SIGNED AT JOHANNESBURG ON MONDAY, 1 MARCH 2021 BY NOEL PRENDERGAST ON BEHALF OF ALL THE DIRECTORS OF ADCORP, IN TERMS OF POWERS OF ATTORNEYS SIGNED BY SUCH DIRECTORS**

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**Noel Prendergast**

GT Serobe (Chair)  
MW Spicer (Lead Independent Non-executive)  
P Roux (Chief Executive Officer)  
N Prendergast (Chief Financial Officer)  
P Mnganga  
H Singh  
SN Mabaso-Koyana  
C Maswanganyi  
S Sithole  
MM Nkosi  
R van Dijk  
C Smith  
M Lubega  
T Mokgabudi

## **CARVE-OUT AND CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF ADCORP SUPPORT SERVICES PROPRIETARY LIMITED FOR THE THREE YEARS ENDED 29 FEBRUARY 2020, 28 FEBRUARY 2019 AND 28 FEBRUARY 2018**

### **COMMENTARY**

#### **Principal activities**

The principal activity of the Adcorp Support Services Proprietary Limited (“the Company”) is long-term insurance broking, predominately in the funeral insurance market and employee benefits environment as well as added-value services to the assurance market. The ultimate parent company is Adcorp Holdings Limited and the Group forms part of the Adcorp Group of companies. Adcorp Support Services Proprietary Limited is currently a licensed Financial Services Provider.

#### **Carve-out and consolidated historical information**

In terms of the disposal agreement, under the conditions precedent, the Company will complete a reorganisation whereby the loans that are owing by group companies to the Company will be disposed of, the investment of R100 held in Adcorp Advantage Proprietary Limited will be unbundled and the loans owing to Group companies will be extinguished by a loan set-off on the issue of share capital by the Company. As a result thereof, the historical and consolidated financial information for the 2020 financial year incorporates the audited results of the Company with the investment held in Adcorp Advantage Proprietary Limited carved-out of the financial information.

The Company held an investment in FNDS3000 Proprietary Limited in the 2018 financial year which was disposed of in the 2019 financial year on 1 June 2018. The 2019 and 2018 carve-out and historical financial information presented in this Annexure, carves out the investment in Adcorp Advantage Proprietary Limited and consolidates the investment in FNDS3000 Proprietary Limited in the 2018 and 2019 financial year up until the disposal of FNDS3000 Proprietary Limited on 1 June 2018. The consideration received by the Company on disposal was R11 million and a loss on disposal of R2.7 million was recognised in the consolidated and carved out financial information for financial year 2019.

Through-out this carve-out and consolidated financial information, reference to “Group” includes the Company and the consolidation of FNDS3000 Proprietary Limited and excludes any consolidation of Adcorp Advantage Proprietary Limited.

#### **Operating performance**

Gross profit increased by R1.4 million, or 1.5% from R92.4 million in financial year 2019 to R93.8 million in financial year 2020. Financial year 2019 decreased by R2.9 million or 3.0% from R95.3 million to R92.4 million compared to financial year 2018. The increase in gross profit in financial year 2020 was due to an increase in revenues and a decrease in costs of sales set-off by a gross profit decrease on the sale of FNDS3000 Proprietary Limited on 1 June 2019. The decrease in the 2019 financial year compared to the 2018 financial year is due to lost gross profit on the sale of FNDS3000 Proprietary Limited where 2018 included 12 months trading from FNDS3000 Proprietary Limited whilst, the financial year 2019 includes only 3 months trading. This decrease was offset by increased revenues in the remaining business coupled with a decrease in the cost of services compared to financial year 2018.

Other income in the 2020 financial year was R94 thousand (2019: R1.8 million and 2018: R16.6 million). The decrease in other income in financial year 2020 compared to financial year 2019 is mainly due to a decrease in consulting income, rent received and a decrease in bad debt recoveries. The decrease in other income for financial year 2019 compared to financial year 2018 is mainly as a result of Adcorp Support Services disposing of its investment in FNDS3000 Proprietary Limited which decreased other income by R11 million.

In financial year 2019, a loss of R2.7 million was recognised on the disposal of FNDS3000 Proprietary Limited.

Expenditure for financial year 2020 was R40.5 million (2019: R39.7 million and 2018: R91.3 million). The increase in financial year 2020 of R0.8 million compared to the 2019 financial year was due mainly to an increase in shared services management fees. The decrease in the 2019 financial year compared to the 2018 financial year of R51.6 million was mainly due to a decrease in shared services management fees of R28.7 million and a decrease in expenditure on the sale of FNDS3000 Proprietary Limited of R15.4 million as well as a R10.9 million decrease in administration, employment, occupancy IT and communication expenses from the continued operations offset by, a one-off non-operating cost of R3.3million incurred in financial year 2019.

Net financing income was R8.2 million in the 2020 financial year (2019: R5.6 million and 2018: R3.9 million) while the taxation expense was R17.1 million (2019: R16.5 million and 2018: R4.8 million).

The Company/Group reported a net profit of R44.5 million (2019: R41.0 million and 2018: R19.7 million).

#### **Dividends**

No dividend was declared during the financial period (2019: NIL and 2018: NIL).

## Holding company

The immediate parent company of Adcorp Support Services Proprietary Limited is Adcorp Workforce Solutions Proprietary Limited and the ultimate controlling party of the Company is Adcorp Holdings Limited incorporate in the Republic of South Africa.

## Events after the reporting date

### *Adcorp Holdings Limited group decision to sell its financial services division*

In the period after 29 February 2020, but prior to the issuance of the annual financial statements, the Adcorp Holdings Limited group's management and Board of Directors approved the sale of the financial services division of the Adcorp group. Adcorp financial services operations is housed within Adcorp Support Services Proprietary Limited. Any proposed sale would therefore most likely incorporate the entire sale of the Adcorp Support Services Proprietary Limited company and its equity. A programme to market the asset was launched and numerous negotiations took place with potential buyers subsequent to the reporting period.

The disposal is consistent with the Adcorp group's long-term strategy to focus its activities on its core capabilities and to utilise the proceeds from the sale of the assets to reduce the Adcorp group's gearing.

### *Impact of COVID-19*

COVID-19 is an unprecedented humanitarian crisis that existed at the end of the 2020 reporting period, and on 11 March 2020, the World Health Organisation declared COVID-19 as a pandemic. A National State of Disaster was declared in South Africa on 15 March 2020, followed by a nationwide lockdown taking effect from 26 March 2020. The lockdown was initially set at a duration of 21 days in South Africa, and subsequently extended indefinitely under risk-adjusted levels of economic restrictions.

Management has concluded that this is a non-adjusting balance event after the reporting date, and the impact of COVID-19 on the accounting standard that require the use of forward-looking information (expected credit losses and deferred tax asset) were assessed based on information available as at 29 February 2020.

## Company carve-out and consolidated statement of comprehensive income for the year ended 29 February 2020, 28 February 2019 and 28 February 2018

		2020	2019	2018
		R	R	R
	Notes	Company <sup>1</sup>	Consolidated	Consolidated
Revenue	5	137 594 199	150 975 510	189 517 803
Cost of services	6	(43 766 124)	(58 621 458)	(94 185 947)
Gross profit		93 828 075	92 354 052	95 331 856
Other income	7	94 431	1 818 016	16 553 426
Loss on disposal of subsidiary	23		(2 691 450)	
Expenditure	8	(40 529 215)	(39 666 499)	(91 306 209)
<b>Net profit before interest</b>		53 393 291	51 814 119	20 579 073
Interest received		15 546 835	10 219 773	8 055 413
Interest paid		(7 311 318)	(4 577 729)	(4 132 436)
<b>Net profit before taxation</b>		61 628 808	57 456 163	24 502 050
Taxation	9	(17 089 358)	(16 458 098)	(4 764 330)
<b>Net profit after taxation</b>		44 539 450	40 998 065	19 737 720
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		44 539 450	40 998 065	19 737 720
Total comprehensive income attributable to:				
Equity shareholders		44 539 450	40 998 065	19 737 720

<sup>1</sup> The information presented with respect to the year ended 29 February 2020 is presented for the Company only as following the carve-out of the investment in Adcorp Advantage Proprietary Limited and the disposal of FNDS3000 Proprietary Limited during the 2019 financial year, the Company has no further investments in subsidiaries.

**Company carve-out and consolidated statement of financial position as at 29 February 2020, 28 February 2019 and 28 February 2018**

		2020	2019	2018
		R	R	R
	Notes	Company <sup>1</sup>	Consolidated	Consolidated
<b>ASSETS</b>				
<b>Non-current assets</b>				
Motor vehicles and equipment	10 (a)	2 976 182	2 346 082	5 356 888
Right of use assets	10 (b)	5 248 455	–	–
Intangible assets	10 (c)	–	–	1 412 435
Deferred tax asset	11	1 101 008	936 601	7 722 429
Loans to fellow group subsidiaries	12	–	29 823 108	29 823 108
<b>Total non-current assets</b>		9 325 645	33 105 791	44 314 860
<b>Current assets</b>				
Trade and other receivables	13	13 321 945	13 506 610	17 893 305
Loans to fellow group subsidiaries	12	29 823 108	–	–
Inventory	14	699 468	527 658	–
Cash and cash equivalents	15	6 919 859	1 275 482	4 856 589
Loans to related parties	16	196 241 058	136 637 150	101 597 027
Taxation receivable	23	–	10 866 658	7 380 382
<b>Total current assets</b>		247 005 438	162 813 558	131 727 303
<b>TOTAL ASSETS</b>		256 331 083	195 919 349	176 042 163
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Share capital	17	100	100	100
Retained earnings		166 655 380	122 115 930	81 117 865
<b>Total equity</b>		166 655 480	122 116 030	81 117 965
<b>Non-current liabilities</b>				
Deferred tax liability	11	–	–	736 491
Lease liabilities	18	3 353 291	–	–
<b>Total non-current liabilities</b>		3 353 291	–	736 491
<b>Current liabilities</b>				
Loan from holding company, subsidiaries and associated	16	67 517 171	60 031 532	78 869 090
Lease liabilities	18	2 334 940	–	–
Share based payments liability	19	–	10 939	–
Trade and other payables	20	7 793 683	10 534 132	12 115 169
Provisions	21	3 542 728	3 226 716	3 203 448
Taxation payable	22	5 133 790	–	–
<b>Total current liabilities</b>		86 322 313	73 803 319	94 187 707
<b>TOTAL EQUITY AND LIABILITIES</b>		256 331 083	195 919 349	176 042 163

<sup>1</sup>. The information presented with respect to the year ended 29 February 2020 is presented for the Company only as following the carve-out of the investment in Adcorp Advantage Proprietary Limited and the disposal of FNDS3000 Proprietary Limited during the 2019 financial year, the Company has no further investments in subsidiaries.

**Company carve-out and consolidated statement of changes in equity for the year ended 29 February 2020, 28 February 2019 and 28 February 2018**

	Share capital R	Retained earnings R	Total equity R
<b>Consolidated balance as at 1 March 2017</b>	100	61 380 145	61 380 245
Profit for the year	–	19 737 720	19 737 720
<b>Consolidated balance as at 28 February 2018</b>	100	81 117 865	81 117 965
Profit for the year	–	40 998 065	40 998 065
<b>Consolidated balance as at 28 February 2019</b>	100	122 115 930	122 116 030
Profit for the year	–	44 539 450	44 539 450
<b>Company<sup>1</sup> balance as at 29 February 2020</b>	100	166 655 380	166 655 480

<sup>1</sup> The information presented with respect to the year ended 29 February 2020 is presented for the Company only as following the carve-out of the investment in Adcorp Advantage Proprietary Limited and the disposal of FNDS3000 Proprietary Limited during the 2019 financial year, the Company has no further investments in subsidiaries.

**Company carve-out and consolidated statement of cash flows for the year ended 29 February 2020, 28 February 2019 and 28 February 2018**

		2020 R	2019 R	2018 R
	Notes	Company <sup>1</sup>	Consolidated	Consolidated
<b>OPERATING ACTIVITIES:</b>				
Cash generated by operating activities	24	52 618 951	59 256 246	28 846 468
Interest paid		(7 311 318)	(4 577 729)	(4 132 436)
Interest income		15 546 835	10 219 773	8 055 413
Taxation paid	22	(1 253 317)	(21 222 135)	(8 949 276)
<b>Net cash inflow generated by operating activities</b>		59 601 151	43 676 155	23 820 169
<b>INVESTING ACTIVITIES:</b>				
Additions to fixed assets		(1 838 505)	(1 095 059)	(3 231 512)
Proceeds from scrapping/disposal of assets		–	212 201	13
Proceeds on disposal of investment	23	–	11 000 000	–
<b>Net cash (outflow)/inflow generated by investing activities</b>		(1 838 505)	10 117 142	3 231 499
<b>FINANCING ACTIVITIES:</b>				
Increase in loans to holding company and other entities		(59 603 908)	(35 040 123)	(47 669 302)
Increase/(decrease) in loans from holding company and other entities		7 485 639	(18 837 558)	17 629 115
<b>Net cash outflow generated by financing activities</b>		(52 118 269)	(53 877 681)	(30 040 187)
<b>Net increase/(decrease) in cash equivalents</b>		5 644 377	(84 383)	(9 451 517)
Cash and cash equivalents at the beginning of the year		1 275 482	4 856 589	14 308 106
Disposal of investment in subsidiary	23	–	(3 496 723)	–
<b>Cash and cash equivalents at the end of the year</b>		6 919 859	1 275 482	1 511 698

<sup>1</sup> The information presented with respect to the year ended 29 February 2020 is presented for the Company only as following the carve-out of the investment in Adcorp Advantage Proprietary Limited and the disposal of FNDS3000 Proprietary Limited during the 2019 financial year, the Company has no further investments in subsidiaries.

