



adcock ingram

Integrated Report **2017**

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OUR STRATEGY

OUR PERFORMANCE

SUSTAINABILITY

About this report

Adcock Ingram regards this report, as a valuable opportunity to engage with its stakeholders and to respond to issues raised by them. The matters reported on in the Integrated Report are considered by leadership throughout the year as being vital to the sustainability of the Group and include all material aspects up to the date of issue of this report.

A full set of annual financial statements is included with the integrated report.

Adcock Ingram has continued the journey towards providing a more comprehensive picture of the Group in one document, working towards producing a more integrated report.

REPORTING PRINCIPLES

Adcock Ingram is a public company incorporated in South Africa in accordance with the provisions of the Companies Act 71 of 2008 (Companies Act).

Adcock Ingram has applied the principles of King IV unless otherwise stated, the Companies Act, the JSE Limited Listings Requirements and other legislative requirements. The Group subscribes to high ethical standards and principles of corporate governance. For more details, and an overview of the Group governance and structure, please see the corporate governance section on pages 70 to 75.

In addition to the above, the Group adheres to International Financial Reporting Standards (IFRS) in compiling its annual financial statements.

SCOPE AND BOUNDARY

Adcock Ingram's integrated report covers the financial year 1 July 2016 to 30 June 2017.

The report is released at least 15 business days prior to its Annual General Meeting to be held on 23 November 2017. Comparatives are for the year 1 July 2015 to 30 June 2016.

The report provides a general narrative on the performance of the Group which includes the holding company, and its subsidiaries and joint ventures across all territories. The business in South Africa has a material impact on the overall sustainability of the Group. The Group's presence in Kenya, Zimbabwe and India, individually and collectively, constitutes a small percentage of the Group's operations and are for that reason excluded from the operational review. Data is given, where relevant, about these entities. Comparatives are included where available.

The B-BBEE assessment, as well as the employment equity statistics, exclude all non-South African companies and operations.

ASSURANCE

In line with its responsibility, the Board ensures the integrity of the integrated report. The Board has accordingly applied its mind to the integrated report and, in its opinion, the report presents fairly the integrated performance of the Group.

ANNUAL FINANCIAL STATEMENTS 2017

The annual financial statements for the year ended 30 June 2017 were approved by the Board on 24 August 2017.

An independent audit of the Group's annual financial statements was performed by Ernst & Young Inc.

B-BBEE SCORECARD

The Group's B-BBEE status has been verified by Empowerlogic, an independent verification agency, for the 2016 financial year. Through the external verification process conducted by the agency, the Group has been assessed as a Level 4 contributor in terms of the revised codes of the B-BBEE Act. This rating is valid until 30 November 2017.

OTHER INFORMATION

The rest of the integrated report has not been subjected to independent review or audit, and is derived from the Group's own internal records.

OUR GOVERNANCE

ANNUAL FINANCIAL STATEMENTS

SHAREHOLDER INFORMATION

STAKEHOLDERS

- Customers and consumers
- Employees
- Regulatory authorities and government
- Communities
- Multinational partners and licensors
- Shareholders and investor community

STRATEGIC FOCUS AREAS

- Built on the foundation
- Acquisitions
- Partnerships
- New customers and sales channels
- Innovation
- Transformation

DIVISIONS

- Over the counter
- Prescription
- Hospital
- Consumer
- Distribution

About us

TURNOVER
R5 936m
(2016: R5 546m)

TRADING PROFIT
R724m
(2016: R606m)

HEPS **308.9 cents** (2016: 226.1 cents)	ENERGY USAGE (KWH) **49 455 980** (2016: 49 286 847)	SHARE PRICE CLOSE **5 910c** Low: 4 295 cents High: 6 500 cents
WATER USAGE (Kℓ) **281 247** (2016: 334 890)	CARBON EMISSIONS* **28.26** (2016: 28.69) ** (Scope 1 and 2) per full-time employee (tonnes).*	NET CASH **R335m**

Our leadership

The Board of directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

CLIFFORD D RAPHIRI **(54)**
BSc (Mech Eng), Grad Dip. Eng, MBA
Appointed: 15 July 2008 and Chairman since 11 November 2015

LULAMA BOYCE **(38)**
CA (SA), MCom (Fin Mgt)
Appointed: 24 May 2017

MATTHIAS HAUS **(68)**
MB ChB, MD, DCH, FCFP, FFPM, Dip Obst
Appointed: 1 June 2012

JENITHA JOHN **(46)**
CA (SA), CIA, QIAL
Appointed: 24 May 2017

TLALANE LESOLI **(67)**
MB BS, Dip of Child Health
Appointed: 15 July 2008

MPHO MAKWANA **(47)**
BAdmin (Honours), Post-Grad Dip (Retailing Management)
Appointed: 1 February 2012

MOTTY SACKS **(74)**
CA (SA), AICPA(ISR)
Appointed: 25 February 2014

ROGER STEWART **(65)**
MB ChB, PhD (Med), Grad Dip. Comp Dir.
Appointed: 15 July 2008

NON-INDEPENDENT NON-EXECUTIVE DIRECTORS

LINDSAY RALPHS **(62)**
CA (SA)
Appointed: 24 November 2016

ANNA MOKGOKONG **(60)**
BSc, MB ChB, DCom
Appointed: 10 April 2014

CLAUDIA MANNING **(49)**
PhD
Appointed: 24 November 2016

Refer to page 75 for CVs

Executive Committee

FRANS CRONJE
BSc, NDip (Ind Eng)
IT Executive

JULIET FOURIE
IMM Grad. Dip.
Managing Director - Consumer

TOBIE KRIGE
BEng (Ind Eng), MBA
Managing Director - Distribution

ASHLEY PEARCE
Dip Pharm, BCom
Managing Director – Prescription

COLIN SHEEN
MBA, PDBA, BTech, NDip (Marketing)
Managing Director - Hospital

NTANDO SIMELANE
B. Juris, LLB, Advanced Company Law
Company Secretary and Head of Legal

WERNER V RENSBURG
MEng (Mech Eng), MBA, EMLog, GCC (ML & OHS)
Managing Director – Over the Counter

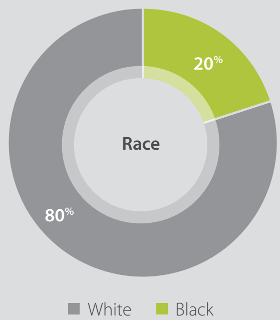
EXECUTIVE DIRECTORS

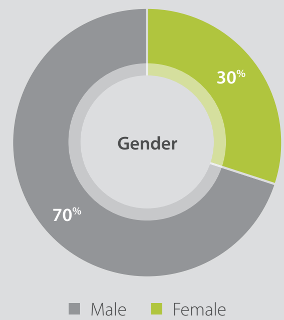
ANDREW HALL (55)
CA (SA), BPharm
Chief Executive Officer
Appointed: 15 July 2008

DORETTE NEETHLING (43)
CA (SA), MCom (Taxation)
Chief Financial Officer
Appointed: 23 February 2016

BASADI LETSOALO (54)
MPsych , CLDP, MLPC, MPhil (Executive coaching)
Executive Director – Human Capital and Transformation
Appointed: 25 August 2016

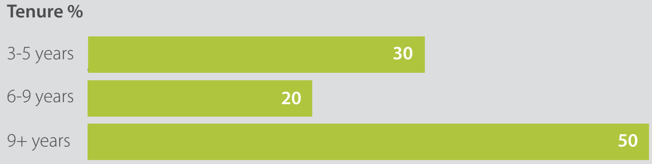
DIVERSITY OF THE EXECUTIVE COMMITTEE

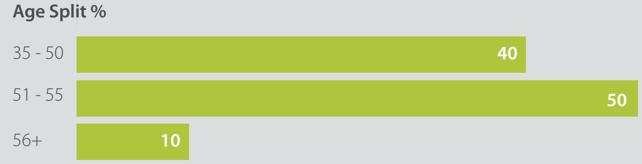




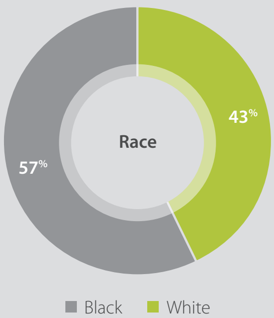
Combined Adcock Ingram experience

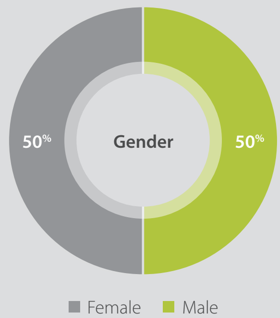
75 years

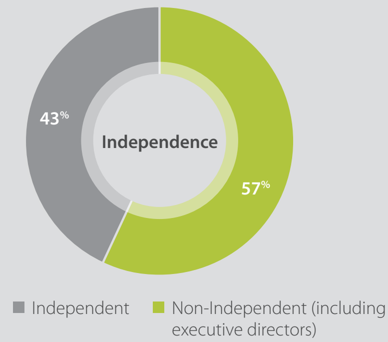




DIVERSITY OF THE BOARD



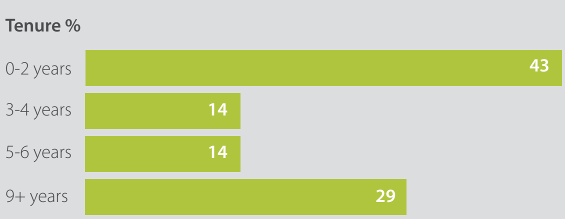




79%
Non-executive

21%
Executive

Combined tenure
60 years



OUR MISSION

We are committed to providing **quality products** that improve the **health and lives of people** in the markets we serve.

OUR VALUES

- We are committed to providing **Quality** products and services
- Act with **Integrity** at all times
- Believe in **Transparency** and open **Communication**
- Believe in **Empowerment** of our people, thus encouraging entrepreneurship, innovation and accountability
- Practise **non-discrimination** and offer equal opportunity
- Have **Respect** for people, society and the environment

Our geographic spread

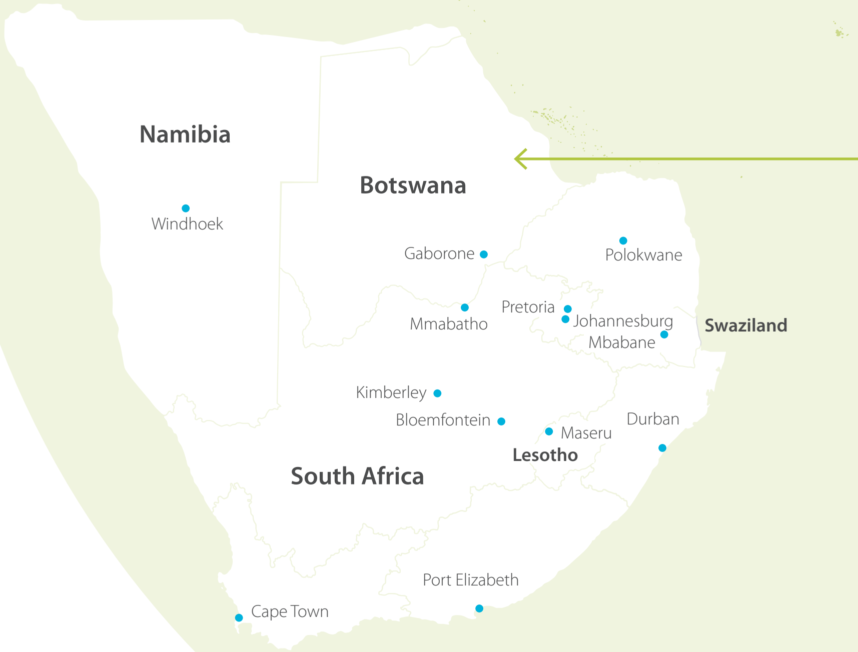
MARKET OVERVIEW

The South African private pharmaceutical market, as measured by IMS MAT June 2017, is worth **R39.2 billion, with 9.2 % value and 3.5% volume growth.**

Adcock Ingram holds a market share of 9,0% in value and 21% in volume.

Our operations are spread throughout the African continent but our manufacturing facilities are based in South Africa and India.

The head office of the Group is located in Midrand, South Africa.



ACTIVITIES

Manufacturing
We have four manufacturing facilities.

Sales and marketing
Our sales and marketing activities are conducted from our office in Midrand.

Distribution
Adcock Ingram has a state-of-the-art distribution system, designed to distribute the Company's products, as well as those of its contracted partners, direct to all customers.

The **Critical Care facility** situated in **Aeroton** produces intravenous fluids, blood bags, renal dialysis products and small-volume parenterals.

The **high-volume liquids facility** situated in **Clayville** is a state-of-the-art and highly automated factory primarily producing liquids and effervescent formulations.

The **tablet and capsule facility** located in **Wadeville** is focused, amongst others, on the manufacturing of anti-retroviral medicines.

2 438
Employees

Over the counter focuses on brands sold predominantly in the pharmacy market, where the pharmacist plays a role in the product choice and includes brands like Corenza and Citro-Soda.

The prescription portfolio comprises products prescribed by medical practitioners and includes a range of quality and affordable generic medicines.

The **Hospital** portfolio has a long history in the Group based on an agreement with Baxter which positions Adcock Ingram as a leading supplier of critical care products, including intravenous solutions, blood collection products and renal dialysis systems.

Consumer competes in the Fast Moving Consumer Goods (FMCG) space and includes market-leading brands such as Panado and Bioplus.

LEVEL 4

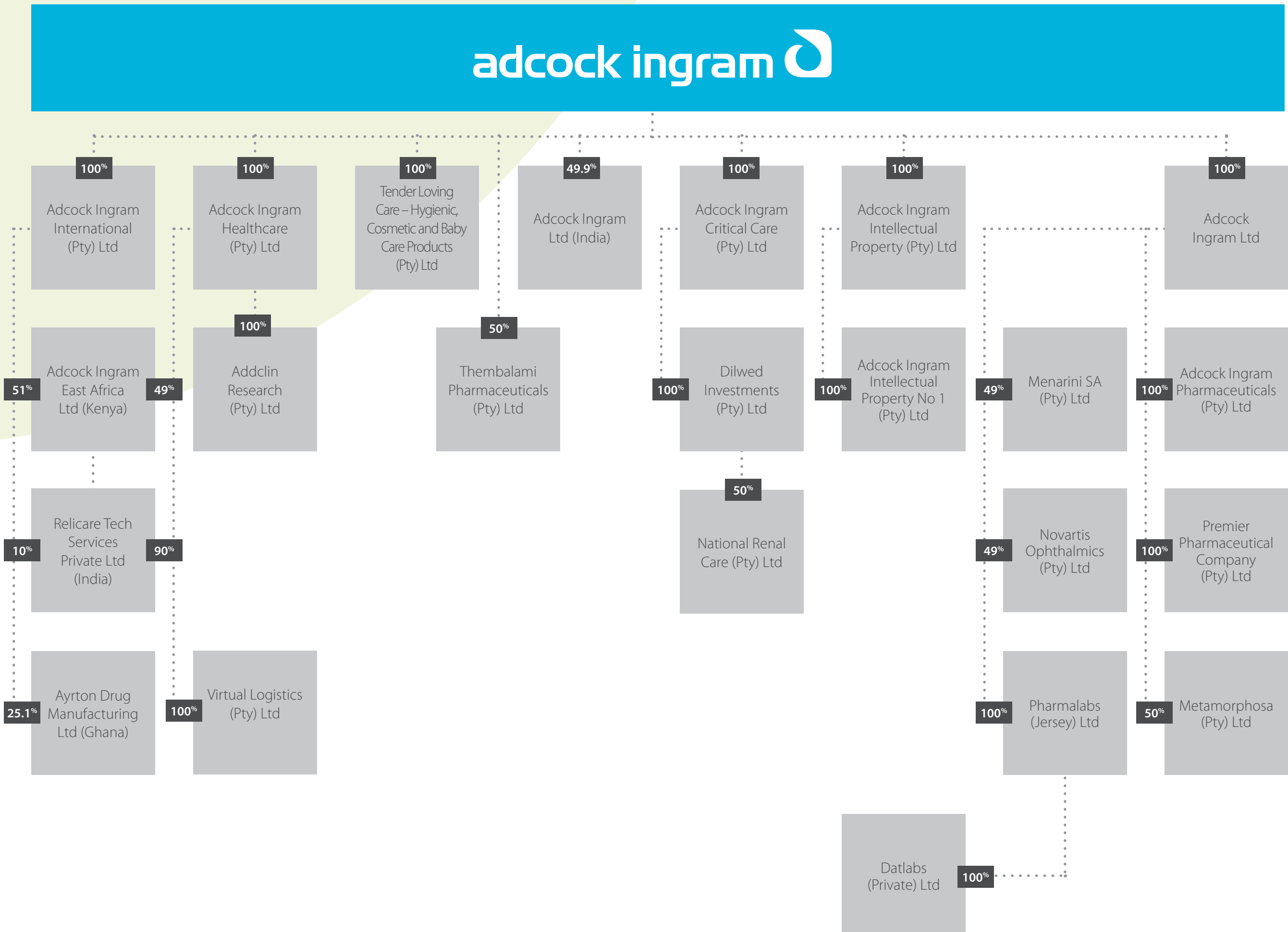
B-BBEE SCORE

BANGALORE (JV facility)

Capacity: Tablets and capsules: 3,5 BILLION UNITS

Accreditations:

UK (MHRA), Australia (TGA), South Africa (MCC), France (ANSES), Tanzania (TFDA), Kenya (PPB), Ghana (FDB), Namibia (NMRC), Uganda (UNDA), Romania (RNAMMD), and Ethiopia (FMHACA)



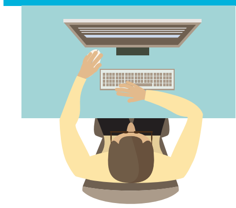
Our business model

Adcock Ingram **manufactures, markets and distributes** a wide range of **healthcare products.**

R&D/REGISTRATION

- Buy intellectual property
- Develop intellectual property

SOURCE



- Raw materials sourced locally or internationally
- Finished goods from 3rd party suppliers

CUSTOMERS

- Government
- Wholesalers
- Pharmacies
- Hospitals
- Doctors
- FMCG retailers

FOOTPRINT

The Company is a leading supplier to both the private and public sectors of the South African market.

