

# AdBEE (RF) LIMITED

AUDITED ANNUAL FINANCIAL STATEMENTS  
30 JUNE 2017  
AND NOTICE OF ANNUAL GENERAL MEETING



# ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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<b>DIRECTORS</b>	CD Raphiri PM Makwana Dr T Lesoli	
<b>AUDITORS</b>	Ernst & Young Inc.	
<b>COUNTRY OF INCORPORATION</b>	South Africa	
<b>BANKERS</b>	Nedbank	
<b>REGISTERED OFFICE</b>	1 New Road Midrand 1685	Private Bag X69 Bryanston 2021
<b>COMPANY REGISTRATION NUMBER</b>	2015/054070/06	
<b>SHARE CODE</b>	ADE	
<b>ISIN</b>	ZAE000204897	

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## APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

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The annual financial statements set out on pages 6 to 10 were approved by the Board of Directors on 28 July 2017 and are signed on its behalf by:

**CD Raphiri**  
*Director*

**PM Makwana**  
*Director*

**Dr T Letsoli**  
*Director*

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AdBEE (RF) LIMITED

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## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### **OPINION**

We have audited the financial statements of AdBEE (RF) Limited set out on pages 6 to 10, which comprise the statement of financial position as at 30 June 2017, and the statements of comprehensive income, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of AdBEE (RF) Limited as at 30 June 2017, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### **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 financial statements" section of our report. We are independent of the Company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA code) and other independence requirements applicable to performing the audit of AdBEE (RF) Limited. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of AdBEE (RF) Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

### **OTHER INFORMATION**

The directors are responsible for the other information. The other information comprises of the Shareholders Register and the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS**

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the financial statements 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 these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, 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.
- 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 financial statements 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements 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.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Incorporated has been the auditor of AdBEE (RF) Limited for two years.

### **Ernst & Young Inc.**

Dave Cathrall

*Registered Auditor*

Chartered Accountant (SA)

24 August 2017

102 Rivonia Road

Johannesburg

Gauteng

South Africa

2146

# DIRECTORS' REPORT

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The directors have pleasure in presenting their report for the year ended 30 June 2017.

## NATURE OF SCHEME

AdBEE (RF) Limited (AdBEE) is established for the specific purpose of issuing AdBEE securities to the participants in the July 2015 BEE scheme. The main purpose is to assume the liabilities of Ad-Izinyosi Proprietary Limited (Ad-I) to the scheme participants in return for Ad-I becoming indebted to AdBEE. For further details of the scheme arrangements, refer to "Circular to Adcock Shareholders" issued 28 May 2015 which could be found on the investors' section on [www.adcock.com](http://www.adcock.com).

## DIVIDENDS

No dividend has been declared during the current or the prior year.

## SHARE CAPITAL

The details of the authorised and issued share capital are disclosed in note 3 of the annual financial statements.

## DIRECTORS

Details of the directors are given on page 2. The directors and their associates have no direct or indirect beneficial interest in the Company. In terms of the Memorandum of Incorporation, the Board is a unitary Board and all directors are entitled to exercise one vote on any issue being considered by the Board and the Chairman does not have a casting vote. Accordingly, no director has more power and authority than others.

## POST REPORTING DATE EVENTS

There have been no events subsequent to the reporting date that require any adjustment or disclosure.

## AUDITORS

Ernst & Young Inc. will continue in office in the next financial year.

## PREPARATION OF ANNUAL FINANCIAL STATEMENTS

The financial statements were prepared under the supervision of the Chief Financial Officer of Adcock Ingram Holdings Limited, Dorette Neethling CA (SA).

# STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2017

	2017 R'000	2016 R'000
Fair value (gain)/loss on Ad-I indebtedness	(419 690)	574 748
Fair value loss/(gain) on securities	419 690	(574 748)
	-	-

# STATEMENTS OF FINANCIAL POSITION

as at 30 June 2017

	Notes	2017 R'000	2016 R'000
<b>ASSETS</b>			
<b>Non-current asset</b>			
Ad-I indebtedness	2	1 188 776	769 086
<b>Total assets</b>		<b>1 188 776</b>	769 086
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	3	*	*
<b>Long-term liabilities</b>			
AdBEE securities	4	1 188 776	769 086
<b>Total equity and liabilities</b>		<b>1 188 776</b>	769 086

\* Less than R1 000

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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## 1. ACCOUNTING POLICIES

### BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis except for financial assets and liabilities which are disclosed at fair value. No statement of cash flows has been presented, as the entity does not have a bank account and there were no cash transactions during the year. No statement of changes in equity has been presented as there were no movements.