**Accounting policies and notes to the carve-out and consolidated historical annual financial statements**

**1. General Information**

Adcorp Support Services Proprietary Limited (“the Company”) is a private company incorporated in the Republic of South Africa. The principal activity is long-term insurance broking, predominately in the funeral insurance market and employee benefits environment as well as added-value services to the assurance market. The ultimate parent company is Adcorp Holdings Limited and the Company/Group forms part of the Adcorp group of companies. There are no key judgments or areas of estimation that materially impact the financial accounting of the entity.



## 2. Accounting Framework

### Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Company's historical financial information, are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Standard	Effect date	Possible impact
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020	Based on preliminary assessment, unlikely there will be a material impact
Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020	Based on preliminary assessment, unlikely there will be a material impact
Definition of a business – Amendments to IFRS 3	1 January 2020	Based on preliminary assessment, unlikely there will be a material impact
Presentation of Financial Statements: Disclosure initiative	1 January 2020	Based on preliminary assessment, unlikely there will be a material impact
Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	1 January 2020	Based on preliminary assessment, unlikely there will be a material impact
COVID-19-Related Rent Concessions – Amendment to IFRS	1 January 2020	Based on preliminary assessment, unlikely there will be a material impact
Annual Improvements to IFRS Standards 2018 – 2020	1 January 2020	Based on preliminary assessment, unlikely there will be a material impact
Onerous Contracts: Cost of Fulfilling a Contract	1 January 2020	Based on preliminary assessment, unlikely there will be a material impact

## 3. Significant Accounting Policies

### Statement of compliance

The annual carve-out and consolidated historical financial information have been prepared in accordance with International Financial Reporting Standards except for carve-out adjustments and consolidation adjustments as discussed below under the basis of preparation.

### Basis of preparation

In terms of the disposal agreement, under the conditions precedent, the Company will complete a reorganisation whereby the loans that are owing by group companies to the Company will be disposed of, the investment held in Adcorp Advantage Proprietary Limited will be unbundled and the loans owing to group companies will be extinguished by a loan set-off on the issue of share capital by the Company. As a result thereof, the historical and consolidated financial information for the 2020 financial year incorporates the audited results of the Company with the investment held in Adcorp Advantage Proprietary Limited carved out of the financial information.

The Company held an investment in FNDS3000 Proprietary Limited in the 2018 financial year which was disposed of in the 2019 financial year on 1 June 2018. The 2019 and 2018 carve-out and historical financial information presented, carves out the investment in Adcorp Advantage Proprietary Limited and consolidates the investment in FNDS3000 Proprietary Limited in the 2018 and 2019 financial year up until the disposal of FNDS3000 Proprietary Limited on 1 June 2018.

The company carve-out and consolidated historical financial information have been prepared on the historical cost basis, except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. In all material respects, these policies have been followed by the Company/Group and are consistent with the prior year.

The carve-out and consolidated historical information has been prepared using principles under International Financial Reporting Standards and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and Companies Act of South Africa except as noted above in terms of the carve-out of the investment in Adcorp Advantage Proprietary Limited which is not in accordance with IFRS. The functional currency used is South African Rands.

### Basis of consolidation

The 2019 and 2018 carve-out and consolidated historical financial information have been consolidated and comprise the annual financial statements of the Company Adcorp Proprietary Limited and its subsidiary FNDS3000 Proprietary Limited whilst the investment in Adcorp Advantage Proprietary Limited was carved out of the Company's financial statements as the investment does not form part of the net assets to be disposed.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between FNDS3000 Proprietary Limited and the Company are eliminated in full on consolidation.



## IFRS 9: Financial instruments

The IFRS foundation published IFRS 9 Financial Instruments in July 2014. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is mandatorily effective for financial periods commencing on or after 1 January 2018. IFRS 9 is built on a logical, single classification and measurement approach for financial instrument that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss (ECL) model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting.

At each reporting date, the Company/Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. The objective of the impairment requirements is to recognise lifetime expected credit losses for all financial instruments for which, there have been significant increases in credit risk since initial recognition — whether assessed on an individual or collective basis — considering all reasonable and supportable information, including that which is forward-looking.

The impact of this transition difference is not considered material to the Company/Group due to short dated nature of financial assets and hence comparative values and opening retained earnings at 1 March 2018 have not been restated.

Financial assets and financial liabilities are recognised in the Company/Group's statement of financial position when the Company/Group has become party to contractual provisions of the instrument.

The Company/Group adopted IFRS 9 as of 1 March 2018 on a prospective basis.

## Intangible assets

Intangible assets are initially recognised at cost.

Expenditure on research is recognised as an expense when it is incurred.

An intangible asset arising from development is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale.
- There is an intention to complete and use or sell it.
- There is an ability to use or sell it.
- It will generate probable future economic benefits.
- There are available technical, financial and other resources to complete the development and to use or sell the asset.
- The expenditure attributable to the asset during its development can be measured reliably.

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

Amortisation is provided to write-down the intangibles assets on a straight-line basis to their residual values as follows:

Item	Useful life
Platform for Mercantile transactions	6 years

## Trade receivables

Trade receivables are classified as financial instruments held at amortised cost, as the business model is to collect payment of principal and interest. Trade receivables are subsequently measured at amortised cost.

The Company/Group is following the Simplified Approach for impairment as an alternative available in IFRS 9 with impairment losses measured at lifetime Expected Credit Loss (ECL) for trade receivables as there are no significant financing components to trade receivables. The Company/Group uses a specific identification in assessing the credit risk associated with counter parties on a forward-looking basis and taking into account historical patterns.

Losses are recognised in the statement of profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

No fair value adjustment is made for the effect of the time value of money where receivables have a short-term profile.

The provision is recognised through the use of an allowance account for losses. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income within operating expenses. When a trade receivable is uncollectible, it is written off.

## Financial asset or liability

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.

### **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.

### **IFRS 15: Revenue from contracts with customers**

IFRS 15: Revenue from Contracts with Customers was issued in May 2014 and subsequent amendments, "Clarifications to IFRS 15" were issued in April 2016.

IFRS 15, as amended, is effective for accounting periods beginning on or after 1 January 2018.

IFRS 15 is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of a good or service transfers to a customer.

The Company/Group undertook an assessment of its significant contracts in line with IFRS 15; this assessment indicated that no material change to revenue recognition occurred.

The Company/Group adopted IFRS 15 as of 1 March 2018 and applied the modified retrospective approach which requires the Company/Group to recognise the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity as at 1 March 2018 and no adjustment was made due to the fact that there was no impact on recognition of revenue in applying the new standard. Therefore, the comparative information has not been restated. The Company/Group applied IFRS 15 only to contracts that are not completed as at 1 March 2018. The Company/Group applied the 5-step revenue recognition model in determining what revenue should be recognised.

### **Taxation**

The 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 Company's/Group's liability for current tax is calculated using tax rates that have been substantively enacted by the reporting date.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

### **Provisions**

Provisions are recognised when the Company/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 benefit that can be reliably estimated.

### **Property, plant and equipment**

Property, plant and equipment are recorded at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on the straight-line basis to write off the cost of each component of an asset to its residual value over its estimated useful life as follows:

Computer equipment – 3 years

Furniture – 5 years

Motor Vehicles – 5 years

Property (Right of use) – 3 years

The depreciation methods, estimated remaining useful lives and residual values are reviewed at least annually. Where significant components of an asset have different useful lives to the asset itself, these components are depreciated over their estimated useful lives.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where a reversal of a previously recognised impairment loss is recognised, the depreciation charge for the asset is adjusted to allocate the asset's revised carrying amount, less residual value, on a systematic basis over its remaining useful life. Gains and losses on disposal are determined by reference to their carrying amount and are taken into account in determining operating profit.

#### **IFRS 16 Leases**

The Company/Group assesses whether a contract is, or contains a lease, at the inception of the contract. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company/Group assessed whether a contract is or contains a lease, at inception of a contract. The Company/Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (defined as lease values less than R75 000 for the Company). For short-term and low-value leases, the Company/Group recognised the lease payments as an operating expense on a straight-line basis over the term of the lease.

In determining the incremental borrowing rate, the Company/Group made use of recent third-party financing received as a starting point, and adjusted the cost of borrowing to reflect changes in financing conditions since third party financing was received and made adjustments for entity-specific risk within the Company/Group. The determination of the incremental borrowing rate applied to lease transactions is a significant area of judgment and management estimation.

#### **Lease liability**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed lease payments, including in-substance fixed payments, less any lease incentives;
- Lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- Penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

The Company/Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when: there has been a change to the lease term, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate and a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised payments using a revised discount rate.

#### **Right-of-use assets**

Right-of-use assets are depreciated over the lease term of the underlying asset on a straight-line basis. The Company has not entered into any leasing arrangements that contain the option to purchase leased property. Depreciation starts at the commencement date of a lease.

The Company/Group applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss. The Company/Group tests for impairment of the right-of-use assets on an annual basis when there are indicators of impairment. The Company/Group considers unproductive lease assets for impairment.

For right-of-use assets which are depreciated over their lease terms, the lease terms are presented in the following table:

Buildings (1 – 5 years)

## **4. Change in accounting policy**

#### **Application of IFRS 16 Leases**

In the current year, the Company, for the first time, has applied IFRS 16 Leases (as issued by the IASB in January 2016). IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. This fundamentally changes how the Company will recognise operating leases where the Company is the lessee. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The date of initial application of IFRS 16 for the Company is 1 March 2019. The Company elected to adopt IFRS 16 Leases prospectively from 1 March 2019 using the modified retrospective approach without restating comparative figures.

The Company primarily leases office buildings. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss and represent no change from the previous reporting period's accounting treatment. Short-term leases have a term of 12 months or less and low-value assets comprise leases with a value below R75 000.

The liability was measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate (IBR) at 1 March 2019. The weighted average incremental borrowing rate applied to the lease liability on 1 March 2019 was 10,3%.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review. There were no onerous contracts as at 1 March 2019;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 March 2019 as short-term leases and
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets.

#### Measurement of right-of-use assets

The right-of-use assets were measured at the amount equal to the lease liability. The right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses. The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease term on a straight-line basis. Lease payments were previously disclosed as operating expenses. Under the right-of-use model, depreciation and interest expense are now disclosed in the statement of comprehensive income. Right-of-use assets are presented as a separate line item on the statement of financial position.

#### Measurement of lease liabilities

Lease liabilities are initially measured at the present value of the lease payments and subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Lease liabilities are presented as a separate line item on the statement of financial position.

Impact of the adoption of IFRS 16 Leases, on the statement of financial position:

	<b>2020</b>
	<b>R</b>
Right-of-use asset	7 347 837
Lease liability	(7 347 837)
Retained earnings impact – 1 March 2019	-

	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>5. Revenue</b>			
Income from insurance related products and services (ASE)	33 361 291	42 190 123	44 324 147
Annuity income (FMS)	104 232 908	92 577 049	85 548 784
Income from services (FNDS3000)	-	16 208 338	59 644 872
	137 594 199	149 975 510	189 517 803

In respect of the (FMS) business, revenue is recognised at the point of receipt of declarations made by clients in relation to life assurance and funeral policies in force at a point in time. Revenue for (ASE) and (FNDS3000) is recognised at a point in time when services are provided.