MANUFACTURE

- Own factories
- Outsourced factories

Over the counter | Rx | Hospital | Consumer

LOGISTICS

- Own distribution centres
- 3rd Party distribution centres

OUTCOMES IN THE FORM OF VALUE CREATION

R1 069m
EMPLOYEE REMUNERATION

R648m
TOTAL TAXES PAID
Income Tax, VAT, PAYE, SDL, UIF, Customs duties and Dividend withholding tax for South African operations

R202m
TOTAL DIVIDEND DISTRIBUTION
To equity holders of the parent

R5.5m
TOTAL CSI SPEND

Our stakeholders

Adcock Ingram has intensified the Company's involvement with certain stakeholders in support of the focus on customers, products and service. Individual accountability and responsibility in each division has resulted in the identification of priority stakeholder groups important for the activities and decision-making processes of each business. These include customers, suppliers, employees, regulatory authorities and government.

The overarching stakeholder engagement at a corporate level is important in terms of promoting to a secure regulatory environment and making a contribution to the health needs of South Africa. The contribution to the socioeconomic needs of the country is also guided by such engagements and those with communities. Shareholders, the investor community and media, are also key to the ongoing success of the business.

Creating value for our CUSTOMERS AND CONSUMERS

"The needs of our CUSTOMERS and CONSUMERS are the key focus for every business function and for every employee. The feedback we receive from our CONSUMERS and CUSTOMERS guides us in the development of our strategies and the execution of our operations"

How do we create value for our customers	• Ensure the consistent supply of safe, quality, efficacious and affordable products, available in the appropriate channels. • Support the use of our products with the appropriate service, and education. • Our Distribution service through continual focus on service levels and efficiencies. • By being a business partner to our customers and providing support in terms of business management skills we assist in cultivating sustainable businesses. • Through development programmes to support previously disadvantaged individuals who operate in the pharmaceutical sector in the pharmacy and wholesaler business.
How do our operations affect our customers and consumers	• Service delivery and consistent supply of product is essential to retain customer loyalty and maintain consumer support. • The distribution network expansion through the acquisition of Virtual Logistics is yielding improved service levels. The investment into track and trace technology aims to improve customer visibility of orders, while investment in vehicles and facilities aims to make the chain fully compliant with the highest standards.
How do we engage with our customers and consumers	• Continual review of performance with customers and addressing consumers in an honest and relevant way. • Personal visits to customers by sales personnel, managers and executives. • Other interactions include continuing professional education; customer surveys; a customer call centre; advertising; the corporate website; consumer focus groups and education campaigns.
What are the associated risks and opportunities for us and our customers and consumers	• Continuing challenges with regard to stock supply of sachets has led to the commissioning of additional machinery to meet the demand for Citro-soda, Bioplus and vita-thion. • The Group has embarked on the construction of a steriles plant for ophthalmic products at the Clayville facility with completion expected in 24 months. • Service delivery levels and security of supply by proactively investing in and de-risking the product supply chain.
What are associated strategic objectives for ensuring that our customers' needs are met	• A relentless focus on customer service and constantly striving to develop and grow our relationships with our customers based on trust. • Maintaining our distribution service levels. • Bringing new and innovative products to market to satisfy customer needs. • Identifying enterprise development opportunities.

Creating value for our EMPLOYEES

A diverse complement of EMPLOYEES is an asset to the business, moving the business forward and achieving encouraging results

How do we create value for our employees	• Create a secure environment, with a focus on diversity. • Develop and coach employees to improve performance and address aspirations. • Motivate staff to positively influence workplace performance. • Focus on retention and succession planning. • Have fun in the workplace.
How do our operations affect our employees	• Employees take increasing pride in the improved Company performance. • There is resultant job security and increased motivation. • There is attention to appropriate benefits, training and development, incentive and retention schemes, educational assistance and a focus on the overall wellness of employees.
How do we engage with our employees	• Communication via the intranet, plasma screens, newsletters, internal staff surveys, training and development initiatives, site management / shop steward meetings, site forums, employment equity meetings, trustee meetings and conferences.
What are the associated risks and opportunities for us and our employees	• The challenge of attracting and retaining top talent and skilled individuals is intensified by our commitment to further transformation.
What are associated strategic objectives for ensuring that our employees' needs are met	• Empowerment of our people. • Promoting transformation. • Reinforcing the culture of responsibility, accountability and fun at work.

Creating value for our REGULATORY AUTHORITIES AND GOVERNMENT

"Keeping abreast of a rapidly changing regulatory environment is essential for business success. Partnerships are aligned with national health priorities"

How do we create value for the regulatory authorities and government	• Government is a customer as well as the regulator, thus the consistent supply of safe, quality, efficacious products is a priority. • By continuing to comply with the relevant legislation and regulations in an effort to provide South Africans with trusted products. • Show leadership as a compliant and sustainable local pharmaceutical company. • Contribute to policy development through participation in appropriate forums and through comments on regulation and legislation.
How do our operations affect the regulatory authorities and government	• We make a contribution, as a leading local manufacturer, to the security of supply of medicines. • The supply of quality and affordable medicines promotes access to medicines for the broader population. • Support investment in South Africa, as well as empowerment, transformation and corporate social investment initiatives.
How do we engage with the regulatory authorities and government	• Proactive government relations engagement strategies are in place at executive and Board level, addressing ministerial level and senior officials in national, provincial and local government. • Proactive engagement with the regulatory authority in the interests of efficient product registration and compliance in all aspects including manufacturing. • In particular, contact with MCC/SAHPRA, the Department of Health, dti and the South African Pharmacy Council.
What are the associated risks and opportunities for us and the regulatory authorities and government	• The promulgation of the Medicines and Related Substances Act 101 of 1965 has established SAHPRA as the regulatory body to replace the MCC. This change is yet to be effected. The responsibilities of the regulatory authority now include the registration of medical devices, complementary medicines and health supplements. The guidelines are not yet finalised, presenting risk and uncertainty in the industry.
What are associated strategic objectives for ensuring that the regulatory authorities and government's needs are met	• Through continuous monitoring, a robust quality control and assurance process ensures that compliance is achieved through the combined efforts of various teams. • Through dedicated and ongoing efforts to embrace transformation and maximise performance against the five B-BBEE pillars, maintain level 4 B-BBEE rating. • Through the continual measurement and objective setting for employment equity, transform the workplace to reflect the demographics of the country.

Our stakeholders continued

Creating value for COMMUNITIES

"As a healthcare company, we are well positioned to support the healthcare needs of disadvantaged communities. We support the communities from which our workforce is drawn"

How do we create value for our communities	• Contribute towards healthier societies through the support of programmes aligned with our objectives. • Offer sustained support to organisations that share common objectives and offer robust initiatives. • Support the communities from which our workforce is drawn. • Improve access to our medicines in under-served areas.
How do our operations affect the communities	• By offering longer term support for five flagship projects, make an ongoing contribution to the health of the recipients and assist in the sustainability of the NGOs involved. • Enhance employee motivation and confidence in their employer through visible support of their communities. • Support infrastructure through hospital regeneration projects.
How do we engage with the communities	• Visible and hands-on engagement with the communities we support. • Through established NGOs which facilitate our five flagship projects. • Community events on days of national importance such as Mandela Day. • Participation of our staff in community events.
What are associated risks and opportunities for us and our communities	• Limitation of resources when the needs are so great. • Planned entry and exit of programmes, allowing a wider spread of support. • Capacity to manage requests and programmes. • Improved access to medicine through cost effective product offerings in the correct format and available in the appropriate customer channels.
What are the associated strategic objectives for ensuring that our communities' needs are met	• Commit adequate funding for a defined period of time in order to ensure sustainability of the projects we support. • Ensure adherence to excellence in the execution of projects by appointing partners with adequate experience and an established track record.

Creating value for our MULTINATIONAL PARTNERS AND LICENSORS

"Adcock Ingram sought as partner of choice – meeting the standards of our multinational partners"

How do we create value for our multinational partners and licensors	• By building their brands utilising the significant critical mass and reach of Adcock Ingram in pharmacy, with doctors and through the distribution service. The standards and levels of professionalism achieved by Adcock Ingram meet the standards of multinational partners (MNC), thus giving them confidence in the manner in which their brands are being represented.
How do our operations affect our multinational partners and licensors	• Achievement of commercial and partnership goals; alignment with international best practice standards for product promotion and regulatory adherence. • Our sales and distribution network offer a flexible service on a national basis.
How do we engage with our multinational partners and licensors	• Regular reviews with partners to ensure the Group retains a high profile with existing and prospective partners. We promote together at conferences and congresses and attend shared best practice meetings with relevant parties.
What are the associated risks and opportunities for us and our multinational partners and licensors	• The success in building MNC partnerships does mean that at some stage we will reach a level of full capacity in specific therapeutic areas. In this regard our goal is to diversify and enter new therapeutic areas to offer Adcock Ingrams' commercial expertise to other companies.
What are associated strategic objectives for ensuring that the multinational partners and licensors' needs are met	• In the Prescription division, pursuing generic partnership relationships to improve our product offering and obtaining clone molecules and co-promotion opportunities from our innovator MNC partners. In the Hospital division, investigating agency or licence agreements with companies with which we do not currently partner, in categories where we are not active.

Creating value for our SHAREHOLDERS AND INVESTOR COMMUNITY (including analysts)

"Focusing on delivering shareholder value by understanding and responding to investor needs, while keeping our financial supporters informed"

How do we create value for our shareholders and investor community	• Through the strategy and structure of the business, the Group strives to deliver sustainable and market-related returns. • To keep shareholders and the investment community updated on the Company's financial and operational performance and strategic plans, in a transparent manner. • By understanding and responding to the objectives and opinions of our shareholders.
How do our operations affect our shareholders and investors	• Business performance and returns are the ultimate objective of investors.
How do we engage with our shareholders and investors	• Communication through the Johannesburg Stock Exchange News Service (SENS); media releases; telephonic and face to face meetings.
What are the associated risks and opportunities for us and our shareholders and investors	• Operating in a highly regulated sector, changes to regulation create a constant challenge. • Appropriate responses and influence where possible, mitigate the impact of regulation. • Economic uncertainties create risk for all businesses. • Currency fluctuations for a business dependent on a high level of imported materials.
What are associated strategic objectives for ensuring that the shareholders' and investors' needs are met	• Strategic priority of growth and expansion through acquisitions, partnerships, innovation and new customers and sales channels. • Continue to build on the foundation through focused investment in brands, strict cost control and improving asset management.

Our stakeholders continued

Creating value for our SUPPLIERS AND SERVICE PROVIDERS

"Productive supplier relationships are critical to the business while contributing to the development of the suppliers themselves, and in particular realising transformation objectives"

How do we create value for our suppliers and service providers	• Adcock Ingram's success in growing its own business results in suppliers benefitting through their association with Adcock Ingram's supply chain. • Sustained demand leads to long-term mutually beneficial relationships.
How do our operations affect our suppliers and service providers	• The need for compliance with Adcock Ingram's stringent pharmaceutical quality requirements encourages suppliers to enhance their own quality assurance processes, enabling them to better compete. • Proactively develop suppliers in line with, and in support of, the objectives of South Africa's B-BBEE policy with particular focus on emerging enterprises.
How do we engage with our suppliers and service providers	• Supplier relationship management through personal contact and regular interaction at executive and management level.
What are the associated risks and opportunities for us and our suppliers and service providers	• To ensure uninterrupted service delivery and quality of goods. • Adcock Ingram, where feasible, develops dual sources of supply for all products in order to mitigate risk of securing supply of scarce commodities. This leads to the opportunity for more suppliers to contribute to the Adcock Ingram value chain.
What are associated strategic objectives for ensuring that the suppliers and service providers' needs are met	• Maintaining our Level 4 B-BBEE score through a focus on preferential procurement and supplier development. • Aligned with the spirit of the new Codes of Good Practice, Adcock Ingram has embraced the empowerment of small and start-up entrepreneurs through supplier and enterprise development interventions.

Creating value for INDUSTRY GROUPS

"Participating in and influencing policy development with the aim of creating a secure environment for the industry in order to serve healthcare needs"

How do we create value for the industry groups	• By participating in and contributing towards an industry viewpoint and response on regulatory issues and health policy. • Particpate in self regulation through such bodies.
How do our operations affect industry groups	• Participation supports the sustainability and viability of the local pharmaceutical industry.
How do we engage with the industry groups	• Membership of and participation in: Pharmaceuticals Made in South Africa (PHARMISA); Self Medication Association of South Africa (SMASA); the Pharmaceutical Task Group (PTG) and the Marketing Code Authority (MCA).
What are the associated risks and opportunities for us and the industry groups	• Influencing policies that create a sustainable pharma industry and serve the healthcare needs of South Africa.
What are the associated strategic objectives for ensuring that the industry groups needs are met	• Keep abreast of regulatory and industry issues so that the Company can have a position on matters and contribute to the industry position.

Creating value for the MEDIA AND ANALYSTS

"The media is an important conduit for information about our Company, assisting in publicity, reputation management and shareholder information"

How do we create value for the media	• By keeping the media informed of issues of significance. • Respond promptly, accurately and comprehensively to media enquiries.
How do our operations affect the media	• The role of these groups is to keep the relevant audiences informed and up to date on the activities of the Company.
How do we engage with the media	• Proactively through the dissemination of press releases and SENS announcements. • Proactively through media briefings. • Reactively in response to individual queries. • The dissemination of news and responses, needs to be accurate and timeous.
What are the associated risks and opportunities for us and the media	• Failing to communicate accurately and timeously could jeopardise the Company reputation or risk a lack of compliance with JSE requirements. • The readiness to respond and engage with the media creates transparency and assists in stakeholders being well informed.
What are the associated strategic objectives for ensuring that the media's needs are met	• Maintaining good relations with the media. • Ensuring timeous news dissemination while respecting the necessary confidentiality during closed periods. • Having people available who are adequately briefed to liaise with the media.

Our strategy

BUILD ON THE FOUNDATION

GROWTH AND EXPANSION

TRANSFORMATION

Our strategy

The progress made over the past year has put the business in a more sustainable and stronger financial position. The front-end focus remained on customers, products and service, with strict attention to efficiencies and costs at the back-end.

Adcock Ingram presented its priorities at the start of the financial year which included the following three focus areas:

1. Build on the foundation
2. Growth and expansion
3. Transformation

"The business started to explore growth and expansion opportunities, a process which will receive more attention in the next 12 months."

Strategic pillar 1 Build on the foundation

STRATEGIC FOCUS	WHAT WE ACCOMPLISHED IN 2017…	FOCUS AREAS FOR 2018 AND BEYOND…
A relentless focus on customer service	Continued engagement with customers on various levels. Out of stocks reduced during the year. The Distribution division achieved in excess of 98% on time delivery rates consistently over the year.	Constant management of the expectations of our customers by our commercial divisions. Continued focus to further reduce out of stocks. The Distribution division to ensure orders are delivered on time as per customers' requests.
Strict cost control	Operating expenses increased by 6.6%.	Keep operating expenses, outside of marketing investments, at or near inflationary levels.
Extracting manufacturing efficiencies and increasing throughput at Wadeville and Clayville	Clayville's overall efficiency improved year on year, driven by increased throughput and ongoing continuous improvement programs, including various water and electricity savings projects. Throughput increased in Wadeville with the manufacturing of Trivenz, one of Adcock Ingram's ARV products. Capital expenditure has primarily been directed towards the commissioning of a new granule effervescent line in Clayville and the upgrade of the liquids, creams and ointments section of the Wadeville plant.	Winning of tenders with sufficient returns, including the IV fluids in Critical Care and the next ARV tender for Wadeville, are crucial to ensure capacity is adequately utilised. Adcock Ingram intends to expand the capability of the Clayville plant and has initiated a project to build a sterile ophthalmic plant. New sachet filling machines will be installed at both Clayville and Wadeville to service the increased demand for smaller pack sizes, including Bioplus, amongst others.
Focused investment in sales and marketing of our major brands, thereby continuing to grow our market share	Marketing investment increased by 14%. Adcock Ingram's overall market share remained largely the same in 2017.	Continued investment behind major brands as well as supporting the launch of new products to grow our market share.
Maintaining full regulatory compliance in the factories and distribution centres	Regulatory headcount was increased during the year to ensure appropriate capacity was available to minimize regulatory risks to the business. Continuous updating and development of SOP's. The Wadeville facility built a new micro-biology laboratory in line with the latest Good Manufacturing Practices (GMP) requirements, whilst Clayville completed the upgrades to its micro-biology laboratory and general facility.	Maintain and grow current positions in technical committees and working groups in professional and trade associations. Wadeville to finalise the upgrade of its liquids, creams and ointments facility.
Reinforcing the culture of responsibility, accountability and fun at work	Adcock Ingram's staff turnover rate is 10.4%.	Continue to keep the staff turnover below the industry.

Our strategy continued

Strategic pillar 2 **Growth and expansion**

STRATEGIC FOCUS	WHAT WE ACCOMPLISHED IN 2017…	FOCUS AREAS FOR 2018 AND BEYOND…
Acquisitions	Acquisitions concluded during the year included: Island Tribe sun screen range, and topical body formulations to increase the Consumer division's personal care portfolio. Virtual Logistics – a national fine-distribution company to expand Adcock Ingram's distribution capability. Stop-Allerg and Brolene eye drops - to augment the OTC division's existing ophthalmology product offering. •Asic, an OTC anti-nausea product for use during pregnancy.	The search for acquisitions in 2018 will focus on further diversification away from SEP regulated products. Acquisition opportunities in adjacent pharmaceutical categories will be investigated.
Partnerships	The Prescription division: • marketing and distribution agreement with Takeda for its well known Topzole brand; • secured the rights to two biosimilar products from Celltrion, one of the world's leading biosimilar producers; and • obtained the sales and promotional rights for the Astellas dermatology range through our partner Leo Pharma. The Consumer division entered into a partnership with Johnson & Johnson, providing a Cepacol equivalent to the Australian market. The Hospital division secured the commercial rights to the Pharma Q product range and pipeline of products – increasing the division's generic injectable product offering.	The OTC division will investigate strategic collaborations with global/regional OTC specialist companies to broaden its product range in South Africa, as well as increase export opportunities. The Prescription division will investigate further multinational partnerships in order to expand Adcock's product offering.
Innovation	A number of new brands/products were launched during the year including the OTC division's Burnloc for heartburn/hyperacidity, Immuenza for colds and flu, and the GAP range of multivitamins and minerals. Innovation included rebranding of certain product lines such as the Consumer division's Natrodale and the OTC division's vita-thion as well as the introduction of more affordable and convenient pack sizes and line extensions.	Further line extensions and product rebranding initiatives will be introduced in 2018.
New customers and sales channels	The OTC division has performed strongly in the rest of Africa in the current year, growing at 68%, driven by wins in Zambia, Kenya, Mauritius and Malawi. It also successfully executed two new distribution agreements, allowing future expansion into Ethiopia and Nigeria.	The OTC and Consumer divisions will continue to look for ways to service informal and convenience channels in order to provide greater access to Adcock Ingram's products. The OTC division aims to grow its sales presence in Africa, increasing the number of products registered and sold.