### FINANCIAL ASSETS

#### Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition. The Company's classification of financial assets is as follows:

<i>Description of asset</i>	<i>Classification</i>
Ad-I indebtedness	Fair value through profit or loss

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The amount owing from Ad-I is based on the value of the AdBEE security, which is based on the value of an Adcock Ingram Holdings Limited (Adcock Ingram) ordinary share. The amount owing contains an embedded derivative and has been designated as fair value through profit and loss.

#### Subsequent measurement

Financial assets at fair value through profit and loss include the Ad-I indebtedness, designated upon initial recognition as fair value through profit and loss.

#### Derecognition

Financial assets or parts thereof are derecognised when:

- the right to receive the cash flows has expired; or
- the Company transfers the right to receive the cash flows, and also transfers either all the risks and rewards, or control over the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

### FINANCIAL LIABILITIES

#### Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value.

The Company has classified financial liabilities as follows:

<i>Description of liability</i>	<i>Classification</i>
AdBEE securities	Fair value through profit or loss

The AdBEE securities contain an embedded derivative, as the final settlement value is based on the Adcock Ingram share price. The entire security has been designated through profit and loss.



### Subsequent measurement

Financial liabilities at fair value through profit and loss include the AdBEE securities, designated upon initial recognition as fair value through profit and loss.

### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

### FAIR VALUE OF FINANCIAL INSTRUMENTS

To measure fair value, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments measured at fair value by valuation technique:

- Level 1 – quoted (unadjusted) prices in active markets;
- Level 2 – other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3 – valuation techniques which use inputs which have a significant effect on the recorded fair value that are based on unobservable market data.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics, risks and the fair value hierarchy.

### STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The following standard has not been applied by the Company as the standard is not yet effective. The Company intends to adopt this standard when it becomes effective.

### IFRS 9 Financial Instruments: Recognition and Measurement

IFRS 9 as issued reflects the final version of the IASB's work on the replacement of IAS 39 and deals with the classification and measurement of financial instruments, impairment and hedge accounting. On adoption the Company will need to consider its financial assets and liabilities in light of its business model or managing such assets and liabilities, as well as the cash flow characteristics of such instruments, in determining the appropriate classification and measurement of these items. IFRS 9 will be effective for the Company from 1 July 2018. Adoption of the standard is not expected to have a material impact on the entity. The Ad-I indebtedness is expected to fail the "solely payments of principal and interest (SPPI) test" and will thus be classified as fair value through profit or loss. The AdBEE security will also likely also be designated as at fair value through profit or loss.

	2017 R'000	2016 R'000
<b>2. Ad-I INDEBTEDNESS</b>		
Opening balance	769 086	1 343 834
Fair value gain/(loss)	419 690	(574 748)
Closing balance	1 188 776	769 086
The indebtedness, which arose as AdBEE assumed the obligation of Ad-I, is interest free until July 2019 and thereafter interest will be charged at the Nedbank overnight deposit rate.		
The fair value of the indebtedness is a level 2 and is calculated using the quoted price of the AdBEE security.		
<b>3. SHARE CAPITAL</b>		
<i>Authorised:</i>		
1 000 no par value shares		
One "A" redeemable no par value preference share		
One "B" redeemable no par value preference share		
<i>Issued:</i>		
One ordinary share of R1, issued to Friedself 1653 Proprietary Limited	*	*
One "A" redeemable preference share, issued to Adcock Ingram Holdings Limited	*	*
One "B" redeemable preference share, issued to Ad-Izinyosi Proprietary Limited	*	*

\* Less than R1 000

	2017 R'000	2016 R'000
<b>4. AdBEE SECURITIES</b>		
Opening balance	<b>769 086</b>	1 343 834
Fair value gain	<b>419 690</b>	(574 748)
Closing balance	<b>1 188 776</b>	769 086
<p>The 25 842 959 securities are listed on the JSE main board in the "Specialist Securities" sector as an asset-backed security, under the code "ADE".</p> <p>Depending on the Adcock Ingram Holdings Limited share price (code: AIP), on the fourth anniversary the securities can be settled, cancelled or extended for another year to be exercisable in July 2019.</p> <p>The security is at a level 1 fair value and becomes payable on settlement of the Ad-I indebtedness.</p>		

## 5. FINANCIAL RISK MANAGEMENT

The Company's financial liabilities comprise primarily of securities issued to the participants of the BEE scheme. The financial assets of the Company comprise of the indebtedness from Ad-I.