	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>6. Cost of services</b>			
Cost for insurance related products and services (ASE)	6 711 897	12 035 157	17 449 149
Cost of annuity services (FMS)	37 054 227	36 846 770	36 686 347
Rendering of services (FNDS3000)	-	9 739 531	36 744 115
Employee costs (FNDS3000)	-	-	3 306 336
	43 766 124	58 621 458	94 185 947

	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>7. Other income</b>			
Bad debts recovered	63 173	189 525	204 697
Rent received	–	384 000	384 000
Employee tax incentive	31 258	93 374	3 642 476
Training levies recouped	–	17 892	72 969
Consulting income	–	838 946	4 227 555
Profit on sale of asset	–	212 201	–
Sundry income – net SETA	–	82 078	8 021 729
	<b>94 431</b>	<b>1 818 016</b>	<b>16 553 426</b>

	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>8. Expenditure</b>			
Administration, employment, occupancy, IT & communication	25 636 156	29 211 218	54 313 925
Marketing and selling	168 757	198 731	242 712
Depreciation	3 307 787	1 518 727	2 036 366
Amortisation of intangible assets		217 238	884 763
Shared services and management fees	11 416 515	5 135 786	33 828 443
Non-operating expenses	–	3 384 799	–
	<b>40 529 215</b>	<b>39 666 499</b>	<b>91 306 209</b>

	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>9. Taxation</b>			
South African normal taxation			
- Current year	17 253 765	17 735 859	3 065 531
Deferred taxation			
- Current year	(164 407)	(1 277 761)	1 698 799
Taxation for the year	<b>17 089 358</b>	<b>16 458 098</b>	<b>4 764 330</b>

Income tax is calculated at 28% of the estimated taxable income for the year. The total charge can be reconciled to the accounting profit as follows:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>	<b>R</b>
Profit before taxation	61 628 808	83 396 193	24 502 050
Normal taxation at standard rate	17 256 066	23 350 934	6 860 574
Adjusted for the tax effect at the standard rate of the following items:			
Permanent differences	(166 708)	(6 892 836)	(2 096 240)
Actual charge per the statement of comprehensive income:	<b>17 089 358</b>	<b>16 458 098</b>	<b>4 764 334</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Tax at the standard tax rate	28.00	28.00	28.00
Effect of permanent differences	(0.27)	(8.27)	(8.56)
Effective tax rate	<b>27.73</b>	<b>19.73</b>	<b>19.44</b>
Reconciliation of estimated tax losses available:			
Opening balance of unrecognised tax losses	–	24 228 271	32 475 276
Net tax loss utilised	–	–	(12 608 488)
Disposal of investment in subsidiary	–	(24 228 271)	–
Prior period adjustment	–	–	4 361 483
	<b>–</b>	<b>–</b>	<b>24 228 271</b>
Which consists of:			
Losses not recognised	–	–	24 228 271

There are no assessed losses carried forward as at 29 February 2020.

	2020	2019	2018
	R	R	R
<b>10. Property , plant and equipment and right of use assets</b>			
<b>(a) Motor vehicles and equipment</b>			
<b>Cost</b>			
Balance at the beginning of the year	6 650 633	10 067 414	7 392 643
Additions	1 838 505	1 095 059	3 231 512
Disposals	–	(4 511 840)	(556 741)
Balance at the end of the year	8 489 138	6 650 633	10 067 414
<b>Accumulated Depreciation</b>			
Balance at the beginning of the year	(4 304 551)	(4 710 526)	(3 230 863)
Disposals	–	1 924 702	556 703
Depreciation charge for the year	(1 208 405)	(1 518 727)	(2 036 366)
Balance at the end of the year	(5 512 956)	(4 304 551)	4 710 526
<b>Carrying amount at the end of the year</b>	2 976 182	2 346 082	5 356 888
<b>(b) Right of use assets</b>			
<b>Cost</b>			
Balance at the beginning of the year	–	–	–
Additions	7 347 837	–	–
Balance at the end of the year	7 347 837	–	–
<b>Accumulated depreciation</b>			
Balance at the beginning of the year	–	–	–
Depreciation charge for the year	(2 099 382)	–	–
Balance at the end of the year	(2 099 382)	–	–
<b>Carrying amount at the end of the year</b>	5 248 455	–	–
There are no assets encumbered as security.			
<b>(c) Intangible assets</b>			
Balance at the beginning of the year	–	1 412 435	2 297 198
Amortisation	–	(217 238)	(884 763)
Disposal of investment in subsidiary (note 23)	–	(1 195 197)	–
Balance at the end of the year	–	–	1 412 435

The intangible asset related to a platform for Mercantile transactions and was disposed of on 1 June 2019.

	2020	2019	2018
	R	R	R
<b>11. Deferred tax asset/(liability)</b>			
Movement of deferred tax:			
Balance at beginning of the year	936 601	6 985 938	8 684 737
Charge to the statement of comprehensive income	164 407	1 277 761	(1 698 799)
Disposal of investment in subsidiary (note 23)	–	(7 327 097)	–
Balance at end of the year	1 101 008	936 601	6 985 938
Comprising:			
Share based payments	–	–	(736 491)
Prepaid expenses	–	–	(36 902)
<b>Deferred tax liability</b>	–	–	(773 393)
Provisions and accruals	977 871	922 124	961 841
Tax losses available for set-off against future taxable income	–	–	6 783 916
Lease smoothing	9 720	14 477	13 574
Right of use asset	113 417	–	–
<b>Deferred tax asset</b>	1 101 008	936 601	7 759 331
<b>Total deferred taxation asset/(liability)</b>	1 101 008	936 601	6 985 938
Deferred tax asset recognised	1 101 008	936 601	7 722 429
Deferred tax liability recognised	–	–	736 491
<b>Total deferred taxation asset/(liability)</b>	1 101 008	936 601	6 985 938

	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>12. Loan to fellow group subsidiaries</b>			
Adcorp Fulfilment Services Proprietary Limited	29 823 108	29 823 108	29 823 108

The loan is unsecured, no interest is levied and there are no fixed terms of repayment.

	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>13. Trade and other receivables</b>			
Trade receivables	3 676 437	8 580 247	10 458 480
Other receivables	9 645 508	4 926 363	7 434 825
	13 321 945	13 506 610	17 893 305

Before accepting a new client, the business makes use of an external credit bureau to assess the potential client credit quality and defines credit limits per client. The Company/Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. The Company/Group has assessed this on an expected credit loss basis and found that there is no reason that requires a provision for bad debts or impairment of trade receivables.

The ageing of trade receivables at the reporting date was:

	<b>2020</b>		<b>2019</b>		<b>2018</b>	
	<b>Gross</b>	<b>Impairment</b>	<b>Gross</b>	<b>Impairment</b>	<b>Gross</b>	<b>Impairment</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Not past due	3 258 549	–	7 940 014	–	8 156 109	–
Past due 0-30 days	417 848	–	640 183	–	1 285 491	–
Past due 31-60 days	–	–	–	–	462 091	–
Past due 61-90 days	–	–	–	–	536 408	–
Past due 91-365 days	40	–	50	–	18 381	–
	3 676 437	–	8 580 247	–	10 458 480	–

	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>14. Inventory</b>			
Retail store vouchers	699 468	527 658	–

	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>15. Cash and cash equivalents</b>			
Bank balances	6 919 859	1 275 482	4 848 589
Cash on hand	–	–	8 000
	6 919 859	1 275 482	4 856 589

## 16. Related party transactions

The immediate parent Company is Adcorp Workforce Solutions Proprietary Limited and the ultimate controlling party of the Company is Adcorp Holdings Limited incorporated in the Republic of South Africa.

### Trading transactions

During the year, the following trading transactions were entered with related parties:

	2020 R	2019 R	2018 R
Amounts loaned from holding company and fellow group subsidiaries:			
FMS and ASS	(144 402)	-	-
Adcorp Advantage			(163 286)
Adcorp Head Office (AHO)	(6 688)	-	(17 948 872)
Adcorp Shared Services Centre (ASSC)	(7 366 081)	(31 532)	(756 932)
Kelly (KGL 834)	(60 000 000)	(60 000 000)	(60 000 000)
	(67 517 171)	(60 031 532)	(78 869 090)
Amounts loaned to holding company and fellow group subsidiaries:			
Adcorp Holdings Limited	-	-	2 553 414
Adcorp Advantage	-	-	5 830 151
Instant Talent	-	-	146 928
Kelly	-	-	13 081
FMS and ASS	114 651	-	-
Share based payment loan (SBP)	612	-	-
Adcorp Head Office(AHO)	196 125 795	136 637 150	93 053 453
	196 241 058	136 637 150	101 597 027

The total advances are unsecured, interest is charged at 4.83% pa and there are no fixed terms of repayment.

### Compensation to directors and other key management personnel

	Salary R'000	Bonus R'000	Employee benefits R'000	Gains on share options R'000	Total R'000
<b>2020</b>					
<b>Key management personnel</b>					
T.C Fowler	2 180	1 396	356	-	3 932
W.W Henderson	1 957	781	310	-	3 048
Total	4 137	2 177	666	-	6 980
<b>2019</b>					
T.C Fowler	1 912	-	338	-	2 250
W.W Henderson	1 614	-	285	-	1 900
Total	3 526	-	623	-	4 150
<b>2018</b>					
B. Van Der Merwe	1 569	883	246	-	2 698
T.C Fowler	593	1 994	248	411	3 346
Total	2 162	2 877	594	411	6 044

Refer to Note 27 for director's emoluments disclosure and comparatives.



	2020 R	2019 R	2018 R
<b>17. Share capital</b>			
Authorised			
Ordinary shares of 1 rand each	1 000	1 000	1 000
Issued			
Ordinary shares of 1 rand each	100	100	100

The Company/Group has one class of ordinary shares which carry no right to fixed income. The remaining unissued share capital is under the control of directors of the Company/Group until the next annual general meeting.

#### 18. Leases

The Company leases a property located at 28 Sloane Street Bryanston Gauteng. The property is used as the head office and is the main centre of business operation. Other sites used by the business, have no formal lease agreements and are used on a month-to-month basis. There are no lease obligations attached to these sites.

	2020 R	2019 R	2018 R
<b>Right of use assets:</b>			
Balance as at 1 March 2019	–	–	–
Additions	7 347 837	–	–
Depreciation charge for the year	(2 099 382)	–	–
Balance as at 29 February 2020	5 248 455	–	–
<b>Lease liabilities:</b>			
<i>Maturity analysis – contractual undiscounted cash flows</i>			
One year	(2 334 940)	–	–
More than 2 years	(3 353 291)	–	–
Total lease liabilities as at 29 February 2020	(5 688 231)	–	–
<i>Lease liabilities included in the statement of financial position</i>			
Current	(2 334 940)	–	–
Non-current	(3 353 291)	–	–
Total liabilities included in the statement of financial position	(5 688 231)	–	–
<b>Amounts recognised in profit and loss:</b>			
Interest on lease liabilities	635 051	–	–
Depreciation on right of use asset	2 099 382	–	–
Expenses relating to short term leases	107 228	–	–

	2020 R	2019 R	2018 R
<b>19. Share based payments</b>			
Opening balance	10 939	–	461 892
Cash settlement of share options exercised	–	–	(410 900)
Revaluation of share-based payment liability	–	–	(50 992)
Share-based expense charged to income statement	1 175 237	374 418	–
Share-based cash settlement of liability	(1 186 176)	(363 479)	–
Closing balance	–	10 939	–

#### *Employee Share Scheme (Performance Share Scheme)*

The holding company operates an employee share option scheme for eligible employees, of the groups various operating entities and business units. Under the scheme, eligible employees received performance shares (PFs). Allocations have been expensed in profit and loss of each of the applicable operating companies. PFs awarded each year vest over three years. The vesting of the shares is subject to the conditions of the minimum requirement that pertains to employment with Adcorp and the extent to which performance conditions have been met.

As at 29 February 2020, 28 February 2019 and 28 February 2018, all the PFs were unvested. No options will vest within the next 12 months.

The following PFs were in existence as at 29 February 2020:

	Number	Grant date	Vesting date	Fair value at grant date R	Fair value at 29 Feb 2020 R
Issued (TCF)	64 779	20 June 2018	20 June 2021	1 172 499	615 400
Issued (WWH)	36 104	20 June 2018	20 June 2021	653 482	342 988
Issued (TCF)	52 751	28 May 2019	1 March 2022	1 315 609	501 134
Issued (WWH)	29 584	28 May 2019	1 March 2022	737 824	281 048
Issued (BVD)	21 632	28 May 2019	1 March 2022	539 502	205 504

The following PFs were in existence as at 28 February 2019:

	Number	Grant date	Vesting date	Fair value at grant date R	Fair value at 28 Feb 2019 R
Issued (TCF)	64 779	20 June 2018	20 June 2021	1 172 499	1 295 580
Issued (WWH)	36 104	20 June 2018	20 June 2021	653 482	722 080

The following PFs were in existence as at 28 February 2018:

	Number	Grant date	Vesting date	Fair value at grant date R	Fair value at 28 Feb 2018 R
Issued	–	–	–	–	–

This fair value was calculated using a standard present value model.

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

	2020 R	2020 R	2019 R	2019 R	2018 R	2018 R
Balance at beginning of the year	100 883	–	–	–	35 000	33.80
Lapsed during the year	–	–	–	–	–	–
Granted during the year	103 967	24.94	100 883	18.09	–	–
Exercised during the year	–	–	–	–	(35 000)	11.74
Balance at the end of the year	204 850	–	100 883	–	–	–

## 20. Trade and other payables

	2020 R	2019 R	2018 R
Trade payables	6 405 704	10 064 735	12 309 102
Value Added Taxation	1 387 979	417 692	(242 410)
Operating lease liability short term	–	51 705	48 477
	7 793 683	10 534 132	12 115 169

The average credit period on trade and other payables is 30 days. No interest is incurred on trade and other payables unless payments are not made timeously.