Strategic pillar 3 **Transformation**

STRATEGIC FOCUS	WHAT WE ACCOMPLISHED IN 2017…	FOCUS AREAS FOR 2018 AND BEYOND…
Transformation	Empowerdex ranked Adcock Ingram as the "10th Most Empowered Company on the JSE" in 2016, based on the revised 2013 Codes of Good Practice, achieving a Level 4 B-BBEE contributor rating.	Adcock Ingram aims to maintain its Level 4 B-BBEE contributor status.
Employment equity	86% of permanent employees are black, 51% of permanent employees are females. Board representation – 57% are black directors, 50% are female directors. Divisional employment equity plans have been implemented. R23 million was spent on skills development compared to R18 million in the prior year.	Diversify black representation at senior and middle management. Roll out a disability awareness campaign to the entire business and continue to retain learners with disabilities. Implement a talent pipeline for junior pharmacists.
Preferential procurement	R1.8 billion was spent on suppliers with a B-BBEE status of Level 4 or better, of which R665 million was spent on >51% black owned suppliers and R206 million on >30% black women owned suppliers. Adcock Ingram is the first company in the pharmaceutical industry to be affiliated to the "Proudly South African" campaign.	Focus on growing small and medium black-owned businesses.
Supplier development	Adcock Ingram continued to invest in its owner-driver distribution scheme adding a further 34 vehicles to the fleet during the year and expanding geographically to include Durban, Port Elizabeth, Polokwane and Nelspruit.	At least an additional R10 million to be invested in the owner-driver fleet in 2018.
Other	CSI spend for the year amounts to R5.5 million. Adcock Ingram received three awards of recognition for being one of the most supportive corporates from different NGO's (SAME foundation, CODEFSA and Quadpara Association of Gauteng).	Execution of a "Lighthouse" Community Development project. The CSI programme will continue to focus on: • HIV and AIDS; • Children and women; • People with disabilities; • Substance abuse; and • Mental illness.

Risk management

This report is presented by the Company's Risk and Sustainability Committee (the Committee).

COMPOSITION AND MEETINGS

The Committee consists of six directors; four are non-executive directors (three of whom are independent) and two executive directors. The attendance of the Committee meetings was as follows:

Committee member	Meeting attendance
Chairman	
R Stewart	**4/4**
Committee members	
A Hall*	**4/4**
M Haus	**4/4**
C Manning*	**2/2**
D Neethling*	**4/4**
M Sacks	**1/4**
J John*	
Invitees	
S Mangcwatywa (Medical director)	**4/4**
D Nabarro (Risk Advisor from Marsh)	**4/4**
S Pietropaolo (Head of Internal Audit)	**4/4**

See changes to the Board on page 72.

PHILOSOPHY

Adcock Ingram is a pharmaceutical manufacturing, marketing and distribution company, and recognises the inherent exposure the Group faces with regards to a range of risks in achieving sustainable growth. The Group's philosophy is not to entrench a compliance driven approach, but rather to develop a culture which views risk management as a strategic enabler and ensures proactive and appropriate action is taken in mitigating risk exposure. The Group identifies and manages risk in line with best practices which it views as core in terms of achieving appropriate balance between risk and reward. This enables management to protect stakeholders against avoidable risks and develop mitigating controls regarding unavoidable risks.

Adcock Ingram is committed to ensure that the implemented Enterprise Risk Management process, aligns to current best practises. This ensures that risk and control processes are continuously evolving to improve decision making.

The Board is responsible for the Group's risk governance which is achieved through its oversight committee being the Risk and Sustainability Committee. Certain members of the Audit Committee are also members of the Committee.

The Board considers strategic risks when formulating strategy, approving budgets and monitoring progress against business plans.

The Enterprise Risk Management process is a top-down process and the day-to-day identification, evaluation and management of the Group's risks are the responsibility of senior management, supported by the Head of Internal Audit. Risk registers, containing key business risks, are compiled, reviewed and updated on at least a quarterly basis. Risks on these registers are classified based on severity and probability of the risk materialising. Controls are identified to mitigate the identified risks and prioritise action plans. Registers are presented and discussed at various management levels and forums before they are presented and discussed at the Risk and Sustainability Committee.

ROLE AND FUNCTION OF THE COMMITTEE

The roles and responsibilities of the Committee are governed by a formal Charter which is reviewed annually and approved by the Board. The following duties were assigned to it by the Board during the year under review:

- Ensure an appropriate and effective control environment and clear parameters within which risk is managed.
- Oversee issues relating to sustainability.
- Oversee the conducting of a business risk assessment to identify the most significant commercial, financial, compliance and sustainability risks and implement processes to mitigate these risks.
- Assist the Board in setting the risk strategy and policies in determining the Company's tolerance for risk.

The major operational and strategic risks which Adcock Ingram is facing at present, as well as the controls in place to mitigate these risks

SUSTAINABILITY

Human capital	Labour environment
Shortage of critical skills and the ability to recruit top talent in certain areas of the business, are a reality in the current economic environment. The need to attract and retain top talent is intensified by our transformation strategy.	Trade unions represent a significant number of employees. Labour disputes and work stoppages could disrupt business operations.
Appropriate incentive schemes, competitive remuneration packages and investment in skills development of employees are used to provide a sustainable pipeline of talent for the future.	Contingency plans are in place at all sites to ensure continuity of supply.

COMMERCIAL

Market share	Customer and partner relationships	Schedule 0 (S0) SEP exemption	Product portfolio
Our competitors' actions may impact and erode our market share and potentially jeopardise our growth.	Customers are the cornerstone of our business. Our customer relationship management has been, and continues to be a key focus area.	The exemption for S0 medicines with regard to the SEP legislation is reviewed by the authorities on a regular basis. Removal of this exemption would place further pressure on margins.	Reliance is placed on a relatively old, with the majority subject to SEP, portfolio.
Robust sales and marketing strategies, customer relationship management and customer service delivery, assist the Company in achieving growth.	Constant management of the expectations of our business partners is an ongoing focus for our business divisions. The relationship foundations are continuously nurtured to ensure sustainable business growth.	A three-year exemption was granted on 26 May 2016 allowing bonusing and discounting of these medicines, and their exemption from the logistics and dispensing fee provisions.	Seeking less regulated products and conclude partnership with multinational companies to broaden the product portfolio.

FINANCIAL

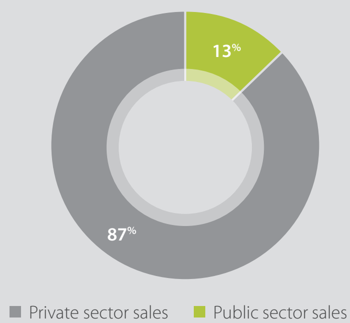
Foreign exchange	Supply and cost pressure	Cost-push versus pricing power	Economic environment
The uncontrollable currency volatility and the ongoing Rand weakness impact the purchase price of active pharmaceutical ingredients (APIs), finished goods, and specialised machinery sourced internationally, in turn putting margins under pressure.	Suppliers of APIs and finished goods in a pharmaceutical environment are limited, and many of these supplies are sold in a foreign-denominated currency.	SEP increases generally do not keep pace with the level of cost-push.	Economic data indicates very little, if any, growth in the South African economy resulting in the trading environment remaining difficult, especially in the lower LSM categories, and high levels of unemployment.
Forward cover is taken out for all confirmed import orders.	Where available, multiple suppliers of APIs are sourced and stockholding of strategic raw materials or finished goods are maintained.	Various continuous improvement programmes and procurement initiatives are in place to improve throughput and efficiencies in factories.	The Group trades across many price-points and therapeutic categories and provides on average the cheapest medicines in the country.

COMPLIANCE

Regulatory
The highly-regulated, complex and ever-evolving regulatory environment in which the Group operates, provides challenges which are common throughout the pharmaceutical industry.
Through continuous monitoring, various factory upgrades, a stability testing programme, a rigid approach to quality control and assurance, and a prudent business approach, compliance is continuously achieved through the ongoing combined efforts of various operational, regulatory and technical teams.

Plant mechanisation	Interruptions of supply by utility providers	Occupational health and safety risks	Information technology (IT) infrastructure upgrades
Stock levels and order infill rates may be put under strain in the event of critical plant breakdown.	The interruption in the supply of water and electricity could result in the suspending of production, resulting in the compromising of order infill rates.	Occupational injury of employees who are key to the performance of the Group.	Adequacy and effectiveness of IT governance and integration of IT systems.
A robust maintenance plan, dual site manufacturing, as well as mechanisation upgrades mitigate this risk.	Back-up power supplies as well as on-site water storage facilities allow for continuous production during periods of interruption.	Continuous improvement of safety practices in the work place; stringent policies and procedures aligned to best practice; and robust training and awareness programs.	Through the use of best practise project management methodology as well as highly skilled human resources, implementation of new and improved IT infrastructure is successfully achieved.

Our performance

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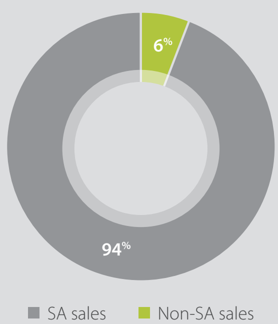
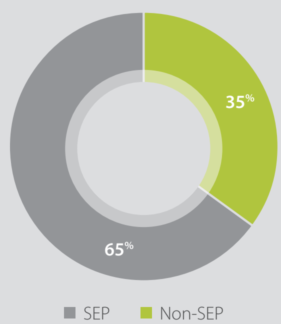

6%
94%
SA sales
Non-SA sales


35%
65%
SEP
Non-SEP

Leadership review from our Chairman and CEO

CLIFFORD RAPHIRI
Chairman

"We are delighted to deliver this report following a successful financial year. Not only can we comment on an excellent set of financial results but also on encouraging progress made in the business, in line with our strategy"

INTRODUCTION

We have progressed in all spheres of the business embracing people, products, customers and sustainability. We are encouraged about the way forward.

As a company which has operated in South Africa since 1890, we are deeply committed to this market and are proud of our range of trusted brands. To further our commitment to doing business in South Africa, we are pleased to be the first local pharmaceutical company to become a member of Proudly South African, having contracted with the organisation in December 2016. As members of Proudly South African, we share a commitment to an uplifting ethos that promotes social and economic change and progress.

We recently signed up to the Department of Trade and Industry's "Guidelines for Good Business Practice by South African Companies Operating in the Rest of Africa", a guiding framework to promote sustainable economic development in Africa. This is an enhancement of our existing commitment to doing business in the rest of Africa, at the highest standard of ethical business practice.

ENVIRONMENT

The difficult economic climate in South Africa has affected all spheres of our business. During the calendar year 2016, the economy grew by only 0.3%. The move into a technical recession in the first quarter of 2017, was the first in seven years. In this same period, domestic growth prospects deteriorated with GDP growth contracting to 0.7%. Political uncertainty has made its contribution to credit downgrades by ratings agencies in the first half of 2017. Economic prospects for 2017 are not good, with annual growth predicted at 0.5%. Consumer spending is stretched due to increased fuel and electricity prices, high levels of indebtedness, as well as increasing levels of unemployment and poor job creation.

On a more positive note, the Consumer Price Index (CPI) dropped to 4.6% in July 2017, the lowest level since November 2015. Also, despite some of the negative indicators mentioned earlier, the South African Rand has maintained a stronger level than in the previous year, making export activity more difficult, but overall a stronger Rand is favourable for Adcock Ingram's input costs.

INDUSTRY OVERVIEW

The pharmaceutical industry throughout the world is highly regulated and like everywhere else, we face a changing and challenging spectrum of regulation affecting health systems, registration of medicines, pricing and intellectual property, amongst other issues. A National Health Insurance (NHI) system is being progressed with impact on pharmaceutical purchasing for the government sector expected from 2022.

The final regulations that will effectively establish the South African Health Products Regulatory Agency (SAHPRA) have recently been published, with the transition from the current medicines regulatory authority, the Medicines Control Council, expected during late 2017 or early 2018.

A Competition Commission enquiry into the private healthcare sector is now running well into its third year but has so far focused mainly on players other than the pharmaceutical industry. Separate investigations in relation to certain oncologic medicines have been announced by the Competition Commission, showing that pricing of medicine remains a high priority.

South Africa's Intellectual Policy Framework Act, which is intended to bring greater flexibility to South Africa's intellectual property legislation in line with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), has been gazetted for public comment.

The industry continues to work under the restrictions of the single exit pricing system, with private sector annual increases determined on the basis of CPI and the exchange rate.

PERFORMANCE

The positive results we announced this year are a reflection of our continuing investment in sales, marketing and brand innovation and focus on customer service. A 7% increase in turnover with well controlled operating expenses contributed to a 20% improvement in trading profit. All commercial divisions showed an improvement in trading profit, with the Prescription, Consumer and Hospital divisions showing trading profit growth of more than 20%.

Headline earnings for the year from continuing operations increased to R513.7 million compared to R376.4 million in the previous year. This translates into headline earnings per share from continuing operations of 308.9 cents, an improvement of 36.6%. A very pleasing feature is the year-end net cash figure of R334.5 million compared to a net debt figure of R311.2 million at the end of the prior year, an improvement of R645.7 million.

As per our reported intention, we disposed of our India sales and marketing operation (14 October 2016) but retained the regulatory arm, which remains a valuable asset for our South African operations. We continue to be fully committed to the manufacturing joint venture in Bangalore with our partner Meiji Seika. Our investment in Ayrton, Ghana, has also reduced to a 25.1% shareholding with local owners Dannex managing the business. This has allowed us to focus on the Southern African market and exports into certain sub-Saharan countries.

ANDY HALL
Chief Executive Officer

LIVING THE STRATEGY

A priority is building on our autonomous business unit model, through the basics of selling, marketing and customer service, cost control and greater efficiencies, maintaining strict regulatory compliance and promoting a culture of accountability and fun in the workplace.

We have declared our intent to make the necessary growth investment required for the local business and to focus on investment in our brands, with particular interest in the less regulated and OTC brands. All divisions have made progress in the search for suitable and complementary acquisitions and partnerships. The Distribution division acquired Virtual Logistics in April 2017, a national courier and fine distribution company. The expanded footprint will complement our operational reach and capacity, allowing for improved service levels to customers.

Throughout the year we have announced a number of acquisitions, including the OTC division's acquisition of Brolene and Stop-Allerg ophthalmic brands, and Asic, a product for nausea associated with pregnancy. Innovation has led to the launch of the GAP range of vitamins and minerals, each formulated as supplementation for one of a number of chronic diseases. Immuenza was launched for the winter season as an immune system support, complementary to the OTC division's range of cough, cold and flu products.

The Prescription division continues to build on its multinational partnerships and in the last year obtained the sales, marketing and distribution rights for the dermatological businesses of Astellas, now a subsidiary of Leo Pharma from Denmark and concluded a marketing agreement with Takeda for the acid reduction medication, TOPZOLE.

A significant agreement for the hospital division was the gain of the commercial rights to the Pharma-Q range of injectable products.

In line with the search for less regulated products, Island Tribe, an established sunscreen range, was acquired by the Consumer division. We are also focused on constant innovation within our core product ranges where for example, we have expanded the Gyna Guard range of feminine hygiene products and continue to explore new sales channels and export geographies.

TRANSFORMATION

We continue to strive to improve our transformation achievements in every aspect of the business. We are proud to have achieved a level 4 B-BBEE rating for two consecutive years under the new codes. This rating was further endorsed by Adcock Ingram being awarded 10th place in the Empowerdex Top 100 Johannesburg Stock Exchange rankings. Led by Basadi Letsoalo, Executive Director: Human Capital and Transformation, the efforts of the Company towards improved transformation, are tireless. Particular achievements include the adoption of the Gender Diversity policy at Board level where black directors now make up 57% of the complement, with a 50% female representation.

There is a strong commitment to employment equity (EE), with continual monitoring of progress against set targets. Succession management and retention strategies for the executive committee and the level below, have been initiated, with special emphasis on female representation in key positions. Development of aspiring leaders, in particular female senior leaders, is being progressed through exposure to various external development programmes and in-house mentoring.

73.2% of the Total Measured Procurement Spend (TMPS) is with Exempt Micro Enterprises (EMEs), Qualifying Small Enterprises (QSEs), more than 51% Black Ownership suppliers and more than 30% Black Women Ownership suppliers.

The enterprise development initiative, forged since 2012 under our Distribution division, has grown in strength across the country. The owner-driver initiative now boasts 28 entrepreneurs running a fleet of 88 vehicles. Our corporate social investment initiatives continue to support five health-related flagship projects plus a number of other worthy causes.

MANUFACTURING

We continue to invest in the upgrade of our manufacturing facilities to ensure regulatory compliance and appropriate capacity availability. At the high volume liquids facility at Clayville, an additional automated high speed sachet packing line has been commissioned during the year to meet the manufacturing demand for Citro-soda and vita-thion. The first phase of a three-phase project to build a sterile plant for the manufacture of ophthalmic products has been initiated and should be completed within the next 24 months. This investment of more than R100 million will build local capacity for sterile manufacture, being one of only a few sterile plants in the country. Other capital expenditure at Clayville has primarily been directed towards the commissioning of a new granule effervescent line and a state of the art, world-class, microbiology laboratory.

At the tablet, capsule, creams and ointments facility in Wadeville, R15 million has been spent on the upgrade of the laboratory. The R40 million upgrade of the Liquids, Creams and Ointments facility has started with an expectation to complete phase one by December 2017.

At the Hospital division's Aeroton plant, the focus is on both production efficiencies and cost control, with satisfying results being achieved. Improvements include reduced electricity consumption and the more efficient utilisation of water, with a reduction in water consumption of 20% over the last year.

BOARD

The publication of the King IV Report stimulated the Board of directors of Adcock Ingram to assess the effectiveness of its current processes, practices and structures which it uses to direct and manage the operations of the Company. A gap analysis to determine the Company's readiness, initiated prior to the coming into effect of the King IV report, revealed that the Company was substantially compliant. Identified areas for improvement, especially those related to the new disclosure requirements, will be implemented immediately, where possible, and the remainder in 2018. A skills matrix has been developed to document skills within the Board. When a need arises to fill a vacancy, the Board uses multiple sources to locate directors with the required skills and governance experience. Information regarding changes to the Board can be found on page 72.