The main risks arising from the Company's financial instruments are liquidity, credit and equity price risk. These risks are summarised below.

### 5.1 Liquidity risk

The settlement of the security is dependent on when and how the Ad-I indebtedness is settled. Ad-I can either elect to settle in cash and/or Adcock Ingram Holdings Limited shares. If the Adcock Ingram Holdings Limited share price is below R40 per share during the empowerment period of four years, the directors can convene a meeting to decide whether they should waive the resolutive condition to cancel the transaction. If they do not waive the resolution, the transaction will be cancelled and all parties will be restored to the status quo. If the directors waive the resolution, the transaction will not be cancelled and will continue until its 4th anniversary. The Directors of AdBEE are entitled to extend the scheme end date of the transaction after the 4th anniversary, should they deem it necessary. Should they elect to do so, it would result in the transaction period being extended by the aggregate maximum of one year subject to the terms of the scheme.

If the Adcock Ingram Holdings Limited share price is below R72 per share at the 4th anniversary, the Ad-I indebtedness will be calculated using the "calculated value", i.e. the 30-day VWAP of Adcock Ingram Holdings Limited shares before this date, but not less than R52. Ad-I can waive the resolutive condition on all the shares or only a portion and will pay their indebtedness based on the calculated value in cash or part cash and part delivery of scheme shares. If the directors do not waive the resolution, the transaction is cancelled and all parties will be restored to the status quo.

If the Adcock Ingram Holdings Limited share price is above R72 per share at the 4th anniversary, the Ad-I indebtedness shall be settled and any remaining Adcock Ingram Holdings Limited shares in Ad-I will be released from the pledge.

### 5.2 Credit risk

The maximum credit risk exposed is to the value of the Ad-I indebtedness. Adcock Ingram Holdings Limited shares held by Ad-I are pledged as security for the indebtedness.

### 5.2 Equity price risk

The fair value of the Ad-I indebtedness and the AdBEE security is linked to the Adcock Ingram Holdings Limited share price. The fair value adjustment of the Ad-I indebtedness has the inverse effect in the fair value adjustment of the AdBEE security. Therefore, any reasonably possible changes in the price of the Adcock Ingram Holdings Limited share price will result in fair value changes of the Ad-I indebtedness and the AdBEE security which largely offset each other.

# SHAREHOLDER REGISTER

## 1 REGISTER SHAREHOLDER SPREAD

In accordance with the JSE Listings Requirements, the following table confirms the spread of registered shareholders as at 30 June 2017:

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	4 427	93.7	522 339	2.0
1 001 – 10 000 shares	251	5.3	691 974	2.7
10 001 – 100 000 shares	31	0.6	957 195	3.7
100 001 – 1 000 000 shares	12	0.3	4 332 601	16.8
1 000 001 shares and above	3	0.1	19 338 850	74.8
<b>Total</b>	<b>4 724</b>	<b>100</b>	<b>25 842 959</b>	<b>100.0</b>

## 2 SUBSTANTIAL INVESTMENT MANAGEMENT EQUAL TO OR IN EXCESS OF 5%

The following shareholders held, directly and indirectly, equal to or in excess of 5% of the issued share capital as at 30 June 2017:

Investment manager	Total shareholding	%
BB Investment Company (Pty) Ltd	11 403 574	44.1
Public Investment Corporation of South Africa	6 820 648	26.4
Ceantaur Asset Management (Pty) Ltd	1 532 365	5.9
Titan Financial Services (Pty) Ltd	1 301 676	5.0
<b>Total</b>	<b>21 058 263</b>	<b>81.4</b>

# NOTICE OF ANNUAL GENERAL MEETING

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## **AdBEE (RF) LIMITED**

(Incorporated in the Republic of South Africa)

Registration number 2015/054070/06

ISIN: ZAE000204897

JSE Share Code: ADE

("AdBEE" or "the Company")

**Board of Directors** ("Board"): Dr T Lesoli, Mr M Makwana and Mr C Raphiri (Chairperson)

## **NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Notice is hereby given that the Annual General Meeting of shareholders of AdBEE will be held at the Company's premises, 1 New Road, Midrand, Gauteng on Thursday, 23 November 2017 at 13:00 or at any other adjourned or postponed time determined in accordance with the provisions of section 64(4) or section 64(10) (as read with section 64(11)(a)(i)) of the Companies Act 71 of 2008 ("**Companies Act**") (such Annual General Meeting being hereinafter referred to as the "**Annual General Meeting**").