## 21. Provisions

	2020 R	2019 R	2018 R
Balance at the beginning of the year	3 226 716	3 203 448	1 491 221
Provisions raised during the year	4 543 914	3 312 191	3 990 909
Provisions utilised during the year	(4 227 902)	(2 670 349)	(2 278 682)
Disposal of investment in subsidiary	–	(618 574)	–
Balance at the end of the year	3 542 728	3 226 716	3 203 448

Provisions comprise of provision for bonuses and leave pay and profit share.

	2020	2019	2018
	R	R	R
<b>22. Taxation paid</b>			
Taxation paid is reconciled to the amount disclosed in the statement of comprehensive income as follows:			
Amount prepaid at the beginning of year	10 866 658	7 380 382	1 496 637
Current taxation charged to the statement of comprehensive income	(17 253 765)	(17 735 859)	(3 065 531)
Amount payable/(prepaid) at end of year	5 133 790	(10 866 658)	(7 380 382)
Taxation paid	(1 253 317)	(21 222 135)	(8 949 276)
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>23. Disposal of investment in subsidiary</b>			
On 1 June 2018, Adcorp Support Services Proprietary Limited disposed of its entire investment in its subsidiary FNDS3000 Proprietary Limited for a consideration of R11 million. The following assets and liabilities were disposed on that date and FNDS3000 Proprietary Limited was deconsolidated:			
Motor vehicles and equipment (note 10 (a))	–	2 587 138	–
Intangible assets (note 11)	–	1 195 197	–
Deferred taxation asset (note 10 (c))	–	7 327 097	–
<b>Non-current assets</b>	–	11 109 432	–
Trade and other receivables	–	2 139 586	–
Cash and cash equivalents	–	3 496 723	–
<b>Current assets</b>	–	5 636 309	–
Trade and other payables	–	(2 435 717)	–
Provisions (note	–	(618 574)	–
<b>Current liabilities</b>	–	(3 054 291)	–
<b>Net asset value of assets disposed</b>	–	13 691 450	–
Proceeds received	–	11 000 000	–
Loss on disposal of subsidiary (note 24)	–	(2 691 450)	–
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>24. Reconciliation of profit for the year to cash generated by operations</b>			
Profit before taxation	61 628 808	57 456 163	24 502 050
Adjusted for:			
Interest paid	7 311 318	4 577 729	4 132 436
Interest received	(15 546 835)	(10 219 773)	(8 055 413)
Depreciation and amortisation	3 307 787	1 735 965	2 921 129
Loss on disposal of investment (note 23)	–	2 691 450	–
Profit on scrapping/disposal of fixed assets	–	(212 201)	25
Non-cash items	(1 670 545)	10 940	(461 892)
Operating cash flows before movements in working capital	55 030 533	56 040 273	23 038 335
Decrease in trade and other receivables	184 665	2 247 109	1 513 046
Increase in inventory	(171 810)	(527 658)	–
Increase in provisions	316 012	641 842	1 712 227
(Decrease)/increase in trade and other payables	(2 740 449)	854 680	(2 745 610)
Decrease in loans and advances	–	–	5 328 470
Cash generated from operating activities	52 618 951	59 256 246	28 846 468

## 25. Financial Risk Management

The Company's/Group's financial instruments consist mainly of bank balances and cash, trade and sundry receivables, trade and sundry payables and loans from the holding company.

In respect of all financial instruments mentioned above, book value approximates fair value. The Company/Group did not make use of any derivative instruments during the year and does not speculate in the trading of derivative instruments.

### Foreign currency management

The Company/Group has no foreign currency risks.

### Liquidity risk management

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The Company/Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

The tables below disclose the maturity profile of the non-derivative financial liabilities and those financial assets used for managing liquidity risk.

	<b>Carrying Amount R</b>	<b>0 – 6 months R</b>	<b>6 – 12 months R</b>	<b>1 – 5 years R</b>
<b>2020</b>				
Trade and other payables	7 793 683	7 793 683	–	–
Related party payables	67 517 171	7 517 211	60 000 000	–
<b>Total</b>	<b>75 310 854</b>	<b>15 310 894</b>	<b>60 000 000</b>	<b>–</b>
<b>2019</b>				
Trade and other payables	10 534 132	10 534 132	–	–
Related party payables	60 031 532	31 532	60 000 000	–
<b>Total</b>	<b>70 565 664</b>	<b>10 565 664</b>	<b>60 000 000</b>	<b>–</b>
<b>2018</b>				
Trade and other payables	12 115 169	12 115 169	–	–
Related party payables	78 869 090	18 869 090	60 000 000	–
<b>Total</b>	<b>90 984 259</b>	<b>30 984 259</b>	<b>60 000 000</b>	<b>–</b>

### Contractual maturity analysis

The following are the contractual maturities of financial liabilities, including interest payment and excluding the impact of netting arrangements:

	<b>2020 R Carrying value</b>	<b>2020 R Contractual cash flows</b>
<b>Non derivative financial liabilities</b>		
Trade and other payables	7 793 683	7 793 683
Related party payables	67 517 171	67 517 171
<b>2019</b>		
	<b>2019 R Carrying value</b>	<b>2019 R Contractual cash flows</b>
<b>Non derivative financial liabilities</b>		
Trade and other payables	10 534 132	10 534 132
Related party payables	60 031 532	60 031 532
<b>2018</b>		
	<b>2018 R Carrying value</b>	<b>2018 R Contractual cash flows</b>
<b>Non derivative financial liabilities</b>		
Trade and other payables	12 115 169	12 115 169
Related party payables	78 869 090	78 869 090

### Credit risk

The credit risk on trade receivables is limited due to the nature and credit profile of the Company's/Group's client base. Credit assessments are done and continually updated on all clients.

### Maximum exposure and analysis of exposure to credit risk

The following maximum exposures to credit risk existed 29 February 2020 in respect of financial assets:

	Carrying value R	Neither past due nor impaired R	Past due but not impaired R	Impaired R
Trade receivables				
Low risk	3 676 437	3 676 437	–	–

The following maximum exposures to credit risk existed 28 February 2019 in respect of financial assets:

	Carrying value R	Neither past due nor impaired R	Past due but not impaired R	Impaired R
Trade receivables				
Low risk	8 580 247	8 580 247	–	–

The following maximum exposures to credit risk existed 28 February 2018 in respect of financial assets:

	Carrying value R	Neither past due nor impaired R	Past due but not impaired R	Impaired R
Trade receivables				
Low risk	10 458 480	8 156 109	2 302 371	–

## 26. Analysis, classification and fair values of financial instruments

The table below reconciles the statement of financial position to the categories of financial instruments. Non-financial instruments have been included for completeness.

	Loans and receivables R	Financial liabilities at amortised cost R	Non- financial assets and liabilities R	Total R
<b>2020</b>				
<b>Assets</b>				
Property, plant and equipment	–	–	2 976 182	2 976 182
Right of use asset	–	–	5 248 455	5 248 455
Deferred tax asset	–	–	1 101 008	1 101 008
Loan to holding company	29 823 108	–	–	29 823 108
Trade and other receivables	13 321 945	–	–	13 321 945
Taxation receivable	–	–	–	–
Inventory	699 468	–	–	699 468
Cash and cash equivalents	6 919 859	–	–	6 919 859
Loan to holding company/subsidiary	196 241 098	–	–	196 241 098
<b>Total Assets</b>	<b>247 005 438</b>	<b>–</b>	<b>9 325 645</b>	<b>256 331 083</b>
<b>Liabilities</b>				
Share based payment liabilities	–	–	–	–
Loan from holding company/subsidiary	–	67 517 171	–	67 517 171
Lease liabilities	–	–	5 688 231	5 688 231
Trade and other payables	–	7 793 683	–	7 793 683
Taxation payable	–	–	5 133 790	5 133 790
Provisions	–	3 542 728	–	3 542 728
<b>Total liabilities</b>	<b>–</b>	<b>78 853 582</b>	<b>10 822 021</b>	<b>89 675 603</b>

	Loans and receivables R	Financial liabilities at amortised cost R	Non- financial assets and liabilities R	Total R
<b>2019</b>				
<b>Assets</b>				
Property, plant and equipment	–	–	2 346 082	2 346 082
Deferred tax asset	–	–	936 601	936 601
Loan to holding company	29 823 108	–	–	29 823 108
Trade and other receivables	13 506 610	–	–	13 506 610
Taxation receivable	–	–	10 866 658	10 866 658
Inventory	527 658	–	–	527 658
Cash and cash equivalents	1 275 482	–	–	1 275 482
Loan to holding company/subsidiary	136 637 150	–	–	136 637 150
<b>Total Assets</b>	181 770 008	–	14 149 341	195 919 349
<b>Liabilities</b>				
Share based payment liabilities	–	–	10 939	10 939
Loan from holding company/subsidiary	–	60 031 532	–	60 031 532
Trade and other payables	–	10 534 132	–	10 534 132
Provisions	–	3 226 716	–	3 226 716
<b>Total liabilities</b>	–	73 792 380	10 939	73 803 319

	Loans and receivables R	Financial liabilities at amortised cost R	Non- financial assets and liabilities R	Total R
<b>2018</b>				
<b>Assets</b>				
Property, plant and equipment	–	–	5 356 888	5 356 888
Intangible assets	–	–	1 412 435	1 412 435
Deferred tax asset	–	–	7 722 429	7 722 429
Loan to holding company	29 823 108	–	–	29 823 108
Trade and other receivables	17 893 305	–	–	17 893 305
Taxation receivable	–	–	7 380 382	7 380 382
Inventory	–	–	–	–
Cash and cash equivalents	4 856 589	–	–	4 856 589
Loan to holding company/subsidiary	101 597 027	–	–	101 597 027
<b>Total Assets</b>	154 170 029	–	21 872 134	176 042 163
<b>Liabilities</b>				
Share based payment liabilities	–	–	–	–
Loan from holding company/subsidiary	–	78 869 090	–	78 869 090
Deferred tax liability	–	–	736 491	736 491
Trade and other payables	–	12 115 169	–	12 115 169
Provisions	–	3 203 448	–	3 203 448
<b>Total liabilities</b>	–	94 187 707	736 491	94 924 198

## 27. Directors Emoluments

	Salary R'000	Bonus R'000	Employee benefits R'000	Gains on share options R'000	Total R'000
<b>2020</b>					
CJ Kujenga * (resigned 31 May 2020)	3 695	–	381	–	4 076
K.Vitsee **	1 708	–	193	–	1 901
Total	5 403	–	574	–	5 977
<b>2019</b>					
CJ Kujenga *	3 209	2 101	351	–	5 661
K.Vitsee **	2 364	998	350	105	3 817
Total	5 573	3 099	701	105	9 478
<b>2018</b>					
T.C Fowler	592	1 994	348	411	3 345
B.van der Merwe	1 569	882	246	–	2 698
Total	2 162	2 877	594	411	6 044

CJ Kujenga\* and K.Vitsee\*\* are remunerated by other Adcorp group companies and no cost of their employment has been apportioned to the Company/Group.

## 28. Events after the reporting date

### *Impact of COVID-19*

COVID-19 is an unprecedented humanitarian crisis that existed at the end of the 2020 reporting period, and on 11 March 2020, the World Health Organization declared COVID-19 as a pandemic. A National State of Disaster was declared in South Africa on 15 March 2020, followed by a nationwide lockdown taking effect from 26 March 2020. The lockdown was initially set at a duration of 21 days in South Africa, and subsequently extended indefinitely under risk-adjusted levels of economic restrictions.

Management has concluded that this is a non-adjusting balance sheet event, and the impact of COVID-19 on the accounting standards that require the use of forward-looking information (expected credit losses and deferred tax asset) were assessed based on information available as at 29 February 2020.

### *Sale of Business*

In the period after 29 February 2020, but prior to the issuance of the annual financial statements, the Adcorp Holdings Limited group's management and Board of Directors approved the sale of the financial services division. Adcorp Financial Services is housed within Adcorp Support Services Proprietary Limited, a subsidiary of Adcorp Holdings Proprietary Limited. A programme to market the asset was launched and numerous negotiations took place with potential buyers subsequent to the reporting period. The disposal is consistent with the Adcorp group's long-term strategy to focus its activities on its core capabilities and to utilise the proceeds from the sale of assets to reduce the Adcorp group's gearing.

As at 29 February 2020 Financial Services did not meet the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations for disclosure purposes. The operating profit included in profit or loss for the year relating to Financial Services was R53 million.

## 29. Going concern

As disclosed in the events after the reporting period in the directors report, it is not possible to make an accurate and complete estimate of the full impact that the COVID-19 pandemic and the national lockdown will have on the macroeconomic environment within which the Company operates.

The directors are satisfied that there are no material uncertainties that cast doubt on the Company's ability to operate as a going concern and that the Company has sufficient resources, or access to resources, to continue with all operating activities for the foreseeable future.

Based on this assessment, the directors considered it appropriate to adopt the going concern assumption for the preparation of the carve-out and consolidated historical information.