WAY FORWARD

In this challenging environment, our trusted brands continue to prove their resilience and we remain a company committed to South Africa. Given the Group's healthy cash resources, we will continue to pursue value-adding opportunities to expand the Group's product portfolio, through partnership arrangements, acquisitions and innovation, particularly in less regulated product classes.

APPRECIATION

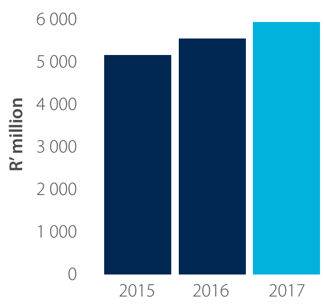
Sincere gratitude is extended to the Board, our customers, suppliers, partners and employees, who have contributed to the business during the year.

Financial review

"We are very satisfied with this year's results, in particular the increase of 20% in trading profit with growth in every division and the increase of 37% in headline earnings per share"

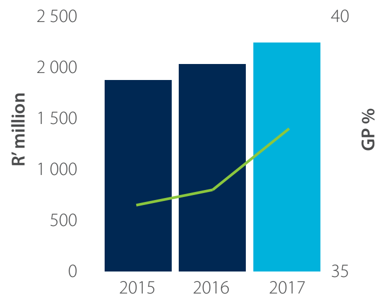
DORETTE NEETHLING
Chief Financial Officer

TURNOVER
▲ **7%**



Turnover of R5,936 million is R390 million or 7% higher than the prior year. The exceptional SEP increase of 2.9% granted in November 2016, with an additional benefit from the SEP price increase of 7.5% granted in February 2017, in aggregate realised approximately 5.6%. A change in mix contributed the balance, as organic volumes were relatively flat and in fact decreased in the public sector.

GROSS PROFIT
▲ **10%**



Gross profit of R2 242 million is R213 million higher than the prior year and expanded to a satisfactory level of 37.8% of sales compared to 36.6% achieved in the prior year, supported by the two SEP increases and a favourable change in the sales mix, with a lower portion of sales into the public sector.

Non-trading expenses of R47 million recorded in the current year include shared-based expenses of R41 million and transaction costs of R6 million. Included in the prior year comparative is the once-off IFRS 2 charge of R21 million related to the implementation of the July 2015 B-BBEE Scheme.

The net finance costs decreased from R72 million in the prior year to R23 million, with the decrease reflective of the lower borrowings and increased cash balances.

Dividend income from the Tiger Brands Black Managers Trust is R6 million compared to R9 million in the prior year.

Equity-accounted earnings for the year from National Renal Care, Adcock's joint venture with Netcare, the plant in India, and 7 month's profit relating to the 25.1% Ayrton shareholding in Ghana are R64 million, weighted approximately 46% toward the Indian operation and 51% towards National Renal Care.

Profit before tax of R725 million, is 32% ahead of the prior year.

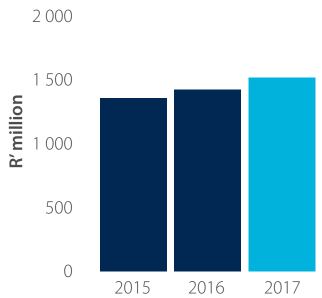
The effective tax rate, adjusted for equity accounted earnings is 31%, with non-deductible expenditure causing the increase over the statutory rate.

The profit after tax for the year is R520 million compared to a profit of R379 million in 2016.

Discontinued operations reflect the sales of the India and Ghana businesses which were concluded in the first six months of the year. The net Group profit on the disposal of the above-mentioned businesses, after accounting for the reversal of a foreign currency translation reserve of R126 million, amounts to R35 million and profits from these businesses in the period Adcock Ingram owned them, was R6.4 million.

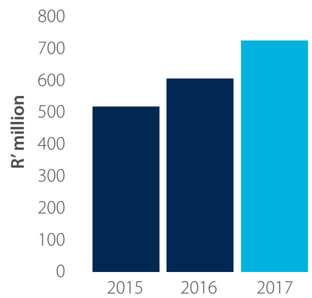
Minorities in Novartis Ophthalmics and Menarini amount to R6.3 million.

OPERATING EXPENSES
▲ 7%



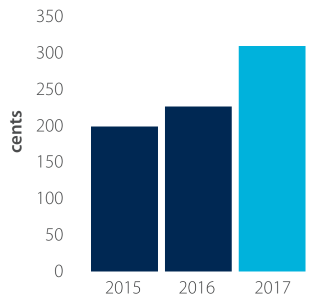
Operating expenses for the year of R1,518 million, were well controlled and increased 6.6% over the prior year despite marketing investment increasing by 13.3%. Amortisation of finite life intangibles amounts to R10 million, and is included in fixed and administrative expenses.

TRADING PROFIT
▲ 20%



Trading profit of R724 million is R119 million (19.6%) ahead of the prior year
Depreciation for the year amounts to R140 million of which 70% is included in cost of sales and 30% in fixed and administrative expenses.

HEPS*
▲ 37%



Headline earnings for the year from continued operations amounted to R514 million compared to R376 million achieved in the prior year, which translates into headline earnings per share of 308.9 cents (2016: 226.1 cents), 36.6 % ahead of the prior year.

*continuing operations

BALANCE SHEET

NON-CURRENT ASSETS

Intangible assets, including goodwill, have a carrying value of R350 million. The increase of R74 million includes the purchase of the Brolene, Stop-Allerg, Asic, Complenatal and Totonik trademarks by the OTC division, and Island Tribe trademarks and personal care formulations purchased by the Consumer division, all of which are intangibles with indefinite useful lives. Other financial assets of R41.7 million are primarily a capital contribution made to the Tiger Brands Black Managers Trust which has reduced as options were exercised during the year.

CURRENT ASSETS

Inventory of R1.16 billion is slightly lower than the June 2016 carrying value. We are pleased to report that the days in inventory improved from 119 days at June 2016 to 115 days at June 2017.
Trade accounts receivable of R1.4 billion (June 2016: R1.3 billion) reflects days in receivables of 70.4 days, a slight deterioration from the 69.7 days reported in June 2016. The marginal increase compared to June 2016 is mostly related to the depletion of funds in the state budgets. Sales into the public sector in South Africa have reduced by 3%, but the outstanding book has increased by 30%.

The book remains well-controlled and 83% of receivables are due within 60 days or less. There have been no material bad debt write-offs or recoveries in the current financial year.

NON-DISTRIBUTABLE RESERVES

Non-distributable reserves have decreased by R428.1 million from June 2016 mainly as a result of the recycling of the foreign currency translation reserve after the sale of Cosme and Ayrton through profit and loss (R125.8 million) and the transfer of the old BEE scheme's share-based expenses (R303.9 million) to retained earnings.

BORROWINGS

Long-term borrowings of R251.5 million comprise mainly of the Nedbank term loan (R250 million), bearing interest at JIBAR (currently 7.317%) plus 176 basis points payable quarterly in arrears, with the capital due for repayment in December 2018. A voluntary repayment of R200 million was made in the first quarter of the financial year and a further R50 million was repaid in March 2017.

The Group is in a net cash position of R335 million compared to net debt of R311 million at June 2016 and is comfortably able to service its obligations with access to approximately R1.9 billion in available facilities.

Financial review continued

Over the counter (OTC)

Turnover of **R1.8 billion** is almost 11% ahead of the prior year. An average price increase of 7% was achieved. Volumes increased by approximately 3% driven by an extended flu-season earlier in the financial year and increased demand in the tender and export markets.

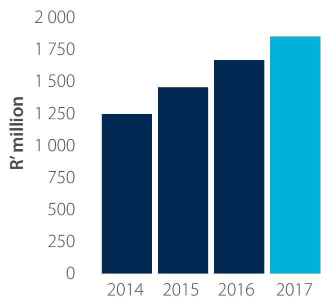
Gross margin as a percentage of sales deteriorated slightly, impacted by a change in the sales mix, with increased demand in tenders, and consumers down-trading to smaller pack sizes.

The operating expenses are 7.2% higher than the prior year, mainly as a consequence of the higher sales, resulting in higher selling and distribution expenses.

This resulted in trading profit of R342.3 million, an increase of 10.4% on the prior year.

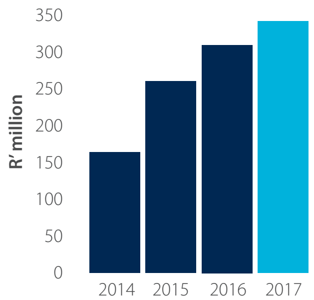
TURNOVER

▲ **10.8%**



TRADING PROFIT

▲ **10.4%**



CLAYVILLE

Prescription

This division's turnover of **R1.9 billion** is 5.9% ahead of the prior year, mainly arising from the 5.6% average price increase realised. The private market segment showed double-digit growth, but this was muted by a decline in ARV tender sales, and lower multinational turnover.

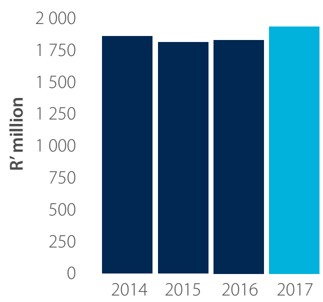
The gross margin percentage improved in the current year and is reflective of the sales mix benefit of higher margin private market sales.

Operating expenses ended 17.4% above the prior year due to increases in selling and distribution expenditure related to the higher sales and additional dossier expenses to support the product pipeline.

The resulted in trading profit of R208 million, 21.2% ahead of the prior year.

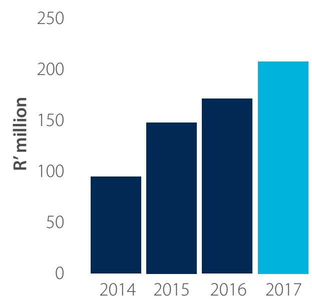
TURNOVER

▲ 5.9%



TRADING PROFIT

▲ 21.2%



WADEVILLE

Financial review continued

Hospital

Turnover of **R1.3 billion** increased by 2.4% over the prior year as the volume decline in the medicine delivery segment, through decreased government procurement, partially offset the price benefit.

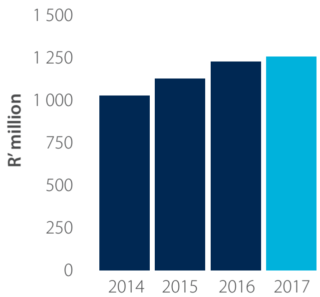
The gross margin ended higher than the prior year benefitting from the sales mix of higher margin products in the renal business.

The operating expenditure ended 2.5% lower than the prior year due to well controlled marketing spend and lower royalties.

This resulted in trading profit being substantially ahead of the prior year.

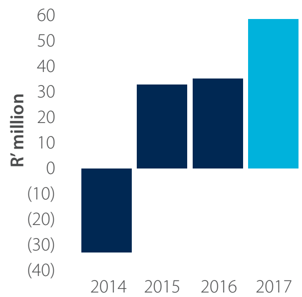
TURNOVER

▲ 2.4%



TRADING PROFIT

▲ 66.6%



AEROTON

Consumer

Turnover of **R688.8million** is 4% ahead of the prior year. This business continued to face the challenging economic environment, and pressure on the consumer's disposal income remains very evident, particularly within the lower LSM's. However, according to the Nielsen's market data, Panado, Compral and Bioplus continued to outgrow the product segments in which they compete.

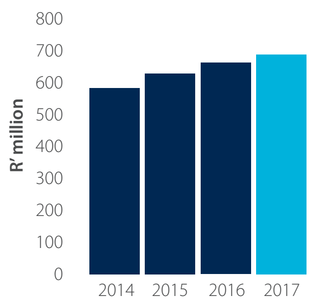
The gross margin is virtually unchanged from last year, with mix and pricing effects off-setting each other.

The operating expenditure has been well controlled and reduced by 1% from 2016.

This resulted in trading profit of R110 million being R20 million (21.6%) ahead of the prior year.

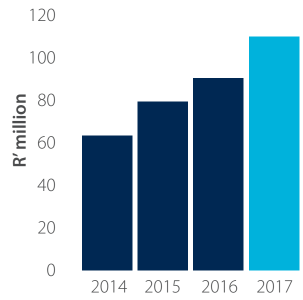
TURNOVER

▲ 3.9%



TRADING PROFIT

▲ 21.6%



Rest of Africa

Turnover in the Rest of Africa of **R207.1 million**, weighted 70% towards the Zimbabwean business, increased by almost 16% over the prior year, mostly driven by Zimbabwe which has shown significant growth (22%) over the prior year. The trading profit is not material to the Group.

TURNOVER

▲ 15.9%

Acquisition of business

On 1 April 2017, Adcock Ingram Healthcare Proprietary Limited acquired 100% of the shareholding of Virtual Logistics Proprietary Limited, a national fine distribution company, to compliment the Group's distribution reach and capacity allowing for improved service levels to customers.

Operational review

OVER THE COUNTER

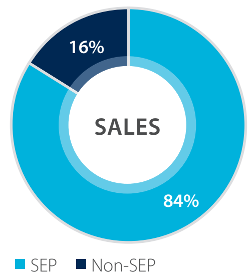
WERNER VAN RENSBURG
Managing Director

NATALIE ZAROUDOUKAS
Financial Director

TURNOVER
R1 849m
(2016: R1 668m)

TRADING PROFIT
R342m
(2016: R310m)

TOP 10 BRANDS TURNOVER
R1 086m



MARKET SHARE

VOLUME MARKET POSITION(1)
#1

VALUE MARKET SHARE(1)
21.9%

VALUE MARKET POSITION(1)
#1

VOLUME MARKET SHARE(1)
34.9%

SCRIPT SHARE(2)
28.6%

NUMBER OF EMPLOYEES

FACTORY & LABORATORY
412

SALES, MARKETING & ADMINISTRATION
145

TOP BRANDS

Adco-Dol
Corenza-C
Allergex
Citro-Soda
Alcophyllex
Adco-Napamol
Betapyn
Dilinct
Adco-Linctopent
Mypaid

MANUFACTURING
Capacity per annum

EFFERVESCENT TABLETS
28 million

EFFERVESCENT GRANULES & POWDERS
400 tonnes

ORAL LIQUIDS
12 million ℓ

Accreditations

South Africa (MCC), Ghana (FDB), Malawi (PMPB), Kenya (PPB), Zimbabwe (MCAZ), and Ethiopia (FMHACA).

Location

Clayville

(1) IMS MAT June 2017 S1 – S2
(2) Impact Rx June 2017

OVERVIEW

OTC supplies medication for patients in South Africa's private and public sectors as well as certain export markets, competing mainly in the self-medication category (Schedule 1 and Schedule 2) in the Pharmacy, but also in the FMCG channels with a complement of 91 premium and economy brands.

The division's brand portfolio and operational excellence have assisted in solidifying its volume and value market leadership position in Schedule 1 and Schedule 2 in pharmacy. Two in every five packs of Schedule 1 and Schedule 2 products, sold in the private sector, is an Adcock Ingram product.

The division is a top competitor in the following core therapeutic categories:

- Pain
- Cough and cold
- Allergy
- Heartburn and indigestion
- Energy

BUSINESS FOCUS

- Protect and build heritage brands
- Enhance customer relationships through service delivery excellence
- Launch innovative new products
- Drive self-care and preventative education
- Growth through acquisitions and partnerships
- Expand into export markets
- Ensure regulatory compliance in a changing environment
- Maintain first in class production quality and efficiency in the manufacturing plant.

MARKET TRENDS

- Increased patient access to medicines through down-scheduling from Prescription to OTC for certain molecules.
- Due to access to digital information, consumer awareness around wellness, self-care and treatment options continue to drive more consumers to the OTC counter.
- Patient education on preventative care and innovation continues to be an important growth driver.
- Economic factors continue to cause a shift from premium brands to economy brands and smaller pack sizes.
- Convenience and access to medicines in specific channels, plays an important role in the consumer's choice.
- Consumer behaviour and consumption are influenced by factors such as loyalty programmes and retailer offerings.
- In the OTC space, recommendation by healthcare professionals is still highly valued.

ACHIEVEMENTS IN 2017

- Acquisitions included Brolene and Stop-Allerg ophthalmic brands, and Asic, a product for nausea associated with pregnancy.
- Innovation has led to the launch of the GAP range of vitamins and minerals, each formulated as supplementation for one of a number of chronic diseases.
- Immuenza was launched for the winter season as an immune system support, complementary to the division's range of cough, cold and flu products.

PERFORMANCE

Pain

The pain portfolio remains the market leader in OTC pharmacy. It contains both premium and economy brands offering pain solutions in a competitive and mature analgesics market. Adco-Dol remains the top ranked analgesic brand in pharmacy with other brands represented strongly across the analgesic market, particularly in the nonsteroidal anti-inflammatory and muscle relaxant categories.

Cough and Cold

In this highly competitive category, the cough and cold portfolio continues to perform strongly. The cough and cold portfolio maintains the No.1 OTC position across indications including antitussives, expectorants and cold preparations. Two of the top brands are Corenza C, the leading cold preparation in pharmacy and Alcophyllex, the most prescribed cough syrup in the category.

Allergy

The OTC division has a strong representation in the allergy sector with its leading brand Allergex driving much of the growth in the category and remaining a flagship brand for the business. In addition to Allergex, the antihistamine portfolio proudly includes brands such as Ceticit, Adco-Desloratadine and the recently launched Levogex.

Heartburn and Indigestion

Citro-Soda has successfully extended its user profile to new indications such as indigestion, heartburn and gout. Within the heartburn and indigestion category, Mayogel and Medigel are volume driven brands, well represented in pharmacy. Adcock Ingram OTC leads the antidiarrheal category with a portfolio of brands, including Pectrolyte, Adco-Loperamide, and Betaperamide.

Energy

The division is proud of its positioning in the energy sector, with OTC's leading energy brand vita-thion differentiated from many competitor brands through its sustainable energy offering. Both vita-thion and Liviton have undergone packaging updates in the past year, with the objective of increased appeal for the growing potential user base. Both brands are well respected energy brands, ranked in the top 5 in pharmacy.