**This document is important and requires your immediate attention. Your attention is drawn to the notes at the end of this notice, which contain important information regarding shareholders' participation at the Annual General Meeting. Should you be in any doubt as to what action to take in respect of the proposed resolutions and other matters contemplated in this notice of Annual General Meeting or the explanatory notes hereto, we recommend that you consult appropriate professional advisers. For purposes of this notice of Annual General Meeting and the explanatory notes hereto, the term "shareholder" shall have the meaning ascribed thereto in section 57(1) of the Companies Act).**

In terms of section 59(1) of the Companies Act, the Board has set the record dates to determine which shareholders are entitled to:

- (a) receive this Notice of Annual General Meeting as being Friday, 22 September 2017; and
- (b) participate in and vote at the Annual General Meeting as being Friday, 17 November 2017.

The meeting is convened for the purpose of conducting the following business and to consider and if deemed fit, pass and approve, with or without modification, the ordinary resolutions set out below in the manner required by the Companies Act and the JSE Listings Requirements. Please see the explanatory notes commencing on page 15 for the explanations which accompany the below ordinary resolutions.

### **1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS**

To present the audited annual financial statements of the Company as approved by the Board of the Company in terms of section 30(3) of the Companies Act, incorporating, *inter alia*, the reports of the external auditors and the directors for the financial year ended 30 June 2017.

### **2. RE-ELECTION OF NON-EXECUTIVE DIRECTORS**

#### **Ordinary Resolution 1**

- 2.1 To elect Mr Mpho Makwana (Mr Makwana), who is retiring by rotation in accordance with clause 40.3.1 of the Company's Memorandum of Incorporation ("**MOI**"), as a non-executive director of the Company as contemplated in section 68(2)(a) of the Companies Act.
- 2.2 Mr Makwana, being eligible and available, offers himself for re-election.

### **3. ELECTION OF AUDIT COMMITTEE MEMBERS**

#### **Ordinary Resolution 2**

- 3.1 To constitute the Audit Committee of the Company by the election, by way of separate divisible resolutions, of the following non-executive directors as the Audit Committee members for the ensuing year in accordance with section 94 of the Companies Act:
  - 3.1.1 Dr T Lesoli (as Ordinary Resolution 2.1);
  - 3.1.2 Mr M Makwana (subject to being re-elected as a director in terms of Ordinary Resolution 1 above) (as Ordinary Resolution 2.2); and
  - 3.1.3 Mr C Raphiri (as Ordinary Resolution 2.3).
- 3.2 The above non-executive directors, being eligible and available, offer themselves for election as members of the Audit Committee.

#### 4. **RE-APPOINTMENT OF EXTERNAL AUDITORS**

##### **Ordinary Resolution 3**

To re-appoint Ernst & Young as independent external auditors of the Company for the ensuing year (the designated auditor being Mr Dave Cathrall).

#### 5. **DELEGATION OF AUTHORITY**

##### **Ordinary Resolution 4**

To authorise any 1 (one) director of the Company and/or the Company Secretary to do all such things and sign all such documents (including any amendments thereto) as are deemed necessary or advisable to implement the ordinary resolutions which have been (or will be) duly passed as set out in the notice convening the Annual General Meeting.

#### **Any other business**

In terms of section 61(8)(d) of the Companies Act, an Annual General Meeting must provide for the transacting of business in relation to any matters raised by shareholders, with or without advance notice to the Company.

#### **Electronic communication and participation**

Shareholders or their proxies may participate in the Annual General Meeting by way of a teleconference call and, if they wish to do so:

- must contact the Company Secretary: ntando.simelane@adcock.com or +27 (0) 11 635 0143 during business hours (08h00 to 17h00 on week days);
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the meeting.

Please note that shareholders or their proxies will be entitled to exercise voting rights at the meeting by way of teleconference call.