## 30. Reclassification

The cash flows relating to the share based payment liability of R10 940 and R461 892 for the financial year 28 February 2019 and 28 February 2028 respectively (note 24) were reclassified on the face of the statement of cash flows from financing activities to operating activities as this better reflects the nature of the cash flow movement.

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## **REVIEWED INTERIM CARVE-OUT FINANCIAL INFORMATION OF ADCORP SUPPORT SERVICES PROPRIETARY LIMITED FOR THE HALF YEAR ENDED 31 AUGUST 2020 AND UNREVIEWED AND UNAUDITED CARVE OUT FINANCIAL INFORMATION FOR THE HALF YEAR ENDED 31 AUGUST 2019**

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### **COMMENTARY**

#### **Principal activities**

The principal activity of the Adcorp Support Services Proprietary Limited ("the Company") is long-term insurance broking, predominately in the funeral insurance market and employee benefits environment as well as added-value services to the assurance market. The ultimate parent company is Adcorp Holdings Limited and the Company forms part of the Adcorp Group of companies. Adcorp Support Services Proprietary Limited is currently a licensed Financial Services Provider.

#### **Carve-out and consolidated historical information**

In terms of the disposal agreement, under the conditions precedent, the Company will complete a reorganisation whereby the loans that are owing by group companies to the Company will be disposed of, the investment of R100 held in Advantage Proprietary Limited will be unbundled and the loans owing to Group companies will be extinguished by a loan set-off on the issue of share capital by the Company. As a result thereof, the interim financial information for the 2021 and the 2020 financial year incorporates the results of the Company with the investment held in Advantage Proprietary Limited carved out of the financial information.

#### **Operating performance**

Gross profit for the interim 2021 financial year decreased by R1.5 million, or 3.4%, from R44.3 million for the 2020 interim financial period to R42.8 million. The decrease was due to a decrease in revenues impacted by the COVID-19 pandemic.

Expenditure increased by R4.7 million, or 25.3%, from R18.6 million in the 2020 interim financial period to R23.3 million mainly driven by an increase in shared services management fees.

Net financing charges were R0.1 million for 2021 interim financial period compared to R4.3 million net financing income in the 2020 interim financial period as a result of a decrease in related party finance income. The taxation expense was R5.6 million compared to R8.6 million decreasing as a result of the decrease in profits before taxation.

The Company reported a net profit of R14.4 million in the current interim financial period compared to R22.2 million in the 2020 interim financial period.

#### **Dividends**

No dividend was declared during the financial period (2019: NIL).

#### **Holding company**

The immediate parent company is Adcorp Workforce Solutions Proprietary Limited and the ultimate controlling party of the Company is Adcorp Holdings Limited incorporate in the Republic of South Africa.

#### **Events after the reporting date**

##### *Sale of the Company*

The Adcorp Holdings Limited group's management and Board of Directors has approved the sale of the Company and an acquisition agreement was entered on 30 November 2020 for a purchase price of R181.1 million payable on the closing date and an amount of R12 million deferred until 31 December 2021 which is contingent on maintaining a warranted minimum policyholder base and R34.2 million is deferred and contingent on Adcorp Support Services Proprietary Limited achieving an EBITDA which exceeds the forecast *pro forma* EBITDA for the 2021 financial year.



**Reviewed interim carve-out statement of comprehensive income for the half year ended 31 August 2020**

	Notes	Reviewed 31 August 2020 R	Unreviewed and unaudited 31 August 2019 R
Revenue	2	64 054 793	66 365 911
Cost of services		(21 265 341)	(22 020 246)
Gross profit		42 789 452	44 345 665
Other income		632 465	757 169
Expenditure		(23 262 953)	(18 552 229)
<b>Net profit before interest</b>		20 158 964	26 550 605
Interest received		4 241 015	7 410 197
Interest paid		(4 394 163)	(3 072 292)
<b>Net profit before taxation</b>		20 005 816	30 888 510
Taxation		(5 601 628)	(8 648 783)
<b>Net profit after taxation</b>		14 404 188	22 239 727
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		14 404 188	22 239 727
Total comprehensive income attributable to:			
Equity shareholders		14 404 188	22 239 727

**Reviewed interim carve-out statement of financial position for the half year as at 31 August 2020**

	Notes	Reviewed 31 August 2020 R	Unreviewed and unaudited 31 August 2019 R	Audited 29 February 2020 R
<b>ASSETS</b>				
<b>Non-current assets</b>				
Motor vehicles and equipment		4 839 687	2 994 032	2 976 182
Right of use assets		4 198 764	–	5 248 455
Deferred tax asset		1 101 008	217 646	1 101 008
Loans to fellow group subsidiaries	3	–	29 823 108	–
<b>Total non-current assets</b>		10 139 459	33 034 786	9 325 645
<b>Current assets</b>				
Trade and other receivables		12 197 439	18 520 176	13 321 945
Loans to fellow group subsidiaries	3	29 823 108	–	29 823 108
Inventory		577 908	933 698	699 468
Cash and cash equivalents		7 018 322	1 545 529	6 919 859
Loans to related parties	4	213 084 167	169 751 902	196 241 058
<b>Total current assets</b>		262 700 944	190 751 305	247 005 438
<b>TOTAL ASSETS</b>		272 840 403	223 786 091	256 331 083
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Share capital		100	100	100
Retained earnings		181 059 568	144 355 657	166 655 380
<b>Total equity</b>		181 059 668	144 355 757	166 655 480
<b>Non-current liabilities</b>				
Lease liabilities		2 226 944	–	3 353 291
<b>Total non-current liabilities</b>		2 226 944	–	3 353 291
<b>Current liabilities</b>				
Loan from holding company, subsidiaries and associated	4	67 993 635	60 421 137	67 517 171
Lease liabilities		2 524 431	–	2 334 940
Trade and other payables		8 640 117	8 738 934	7 793 683
Provisions		4 644 597	3 381 254	3 542 728
Taxation payable		5 751 011	6 889 009	5 133 790
<b>Total current liabilities</b>		89 553 791	79 430 334	86 322 313
<b>TOTAL EQUITY AND LIABILITIES</b>		272 840 403	223 786 091	256 331 083

## Reviewed interim carve-out statement of changes in equity for the half year ended 31 August 2020

	Share capital R	Retained earnings R	Total R
<b>Balance as at 28 February 2019 – unreviewed and unaudited</b>	100	122 115 930	122 116 030
Profit for the half year	–	22 239 727	22 239 727
<b>Balance as at 31 August 2019 – unreviewed and unaudited</b>	100	144 355 657	144 355 757
Profit for the half year	–	22 299 723	22 299 723
<b>Balance as at 29 February 2020 – audited</b>	100	166 655 380	166 655 480
Profit for the half year	–	14 404 188	14 404 188
<b>Balance as at 31 August 2020 – reviewed</b>	100	181 059 568	181 059 668

## Reviewed interim carve-out statement of cash flows for the half year ended 31 August 2020

	Notes	Reviewed 31 August 2020 R	Unreviewed and unaudited 31 August 2019 R
<b>OPERATING ACTIVITIES:</b>			
Cash generated by operating activities	5	25 150 013	20 165 086
Interest paid		(4 394 163)	(3 072 292)
Interest income		4 241 015	7 410 197
Taxation (paid)/received		(4 984 407)	9 825 839
<b>Net cash inflow generated by operating activities</b>		20 012 458	34 328 830
<b>INVESTING ACTIVITIES:</b>			
Additions to fixed assets		(2 610 494)	(1 333 636)
<b>Net cash outflow from investing activities</b>		(2 610 494)	(1 333 636)
<b>FINANCING ACTIVITIES:</b>			
Increase in loans to holding company and other entities		(16 843 109)	(33 114 752)
Increase in loans from holding company and other entities		476 464	389 605
Lease liability		(936 856)	–
<b>Net cash outflow from financing activities</b>		(17 303 501)	(32 725 147)
<b>Net increase in cash equivalents</b>		98 463	270 047
Cash and cash equivalents at the beginning of the year		6 919 859	1 275 482
<b>Cash and cash equivalents at the end of the year</b>		7 018 322	1 545 529

## Accounting policies and notes to the reviewed interim carve-out financial information

### 1. Basis of preparation

The financial statements have been prepared in accordance with the requirements of IAS 34, Interim Financial Reporting as issued by the Financial Reporting Standards Council and the requirements of the Companies Act, No 71 of 2008 of South Africa.

The interim financial statements comprise the condensed statement of comprehensive income, the condensed statement of financial position, condensed statement of cash flows and condensed statement of changes in equity for the six months ended 31 August 2020 and selected explanatory notes.

These interim financial statements do not include all the notes typically included in the annual financial statements and should therefore be read in conjunction with the Company's audited financial statements for the year ended 29 February 2020.

The accounting policies and methods of computation applied in the preparation of the interim financial information are in terms of International Financial Reporting Standards (IFRS) as issued by the IASB except as noted below for the carve-out of Advantage Proprietary Limited and are consistent with those applied in the preparation of the Company's audited financial statements as at 29 February 2020.

In terms of the disposal agreement, under the conditions precedent, the Company will complete a reorganisation whereby the loans that are owing by group companies to the Company will be disposed of, the investment held in Advantage Proprietary Limited will be unbundled and the loans owing to Group companies will be extinguished by a loan set-off on the issue of share capital by the Company. As a result thereof, the interim financial information for the 2021 and the 2020 financial year incorporates the results of the Company with the investment held in Advantage Proprietary Limited carved out of the financial information.

	<b>Reviewed 31 August 2020 R</b>	<b>Unreviewed and unaudited 31 August 2019 R</b>
<b>2. Revenue</b>		
Income from insurance related products and services (ASE)	13 900 932	15 446 856
Annuity income (FMS)	50 153 861	51 699 180
	<b>64 054 793</b>	<b>67 146 036</b>

In respect of the (FMS) business, revenue is recognised at the point of receipt of declarations made by clients in relation to life assurance and funeral policies in force at a point in time. Revenue for (ASE) is recognised at a point in time when services are provided. The Company is not exposed to significant seasonality or cyclicity.

	<b>Reviewed 31 August 2020 R</b>	<b>Unreviewed and unaudited 31 August 2019 R</b>
<b>3. Loan to fellow group subsidiaries</b>		
Adcorp Fulfilment Services Proprietary Limited	29 823 108	29 823 108
The loan is unsecured, no interest is levied and there are no fixed terms of repayment.		

#### 4. Related party transactions

The immediate parent Company is Adcorp Workforce Solutions Proprietary Limited and the ultimate controlling party of the Company is Adcorp Holdings Limited incorporated in the Republic of South Africa.

#### Trading transactions

The Company entered into the following trading transactions with related parties:

	<b>Reviewed 31 August 2020 R</b>	<b>Unreviewed and unaudited 31 August 2019 R</b>
Amounts loaned from holding company and fellow group subsidiaries:		
FMS and ASS	(140 664)	(145 010)
Adcorp Shared Services Centre (ASSC)	(7 852 971)	(276 127)
Kelly (KGL 834)	(60 000 000)	(60 000 000)
	<b>(67 993 635)</b>	<b>(60 421 137)</b>
Amounts loaned to holding company and fellow group subsidiaries:		
Share based payment loan (SBP)	377 789	–
FMS and ASS	109 658	–
Adcorp Head Office(AHO)	212 596 720	169 751 902
	<b>213 084 167</b>	<b>169 751 902</b>

The total advances are unsecured, interest is charged at 4.83% pa and there are no fixed terms of repayment.

	<b>Reviewed 31 August 2020 R</b>	<b>Unreviewed and unaudited 31 August 2019 R</b>
<b>5. Reconciliation of profit for the year to cash generated by operations</b>		
Profit before taxation	20 005 816	30 888 510
Adjusted for:		
Interest paid	4 394 163	3 072 292
Interest received	(4 241 015)	(7 410 197)
Depreciation	1 796 680	685 686
Non-cash items	–	(10 939)
	21 955 644	27 225 352
Operating cash flows before movements in working capital		
Decrease/(increase) in trade and other receivables	1 124 506	(5 013 566)
Decrease/(increase) in inventory	121 560	(406 040)
Increase in provisions	1 101 869	154 538
Increase/(decrease) in trade and other payables	846 434	(1 795 198)
Cash generated from operating activities	25 150 013	20 165 086

## 6. Financial Risk Management

The Company's financial instruments consist mainly of bank balances and cash, trade and sundry receivables, trade and sundry payables and loans from the holding company.

In respect of all financial instruments mentioned above, book value approximates fair value. The Company did not make use of any derivative instruments during the year and does not speculate in the trading of derivative instruments.

### *Foreign currency management*

The Company has no foreign currency risks.

### *Liquidity risk management*

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

The tables below disclose the maturity profile of the company's non-derivative financial liabilities and those financial assets used for managing liquidity risk.