Operational review continued

PRESCRIPTION

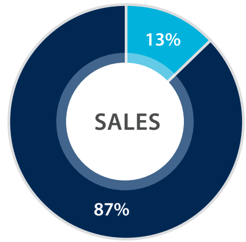
ADISHA SINGH
Financial Director

ASHLEY PEARCE
Managing Director

TURNOVER
R1 938m
(2016: R1 831m)

TRADING PROFIT
R208m
(2016: R171m)

TOP 10 BRANDS TURNOVER
R716m



MARKET SHARE

VOLUME MARKET POSITION(1)
#2

VALUE MARKET SHARE(1)
6.8%

VALUE MARKET POSITION(1)
#3

VOLUME MARKET SHARE(1)
11.2%

ARV PRIVATE MARKET SHARE(1)
13.4%

NUMBER OF EMPLOYEES

FACTORY & LABORATORY
312

SALES, MARKETING & ADMINISTRATION
210

TOP BRANDS

Trivenz
Genpayne
Adco-Zolpidem
Myprodol
Estrofem (Novo Nordisk)
Synaleve
Adco-Amoxyclav
Urizone
Cipralex (Lundbeck)

MANUFACTURING
Capacity per annum

TABLETS AND CAPSULES
2 billion

CREAMS/OINTMENTS
500 tonnes

ORAL LIQUIDS
6 million ℓ

Accreditations

South Africa (MCC), Ghana (FDB), Malawi (PMPB), Kenya (PPB), Zimbabwe (MCAZ), and Botswana (DRU).

Location

Wadeville

(1) IMS MAT Jun 2017, including MNC partnerships
(2) Impact Rx MAT June 2017, including MNC partnerships

OVERVIEW

The Prescription division is focused on building and offering a broad range of quality and affordable medicines in targeted therapeutic areas for patients consulting healthcare professionals, generally where prescriptions are needed.

The division manufactures products in South Africa and India as well as sourcing products from a broad range of partner companies, primarily based in Europe.

BUSINESS FOCUS

- The multinational partner of choice
- Grow the generics portfolio
- Improve factory capacity utilisation
- Enter higher value and critically important areas such as biosimilars
- Be a top 3 ARV supplier in the private and public sector
- Introduce products and partnerships in new or additional therapeutic areas

MARKET TRENDS

- Significant HIV disease burden resulting in increased patient numbers with a drive to decrease the cost of treatment.
- Consolidation of large generic manufacturers reducing the opportunity for contract promotion of smaller product ranges.
- Almost simultaneous launches of newly genericised molecules making the achievement of a 'first to market' entry more difficult.
- Lengthy registration timelines impacting patient access to new and low cost treatments.
- Funders encouraging switching to generics.

ACHIEVEMENTS IN 2017

- The division continued to build on its multinational partner of choice strategy and in the last year obtained the sales, marketing and distribution rights for the dermatological businesses of Astellas, now a subsidiary of Leo Pharma from Denmark and a marketing agreement with Takeda for the acid reduction medication, TOPZOLE.
- Penetration of the private ARV market.
- The upgrade of the liquids, creams and ointments facility has commenced with an expectation that phase one will be completed by December 2017.
- The upgrade of the micro-biology lab was completed during the year.

PERFORMANCE

Pain

The Pain portfolio is the market leader in prescription pain management, with products ranging from schedule 2 to schedule 6. The portfolio includes a large number of well known, trusted brands such as Myprodol, Mypaid Forte and Synaleve. Its competitive advantage is the portfolio's broad offering which targets the patient's needs, covering:

- Mild to severe acute pain
- Chronic pain related to cancer or auto-immune disease
- A variety of dosage forms, such as oral, topical and parenteral administration.

Women's Health

Women's Health provides quality treatment options to meet the needs of South African women through specific stages in their journey through life. Adcock Ingram is passionate about empowering women by being informative about healthcare and personal matters, helping women make informed decisions about their health and the treatment options available for menopause, vaginal atrophy, urinary tract infections (UTI's), osteoporosis and infertility. The hormone therapy portfolio which includes Adcock Ingram's as well as partner brands is the leader in its class as measured in IMS.

CNS

The CNS portfolio comprises of brands mostly from multi-national principals and these products cover a number of central nervous system diseases, namely: depression, anxiety, epilepsy, alzheimers and schizophrenia. The key promoted products are Stresam, Cipralex and Rivotril which are originator brands.

Dermatology

Dermatology covers a wide spectrum of dermatological conditions, including acne, eczema, emollients for dry skin, and brands for skin infections and psoriasis. Whilst most of these conditions are not life threatening, they can significantly affect the patient's quality of life. Promoted brands consist of brands mainly from our partnership with Leo Pharma, Roche Holding AG and a range of brands licenced by Adcock Ingram. These include well-known brands such as Fucidin, Roaccutane, and Dovobet.

Anti-retroviral (ARV)

The Adcock Ingram range of anti-retroviral (ARV) medication consists of products for first and second line treatment of the Human Immunodeficiency Virus (HIV). ARV's improve the quality of life of patients living with HIV and allow them to lead longer, healthier lives. The shift in the ARV market towards fixed dose combination treatment regimens has assisted in patient compliance and adherence to treatment. The Adcock Ingram ARV's are the most cost-effective range in the private sector and thereby increase patient access to quality, affordable medication.

Generics

The Generics portfolio contributes approximately one-third towards the division's revenue and consists of products which span the major therapeutic areas such as CNS, cardiovascular and pain. This diverse portfolio consists of brands which treat both acute and chronic diseases and are predominantly found within the prescription medication space.

HOSPITAL

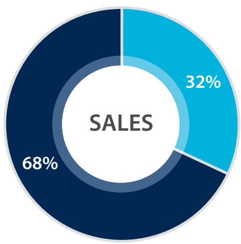
Adcock Ingram Critical Care is a leading manufacturer and supplier of hospital and critical care products in Southern Africa. Products are offered through multiple portfolios.

COLIN SHEEN
Managing Director

MOHAMED MANGEL
Financial Director

TURNOVER
R1 257m
(2016: R1 227m)

TRADING PROFIT
R58m
(2016: R35m)



AEROTON
THE ONLY MEDICAL GRADE PLASTIC PLANT ON THE CONTINENT

MANUFACTURING

FILL
>2.2 million
BAGS PER MONTH

Accreditations

South Africa (MCC), and Kenya (PPB).

Location

Aeroton

CAPACITY PER ANNUM

LARGE VOLUME PARENTERALS
33 million units

SMALL VOLUME PARENTERALS
35 million units

POUR BOTTLES
4 million units

BLOOD COLLECTION BAGS
1 million units

NUMBER OF EMPLOYEES

FACTORY & LABORATORY
632

SALES, MARKETING & ADMINISTRATION
103

OVERVIEW

The business is a fully integrated operation which spans regulatory, manufacturing, marketing, sales and distribution. Beyond its commercial capability, Critical Care manufactures an extensive range of products in its unique dual process factory which comprises a comprehensive plastics extrusion plant together with a fully accredited pharmaceuticals manufacturing facility.

Critical Care is a progressive healthcare company with evolving portfolios beyond its mainstay in intravenous solutions, renal therapies, transfusion therapies, infusion systems, invasive diagnostics, nutrition, bioscience and specialised pharmaceuticals. Newer portfolios include opioid substitution therapy, oral and IV analgesia, injectable pharmaceuticals and immunosuppressants.

BUSINESS FOCUS

- Surpass customer expectations through excellence in service, supply, delivery and communications
- Expand into adjacent categories through licensing, partnerships and strategic alliances
- Focus on operations with emphasis on yield, waste reduction, efficiencies and automation
- Maintain close relationships with government and support communities by providing quality healthcare products affordable to all
- Maintain close relationships with stakeholders to build trust, demonstrate commitment and deliver to expectation.

ACHIEVEMENTS IN 2017

Newly formed strategic alliances formed during the year will facilitate participation in several new therapy areas:

- A significant agreement for the hospital division was the gain of the commercial rights to the Pharma-Q range of injectable products.
- A collaboration with Micro Laboratories India will provide a broad range of products across the major therapeutic areas and provide a solid foundation for expansion.

PERFORMANCE

Renal

- In partnership with Netcare, Critical Care owns National Renal Care which remains the largest service provider for renal care in South Africa.
- Critical Care remains the largest supplier of goods and services within:
  - Peritoneal Dialysis, including a uniquely modelled Renal Home Delivery Service
  - Haemodialysis
  - Continuous Renal Replacement Therapy
  - Renal Pharmaceuticals.

Medicine Delivery

- Largest supplier of large volume parenterals (LVP's) in Southern Africa
- A leading supplier of small volume parenterals (SVP's) in Southern Africa
- Market leader in regional anaesthesia
- Through newly formed alliances now has one of the most comprehensive ranges of SVP's (injectable pharmaceuticals) across multiple therapeutic areas including anti-infectives, anti-emetics, respiratory, analgesia and hypnotics.

Transfusion therapies

- Largest supplier of blood collection bags in South Africa to the South African National Blood Services (SANBS) after more than 50 years of cooperation.
- Benefits from a fully integrated manufacturing facility supporting the local manufacture of blood bags and tubing.

Bioscience and Specialised Pharmaceuticals

- A leader in the supply of:
  - products for haemophilia
  - speciality pharmaceuticals including sodium polystyrene, heparin and 1 alpha hydroxylase.

Intravenous (IV) fluids in the making

Operational review continued

CONSUMER

The Adcock Ingram Consumer division competes in the Fast Moving Consumer Goods (FMCG) space.

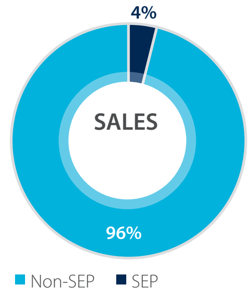
JULIET FOURIE
Managing Director

LAUREN SHIMMIN
Financial Director

TURNOVER
R689m
(2016: R663m)

TRADING PROFIT
R110m
(2016: R90m)

TOP 10 BRANDS TURNOVER
R626m



MARKET SHARE

SHARE OF DEFINED MARKET
13.0%

LIQUID COUGH AND COLD
4.9%

COUGH DROPS
3.8%

GUT HEALTH
33.8%

ANALGESICS
29.5%

ENERGY SUPPLEMENTS
42.5%

VITAMINS AND SUPPLEMENTS
2.0%

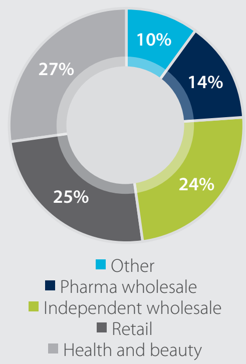
LAXATIVES
29.5%

Source: ACNielsen June 2017

NUMBER OF EMPLOYEES

SALES, MARKETING & ADMINISTRATION
67

SALES BY CUSTOMER CHANNEL



TOP BRANDS

Panado
Bioplus
Probiflora
Compral
Cepacol
Gyna Guard
Viral Guard
Gummy Vites

OVERVIEW

The division provides products through the independent cash and carry, pharmaceutical wholesale, corporate pharmacy and retail channels. Brands fall into the following categories:

Pain management	Cough, colds and flu	Personal care	Vitamins, Minerals and Supplements (VNS)	Nutrition	Energy	Laxatives
Panado Compral	Cepacol L.C.C	Gyna Guard Island Tribe	Probiflora, Gummy Vites, Bestum, Natrodale, Viral Guard, Pro-Oxidin Arthro Guard, ADDvance	Suganon Shape	Bioplus Regmakers	Freshen

MARKET TRENDS

- Current economic pressures on the consumer are resulting in down-trading to smaller pack sizes or cheaper alternatives making pack and price offerings more important.
- Growth is driven by new product formats, a focus on the prevention and treatment of lifestyle diseases e.g. diabetes, cardiovascular disease and obesity, and the global trend towards self-care.
- Consumer expectations for improved healthcare are increasing. Consumers are far more knowledgeable with regards to self-medication options with access to digital information.
- The focus by retailers to drive dealer-owned brands, particularly in the VMS market remains a challenge for branded manufacturers.
- The industry is becoming more regulated, resulting in increased compliance costs.

BUSINESS FOCUS

- Protect and grow the core business through continued investment in innovation and marketing.
- Entry into new categories of less regulated products via acquisitions and innovation.
- Expanding markets via exports and license technology agreements.

ACHIEVEMENTS IN 2017

The acquisition of the Island Tribe brand, in line with the strategy of acquiring less regulated products, presents an opportunity for the business to diversify into the personal care and sun care segments. Island Tribe sun protection is South Africa's leading sports sun protection brand, endorsed by the Cancer Association of South Africa. The range of products caters for all types of sports enthusiasts and their families with SPF ranges from 15 to 50. All the sunscreens are water resistant and approved by dermatologists.

PERFORMANCE

Analgesics

Flagship brands in the pain management category include the well-known and trusted household names, Panado and Compral, which retained the number 2 and 4 market positions respectively, with both gaining market share during the year. This category's growth, as measured in Nielsen's, has shown a slowdown compared to the prior year, growing at 3.5%. Both Panado and Compral benefitted from extensive marketing and communication campaigns throughout the year which included television, outdoor and in-store activations, culminating in growth ahead of the category. The equity and heritage of Panado has stood the brand in good stead, remaining "the GP's Choice", whilst Compral powders have continued to gain traction in the market.

Energy

Bioplus leads the energy segment, with the single sachet serving now contributing 65% of this brand's turnover. The performance of the single sachet variant is indicative of consumers' need to have more convenient and affordable "on-the-go" pack sizes, for immediate consumption. The brand is in the process of undergoing a design change to reposition it as a more modern, relevant solution to consumers' energy needs.

Cough, colds and flu

Within the cough, colds and flu portfolio, Cepacol has delivered an exceptional performance, growing at 27% in the cough drops segment compared to market growth of 6%, improving its market share to 4%. Radio campaigns, especially during the winter season, supported the performance. LCC, a more-affordable alternative, continues to perform well in the traditional trade channels.

Nutrition

A further initiative to expand into adjacent categories with the Suganon range with Xylitol (a sugar alternative) and Stevia (a naturally gluten-free food) has gained traction in the alternative sweetener segment of the market. Both these products contain lower calories than sugar, which makes them a useful part of controlled eating plans and lifestyles.

Personal care

Gyna Guard consists of a comprehensive range of feminine hygiene products, formulated and developed by a gynaecologist. PH-balanced offerings were launched into the foam bath and bar soap segments. New products will be launched in the next year to broaden the product offering.

Vitamins, minerals and supplements (VMS)

This portfolio continues to face challenges in a very crowded market and intense competition from house brands.

Probiflora, a probiotic supplement, known for "that good gut feeling", offers a unique product range specifically designed to cater for the whole family. It consists of a range of clinically proven probiotic strains, specifically formulated to normalize bowel flora and general intestinal health. It has retained its number one position in the FMCG gut health segment, enjoying one-third of the market share.

Viral Guard, a flu immune booster, benefitted from television exposure and Gummy Vites continues to perform well in the children's vitamin segment. The balance of the portfolio will undergo a strategic review in the next year.

Operational review continued

DISTRIBUTION

Adcock Ingram is the only local pharmaceutical company offering a full national logistics service.

GERT THERON
Financial Director

TOBIE KRIGE
Managing Director

ADCOCK INGRAM DISTRIBUTION DELIVERS:

>220m
UNITS PER ANNUM

1 736
UNITS PER MINUTE

With a picking speed of
374
TASKS PER MAN HOUR

to
9 000
DROP POINTS

From
8
NATIONAL DISTRIBUTION OUTLETS

Achieving
>98%
ON-TIME SERVICE DELIVERY

This service is supported by the regional stockholding, an in-house shipping department and a successful owner-driver scheme* now comprising of:

28
ENTREPRENEURS

172
PEOPLE EMPLOYED

86
VEHICLES

NOW SERVICING

Gauteng
Durban
Cape Town
Port Elizabeth
Bloemfontein
Polokwane
Nelspruit

*for more details refer page 54.

ACHIEVEMENTS IN 2017

Service levels were well maintained for both the private and public sectors.

The acquisition of Virtual Logistics will further enhance the fine distribution capabilities through the improvement of delivery times and frequency.

The expansion of the owner-driver scheme will further reduce reliance on third parties in Nelspruit, Polokwane, Durban and Port Elizabeth. Deliveries in those areas will now be made by 'owner-drivers' who are directors of their own businesses. This expansion continues to extend the tangible benefits of Adcock Ingram's enterprise development objectives.

BUSINESS FOCUS

- Expand and improve service delivery to internal and external customers in the interests of better serving the end users of Adcock Ingram's products
- Increase the value offering to the commercial business units and the alliance partners by:
  - maintaining and improving 'delivery on time'
  - offering a cost-effective service
  - improving warehouse operations by optimising the warehouse management system
  - ensuring a fully validated transportation network.

WHETHER FOR OUR ALLIANCE PARTNERS* OR OUR OWN BRANDS, WE DELIVER DIRECT TO:

Wholesalers | Hospitals | Clinics | Pharmacies | Patients | FMCG outlets | The public sector

Multinational partners for whom Adcock Ingram distributes

PALLET SPACE

GAUTENG **26 200**	DURBAN **11 000**	BLOEMFONTEIN **400**
CAPE TOWN **4 800**	PORT ELIZABETH **3 000**	TOTAL **45 400**

Sustainability

Sustainability

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

This report is presented by the Company's Social, Ethics and Transformation Committee (the Committee), appointed by the Board in respect of the year ended 30 June 2017. The Committee operates in terms of a formal mandate, which contains detailed provisions relating to the terms of reference, duties, composition, role and responsibilities of the Committee. The following guidelines and/or standards were considered when compiling this report:

- the King IV Report on Corporate Governance for South Africa ("King IV");
- the Listings Requirements of the JSE Limited ("Listings Requirements"); and
- the Global Reporting Initiative ("GRI") framework.

THE ROLE AND FUNCTION OF THE COMMITTEE

Statutorily, the Committee is responsible for monitoring the Group's activities, as per the Companies Act, with regard to matters relating to:

- social and economic development;
- good corporate citizenship;
- environment, health and safety; and
- labour and employment practices.