#### **Voting**

Note that in terms of clause 13.5 of the MOI, the holder of the preference share in the Company is not entitled to vote at the Annual General Meeting unless any one or more of the circumstances envisaged below prevail as at the date of the Annual General Meeting:

- a resolution is proposed which directly affects any of the rights attached to the preference share or the interests of the holder of the preference share, including a resolution for the winding-up of the Company or the reduction of its share capital;
- any resolution is proposed for a repurchase of the Company's shares or a distribution of any nature to the holders of ordinary shares in the Company, other than in accordance with the scheme of arrangement contemplated by the circular posted to the ordinary shareholders of Adcock Ingram Holdings Limited on or about 28 May 2015 and adopted by such ordinary shareholders of Adcock Ingram Holdings Limited on or about 10 July 2015;
- any dividend, or part thereof, declared in respect of such preference share remains in arrears;
- any redemption payments in respect of such preference share remains in arrears,

and in this regard, the holder of such preference share shall be entitled to exercise the same number of voting rights at such meeting as the holders of the ordinary shares in the Company.

The Board is of the view that none of the circumstances contemplated above, which would entitle the holder of the preference share to vote at the Annual General Meeting, prevail as at the date of this notice of Annual General Meeting.

Please note that, save in the circumstances where the holder of the preference share in the Company is entitled to vote at the Annual General Meeting (which circumstances are more fully described above), the sole ordinary shareholder of the Company holds all of the voting rights exercisable on the resolutions contemplated in this notice of Annual General Meeting, and accordingly, to be approved, each of the resolutions contemplated in this notice of Annual General Meeting requires the approval of the sole ordinary shareholder.

#### **Proxies**

A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, participate in and vote at the meeting in the place of the shareholder. A proxy need not also be a shareholder of the Company.

Please note that, in accordance with section 63(1) of the Companies Act, the person presiding at the meeting must be reasonably satisfied that the right of that person to participate and vote, either as a shareholder, or as a proxy for a shareholder, has been reasonably verified. Accordingly, meeting participants (including shareholders and proxies) must provide satisfactory identification. Without limiting the generality hereof, the Company will accept a valid South African identity document, a valid driver's license or a valid passport as satisfactory identification.

Forms of proxy should be lodged in person or posted to the Company Secretary to be received (but not required) by no later than 13:00, on Tuesday, 21 November 2017 or not less than 48 hours before any adjourned or postponed meeting provided that they may be handed to the chairperson of the meeting at any time prior to the proxy exercising any right at the meeting.

By order of the Board

*Company Secretary*  
Midrand

28 August 2017

# ANNUAL GENERAL MEETING – EXPLANATORY NOTES

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## **Presentation of annual financial statements and reports**

Section 61(8) of the Companies Act requires directors to present the annual financial statements including the report of the Audit Committee for the year ended 30 June 2017 to shareholders, together with the reports of the directors and the Audit Committee at the Annual General Meeting.

Shareholders are advised that, in terms of section 62(3)(d) of the Companies Act, a copy of the complete annual financial statements for the preceding financial year may be obtained by submitting a written request to the Company Secretary.

## **Ordinary Resolution 1 – Re-election of non-executive directors**

In terms of the MOI, one-third of the non-executive directors are required to retire at each Annual General Meeting and may offer themselves for re-election. The MOI further provides that non-executive directors so to retire at each Annual General Meeting shall be those who have been longest in office since their last election, but in the case of directors who were elected on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by lot.

Each of the existing directors were elected to the Board on or about 22 April 2015. The Company has accordingly determined that Mr Makwana shall retire by rotation as required by the MOI.

Mr Makwana has offered himself for re-election and, having been evaluated and had his suitability for re-appointment confirmed by the Board, is eligible for re-election.

To be approved, Ordinary Resolution 1 requires the support of more than 50% (fifty percent) of the voting rights exercised on the resolution.

If Ordinary Resolution 1 is approved, the effect would be to elect Mr Makwana as a non-executive director to the Board of the Company until such time as he resigns or is otherwise removed from office.

## **Ordinary Resolution 2 – Election of the Audit Committee members**

Section 94(2) of the Companies Act requires the Company to elect an Audit Committee comprising at least 3 (three) non-executive directors of the Board at each Annual General Meeting. In order to comply with the aforesaid provision of the Companies Act, the Board hereby nominates the following non-executive directors to be elected as members of the Audit Committee of the Company:

- 2.1 Dr T Lesoli (as Ordinary Resolution 2.1);
- 2.2 Mr M Makwana (subject to being re-elected as a director in terms of Ordinary Resolution 1 above) (as Ordinary Resolution 2.2); and
- 2.3 Mr C Raphiri (as Ordinary Resolution 2.3).