	<b>Carrying amount R</b>	<b>0 – 6 months R</b>	<b>6 – 12 months R</b>	<b>1 – 5 years R</b>
<b>31 August 2020 – reviewed</b>				
Trade and other payables	8 640 117	8 640 117	–	–
Related party payables	67 993 635	7 993 635	60 000 000	–
Total	76 633 752	16 633 752	60 000 000	–
	<b>Carrying amount R</b>	<b>0 – 6 months R</b>	<b>6 – 12 months R</b>	<b>1 – 5 years R</b>
<b>31 August 2019 – unreviewed and unaudited</b>				
Trade and other payables	8 738 934	8 738 934	–	–
Related party payables	60 421 137	–	60 421 137	–
Total	69 160 071	8 738 934	60 421 137	–

### *Credit risk*

The credit risk on trade receivables is limited due to the nature and credit profile of the company's client base. Credit assessments are done and continually updated on all clients.

Maximum exposure and analysis of exposure to credit risk

The following maximum exposures to credit risk existed 31 August 2020 in respect of financial assets:

<b>Reviewed</b>	<b>Carrying value R</b>	<b>Neither past due nor impaired R</b>	<b>Past due but not impaired R</b>	<b>Impaired R</b>
Trade receivables				
Low risk	3 467 751	3 467 751	–	–

The following maximum exposures to credit risk existed 31 August 2019 in respect of financial assets:

<b>Reviewed</b>	<b>Carrying value R</b>	<b>Neither past due nor impaired R</b>	<b>Past due but not impaired R</b>	<b>Impaired R</b>
Trade receivables				
Low risk	8 716 769	8 716 769	–	–

## 7. Analysis, classification and fair values of financial instruments

The table below reconciles the statement of financial position to the categories of financial instruments. Non-financial instruments have been included for completeness.

	<b>Loans and receivables R</b>	<b>Financial liabilities at amortised cost R</b>	<b>Non- financial assets and liabilities R</b>	<b>Total R</b>
<b>31 August 2020 – reviewed</b>				
<b>Assets</b>				
Property, plant and equipment	–	–	4 839 687	4 839 687
Right of use asset	–	–	4 198 764	4 198 764
Investment in subsidiary*	–	–	–	100
Deferred tax asset	–	–	1 101 008	1 101 008
Loan to holding company	29 823 108	–	–	29 823 108
Trade and other receivables	12 197 439	–	–	12 197 439
Inventory	577 908	–	–	577 908
Cash and cash equivalents	7 018 322	–	–	7 018 322
Loan to holding company/subsidiary	213 084 167	–	–	213 084 167
<b>Total Assets</b>	<b>262 700 944</b>	<b>–</b>	<b>10 139 459</b>	<b>272 840 403</b>
<b>Liabilities</b>				
Loan from holding company/subsidiary	–	67 993 635	–	67 993 635
Lease liabilities	–	–	4 751 375	4 751 375
Trade and other payables	–	8 640 117	–	8 640 117
Taxation payable	–	–	5 751 011	5 751 011
Provisions	–	4 644 597	–	4 644 597
<b>Total liabilities</b>	<b>–</b>	<b>81 278 349</b>	<b>10 502 386</b>	<b>91 780 735</b>

<b>31 August 2019 – unreviewed and unaudited</b>	<b>Loans and receivables R</b>	<b>Financial liabilities at amortised cost R</b>	<b>Non- financial assets and liabilities R</b>	<b>Total R</b>
<b>Assets</b>				
Property, plant and equipment	–	–	2 994 032	2 994 032
Investment in subsidiary*	–	–	–	100
Deferred tax asset	–	–	217 646	217 646
Loan to holding company	29 823 108	–	–	29 823 108
Trade and other receivables	18 520 176	–	–	18 520 176
Inventory	933 698	–	–	933 698
Cash and cash equivalents	1 545 529	–	–	1 545 529
Loan to holding company/subsidiary	169 751 902	–	–	169 751 902
<b>Total Assets</b>	<b>220 574 413</b>	<b>–</b>	<b>3 211 678</b>	<b>223 786 091</b>
<b>Liabilities</b>				
Loan from holding company/subsidiary	–	60 421 137	–	60 421 137
Lease liabilities	–	–	–	–
Trade and other payables	–	8 738 934	–	8 738 934
Taxation payable	–	–	6 889 009	6 889 009
Provisions	–	3 381 254	–	3 381 254
<b>Total liabilities</b>	<b>–</b>	<b>72 541 325</b>	<b>6 889 009</b>	<b>79 430 334</b>

## 8. Events after the reporting period

### *Sale of the Company*

The Adcorp Holdings Limited group's management and Board of Directors has approved the sale of the Company and an acquisition agreement was entered on 30 November 2020 for a purchase price of R181.1 million payable on the closing date and an amount of R12 million deferred until 31 December 2021 which is contingent on maintaining a warranted minimum policyholder base and R34.2 million is deferred and contingent on Adcorp Support Services Proprietary Limited achieving and EBITDA which exceeds the forecast *pro forma* EBITDA for the 2021 financial year.

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**INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON CARVE-OUT HISTORICAL FINANCIAL INFORMATION OF ASS FOR THE FINANCIAL YEARS ENDED 28 FEBRUARY 2018, 28 FEBRUARY 2019, 29 FEBRUARY 2020 AND THE SIX-MONTH PERIOD ENDED 31 AUGUST 2020**

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The Directors of Adcorp Holdings Limited  
PO Box 70635  
Bryanston  
2021

Dear Sirs / Madams

**INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE CARVE-OUT AND CONSOLIDATED HISTORICAL FINANCIAL INFORMATION AND THE CARVE-OUT HISTORICAL INTERIM FINANCIAL INFORMATION INCLUDED IN THE CIRCULAR**

**Introduction**

We have:

- audited the carve-out historical financial information of Adcorp Support Services Proprietary Limited (the Company) in respect of the year ended 29 February 2020 as presented in Annexure 1 to the circular dated on or about 1 March 2021 (the Circular);
- reviewed the carve-out consolidated historical financial information of the Company in respect of the years ended 28 February 2018 and 28 February 2019 as presented in Annexure 1 to the Circular; and
- reviewed the carve-out interim historical financial information of the Company for the six-month period ended 31 August 2020 as presented in Annexure 2 to the Circular.

**Carve-out historical Financial Information for the year ended 29 February 2020**

*Opinion*

The carve-out historical financial information in respect of the year ended 29 February 2020 as presented in Annexure 1 to the Circular comprises the carve-out statement of financial position as at 29 February 2020, and the carve-out statement of comprehensive income, changes in equity and cash flow for the year then ended, and the notes to the carve-out historical financial information, including a summary of significant accounting policies.

In our opinion, the carve-out historical financial information presents fairly, in all material respects, the carve-out statement of financial position of the Company as at 29 February 2020, and its carve-out statement of comprehensive income, changes in equity and cash flow for the year then ended in accordance with statement of compliance and basis of preparation paragraph included in Annexure 1, in the Historical Financial Information and the JSE Listings Requirements.

*Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Directors' Responsibility for the Carve-out Historical Financial Information*

The Company's directors are responsible for the preparation and fair presentation of the carve-out historical financial information for the year ended 29 February 2020 in accordance statement of compliance and basis of preparation paragraph included in Annexure 1 and the JSE Listings Requirements, and for such internal control as the directors determine is necessary to enable the preparation of carve-out historical financial information that is free from material misstatement, whether due to fraud or error.

In preparing the carve-out historical financial information, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Carve-out Historical Financial Information for the year ended 29 February 2020*

Our objectives are to obtain reasonable assurance about whether the carve-out historical financial information for the year ended 29 February 2020 as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the carve-out historical financial information.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the carve-out historical financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

### *Auditor's Responsibilities for the Audit of the Carve-out Historical Financial Information for the year ended 29 February 2020*

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the carve-out historical financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the carve-out historical financial information, including the disclosures, and whether the carve-out historical financial information represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the carve-out historical financial information of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Emphasis of Matter – Basis of Preparation**

We draw attention to the basis of preparation paragraph to the carve-out Historical Financial Information of the Company, which describes the basis of preparation, including the approach to and the purpose for preparing the financial information. Our opinion is not modified in respect of this matter.



## **Carve-out Consolidated Historical Financial Information for the years ended 28 February 2018 and 28 February 2019**

We have reviewed the carve-out consolidated historical financial information of the Company in respect of the years ended 28 February 2018 and 28 February 2019 set out in **Annexure 1** to the Circular, comprising the carve-out consolidated statement of financial position, and the carve-out consolidated statements of comprehensive income, changes in equity and cash flow, including a summary of significant accounting policies and selected explanatory notes.

### *Directors' Responsibility for the carve-out Consolidated Historical Financial Information*

The directors are responsible for the preparation and fair presentation of the carve-out consolidated historical financial information in accordance with statement of compliance and basis of preparation paragraph included in **Annexure 1**, in the Historical Financial Information and the JSE Listings Requirements, and for such internal control as the directors determine is necessary to enable the preparation of the carve-out consolidated historical financial information that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility for the Reviews of the carve-out Consolidated Historical Financial Information for the years ended 28 February 2018 and 28 February 2019*

Our responsibility is to express conclusions on the carve-out consolidated historical financial information for the years ended 28 February 2018 and 28 February 2019. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity (ISRE 2410), which applies to a review of carve-out historical financial information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the carve-out consolidated historical financial information is not prepared, in all material respects, in accordance with statement of compliance and basis of preparation paragraph included in **Annexure 1**, in the Historical Financial Information and the JSE Listings Requirements. This standard also requires us to comply with relevant ethical requirements.

A review of the carve-out consolidated historical financial information in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of the directors and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the carve-out consolidated historical financial information.

### **Emphasis of Matter – Basis of Preparation**

We draw attention to the basis of preparation paragraph to the carve-out Consolidated Historical Financial Information of the Company, which describes the basis of preparation, including the approach to and the purpose for preparing the financial information. Our opinion is not modified in respect of this matter.

### *Conclusion on the carve-out Consolidated Historical Financial Information*

Based on our review, nothing has come to our attention that causes us to believe that the carve-out consolidated historical financial information of the Company for the years ended 28 February 2018 and 28 February 2019 do not present fairly, in all material respects, the carve-out consolidated financial position of the Company as at 28 February 2018 and 28 February 2019, and its carve-out consolidated financial performance and carve-out consolidated cash flows for the years then ended, in accordance with the statement of compliance and basis of preparation paragraph included in **Annexure 1**, in the carve-out Consolidated Historical Financial Information and the JSE Listing requirements.

## **Carve-out Interim Historical Financial Information for the six month period ended 31 August 2020**

We have reviewed the condensed carve-out interim historical financial information of the Company, as presented in Annexure 2 to the Circular, which comprise the condensed carve-out statement of financial position as at 31 August 2020 and the condensed carve-out statement of comprehensive income, changes in equity and cash flow for the six month period then ended, including a summary of significant accounting policies and selected explanatory notes.

### *Directors' Responsibility for the Carve-out Interim Historical Financial Information*

The directors are responsible for the preparation and presentation of this carve-out interim historical financial information in accordance with the statement of compliance and basis of preparation paragraph included in Annexure 2, the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of carve-out interim historical financial information that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility for the Review of the Carve-out Historical Interim Financial Information for the six month period ended 31 August 2020*

Our responsibility is to express a conclusion on the carve-out interim historical financial information. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the carve-out interim historical financial information are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial information in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the carve-out historical interim financial information.

*Other matter*

The interim financial statements of Adcorp Support Services for the six month period ended 31 August 2019 were not subjected to an independent review or audit as there was no statutory or regulatory requirement for those financial statements to be independently reviewed or audited. Our conclusion is not modified in respect of this matter.

**Emphasis of Matter – Basis of Preparation**

We draw attention to the basis of preparation paragraph to the carve-out interim Historical Financial Information of the Company, which describes the basis of preparation, including the approach to and the purpose for preparing the financial information. Our opinion is not modified in respect of this matter.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the condensed carve-out interim historical financial information of the Company for the six month period ended 31 August 2020 is not prepared, in all material respects, in accordance with the basis of preparation paragraph included in Annexure 2, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

**Purpose of the report**

The purpose of our report is for the disposal circular issued by the Company and is not to be used for any other purpose.

**Deloitte & Touche**

Registered Auditor

Per: T Marriday

Partner

22 February 2021

5 Magwa Crescent

Waterfall City

Waterfall

## PRO FORMA FINANCIAL INFORMATION OF ADCORP

The tables below set out the pro-forma financial information of the Adcorp group ("Adcorp") based on the published unaudited interim financial statements for the six months ended 31 August 2020. The pro-forma financial information of Adcorp has been prepared for illustrative purposes only and because of its nature may not fairly present Adcorp's financial position, changes in equity, results of operations and cash flows; nor the effect and impact of the Disposal. The pro-forma financial information has been prepared to illustrate the impact of the transaction on the published unaudited interim financial information of Adcorp for the period ended 31 August 2020 using accounting policies that comply with International Financial Reporting Standards and that are consistent with those applied in the published audited annual financial statements. For the purposes of the pro-forma financial information, it has been assumed that the disposal took place with effect from 1 March 2020 for the consolidated statement of profit and loss and comprehensive income and 31 August 2020 for the consolidated statement of financial position. The directors of Adcorp are responsible for the compilation, contents and preparation of the pro-forma financial information contained in this Circular and for the financial information from which it has been prepared. The independent reporting accountants' report on the pro-forma financial information is set out in Annexure 5 of this Circular.