COMPOSITION AND MEETINGS

The Committee consists of three non-executive directors, two of whom are independent and two executive directors. The attendance of the Committee meetings was as follows:

Committee member	Meeting attendance
Chairman	
P Makwana	**5/5**
Committee members	
A Hall	**5/5**
T Lesoli	**5/5**
B Letsoalo	**5/5**
A Mokgokong	**5/5**
Invitees	
D Kosi (Public Affairs Executive)	**4/4**
D Nabarro (Marsh Risk Advisor)	**4/4**
S Pietropaolo (Head of Internal Audit)	**4/4**
V St Quintin (Corporate Affairs)	**4/4**
C Raphiri	**1/1**

WHAT WE HAVE ACCOMPLISHED IN 2017

During the year under review, the key matters considered by the Committee (and reported to the Board) included:

- ongoing monitoring and assessing of the Group's transformation progress (including consideration of the Employment Equity Act, Broad-Based Black Economic Empowerment (B-BBEE) and the supporting Codes of Good Practice). The Committee is supported in its monitoring of equity practices by the National Transformation Forum (NTF) and the site forums;
- approval of the five-year employment equity (EE) Plan;
- approval of the transformation strategy;
- monitoring and assessing the Group's compliance with applicable legislation and Codes of Good Practice, including anti-corruption legislation;
- monitoring of the Group's occupational, health and safety;
- monitoring of the Group's environmental and social sustainability initiatives and the execution thereof;
- deliberation on stakeholder management and Corporate Social Investment (CSI) activity;
- monitoring of matters relating to the Group's statutory obligations and corporate governance;
- recommended to the Board the approval of the Diversity Policy;
- tracking of talent management in the Group; and
- approval of the implementation plan for succession management of the Executive team.

WHISTLE-BLOWING FACILITY

Adcock Ingram has a whistle-blowing facility, which is promoted extensively through internal communication tools. It encourages employees and other stakeholders to anonymously report any suspected misconduct. Inappropriate, unethical or illegal activity can be reported through the independently operated service, 24 hours per day and 365 days per year. All complaints lodged through this service are investigated, appropriate disciplinary action instituted if necessary and then reported to the Board through the Social, Ethics and Transformation Committee. During the year 35 (2016: 40) calls were lodged of which 51% (2016: 75%) related to human capital issues and the balance to dishonest conduct. After investigation, 91% of the reports were dismissed as unfounded.

ENVIRONMENT

The protection of the environment is a key consideration when acting as a responsible corporate citizen. Adcock Ingram is committed through its value of having respect for the environment to the sustainable management and conservation of the environment. Throughout its operations the Company focuses on providing a quality service that creates a safe and healthy workplace for employees while minimising the potential impact on the environment.

Key areas of focus are:

- water management;
- electricity consumption;
- carbon emissions; and
- stakeholder education and awareness.

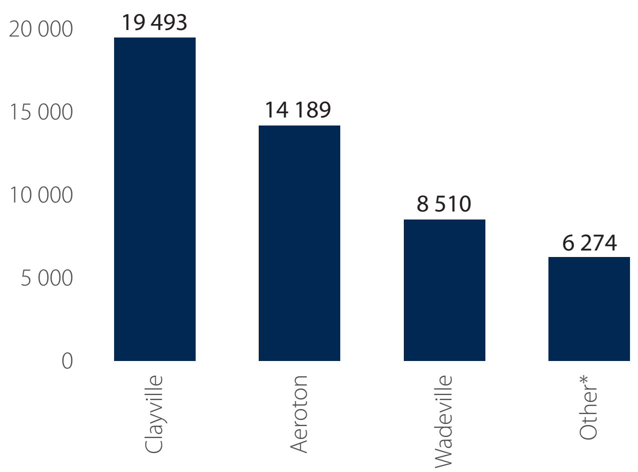
The carbon footprint results for South Africa determined by "Carbon Calculated' are as follows:

	2017 Tonnes	2016 Tonnes
Scope 1		
Equipment owned or controlled	**11 093**	12 045
Air conditioning and refrigeration gas refills	**506**	247
Vehicle fleet	**2 618**	2 220
Scope 2		
Electricity	**48 467**	49 287
Total Scope 1 and 2	**62 684**	63 799
Scope 3		
Business travel	**1 351**	1 729
Employee commute	**4 059**	4 070
Transportation & distribution of raw materials and sold goods	**13 760**	14 751
Packaging materials	**15 693**	15 400
Consumption of office paper	**86**	75
Total waste (landfill, recycled & effluent)	**2 898**	3 902
Water & wastewater	**454**	525
Electricity transmission and distribution losses	**4 261**	4 629
Total Scope 3	**42 562**	45 081
Total Scope 1, 2 and 3	**105 246**	108 880
Non-Kyotogas	**2 031**	2 129
Grand Total	**107 277**	**111 009**

Despite increased throughput in the factories, electricity consumption remained in line with the prior year. This can be attributed to the shutdown of idle equipment in the factories, automatic switching off of non-essential lights and air conditioners in unoccupied rooms outside of certain times, LED lightning as well as charging of forklift batteries outside of peak demand.

Progress was also made with the conservation of water, with the water recovery initiatives like the reparation of leaks, ongoing recycling of water and increasing borehole utilisation, resulting in a decrease of 16% in consumption.

SCOPE 2 EMISSIONS BY FACILITY (tCO_2e)



* Includes office facilities and distribution centres

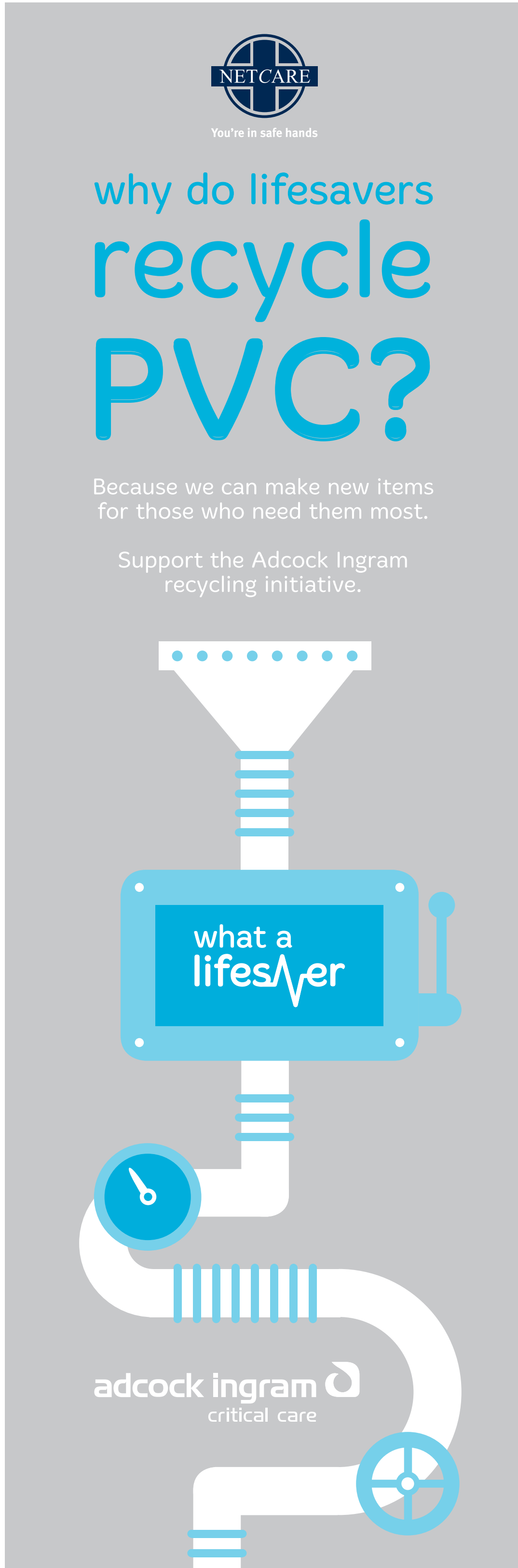
PLASTICS RECYCLING

Through a PVC (polyvinyl chloride) recycling project, Adcock Ingram Critical Care is contributing in a simple yet powerful way to saving energy and lowering carbon emissions, shrinking landfills and conserving the natural resources on our planet. This PVC recycling project aims to collect used plastics from hospitals. The recycled PVC will be put to good use making school shoes for underprivileged children in South Africa.

PVC, also known as 'vinyl', is a plastic used in a variety of products including everyday hospital supplies including IV fluid bags, oxygen masks and oxygen tubing. PVC is fully recyclable and, unlike many types of plastics which can only be recycled a very limited number of times, PVC can maintain its physical strength through repeated recycle processes.

The project aims to collect and recycle used IV fluid bags, oxygen masks and oxygen tubing in hospitals. Staff simply place these PVC items in the dedicated recycling bins in hospital wards, intensive care units and theatres (except wards handling hazardous or contaminated waste). These bins are easily recognizable as they are branded, unlike the rest of the medical waste bins used in hospitals. Nurses in participating hospitals receive full training, which includes support during the pilot period.

Two hospitals have collected 730 kg and 407 kg of PVC respectively over an 8-week period, and the project is currently being piloted in a few Netcare hospitals.



Sustainability continued

OUR EMPLOYEES

Employee value proposition: Talent attraction, development, engagement and retention is vital for the continued success and sustainability of the business. For this reason, Adcock Ingram invests significant time and resources in:

- learning and development initiatives;
- offering competitive remuneration and market related benefits;
- the retention of critical skills; and
- maintaining a fun yet performance driven working environment, with leadership that acts with honesty and integrity, whilst supporting transformation and empowerment.

WORKFORCE PROFILE OF EMPLOYEES IN SOUTH AFRICA

	2017	2016
Number of permanent employees	2 218	2 234
Gender Split		
Male	1 085	1 107
Female	1 133	1 127
Racial Split		
African	1 411	1 426
White	312	307
Indian	167	160
Coloured	328	341
Ethnic and gender split		
Black male	965	981
White male	120	126
Black female	941	946
White female	192	181

TYPES OF EMPLOYEES:

	2017	2016
Permanent Employees	2 218	2 234
Total remuneration package	1 138	1 104
Bargaining unit	1 080	1 130
Contractor /Temporary Employees	147	171

EMPLOYEE RELATIONS

Approximately 50% of the Company's permanent employees are members of recognised trade unions covered by collective agreements defining the terms of the relationship between the Company, the unions and the members, as well as their agreements on matters ranging from operational changes to annual negotiations on wages and other substantive issues. During the 2017 year, 3 621 man-days were lost due to industrial action. In the previous financial year no days were lost.

WORKFORCE TURNOVER

Employee turnover for this year was 10.4% (2016:8.5%).

LEARNING AND DEVELOPMENT

The development and growth of people is a key principle of Adcock Ingram's learning and development strategy. We believe in enriching employees by ensuring that they have the right skills, knowledge and competencies to drive the business strategy and reach individual potential. Training programmes are designed to produce substantial benefits for both Adcock Ingram and its employees.

TOTAL TRAINING SPEND IN SOUTH AFRICA

▲ **R23m**

(2016: R18 million)

39% AFRICAN FEMALES

37% AFRICAN MALES

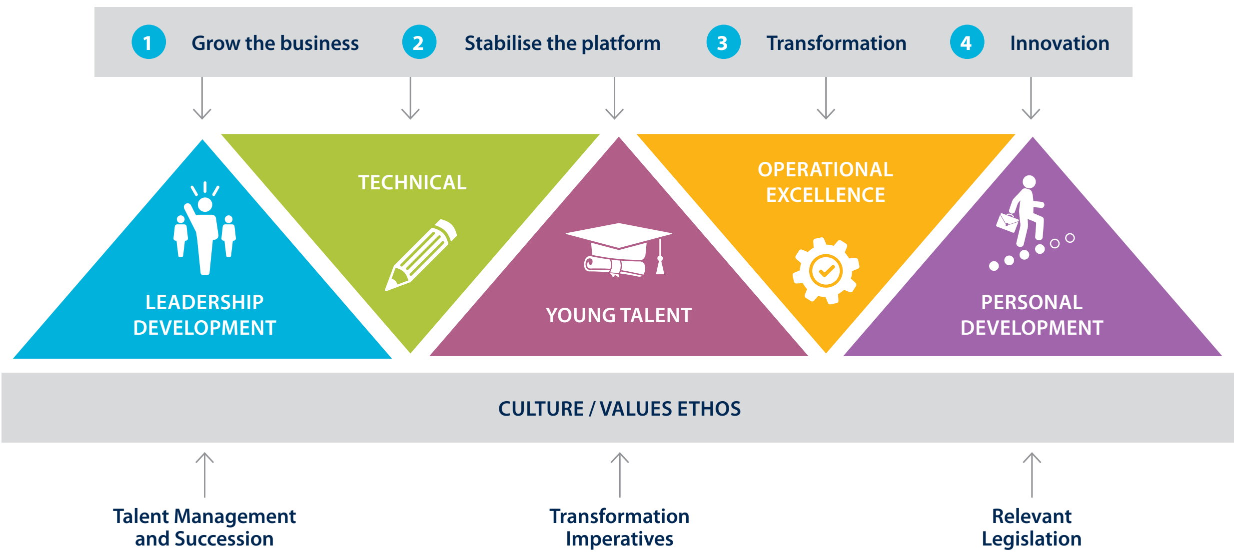
15% OTHER FEMALES

9% OTHER MALES

THE LEARNING AND DEVELOPMENT STRATEGY

GROWING THE BUSINESS BY GROWING PEOPLE

BUSINESS OBJECTIVES



Sustainability continued

LEARNING AND DEVELOPMENT (continued)

As part of the strategy to develop employed as well as unemployed learners, the following programmes were conducted during the period under review for the number of beneficiaries indicated:

YOUNG TALENT

- GRADUATE WORKPLACE EXPERIENCE **10**
- PHARMACY INTERNS **9**
- LEARNERSHIPS FOR PEOPLE LIVING WITH DISABILITIES **9**
- APPRENTICESHIPS **11**
- NATIONAL SKILLS FUND FUNDED WORKPLACE EXPERIENCE **25**

TECHNICAL

- BASIC PHARMACY ASSISTANT **15**
- POST BASIC PHARMACY ASSISTANT **22**
- IT LEARNERSHIPS **5**

LEADERSHIP DEVELOPMENT

- SUPERVISOR DEVELOPMENT **45**
- MANAGEMENT ADVANCEMENT PROGRAMME & WOMEN IN LEADERSHIP **26**

OPERATIONAL EXCELLENCE

- PROJECT MANAGEMENT **22**
- SUPPLY CHAIN MANAGEMENT **30**

PERSONAL DEVELOPMENT

- STUDY ASSISTANCE **5**
- ADULT BASIC EDUCATION & TRAINING **36**

SUCCESSION MANAGEMENT

Succession planning is a systematic and integrated approach to ensure that the necessary talent and skills will be available when required and that essential knowledge and abilities will be maintained when employees in critical positions leave.

As part of the succession planning process, an integrated and systematic approach is followed including:

- establishing the strategic direction of the Company, including understanding the current and future business needs, identifying the critical positions, identifying the available talent pool and analyse and evaluate the talent pool for diversity and transformation;
- analyse the talent pool via conducting talent SWOT analyses, conducting of GAP analyses and comparing the current talent pool with the business requirements;
- address the gap through the development of a strategy to close the gap, develop succession plans for critical positions and allocate resources;
- development of an implementation plan including role clarity, the establishment of milestones and timelines; and
- the evaluation and monitoring of the plan including assessment for continuous improvement and adjustment.

For the period under review, succession management for the executive team and the level below that has been completed. In order to ensure sustainability, a concerted effort has to be exerted to retain, develop and fast-track the successors.

WELLNESS

The employee wellness programme (EWP) is a service provided to maximise an individual's potential at the workplace. It is therefore crucial for employees to be taken care of by means of the EWP. This will ensure that employees have 24-hour access to a programme that is dedicated to their wellbeing in a proactive and therapeutic manner. It is within this context that ICAS has been providing EWP services to Adcock Ingram.

The top 3 most commonly presenting problem classes during the past year were relationship issues, stress and legal matters.

The overall engagement rate, which includes uptake of all services provided, amounted to 30% during the period under review and the most commonly utilised service was Professional Counselling, which constitutes 63% of total engagement.

HEALTH AND SAFETY

FACILITIES

Marsh (Pty) Limited conducts annual risk control standards grading audits at all Adcock Ingram sites, excluding Ghana and Kenya. In conducting these audits, the various sites were assessed in terms of:

- preparedness and their performance with regard to risk control organisation;
- fire defence;
- security;
- emergency planning;
- occupational health and safety; and
- motor fleet.

Rates achieved varied between 94.5% and 99% respectively. Minor shortcomings where identified, were addressed.

During the environmental risks control audits Adcock Ingram's sites are rated in regard to:

- their performance in environmental leadership;
- environmental management implementation;
- operational management;
- monitoring and review; and
- specific operations.

These audits were conducted during the financial year at the manufacturing sites and distribution depots in South Africa. Rates achieved varied between 94% and 99% respectively.

EMPLOYEES

No fatalities (injuries on duty resulting in death) occurred during the current or prior year.

Lost time injuries (injuries on duty leading to at least one lost day) increased in the current year as detailed below:

	2017 No of injuries	**2017 LTIFR**	2016 No of injuries	2016 LTIFR
Aeroton	**13**	**1.55**	7	0.80
Wadeville	**2**	**0.15**	0	0.00
Clayville	**4**	**1.30**	3	0.56
Midrand	**1**	**0.16**	2	0.26
Distribution sites	**0**	**0.00**	0	0.00
Total	**20**	**0.40**	12	0.20

LTIFR = lost time injury frequency rate

There were 72 medical cases (injury on duty leading to medical treatment without losing a day's work) in the current year compared to 81 medical cases in the prior year. There were also 277 first aid cases in the current year, compared to the 280 cases in the prior year.

Management will increase health and safety training and awareness to address the increase in injuries. Health and safety will be a standing item at management meetings to ensure the appropriate level of attention is given to health and safety issues. Where injuries were sustained as a result of negligent conduct, disciplinary action will be taken.

Sustainability continued

TRANSFORMATION

The Company recognises the moral, social and economic imperative to embrace and support transformation in South Africa and to be a valuable participant in the South African economy and society. A transformed company in the South African context is not only one that has a workforce that is representative of the country's racial and gender demographics and that operates with bias towards broad-based economic opportunities, but a company that also embraces diversity and inclusivity.