It is furthermore specifically disclosed that Mr C Raphiri, who has been nominated by the Board to be elected as a member of the Audit Committee of the Company in terms of Ordinary Resolution 2.3 above, is also the Chairperson of the Company.

To be approved, each of the resolutions for the election of members of the Audit Committee in Ordinary Resolution 2 requires the support of more than 50% (fifty percent) of the voting rights exercised on the resolution.

If Ordinary Resolution 2 is approved, the effect would be to elect the abovementioned directors to the Audit Committee until the next Annual General Meeting of the Company.

## **Ordinary Resolution 3 – re-appointment of external auditors**

In terms of section 90(1) of the Companies Act the Company must appoint an auditor each year at its Annual General Meeting by way of an ordinary resolution of the shareholders entitled to exercise voting rights on that resolution.

In terms of section 94(7)(a) (as read with section 90(2)) of the Companies Act, the Audit Committee of the Company must nominate a registered auditor for appointment as auditor of the Company who is, in the opinion of the Audit Committee, independent of the Company. The Audit Committee has nominated Ernst & Young Inc. ("EY") as the independent external auditors of the Company. The Board, following the Audit Committee's recommendation, is satisfied that EY and the individual auditor designated by EY as responsible for performing the functions of the Company's auditor on behalf of Ernst & Young, namely Mr Dave Cathrall, can be regarded as independent and are thereby able to conduct their audit functions without any conflict or influence.

Ernst & Young Inc. has confirmed its willingness to continue in office and Ordinary Resolution 3 proposes the re-appointment of that firm as the Company's auditors with immediate effect until the next Annual General Meeting. As contemplated in section 90(3) of the Companies Act, the name of the designated auditor, Mr Dave Cathrall, forms part of the resolution.

To be approved, Ordinary Resolution 3 requires the support of more than 50% (fifty percent) of the voting rights exercised on the resolution.

If Ordinary Resolution 3 is approved, the effect would be to approve the appointment of EY as the independent external auditors of the Company until the next Annual General Meeting of the Company.

#### **Ordinary Resolution 4 – Delegation of Authority**

This reason for Ordinary Resolution 4 is to authorise any 1 (one) director or the Company Secretary of the Company to do all such things and sign all documents and take all such action as he/she may consider necessary to implement the resolutions set out in the notice convening the Annual General Meeting at which Ordinary Resolution 4 will be considered.

To be approved, Ordinary Resolution 4 requires the support of more than 50% (fifty percent) of the voting rights exercised on the resolution.

#### **Quorum**

The meeting of shareholders contemplated herein may begin, and a matter may begin to be debated at that meeting, only if the following quorum requirements are met as required by the Companies Act and the MOI:

1. subject to 2 and 3 below –
  - 1.1 a meeting of shareholders may not begin until sufficient persons are present at the meeting to exercise, in aggregate, at least 25% (twenty-five percent) of all of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the meeting; and
  - 1.2 a matter to be decided at the meeting may not begin to be considered unless sufficient persons are present at the meeting to exercise, in aggregate, at least 25% (twenty-five percent) of all of the voting rights that are entitled to be exercised on that matter at the time the matter is called on the agenda;
2. once a quorum has been established at a meeting of shareholders, all the shareholders necessary to maintain such quorum must be present at that meeting to consider and vote on any matter;
3. despite the percentage figures set out in 1, should the Company have more than 2 (two) shareholders, a meeting may not begin, or a matter begin to be debated unless –
  - 3.1 at least 3 (three) shareholders are "present at the meeting" (as defined in the Companies Act); and
  - 3.2 the requirements of 1, are satisfied.



# FORM OF PROXY

## AdBEE (RF) LIMITED

(Incorporated in the Republic of South Africa)

Registration number 2015/054070/06

ISIN: ZAE000204897

JSE Share Code: ADE

("AdBEE" or "the Company")

**For use only by certificated shareholders of AdBEE in respect of the Annual General Meeting of shareholders to be held at 1 New Road, Midrand, Gauteng, on Thursday, 23 November 2017 at 13:00 or at any other adjourned or postponed time determined in accordance with the provisions of section 64(4) or section 64(10) (as read with section 64(11)(a)(i)) of the Companies Act.**

**A shareholder is entitled to appoint an individual as a proxy (who need not to be a shareholder of AdBEE) to attend, speak and vote or abstain from voting in the place of that shareholder at the Annual General Meeting.**

All terms defined in the notice of Annual General Meeting to shareholders dated 29 September 2017 to which this form of proxy is attached and not defined herein shall bear the same meanings herein.