### Pro-forma consolidated statement of financial position for Adcorp for the six months ended 31 August 2020

	Unadjusted and unaudited results R'000	Pro-forma adjustments – 100% disposal of Adcorp Support Services Proprietary Limited R'000	Pro-forma financial information after the disposal R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	1 540 300	(148 656)	1 391 644
Property and equipment	67 796	–	67 796
Right of use assets	385 020	–	385 020
Intangible assets	225 462	–	225 462
Goodwill <sup>3</sup>	635 609	(148 656)	486 953
Investment – fair value	18 444	–	18 444
Deferred taxation	207 969	–	207 969
<b>Current assets</b>	2 390 354	–	2 390 354
Trade receivables	1 547 621	–	1 547 621
Other receivables	139 970	–	139 970
Investment – amortised cost	5 148	–	5 148
Taxation prepaid	16 210	–	16 210
Cash and cash equivalents	681 405	–	681 405
Non-current assets held for sale <sup>4</sup>	103 631	(29 569)	74 062
<b>Total assets</b>	4 034 285	(178 225)	3 856 060
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>	1 308 151	10 829	1 318 980
Share capital and share premium	1 740 858	–	1 740 858
Treasury shares	(68 083)	–	(68 083)
Reserves <sup>5</sup>	(364 624)	10 829	(353 795)
<b>Interest-bearing liabilities</b>	1 077 239	(181 100)	896 139
<b>Non-current liabilities</b>	381 066	–	381 066
Long term loans	–	–	–
Lease liabilities	381 066	–	381 066
<b>Current liabilities</b>	696 173	(181 100)	515 073
Short term loans <sup>7</sup>	629 238	(181 100)	448 138
Lease liabilities	66 742	–	66 742
Bank overdraft	193	–	193
<b>Non-interest bearing liabilities</b>	1 603 143	5 176	1 608 319
<b>Non-current liabilities</b>	136 348	–	136 348
Deferred taxation	136 348	–	136 348
<b>Current liabilities</b>	1 466 795	5 176	1 471 971
Trade and other payables including IFRS 15 contract liabilities <sup>6</sup>	1 252 711	5 176	1 257 887
Provisions	191 794	–	191 794
Taxation	22 290	–	22 290
Liabilities held for sale <sup>4</sup>	45 752	(13 130)	32 622
<b>Total equity and liabilities</b>	4 034 285	(178 225)	3 856 060
Number of shares in issue	107 732 131		107 732 131
Net asset value per share (cents)	1 214.3		1 224.3
Tangible net asset value per share (cents)	415.0		563.0

**Notes to the pro-forma consolidated statement of financial position as at 31 August 2020:**

- 1) The “unadjusted and unaudited results” column presents the consolidated statement of financial position of the Adcorp Group which has been extracted, without adjustment, from the unaudited consolidated statement of financial position of the Adcorp Group for the 6 months ended 31 August 2020, as presented in the Unaudited interim financial statements for the six months ended 31 August 2020.
- 2) The “pro-forma financial information after the disposal” column presents the pro-forma condensed Group statement of financial position as at 31 August 2020 and illustrates the possible financial effects as if the transaction had taken place on 31 August 2020.
- 3) The Adcorp Group will dispose of its 100% investment in Adcorp Support Services Proprietary Limited as at 31 August 2020, for a consideration of R181.1 million resulting in a once-off accounting adjustment which derecognises goodwill of R148.7 million.
- 4) Non-current assets held for sale relating to Adcorp Support Services Proprietary Limited is R29.5 million and the liabilities held for sale is R13.1 million giving rise to a net asset value derecognised of R16.4 million.
- 5) Includes profit net of transaction costs including the W&I insurance fee incurred by Adcorp on the sale of Adcorp Support Services Proprietary Limited of R10.8 million.
- 6) Transaction costs are assumed to be incurred on 31 August 2020 and payable on 1 September 2020 thus there is a corresponding increase in trade and other payables of R5.2million. The R5.2 million includes the W&I fees of R2.7 million payable by Adcorp.
- 7) Short-term loans have decreased by R181.1 million as the total consideration amounting to R181.1 million will be used to partly settle the short term loans of the Group.

**Pro-forma consolidated statement of profit or loss for Adcorp for the six months ended 31 August 2020**

	<b>Unadjusted and unaudited results R'000</b>	<b>Pro-forma adjustments – 100% disposal of Adcorp Support Services Proprietary Limited R'000</b>	<b>Pro-forma financial information after the disposal R'000</b>
<b>CONTINUING OPERATIONS</b>			
<b>Revenue</b>	6 110 733	–	6 110 733
Cost of sales	(5 549 124)	–	(5 549 124)
<b>Gross profit</b>	561 609	–	561 609
Other income	56 663	–	56 663
Operating expenses	(483 363)	–	(483 363)
<b>Earnings before depreciation and amortisation</b>	134 909	–	134 909
Depreciation and amortisation	(64 294)	–	(64 294)
<b>Operating profit</b>	70 615	–	70 615
Interest income	9 692	–	9 692
Interest expense <sup>2c</sup>	(59 222)	7 336	(51 886)
Gain on disposal of subsidiary <sup>2b</sup>	–	10 829	10 829
<b>Profit before taxation</b>	21 085	18 165	39 250
Taxation expense <sup>2d</sup>	(3 753)	(2 054)	(5 807)
<b>Profit for the period from continuing operations</b>	17 332	16 111	33 443
<b>DISCONTINUED OPERATIONS</b>			
Profit for the period from discontinued operations <sup>2f</sup>	26 608	(20 088)	6 520
<b>Profit for the period</b>	43 940	(3 977)	39 963
<b>Profit attributable to:</b>			
Owners of the parent from continuing operations	17 332	16 111	33 443
Owners of the parent from discontinued operations	26 608	(20 088)	6 520
Non-controlling interest	–		
	43 940	(3 977)	39 963

**Notes to the pro-forma consolidated statement of profit or loss for the six months ended 31 August 2020:**

- 1) The “unadjusted and unaudited results” column presents the consolidated statement of profit or loss of the Adcorp Group which has been extracted, without adjustment, from the unaudited consolidated statement of profit or loss of the Adcorp Group for the 6 months ended 31 August 2020, as presented in the Unaudited interim financial statements for the six months ended 31 August 2020.
- 2) The pro-forma adjustments comprise adjustments based on the following principles and assumptions:
  - a. Transaction costs of R2.5 million in addition to the W&I insurance fee payable by Adcorp (refer to 2b. below) have been expensed and included in the profit calculated on the disposal. These transaction costs are expected to be once-off and not tax deductible. The transaction costs excluding the W&I insurance fee disclosed in note 2b below are made up as follows:

<b>Nature of expense</b>	<b>Party</b>	<b>R'000 (excluding VAT)</b>
Transactional advisor	PSG Capital	150
Sponsor	PSG Capital	200
JSE documentation fees	JSE	70
Independent Reporting Accountants	Deloitte	410
Tax Consulting	Deloitte	739
Legal Advisor	Webber Wentzel	850
Printing, publication and distribution expenses	Bastion	57
<b>TOTAL</b>		<b>2 476</b>

- b. The total purchase price consideration including the Total Deferred Payment is R227.3 million of which, R181.1 million is payable on the closing date less the W&I insurance fee which is payable by Adcorp and R12 million being the Upfront Deferred Payment, is deferred until 31 December 2021 which is contingent on maintaining a warranted minimum policyholder base or a minimum revenue of R23.3 million for the period from 1 January 2021 until 31 December 2021 with the Divisions Deferred Payment capped at R34.2 million contingent on Adcorp Support Services Proprietary Limited achieving an EBITDA which exceeds the forecast pro-forma EBITDA for the 2021 financial year as defined in the Agreement. The once-off profit on the disposal of Adcorp Support Services Proprietary Limited has been calculated using the non-conditional purchase consideration of R181.1 million as the deferred contingent values are not considered to be highly probable at the date of the transaction and are dependent on future events, less the net asset value of Adcorp Support Services Proprietary Limited, less the W&I insurance fee, less the derecognition of goodwill and less the associated additional transaction costs, as if, the disposal took place on 1 March 2020 as follows:

	<b>Amount R'000</b>
Non-conditional purchase consideration	181 100
W&I insurance fee payable by Adcorp	(2 700)
Goodwill derecognised	(148 656)
Net asset value of Adcorp Support Services Proprietary Limited	(16 439)
Transaction costs 2a.	(2 476)
Profit on disposal of subsidiary	10 829

- c. The consideration of R181.1 million will be utilised to settle the short term Group loans which, will result in an interest saving of R7.3 million which has been calculated using an effective interest rate of 8.2% being the weighted average interest rate on the short term loans for the period 1 March 2020 up until 31 August 2020. The interest saving is of a continuing nature.
- d. Being the tax impact of the interest income per note 2c above. The applicable legislated tax rates utilised for South Africa for income tax purposes is 28%.
- e. The transaction will result in a capital loss and as a result, no capital gains tax will arise on the transaction.
- f. The profit for the period from discontinued operations is adjusted by R20.0 million to exclude the net profit of Adcorp Support Services Proprietary Limited. The R6.5 million included in the pro-forma information after the disposal of R6.5 million relates to discontinuation of Dare Holdings Proprietary Limited.

**Pro-forma consolidated statement of other comprehensive income for Adcorp for the six months ended 31 August 2020**

	<b>Unadjusted and unaudited results R'000</b>	<b>Pro-forma adjustments – 100% disposal of Adcorp Support Services Proprietary Limited R'000</b>	<b>Pro-forma financial information after the disposal R'000</b>
<b>CONTINUING OPERATIONS</b>			
<b>Profit for the period</b>	43 940	(3 977)	39 963
<b>Other comprehensive income</b>			
Exchange differences on translating foreign operations	(11 699)	–	(11 699)
Exchange differences arising on the net investment of a foreign operation	81 544	–	81 544
<b>DISCONTINUED OPERATIONS</b>			
Exchange differences on translating foreign operations	16 553	–	16 553
<b>Other comprehensive income for the period, net of tax</b>	86 398	–	86 398
Non-controlling interest	158	–	158
<b>Total comprehensive income for the period</b>	130 496	(3 977)	126 519
<b>Total comprehensive income attributable to:</b>			
Owners of the parent continuing operations	87 177	16 111	103 288
Owners of the parent discontinued operations	43 161	(20 088)	23 073
Non-controlling interest	158	–	158
	130 496	(3 977)	126 519
<b>Earnings per share<sup>1</sup></b>			
Basic (cents per share)			
From continuing operations	16,1	15.0	31.0
From discontinued operations	24,7	(18.6)	6.1
Diluted (cents per share)			
From continuing operations	16,1	15.0	31.0
From discontinued operations	24,7	(18.6)	6.1

**Notes:**

## 1) Earnings per share calculation after pro-forma adjustments

	<b>2020</b>
	<b>cents</b>
Earnings per share from continuing operations	31.0
Earnings per share from discontinued operations	6.1
Diluted earnings per share from continuing operations	31.0
Diluted earnings per share from discontinued operations	6.1
Headline earnings per share from continuing operations	22.1
Headline earnings per share from discontinued operations	6.1
Diluted headline earnings per share from continuing operations	22.1
Diluted headline earnings per share from discontinued operations	6.1
	<b>2020</b>
	<b>R'000</b>
<b>Headline earnings</b>	
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share for the Group are as follows:	
Earnings used in the calculation of basic and diluted earnings per share from continuing operations	33 443
Earnings used in the calculation of basic and diluted earnings per share from discontinued operations	6 520
Headline earnings attributable to ordinary shareholders from continuing operations	23 767
Headline earnings attributable to ordinary shareholders from discontinued operations	6 520
<b>Headline earnings for the period attributable to ordinary shareholders from continuing operations</b>	
Headline earnings per share (cents)	22.1
Diluted headline earnings per share (cents)	22.1
Total number of shares in issue	107 732 131
Weighted average number of shares	107 732 131
<b>Reconciliation of headline earnings calculation:</b>	
Earnings for the period attributable to ordinary shareholders from continuing operations	33 443
Loss on sale of property and equipment	1 601
Taxation recovered on the sale of property and equipment	(448)
Profit from the sale of subsidiary	(10 829)
<b>Headline earnings for the period attributable to ordinary shareholders</b>	<b>23 767</b>
<b>Headline earnings for the period attributable to ordinary shareholders from discontinued operations</b>	
Headline earnings per share (cents)	6.1
Diluted headline earnings per share (cents)	6.1
Total number of shares in issue ('000)	107 732 131
Weighted average number of shares ('000)	107 732 131
<b>Reconciliation of headline earnings calculation:</b>	
Earnings for the period attributable to ordinary shareholders from discontinued operations	6 520
<b>Headline earnings for the period attributable to ordinary shareholders</b>	<b>6 520</b>
	<b>2020</b>
	<b>Shares</b>
<b>Weighted average number of shares and diluted weighted average</b>	
Weighted average number of shares	107 732 131
Diluted weighted average number of shares	107 732 131
<b>Total shares in issue</b>	<b>107 732 131</b>
<b>Reconciliation between the number of shares used for earnings per share and diluted earnings per share</b>	
Number of shares used for earnings per share	107 732 131
<b>Number of shares used for diluted earnings per share</b>	<b>107 732 131</b>



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## INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE *PRO* *FORMA* FINANCIAL INFORMATION OF ADCORP

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To the Directors of Adcorp Holdings Limited  
P.O. Box 70635  
Bryanston  
2021

*Dear Sirs/Mesdames*

### **INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN A CIRCULAR**

#### **Report on the Assurance Engagement on the Compilation of Pro Forma Financial Information Included in a Circular**

We have completed our assurance engagement to report on the compilation of *pro forma* financial information of Adcorp Group Limited by the directors. The *pro forma* financial information, as set out in **Annexure 4** of the circular ("the circular"), to be dated on or about 1 March 2021 consists of the Statement of Financial position, Statement of Comprehensive Income and related notes. The *pro forma* financial information has been compiled on the basis of the applicable criteria specified in the JSE Limited (JSE) Listings Requirements and described in Paragraph 1 of **Annexure 4**.