Adcock Ingram continues to focus on its transformation agenda and remains intent on providing a workplace that encourages diversity and inclusivity. Transformation is considered in the context of B-BBEE and is measured annually by an external verification agency against the B-BBEE scorecard. Details regarding the last assessment which is valid until November 2017 are as follows:

Element	Weighting	Current score
Equity ownership	25	24.22
Management control	19	11.78
Skills development	20	18.65
Enterprise and supplier development	40	29.00
Socio-economic development	5	5.00
Total and B-BBEE Level	**109**	**88.65 = Level 4**

PROMOTING B-BBEE IN SOUTH AFRICA

R209m
SPEND ON EME

R239m
SPEND ON QSE

R665m
>51% BLACK OWNED SUPPLIERS

R206m
>30% BLACK WOMAN-OWNED SUPPLIERS

R1.8bn
SPEND ON B-BBEE STATUS SUPPLIERS

R23m
SPEND ON SKILLS DEVELOPMENT

R5.5m
SPEND ON SOCIAL DEVELOPMENT

R2.9m
GRANTS RECEIVED FROM CHIETA

R18m
INVESTMENT IN ENTERPRISE DEVELOPMENT

R38m
SPEND ON OWNER DRIVER SCHEME

172
TOTAL OWNER-DRIVER EMPLOYEES INCLUDING DIRECTORS

1 776
EMPLOYEES HOLD UNITS IN MPHO EA BOPHELO II SCHEME

EME – B-BBEE exempted micro enterprises
QSE – B-BBEE qualifying small enterprises
CHIETA – The Chemical Industries Education and Training Authority

EMPLOYMENT EQUITY

The Group recognises the value in diversity and the need for its workforce to be representative of the demographics of South Africa. The Group is therefore committed to employing and developing people from designated groups in furtherance of its Employment Equity objectives.

Occupation Levels	Male				Female				Foreign		Total
	A	C	I	W	A	C	I	W	M	F	
Top management	0	0	0	1	1	0	0	1	0	0	3
Senior management	2	0	2	5	1	0	0	1	0	0	11
Professionally qualified, experienced specialist & mid-management	44	12	28	51	48	12	39	62	6	2	304
Skilled technical and academically qualified, junior management, supervisors, foremen, and superintendents	169	39	27	57	157	33	53	105	5	4	649
Semi-skilled and discretionary decision making	487	61	3	1	380	121	14	19	2	0	1 088
Unskilled and defined decision making	67	15	0	0	46	34	0	0	1	0	163
TOTAL PERMANENT	**769**	**127**	**60**	**115**	**633**	**200**	**106**	**188**	**14**	**6**	**2 218**
Temporary employees	53	9	5	6	45	5	13	7	2	2	147
GRAND TOTAL	**822**	**136**	**65**	**121**	**678**	**205**	**119**	**195**	**15**	**9**	**2 365**

86%
OF PERMANENT EMPLOYEES ARE BLACK

51%
OF PERMANENT EMPLOYEES ARE FEMALES

57%
OF DIRECTORS ARE BLACK

50%
OF DIRECTORS ARE FEMALE

Sustainability continued

ENTERPRISE DEVELOPMENT

The successful owner-driver initiative, which falls under the Distribution division, was developed as an innovative scheme to give promising candidates ownership of a business, while realising the Company's enterprise development objectives. During 2016 the fleet expanded with the addition of eight vehicles, bringing the fleet to 52 vehicles. In 2017, the fleet increased with an additional 36 vehicles and 9 companies. This scheme now has 28 entrepreneurs running a fleet of 86 vehicles. The owner-drivers will now also have a presence in Nelspruit, Polokwane, Durban, Bloemfontein and Port Elizabeth. This complements the existing fleet in Cape Town, Aeroton and Midrand. Having commenced in 2012, this project has proved extremely successful.

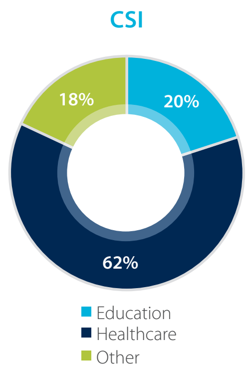
SOCIO-ECONOMIC DEVELOPMENT

Adcock Ingram has been consistent in its commitment to be involved in the healthcare and well-being of the communities in which the Company operates in South Africa, particularly in support of disadvantaged groups.

The Company has carefully selected five main flagship CSI projects to represent our care for communities:

- Community Development Foundation of South Africa (CODEFSA);
- South African Medical and Education (SAME) Foundation;
- SMILE Foundation;
- Mercy Vision (Ships) - Zithulele Eye Care Project; as well as
- Azali Healthcare

These flagship projects, as well as the many other smaller projects are a true testimony of our care for the disadvantaged communities and an effort to build sustainable relationships, particularly with previously disadvantaged communities, as we contributed R5.5 million during the year.



DIVISIONAL TRANSFORMATION PROJECTS

Adcock Ingram has embarked on economic transformation to address the issues of access, empowerment, inequality and poverty eradication. The business units have rolled out the following programmes to drive the aforementioned:

Abuse of analgesics
Low cost ARV's
Growth and access to Generics portfolio
Medical education to health care professionals

PVC plastic recycling
Netcare 911 partnership on training
Supplier of Blood Bags
and IV Fluids


Enabling pharmacies
Enabling wholesalers
Dispensing doctors
Spaza shop activations

Consumer education
Mobile clinics
Sub-distributor modelt

Hub and spoke distribution concept
Home delivery of critical renal medication
owner-driver scheme

DRUG MANAGEMENT AND DEVELOPMENT

Being a healthcare company manufacturing medicines, the provision of safe, quality and efficacious products to patients is of paramount importance. This is managed by the Drug Management and Development Team. This team comprises Research and Development, Quality Assurance, Medical Affairs and Compliance.

QUALITY ASSURANCE

The quality offering of Adcock Ingram's products is vitally important and is part of the heritage of the Company. The Quality Assurance (QA) team utilises a range of quality tools and systems to monitor and control processes which individually or collectively influence the quality of all products. These systems are under continuous improvement and are kept purposefully robust to ensure Adcock Ingram maintains or improves the quality of its products.

The Group has a rigorous Quality Management System which allows for effective management of customer complaints, inspections and other quality functions. This system enables the Company to assure its customers and consumers that all its medicines are safe, effective and of very high quality.

MEDICAL AFFAIRS

Over a period of time there has evolved a more distinct separation between the medical and commercial functions in the pharmaceutical industry. This ever-changing healthcare landscape, has led to the medical affairs function becoming ever more crucial. Adcock Ingram's Medical Affairs team is a strategic partner, well placed to navigate this complex healthcare landscape.

Medical Affairs is uniquely placed to engage with various medical stakeholders in the communication of the value of our product offering, ensuring that the business continues to provide patient-centric healthcare solutions. The Medical Affairs team strives for meaningful relationships with patients, key opinion leaders, healthcare professionals and regulatory authorities in order to provide essential medical information on all products.

RESEARCH AND DEVELOPMENT

The Research and Development team comprise of the relevant technical skills to enable Adcock Ingram to participate in areas of pharmaceutical development relevant to its portfolio. Adcock Ingram does not undertake or support any animal studies or test any of its products on animals. The Group uses accredited organisations to carry out bioequivalence studies, usually known as Clinical Research Organisations (CRO's). The policies which these appointed CRO's have in place to govern their studies are aligned to local and international clinical research guidelines, such as those of the local Medicines Control Council (MCC) and the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use (ICH-guidelines).

Our Governance

Remuneration report

This report is presented by the Company's Human Resources, Remuneration and Nominations Committee (the Committee), appointed by the Board in respect of the year ended 30 June 2017.

BACKGROUND STATEMENT

This report offers an overview of Adcock Ingram's approach to remuneration, with specific emphasis on executive and non-executive directors. The report also provides a description of each of the reward elements offered to employees. Disclosure of payments made to non-executive directors, executive directors and key/executive management during the year under review is also specified.

On an annual basis, the remuneration policy is tabled at the Annual General Meeting (AGM) for a non-binding advisory vote by shareholders. At the previous AGM, held in November 2016, 67.6% of shareholders voted in favour of the remuneration policy.

According to King IV, Principle 14, paragraph 37: "In the event that either the remuneration policy or the implementation report, or both, were voted against by 25%, or more, of the voting rights exercised, the matter should be disclosed in the background statement of the remuneration report succeeding the voting".

It is in this context, that measures and shareholder engagement plans are in place to establish the reasons for dissenting votes and strategies to address legitimate objections from shareholders.

The following external and internal factors influence remuneration: Company performance; relevant legislation; macro and micro factors; business strategy; employee performance; experience; skills set and market data.

Committee members	Meeting attendance
Chairman	
P Makwana	**3/3**
Committee members	
L Boyce*	
R Morar*	**0/2**
C Raphiri	**3/3**
M Sacks	**2/3**
Invitees	
A Hall	**3/3**
B Letsoalo	**3/3**

** See changes to the Board on page 72.*

COMMITTEE ACTIVITIES

In complying with its mandate in remuneration matters, the main activities and key decisions taken by the Committee during the 2017 year were to:

- approve the principles for total remuneration package (TRP) salary increases for non-bargaining unit employees;
- approve the remuneration of executive directors and the Company Secretary;
- review management's recommendations for the remuneration of non-executive directors (NED) including the Chairman;
- recommend the remuneration for non-executive directors for approval at the AGM;
- review the performance of the executive management team and recommend the short-term and long-term incentives to the Board for approval;
- review the performance of the Company Secretary;
- conduct an annual self-evaluation review for areas of improvement;
- oversee the update of various legislative changes;
- review the remuneration report for approval before publication in the integrated report; and
- review the current performance metrics for short-term incentives and consider additional performance metrics for business unit leaders and executive directors to promote business sustainability.

COMMITTEE MEETINGS

To assist the Committee with the execution of its mandate, the CEO and Executive Director: Human Capital and Transformation attend Committee meetings by invitation but recuse themselves when any element of their remuneration is discussed.

The Committee seeks and considers advice from independent remuneration advisors where appropriate. In this context, a reward consultancy firm was consulted to provide in-depth independent advice to the Committee on matters of remuneration best practise.

The Committee is satisfied that the reward consultancy firm used was independent and objective.

Focus areas for the current financial year
Implement development programmes for successors in line with transformation imperatives and business requirements
Cascade talent management and succession planning below executive level
Review flexibility and appropriateness of benefits to remain competitive in the industry

Achievements

Developmental initiatives implemented in partnership with institutions of higher learning namely:

- Wits Business School
- Gordon Institute of Business Science
- Henley Business School
- Other programmes which were rolled out are:
  - Project management
  - Coaching and mentoring
  - Supply chain management
  - General management
- Succession management and development plans for executive level and below were implemented (future leaders)
- Approval of flexible personal contribution rates for the provident fund
- Review of relevant remuneration and related policies

Focus areas for the next financial year

Ensure short-term incentives include both financial and non-financial performance metrics

Implement requirements for King IV in full

Obtain >75% shareholder approval at AGM for remuneration policy

OUR REMUNERATION PHILOSOPHY

Adcock Ingram's remuneration philosophy is part of a comprehensive and holistic talent management approach, aiming to support current and evolving business priorities. The philosophy aims to attract, motivate, deploy, retain and engage the desired talent to execute business strategy in a sustainable manner. The competitive talent landscape demands a differentiated reward system capable of competitively matching pay for performance, delivered fairly without bias, flexible yet compliant across the business units.

OUR REWARD PRINCIPLES

In delivering our remuneration policy, we apply the following principles:

- fair pay based on the value of the job relative to other jobs of similar worth – namely internal equity;
- performance-based culture for short-term incentives;
- transparent and simplified communication across all levels including external stakeholders;
- consistency across all our business units acknowledging differentiation and bespoke offerings;
- empowerment of business leaders to deliver effective pay decisions;
- flexibility taking into account transformation and diversity of employees across the business units; and
- company affordability to support the performance expectations of our shareholders.

BENCHMARKING

Fair and competitive reward is vital to enhance the employee value proposition. All elements of remuneration are subject to periodic evaluation. Our executive remuneration is benchmarked against data provided by national remuneration surveys and information disclosed in annual reports. The Committee reviews peer group data from JSE healthcare, FMCG and other companies using a combination of market capitalisation, turnover, capital assets and number of employees, when determining the total remuneration and guaranteed packages of executives.

Critical skills positions are also periodically evaluated. Generally, Total Remuneration Packages (TRPs) are placed at the median of the sector remuneration scale. For the retention of exceptional and/or scarce skills a premium may be paid in the remuneration of these employees resulting in their TRP levels exceeding the market median.

The Remuneration Committee endeavours to ensure that, each director is remunerated fairly and responsibly and that the disclosure of directors' remuneration is accurate, complete and transparent. We strive to meet the governance standards as set out in King IV.

EMPLOYEE TYPES

1 PERMANENT EMPLOYEES

Permanent employees receive a total remuneration package which is reviewed annually. Pay increases are determined according to relevant experience and expertise, market benchmarks, company performance, CPI and affordability.

2 BARGAINING UNIT EMPLOYEES

49% of employees in South Africa and 30% of employees in Zimbabwe belong to bargaining units. Remuneration is based on annual negotiations between the employer and the respective unions.

A 7.5% increase, was agreed in South Africa for each of the years beginning 1 July 2017 and 1 July 2018.

3 FIXED-TERM CONTRACT EMPLOYEES

Employees on fixed-term contracts receive a total remuneration package which is similar to permanent employees at the same level.

4 TEMPORARY WORKERS

Temporary workers are occasionally required by certain business units in order to cope with demand. They are remunerated on an hourly basis.

Remuneration report continued

REMUNERATION STRUCTURE FOR NON-SOUTH AFRICAN OPERATIONS

Element	Base pay	Benefits	India	Kenya	Zimbabwe
Guaranteed remuneration	To attract and retain talented employees, reflects the scope and nature of the role, provide competitive pay and reward performance	Provident Fund • Death benefit • Disability benefit • Funeral benefit	This is governed by statutory requirements in India Contributions are currently 12% of basic salary at all levels	Company contributions amount to 10% of basic salary Employees can contribute voluntarily	Company contribution is 15% of basic salary Employees contribute 7% of basic salary
		Medical Aid	Membership is compulsory Employees are covered under Group personal accident and Group medi-claim	Contributory medical scheme but not compulsory	Contributory medical scheme but not compulsory
Average increase for 2016/17			10.8% increase in payroll costs	6% overall increase	0% increase

REMUNERATION STRUCTURE FOR THE SOUTH AFRICAN OPERATIONS

Element	Purpose and link to strategy	Mechanics/Participants	Eligibility
Guaranteed remuneration for non – bargaining unit employees (TRP)	To attract and retain top talent	**Basic salary** • TRP's are reviewed annually in December • Annual increases are awarded based on – Market trends – CPI – Individual performance – Business performance – Internal and external benchmarks • During the period under review, a 6% average increase was awarded effective 1 December 2016 • Reflects the individual competency, scope and nature of the role **Benefits** • Provident fund: – Death benefit – Disability benefit – Funeral benefit • Medical aid, encouraged but not a condition of service • Car insurance • Wellness programme – The primary goal is to inform, empower and provide employees with the skills to take ownership of their wellbeing	All permanent employees not part of the bargaining unit
Guaranteed remuneration for bargaining unit employees	To attract and retain competent talent	**Basic salary** • A 7.5% increase was granted on 1 July 2016 as per the bargaining unit agreement **Benefits** • Provident fund employee contribution varies between 7.0% to 7.5% of basic salary, with the Company contribution varying between 10% and 11% of basic salary – Death benefit – Disability benefit – Funeral benefit • Medical aid – The Company contributes 50% towards the medical aid • 13th cheque – In accordance with the relevant settlement agreements, bargaining unit employees in South Africa receive 13th cheques • Wellness programme – The primary goal is to inform, empower and provide employees with the skills to take ownership of their wellbeing	All permanent employees belonging to the bargaining unit

Element	Purpose and link to strategy	Mechanics/Participants	Eligibility
Short-term incentives (STI's)	The purpose of the STI's is to drive a high-performance culture that motivates and rewards achievement of the Group, relevant business unit, and individual's annual objectives. It aims to keep key employees focused on the defined business imperatives, and can include both financial and non-financial measures.	The scheme is reviewed on an annual basis to ensure the performance measures and weightings drive the appropriate behaviours and support the business strategy. The pre-determined performance targets which had to be achieved to qualify for an incentive, as well as the weighting for the specific metric, for the 2017 financial year were as follows: **Commercial Divisions (OTC, Prescription, Hospital and Consumer):** • **70%** – Trading profit • **30%** – ROFE* **Distribution:** • **50%** – Distribution expenses • **25%** – order infill rates • **25%** – on-time delivery **Corporate and shared services:** • **70%** – Trading profit • **30%** – ROFE* **Payment** During the financial year, approximately R28 million was paid to qualifying employees for achieving agreed targets in the previous financial year. An amount of R32 million was provided in the current year for payment in September 2017 in relation to targets achieved in the 2017 financial year. **Looking forward** In pursuit of holistic business excellence and sustainability. In the 2018 financial year, additional financial and non-financial measures have been added to the STI scheme, depending on the relevant individual's role, including HEPS, transformation, internal audit findings, Market share, factory performance as well as new business.	The following employees are eligible for short-term incentives: • Executive directors • Members of the executive committee • Other critical employees in the Group In the 2017 financial year, the scheme had 52 beneficiaries, who were selected based on either their leadership role and size of their portfolio's within the organisation or having been identified as occupying a critical position to drive the Group's annual targets.
Long-term incentives (LTI's)**			
Equity and phantom share options scheme	Retention of critical employees and key skills by allocation of options which vest in equal tranches three, four and five years after the grant date.	**Participants** 52 employees in the schemes	• Executive directors • Group executive committee • Other employees with critical skills
Tiger Brands Black Managers Trust (BMT)	Retention of Black Managers through the Tiger Brands Limited B-BBEE transaction implemented in 2005. Vested rights were issued subject to various lock-in periods.	**Participants** 114 remaining participants	Black managers of the Tiger Brands Group, which at that time incorporated Adcock Ingram.
Mpho ea Bophelo	The B-BBEE scheme is governed according to equality and reparation principles.	**Participants** 1 779 employees	All permanent black employees in South Africa and those who were naturalised before 1994, who have elected to participate in this scheme.

**ROFE – return on funds employed*

***The Group currently has 3 different LTI's schemes. None of these schemes have performance metrics attached to them.*

Remuneration report continued

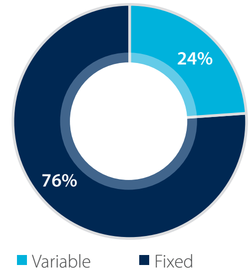
TOP THREE EARNERS

The Company is currently still following the requirements of King III, whilst it is in the process of preparing to apply King IV disclosure requirements.

In light of the individual remuneration information that is reported and the cost of revealing competitive information, the Board has resolved that it will report on the remuneration of the three highest earning persons (excluding the executive directors), collectively, rather than individually.