This form of proxy is only to be completed by those ordinary shareholders of AdBEE who hold ordinary shares in certificated form.

I/We, the undersigned (Please print full names) \_\_\_\_\_

of (address) \_\_\_\_\_

being a shareholder of the Company, and entitled to (insert number) \_\_\_\_\_ votes, do hereby appoint

(Please print full names): \_\_\_\_\_

or failing him/her, (Please print full names): \_\_\_\_\_

or, failing him/her, the Chairman of the Annual General Meeting, as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of shareholders of the Company to be held at the Company's premises, 1 New Road, Midrand, Gauteng on Thursday, 24 November 2017 at 13:00 or any postponement or adjournment thereof, as follows:

*(\*Indicate instructions to proxy by insertion of the relevant number of votes exercisable by the shareholders in the space provided below. If no instructions are given, the proxy holder will be entitled to vote or to abstain from voting as such proxy holder deems fit.)*

Number of votes \_\_\_\_\_

	In favour of the resolution	Against the resolution	Abstain from voting on the resolution
<b>Ordinary Resolution 1</b>			
To re-elect Mr Mpho Makwana as a non-executive director of the Company, who is retiring by rotation in terms of the MOI and makes himself available for re-election:			
<b>Ordinary Resolution 2</b>			
To elect the following non-executive directors as Audit Committee members by way of separate resolutions:			
2.1 Dr T Lesoli (subject to being re-elected as a director of the Company in terms of Ordinary Resolution 1)			
2.2 Mr M Makwana			
2.3 Mr C Raphiri			
<b>Ordinary Resolution 3</b>			
To re-appoint EY as the independent external auditors of the Company for the ensuing year (the designated auditor being Mr Dave Cathrall).			
<b>Ordinary Resolution 4</b>			
To authorise any one director of the Company or the Company Secretary to do all such things and sign all such documents (including any amendments thereto) to implement all the resolutions tabled and approved at this Annual General Meeting.			

And generally to act as my/our proxy at the Annual General Meeting.

Signed by me (full names) \_\_\_\_\_

in my capacity as \_\_\_\_\_ at (place) \_\_\_\_\_ on this (date, month and year)

Signature \_\_\_\_\_

**Please read the notes on the reverse hereof.**

# NOTES TO COMPLETION OF FORM OF PROXY

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1. If you have disposed of all your ordinary shares, this document should be handed to the purchaser of such ordinary shares or the broker, banker, attorney, accountant or other person through whom the disposal was effected.
2. If you are in any doubt as to what action you should take arising from this document, please immediately consult your broker, banker, attorney, accountant or other person through whom the disposal was effected. You are reminded that the onus is on you to communicate with your broker.
3. A form of proxy is only to be completed by those ordinary shareholders who are holding ordinary shares in certificated form.
4. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided with or without deleting "the Chairman of the Annual General Meeting" but any such deletion must be initialled by you. Any insertion or deletion not complying with the foregoing will, subject to 11 below, be declared not to have been validly effected. A proxy need not be a shareholder of the Company. The person whose name stands first on this form of proxy and who is present at the Annual General Meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the Chairman of the Annual General Meeting.
5. If voting is by a show of hands, any person who is present at the meeting, whether as a shareholder or as a proxy for a shareholder, has the number of votes determined in accordance with the voting rights associated with the securities held by that shareholder.
6. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant numbers of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. 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 maximum number of the votes exercisable by the shareholder or by the proxy.
7. The proxy shall (unless this sentence is struck out and countersigned) have the authority to vote, as he/she deems fit, on any other resolution which may validly be proposed at the meeting, including in respect of the proposed amendment to the above resolutions. If the foregoing sentence is struck out, the proxy shall be deemed to be instructed to vote against any such proposed additional resolution and/or proposed amendment to an existing resolution as proposed in the notice to which this form of proxy is attached. A vote given in terms of an instrument of proxy shall be valid in relation to the meeting, notwithstanding the death of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the vote is given, unless an intimation in writing of such death, revocation or transfer is received by the Company Secretary before the commencement of the Annual General Meeting.
8. To be effective, completed forms of proxy:
  - (i) should, for administrative purposes only, be lodged with or mailed to AdBEE, 1 New Road, Midrand, Gauteng (marked for the attention of the Company Secretary) to be received by 13h00 on Tuesday, 21 November 2017 or not less than 48 hours before any adjourned or postponed meeting; or
  - (ii) must be handed to the chairperson of the Annual General Meeting before the appointed proxy exercises any of the relevant shareholder's rights at the Annual General Meeting (including any adjourned or postponed meeting), provided that, should the relevant shareholder return such form of proxy in terms of (i) above, the relevant shareholder will also be required to furnish a copy of such form of proxy to the chairperson of the Annual General Meeting before the appointed proxy exercises any of the relevant shareholder's rights at the Annual General Meeting (including any adjourned or postponed meeting).
9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
10. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity or other legal capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries or waived by the Chairman of the Annual General Meeting. 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 AdBEE.
11. Any alteration or correction made to this form or proxy must be initialled by the signatory/ies.
12. Notwithstanding the foregoing, the Chairman of the Annual General Meeting may waive any formalities that would otherwise be a pre-requisite for a valid proxy.
13. Where there are joint holders of shares: (i) any one holder may sign this form of proxy; and (ii) the vote(s) of the senior shareholder (for that purpose seniority will be determined by the order in which the names of the shareholders appear in the securities register of the Company) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholders.
14. The chairperson of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received, other than in compliance with these notes.
15. A proxy may not delegate his/her authority to act on behalf of the shareholder in question to another person.