The *pro forma* financial information has been compiled by the directors to illustrate the impact of the corporate action or event, described in Point 2, "Details of the Disposal", in the circular, on the Group's unaudited and unreviewed financial position as at 31 August 2020, and the Group's unaudited and unreviewed financial performance for the period then ended, as if the corporate action or event had taken place at 1 March 2020 and for the period then ended. As part of this process, information about the Group's financial position and financial performance has been extracted by the directors from the Group's unaudited and unreviewed interim financial statements for the period ended 31 August 2020.

#### *Directors' Responsibility for the Pro Forma Financial Information*

The directors are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in **Annexure 4**.

#### *Our Independence and Quality Control*

We have complied with the independence and other ethical requirements of Sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018) and Parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes), which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.

The firm applies the International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

The firm applies the International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### *Reporting Accountant's Responsibility*

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

The purpose of *pro forma* financial information included in a circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction at 31 August 2020 would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *pro forma* financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the company, the corporate action or event in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

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

#### *Opinion*

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in Paragraph 1 of **Annexure 4**.

#### **Deloitte & Touche**

Registered Auditors

Per T Marriday

Partner

Date: 22 February 2021



Connecting Potential

**ADCORP HOLDINGS LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number: 1974/001804/06)

ISIN: ZAE000000139

Share Code: ADR

("Adcorp" or "the Company")

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## NOTICE OF GENERAL MEETING

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NOTICE IS HEREBY GIVEN that a General Meeting of Shareholders will be held electronically at 10:00 on Tuesday, 30 March 2021.

### **Purpose**

The purpose of the General Meeting is to consider and, if deemed fit, to approve, with or without modification, the resolutions set out in this Notice of General Meeting.

### *Note:*

- *The definitions and interpretation commencing on page 6 of the Circular to which this Notice of General Meeting is attached, apply mutatis mutandis to this notice and to the resolutions set out below.*
- *For an ordinary resolution to be approved by Shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution.*
- *The date on which Shareholders must have been recorded as such in the Register for purposes of being entitled to receive this notice is Friday, 19 February 2021.*

### **ORDINARY RESOLUTION NUMBER 1 – APPROVAL OF THE DISPOSAL**

"RESOLVED AS AN ORDINARY RESOLUTION that the Disposal be and is hereby approved by Shareholders and that the Company be and is hereby authorised to implement and to procure the implementation of the Disposal on the terms more fully set out in the Agreement, the detail of which has been included in the Circular and copies of which have been made available for inspection by Shareholders."

### **Reason for and effect of Ordinary Resolution Number 1**

In terms of the JSE Listings Requirements, the Disposal is a category 1 transaction and requires the approval of the Shareholders by way of an ordinary resolution.

The effect of Ordinary Resolution Number 1, if passed by Shareholders, will be that the Company will have the necessary authority in terms of the JSE Listings Requirements to implement, and procure the implementation of, the Disposal in accordance with its terms.

### **ORDINARY RESOLUTION NUMBER 2 – AUTHORITY OF DIRECTORS AND/OR THE COMPANY SECRETARY**

"RESOLVED AS AN ORDINARY RESOLUTION that any Director of the Company and/or the Company Secretary be and is hereby authorised to do all such things and sign all such documentation as are necessary to give effect to Ordinary Resolution Number 1, hereby ratifying and confirming all such things already done and documentation already signed."

### **Reason for and effect of Ordinary Resolution Number 2**

The reason for Ordinary Resolution Number 2 is for Shareholders to authorise the parties referred to in Ordinary Resolution Number 2 to do all things and sign all documentation as is required to give effect to and implement the approvals granted by the Shareholders at the General Meeting.

The effect of Ordinary Resolution Number 2 if passed by the requisite majority of Shareholders will be that the aforementioned parties will be granted the aforementioned authority to act on behalf of the Company and, to the extent that they may have already acted on behalf of the Company in any manner as contemplated by Ordinary Resolution Number 2, any such actions will be ratified.

## **VOTING AND PROXIES**

The date on which Shareholders must be recorded in the Register for purposes of being entitled to receive this Notice of General Meeting is Friday, 19 February 2021.

The date on which Shareholders must be recorded in the Register for purposes of being entitled to attend and vote at the General Meeting, is Friday, 19 March 2021. The last day to trade in order to be entitled to attend and vote at the General Meeting, is Tuesday, 16 March 2021.

An ordinary and/or "B" ordinary shareholder entitled to attend and vote at the General Meeting may appoint any individual (or two or more individuals) as a proxy or as proxies to attend, participate in and vote at the General Meeting in the place of the shareholder. A proxy need not be a shareholder of the Company.

A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment, remains valid only until the end of the General Meeting.

A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.

The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.

The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the Company as required in the first sentence of this paragraph.

If the instrument appointing the proxy or proxies has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the MOI to be delivered by the Company to the shareholder, must be delivered by the Company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has

- directed the Company to do so in writing; and
- paid any reasonable fee charged by the Company for doing so. Attention is also drawn to the "Explanatory notes regarding proxy".

It is recommended that forms of proxy should be delivered to the meeting scrutineers (4AX) at [adcorp@4axregistry.co.za](mailto:adcorp@4axregistry.co.za) or alternatively contact 4AX on +27 11 100 8352 so as to reach this address by no later than 10:00 on Friday, 26 March 2021.

Shareholders who have dematerialised their shares, other than with "own name" registration, should contact their CSDP or stockbroker:

- to furnish their CSDP or stockbroker with their voting instructions; or
- in the event that they wish to attend the meeting, to obtain the necessary letter of representation to do so.

This must be done in terms of the agreement entered into between the shareholder and the CSDP or stockbroker concerned.

Any shareholder having difficulties or queries with regard to the above may contact the Company Secretary via email at [lisa.laporte@adcorpgroup.com](mailto:lisa.laporte@adcorpgroup.com) or 4AX at [adcorp@4axregistry.co.za](mailto:adcorp@4axregistry.co.za).

## **SIGNED AT JOHANNESBURG ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY ON MONDAY, 1 MARCH 2021**

By order of the board

**Noel Prendergast**  
Chief Financial Officer

### **Registered Address**

Adcorp Place, 102 Western Service Road,  
Gallo Manor Ext 6, Johannesburg, South Africa, 2191  
(PO Box 70635, Bryanston, Johannesburg, South Africa, 2021)

### **Transfer Secretaries**

4 Africa Exchange Registry Proprietary Limited  
Hill On Empire, 4th Floor, Building A,  
16 Empire Road, Parktown,  
Johannesburg, South Africa, 2093



Connecting Potential

**ADCORP HOLDINGS LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number: 1974/001804/06)

ISIN: ZAE000000139

Share Code: ADR

("Adcorp" or "the Company")

**FORM OF PROXY**

**TO BE COMPLETED BY CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WITH OWN-NAME REGISTRATION ONLY**

For use by Shareholders at the General Meeting of the Company held electronically on Tuesday, 30 March 2021 at 10:00, or any adjourned or postponed meeting.

The definitions and interpretation commencing on page 6 of the Circular to which this Form of Proxy is attached ("**the Circular**") apply mutatis mutandis to this Form of Proxy.

If you are a Dematerialised Shareholder without Own-Name Registration you must not complete this Form of Proxy but must instruct your CSDP or Broker as to how you wish to vote. This must be done in terms of the Custody Agreement between you and your CSDP or Broker.

I/We (Please PRINT names in full)

of (address)

Telephone number

Cellphone number

e-mail address

being the holder(s) of

Certificated Shares

or Dematerialised Shares with Own-Name Registration do hereby appoint (see notes 1 and 2):

1. or failing him/her,

2. or failing him/her,

3. the chairman of the General Meeting

as my/our proxy to attend, speak and vote for me/us at the General Meeting (or any adjournment thereof) for purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the Shares registered in my/our name(s), in accordance with the following instruction (see notes):

	For*	Against*	Abstain*
<b>Ordinary Resolution Number 1</b> Approval of the Disposal			
<b>Ordinary Resolution Number 2</b> Authority of Directors and/or the Company Secretary			

\* One vote per Share held by Shareholders. Shareholders must insert the relevant number of votes they wish to vote in the appropriate box provided.

Signed at:

on

2021

Signature

Capacity of signatory (where applicable)

**Note:** Authority of signatory to be attached – see notes 8 and 9.

Assisted by me (where applicable)

Full name

Capacity

Signature

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## NOTES TO THE FORM OF PROXY

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### SUMMARY OF RIGHTS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

In terms of section 58 of the Companies Act:

- A shareholder may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a Shareholders' meeting on behalf of such shareholder.
- A Shareholder may appoint two or more persons concurrently as proxies and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.
- A proxy may delegate his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy.
- Irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder.
- Any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise.
- If an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by (i) cancelling it in writing or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the relevant company.
- A proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise.
- If the instrument appointing a proxy or proxies has been delivered by a shareholder to a company, then, for so long as that appointment remains in effect, any notice that is required in terms of the Companies Act or such company's memorandum of incorporation to be delivered to a shareholder must be delivered by such company to:
  - the relevant shareholder; or
  - the proxy or proxies, if the relevant shareholder has: (i) directed such company to do so, in writing and (ii) paid any reasonable fee charged by such company for doing so.

### EXPLANATORY NOTES REGARDING PROXY

1. The form of proxy must only be used by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
2. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the General Meeting must provide the CSDP or broker with their voting instructions in terms of the relevant agreement entered into between them and the CSDP or broker.
3. An ordinary and/or "B" ordinary shareholder entitled to attend and vote at the General Meeting may insert the name of a proxy or the names of two or more alternate proxies of the shareholder's choice in the space provided, with or without deleting "the Chairman of the General Meeting". The person whose name stands first on the form of proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of such proxy(ies) whose names follow.
4. An ordinary and/or "B" ordinary shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary and/or "B" ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the General Meeting as he/she deems fit in respect of all the shareholder's exercisable votes. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
5. A vote given in terms of an instrument of proxy will be valid in relation to the General Meeting despite the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the proxy is given, unless notice on any of the noted matters has been received by the transfer secretaries not less than 48 hours before the start of the General Meeting.
6. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the General Meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.
7. The Chairman of the General Meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with the Act, the MOI and these notes.
8. A shareholder's authorisation to the proxy, including the Chairman of the General Meeting, to vote on such shareholder's behalf, will be deemed to include the authority to vote on procedural matters at the General Meeting.
9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the General Meeting and speaking and voting in person to the exclusion of any proxy appointed in terms hereof.
10. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's transfer secretaries or it is waived by the Chairman of the General Meeting.
11. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the Company.
12. Where there are joint holders of shares:
  - any one holder may sign the form of proxy; and
  - the vote(s) of the senior shareholder(s) (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Company's register of shareholders) who tender(s) a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
13. It is recommended that forms of proxy be lodged with or mailed to the Company Secretary at [lisa.laporte@adcorpgroup.com](mailto:lisa.laporte@adcorpgroup.com) and copied to the Transfer Secretary (4AX) on [adcorp@4axregistry.co.za](mailto:adcorp@4axregistry.co.za) or alternatively contact 4AX on +27 11 100 8352 by no later than 10:00 on Friday, 26 March 2021. A proxy form not lodged by this time may be handed to the Chairman before the due commencement of the voting of the meeting.
14. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.

### Registered Address

Adcorp Place, 102 Western Service Road,  
Gallo Manor Ext 6, Johannesburg, South Africa, 2191  
(PO Box 70635, Bryanston, Johannesburg, South Africa, 2021)

### Transfer Secretaries

4 Africa Exchange Registry Proprietary Limited  
Hill On Empire, 4th Floor, Building A,  
16 Empire Road, Parktown,  
Johannesburg, South Africa, 2093