# SUMMARY OF APPLICABLE RIGHTS ESTABLISHED IN TERMS OF SECTION 58 OF THE COMPANIES ACT

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For purposes of this summary, the term “shareholder” shall have the meaning ascribed thereto in section 57(1) of the Companies Act.

1. At any time, a shareholder of a company is entitled to appoint any individual, including an individual who is not a shareholder of that company, as a proxy to participate in, speak and vote at, a shareholders’ meeting on behalf of the shareholder.
2. A proxy appointment must be in writing, dated and signed by the relevant shareholder.
3. Except to the extent that the memorandum of incorporation of a company provides otherwise:
  - 3.1 a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder;
  - 3.2 a proxy may delegate the proxy’s authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
  - 3.3 a copy of the instrument appointing a proxy must be delivered to the relevant company, or to any other person on behalf of the relevant company, before the proxy exercises any rights of the shareholder at a shareholders meeting.
4. Irrespective of the form of instrument used to appoint a proxy:
  - 4.1 the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company; and
  - 4.2 should the instrument used to appoint a proxy be revocable, a shareholder may revoke the proxy appointment by 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 the relevant company.
5. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy’s authority to act on behalf of the relevant shareholder as of the later of the date:
  - 5.1 stated in the revocation instrument, if any; or
  - 5.2 upon which the revocation instrument is delivered to the proxy and the relevant company.
6. Should the instrument appointing a proxy or proxies have been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the company’s memorandum of incorporation to be delivered by the company to the shareholder must be delivered by such company to the:
  - 6.1 shareholder; or
  - 6.2 proxy or proxies if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the company for doing so.
7. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the memorandum of incorporation of the company or the instrument appointing the proxy provides otherwise.
8. If a company issues an invitation to shareholders to appoint one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy:
  - 8.1 such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised and must bear a reasonably prominent summary of the rights established by section 58 of the Companies Act;
  - 8.2 the company must not require that the proxy appointment be made irrevocable; and
  - 8.3 the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act (see paragraph 5 above).







# CORPORATE INFORMATION

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## ADBEE (RF) LIMITED

Incorporated in the Republic of South Africa  
(Registration number 2015/054070/06)  
Income tax number 9009605255  
Share code: ADE ISIN: ZAE000204897  
("AdBEE" or "the Company")

## DIRECTORS

CD Raphiri  
PM Makwana  
Dr T Lesoli

## COMPANY SECRETARY

NE Simelane

## REGISTERED OFFICE

1 New Road, Midrand, 1682

## POSTAL ADDRESS

Private Bag X69, Bryanston, 2021

## TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited  
70 Marshall Street, Johannesburg, 2001  
PO Box 61051, Marshalltown, 2107

## AUDITORS

Ernst & Young Inc.  
102 Rivonia Road, Sandton, 2146

## SPONSOR

Rand Merchant Bank (A division of FirstRand Bank Limited)  
1 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196