REMUNERATION

	2017 R'000	2016 R'000
Salary	**8 276**	7 907
Contributions to defined contribution plan	**1 197**	1 234
Gross remuneration	**9 473**	9 141



SHORT-TERM INCENTIVES

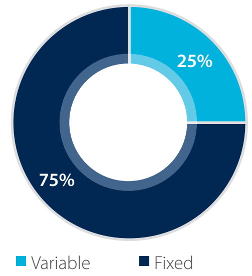
Based on the current year's performance, the top three earners qualify for short-term incentives in the amount of R2 950 000. Full provision has been made for this amount in the current year although payment will only be effected in September 2017. An incentive of R3 025 000 was paid in September 2016, relating to the prior year's performance, which was fully provided for at 30 June 2016.

KEY MANAGEMENT

Key management comprises the executive committee of the Group including the executive directors. As the executive directors' details have been disclosed separately, these are excluded from the figures below. During the year, there was a change in the composition of key management. The details show the apportioned annual remuneration of key management, including the top three earners disclosed above, for the period the incumbents held the position during the year.

REMUNERATION

	2017 R'000	2016 R'000
Salary	**20 533**	25 185
Contributions to defined contribution plan	**3 216**	3 830
Gross remuneration	**23 749**	29 015



SHORT-TERM INCENTIVES

Based on the current year's performance, key management qualifies for short-term incentives in the amount of R7 820 000. Full provision has been made for this amount in the current year although payment will only be effected in September 2017. An incentive of R9 105 000 was paid in September 2016, relating to the prior year's performance, which was fully provided for at 30 June 2016.

LONG-TERM INCENTIVES

Details of share options in Adcock Ingram granted to key management are as follows:

Equity	Offer date	Offer price R	Balance at the beginning of the year	Issued during the year	Change in executive committee composition	Balance at the end of the year
	17/06/2014	52.20	576 000	–	(90 000)	486 000
	03/11/2014	52.20	84 000	–	–	84 000
	26/08/2015	41.94	609 000	–	(45 000)	564 000
	26/08/2016	42.30	–	574 000	–	574 000
			1 224 000	574 000	(135 000)	1 708 000

Phantom	Offer date	Offer price R	Balance at the beginning of the year	Forfeited during the year	Exercised during the year	Change in executive committee composition	Balance at the end of the year
	03/01/2011	62.29	81 518	(52 380)	–	(29 138)	–
	26/09/2011	60.38	29 811	–	–	(29 811)	–
	03/01/2012	60.15	125 233	–	–	(60 852)	64 381
	09/01/2012	60.15	14 963	–	–	–	14 963
	01/05/2012	60.70	42 834	–	–	(28 007)	14 827
	01/10/2012	59.56	26 666	–	–	–	26 666
	02/01/2013	53.52	236 262	–	(10 611)	(60 394)	165 257
	02/05/2013	60.55	79 273	–	–	–	79 273
			636 560	(52 380)	(10 611)	(208 202)	365 367

Details of options exercised by key management are as follows:

Phantom	Offer date	Offer price R	Weighted average exercise price R	Number of options	Gain realised on exercising of options[1] R
2017	**04/01/2010**	**53.52**	**60.00**	**10 611**	**68 751**
2016	04/01/2010	51.12	53.67	13 855	35 283

[1] *Amounts shown before taxation.*

The following charges were expensed in the statement of comprehensive income during the year under review, in terms of IFRS 2[2]:

	2017 R'000	2016 R'000
Total	**8 997**	4 066

[2] *The value of options granted is the annual expense in accordance with IFRS 2, and is presented for information purposes only, as it is not regarded as constituting remuneration, given that the value is neither received by nor accrued to the employee.*

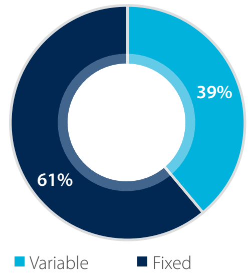
Remuneration report continued

DIRECTORS' REMUNERATION

AG HALL

	2017 R'000	2016[1] R'000
Salary	**4 473**	3 608
Contributions to defined contribution plan	**319**	644
Gross remuneration	**4 792**	4 253

[1] *Appointed as Chief Executive Officer in November 2015.*



SHORT-TERM INCENTIVES

Based on the current year's performance, AG Hall qualifies for a short-term incentive in the amount of R3 000 000. Full provision has been made for this amount in the current year although payment will only be effected in September 2017. An incentive of R2 300 000 was paid in September 2016, relating to the prior year's performance, which was fully provided for at 30 June 2016.

LONG-TERM INCENTIVES

Details of share options granted in Adcock Ingram are as follows:

	Offer date	Offer price R	Balance at the beginning of the year	Issued/ (Exercised) during the year	Forfeited during the year	Balance at the end of the year
Equity	17/06/2014	52.20	175 000	–	–	175 000
	26/08/2015	41.94	175 000	–	–	175 000
	26/08/2016	42.30	–	200 000	–	200 000
			350 000	200 000	–	550 000
Phantom	03/01/2011	62.29	72 429	–	(72 429)	–
	03/01/2012	60.15	79 507	(79 507)	–	–
	01/05/2012	60.70	78 786	(52 524)	–	26 262
	02/01/2013	53.52	96 057	(64 038)	–	32 019
			326 779	(196 069)	(72 429)	58 281

Details of options exercised are as follows:

Phantom	Offer date	Offer price R	Exercise price R	Number of options	Gain realised on exercising of options[2]
2017	**03/01/2012**	**60.15**	**62.58**	**79 507**	**193 202**
	01/05/2012	**60.70**	**62.58**	**52 524**	**98 745**
	02/01/2013	**53.52**	**62.58**	**64 038**	**580 184**
				196 069	**872 131**
2016	04/01/2010	51.12	52.60	76 744	113 581

[2] *Amounts are show before taxation.*

The following charges were expensed in the statement of comprehensive income during the year under review, in terms IFRS 2[3]:

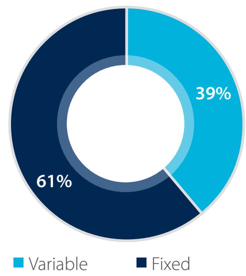
	2017 R'000	2016 R'000
Total	**2 256**	1 052

[3] *The value of options granted is the annual expense in accordance with IFRS 2, and is presented for information purposes only, as it is not regarded as constituting remuneration, given that the value is neither received by nor accrued to the director.*

D NEETHLING

	2017 12 months R'000	2016 4 months[(1)] R'000
Salary	**2 751**	865
Contributions to defined contribution plan	**395**	135
Gross remuneration	**3 146**	1 000

[(1)] *Appointed 23 February 2016.*



SHORT-TERM INCENTIVES

Based on the current year's performance, D Neethling qualifies for a short-term incentive in the amount of R2 000 000. Full provision has been made for this amount in the current year although payment will only be effected in September 2017. An incentive of R1 200 000 was paid in September 2016, relating to the prior year's performance, which was fully provided for at 30 June 2016.

LONG-TERM INCENTIVES

Details of share options granted in Adcock Ingram are as follows:

	Offer date	Offer price R	Balance at the beginning of the year	Issued/ (Exercised) during the year	Forfeited during the year	Balance at the end of the year
Equity	17/06/2014	52.20	60 000	–	–	60 000
	26/08/2015	41.94	90 000	–	–	90 000
	26/08/2016	42.30	–	150 000	–	150 000
			150 000	150 000	–	300 000
Phantom						
	03/01/2011	62.29	14 773		(14 773)	–
	03/01/2012	60.15	19 000	(19 000)	–	–
	02/01/2013	53.52	31 177	–	–	31 177
			64 950	(19 000)	(14 773)	31 177

Details of options exercised are as follows:

Phantom	Offer date	Offer price R	Exercise price R	Number of options	Gain realised on exercising of options[(2)]
2017	**03/01/2012**	**60.15**	**63.00**	**19 000**	**54 150**

[(2)] *Amounts are shown before taxation.*

The following charges/(income) were expensed/(recognised) in the statement of comprehensive income during the year/prior period under review, in terms of IFRS 2[(3)]:

	2017 12 months R'000	2016 4 months[(1)] R'000
Total	**1 513**	(140)

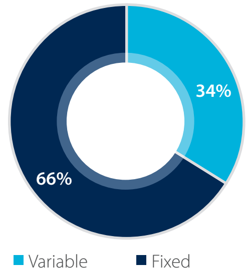
[(3)] *The value of options granted is the annual expense in accordance with IFRS 2, and is presented for information purposes only, as it is not regarded as constituting remuneration, given that the value is neither received by nor accrued to the director.*

Remuneration report continued

B LETSOALO

	2017 10 months[1] R'000
Salary	2 136
Contributions to defined contribution plan	322
Gross remuneration	**2 458**

[1] *Appointed 26 August 2016.*



SHORT-TERM INCENTIVES

Based on the current year's performance, B Letsoalo qualifies for a short-term incentive in the amount of R1 262 500. Full provision has been made for this amount in the current year although payment will only be effected in September 2017. An incentive of R825 000 was paid in September 2016, relating to the prior year's performance, which was fully provided for at 30 June 2016, in her previous role as Human Capital Executive.

LONG-TERM INCENTIVES

Details of share options granted in Adcock Ingram are as follows:

		Offer date	Offer price R	Balance at the beginning of the year	Issued/ (Exercised) during the year	Forfeited during the year	Balance at the end of the year
Equity		17/06/2014	52.20	45 000	–	–	45 000
		26/08/2015	41.94	45 000	–	–	45 000
		26/08/2016	42.30	–	45 000	–	45 000
		25/11/2016	42.08	–	75 000	–	75 000
				90 000	120 000	–	210 000
Phantom		03/01/2011	62.29	29 138		(29 138)	–
		03/01/2012	60.15	32 589	–	–	32 589
		02/01/2013	53.52	39 372	(13 124)	–	26 248
				101 099	(13 124)	(29 138)	58 837
BMT	*TBL*	31/01/2008	79.69	13 500	(10 000)	–	3 500
	AIP	31/01/2008	21.73	13 742	–	–	13 742
	TBL	01/07/2012	80.60	8 000	(266)	–	7 734
	AIP	01/07/2012	21.73	4 534	–	–	4 534
				39 776	(10 266)	–	29 510

Details of options exercised are as follows:

2017		Offer date	Offer price R	Exercise price R	Number of options	Gain realised on exercising of options[1]
Phantom		02/01/2013	53.52	59.25	13 124	75 200
BMT	*TBL*	31/01/2008	79.69	401.30	10 000	3 216 146
	TBL	01/07/2012	80.60	357.69	266	73 706
					10 266	3 289 852

[1] *Amounts are show before taxation.*

The following charges were expensed in the statement of comprehensive income during the period under review, in terms of IFRS 2[2]:

	2017 10 months R'000
Total	770

[2] *The value of options granted is the annual expense in accordance with IFRS 2, and is presented for information purposes only, as it is not regarded as constituting remuneration, given that the value is neither received by nor accrued to the director.*

TBL – Tiger Brands Limited   AIP – Adcock Ingram Holdings Limited   Refer Annexure B

KB WAKEFORD

	2016 6 months[1] R'000
Salary	1 788
Contributions to defined contribution plan	279
Gross remuneration	2 067

(1) *Resigned 1 December 2015 .*

SHORT-TERM INCENTIVES

Based on the 2015 financial year's performance, KB Wakeford qualified for a short-term incentive in the amount of R2 000 000 which was paid in August 2015. Full provision was made for this in the 2015 financial year.

LONG-TERM INCENTIVES

The following income was recognised in the statement of comprehensive income during the year under review, in terms of IFRS 2[2]:

	2016 R'000
Total	(939)

(2) *The value of options granted is the annual expense in accordance with IFRS 2, and is presented for information purposes only, as it is not regarded as constituting remuneration, given that the value is neither received by nor accrued to the director.*

EXECUTIVE DIRECTORS

The executive directors are currently regarded as the only prescribed officers of the Group.

Shareholding and other fees

No shares were held in the Company in the current year. No fees for services as director, consulting or other fees were paid in the current or prior year. No profit-sharing agreements are in place.

Service contracts for executive directors

The Company policy is to employ each executive director under a service contract which is subject to a three-month notice period.

Remuneration report continued

NON-EXECUTIVE DIRECTORS

Board fees paid to non-executive directors are based on various market surveys conducted by Adcock Ingram to ensure that they are market related, based amongst others on the director's skills and years of experience. The surveys are conducted on an annual basis and reviewed by the Remuneration Committee.

The recommendation of the Remuneration Committee on the proposed fees is submitted to the Board for consideration before being proposed to shareholders for consideration and approval at the Annual General Meeting (AGM). If approved, the fees become effective in the month following the AGM.

TERMS FOR NON-EXECUTIVE DIRECTORS

The terms and conditions applicable to the appointment of non-executive directors are contained in a letter of engagement which, together with the Board Charter and respective Committees' terms of reference, form the basis of the director's appointment. The Nominations Committee plays an important role in the appointment of new and suitable directors as well as the identification and removal of underperforming or unsuitable directors. The Company's Memorandum of Incorporation (MOI) provides that at least one-third of the non-executive directors retires by rotation every year and, if eligible, may offer themselves for re-election by shareholders.

CURRENT ANNUAL FEES

The following fixed fees are in place since 1 December 2016.

COMMITTEE	Chairman R	Deputy Chairman R	Member R
Board	1 083 920	500 000	248 000
Audit	235 370	–	117 680
Risk and Sustainability	235 370	–	117 680
Human Resources, Remuneration and Nominations	118 075	–	61 270
Social, Ethics and Transformation	118 075	–	58 500

A fee of R13 000 is paid for special meetings exceeding three hours in duration.

REMUNERATION PAID

Non-executive directors receive no other benefits, do not participate in the short-term or long-term incentive schemes and do not receive any performance related pay from the Group. The following fees were paid to non-executive directors:

	2017 R'000	2016 R'000
Boyce[(1)]	**36**	–
Cleasby[(2)]	**–**	179
Joffe	**389**	503
John[(1)]	**40**	–
Haus	**472**	447
Lesoli	**296**	275
Makwana	**453**	414
Manning[(3)]	**220**	–
Mokgokong	**296**	275
Morar[(4)]	**161**	395
Raphiri	**1 058**	760
Ralphs[(5)]	**149**	102
Sacks	**646**	613
Stewart	**577**	555
	4 793	4 518

(1) Appointed 24 May 2017.
(2) Paid to Bidvest Corporate Services Proprietary Limited. Resigned 15 June 2016.
(3) Appointed 24 November 2016.
(4) Retired 24 November 2016.
(5) Paid to Bidvest Corporate Services Proprietary Limited. Resigned 11 November 2015. Re-appointed 24 November 2016.

SHAREHOLDINGS

The following non-executive directors held shares in the Company, as at 30 June:

	2017	2016
Joffe	**19 200**	19 200
Mokgokong[(6)]	**3 445 642**	3 445 642
Morar[(7)]	**–**	1 500
Total direct and indirect shareholding	**3 464 842**	3 466 342

(6) Dr. Mokgokong holds a 50% share in CIH Projects (Pty) Ltd, which in turn holds a 26.67% share in Ad-izinyosi (the BEE shareholder of the Group), within the revised BEE scheme described in Annexure B, section D
(7) Retired on 24 November 2016.

Corporate governance

The Board of directors of Adcock Ingram (the Board), as the custodian of corporate governance, is committed to good corporate governance and ensures that the Adcock Ingram Group adheres to the highest standards of accountability and ethical standards.

The Board, as part of setting the ethical tone at the top, approves the Code of Conduct and Ethics (the Code) which *inter alia* directs, its members, employees and other stakeholders (when dealing with Adcock Ingram) to model their conduct in accordance with its provisions and to report any suspected inappropriate, unethical or illegal activity or misconduct.

KING IV REPORT ON CORPORATE GOVERNANCE

The introduction of the King IV Report allowed the Board to assess the effectiveness of its current processes, practices and structures which it uses to direct and manage the operations of the Company. In November 2016, prior to the effective date of the King IV Report, the Board initiated a gap analysis to determine the Company's readiness to implement the recommendations contained in the King IV Report. The outcome of the gap analysis, which revealed that the Company was substantially compliant, was considered and discussed by the Board in May 2017.

There were, however, areas of improvement identified, particularly relating to the new disclosure requirements that have been introduced by the King IV Report. The Board has taken a view that principles that are capable of being implemented immediately should be implemented and the remainder to be implemented in the next financial year to ensure meaningful compliance.

ETHICS

Ethics are the foundation of Adcock Ingram's business and an unequivocal commitment to fairness, transparency and integrity inspires all facets of the Group's operations. The Board, assisted by its different committees, is responsible for setting the ethical tone "at the top" and monitors its implementation, to ensure that business is conducted in a manner that is beyond reproach at all levels in the Group.

The Board has recently reviewed the Code to ensure compliance with the King IV Report. Organisational ethics are monitored through an independently operated Tip-Offs Anonymous line, a report which is tabled to the Board through the Social, Ethics and Transformation Committee. This whistle-blowing facility is available 24 hours per day, 365 days per year.

All complaints lodged through this service are investigated and where appropriate disciplinary action is instituted and reported to the Board. In instances where weak controls are identified, appropriate improvements are introduced to remedy the identified weaknesses.

Based on these reports and the disciplinary cases shared with the Board in the year under review, focus appears to have been in the following areas: theft, gross negligence, absenteeism, insubordination and absconding. The Company will focus on remedying issues that appear to be recurring through articles in the internal publication (Adco-Say) and staff workshops.

ADCOCK INGRAM'S COMMITMENT

Adcock Ingram is committed to:

- achieving the highest standards of transparency, accountability and integrity in all aspects of its operations and in its dealings with stakeholders including the community at large;
- providing stakeholders and the investor community with clear, meaningful and timely information about Adcock Ingram's operations and results;
- conducting its business on the basis of fair commercial and competitive practice;
- building business relationships with suppliers and customers who embrace and comply with ethical business practices and who comply with the laws of the jurisdictions where they operate;
- actively pursuing transformation and ensuring employment practices which are not unfairly discriminatory and which seek to maximise the potential of all its employees through training and skills development; and
- proactively accepting responsibility for and managing the sustainability and environmental issues associated with its business.

THE BOARD OF DIRECTORS

Adcock Ingram is constituted by a diverse Board of 14 directors, 11 of whom are non-executives. Eight of these non-executive directors are independent and three are non-independent. The Board is led by an independent non-executive chairman in the objective and effective discharge of its governance role and responsibilities. The Board is governed in accordance with the Company's Memorandum of Incorporation (MOI) as well as a Board Charter which sets out, the principles and processes in terms of which directors are appointed, and the duties and responsibilities of the Board.

In terms of the Company's MOI and the Companies Act, an Annual General Meeting (AGM) is held once every calendar year. Furthermore, at least one-third of the non-executive directors retires by rotation every year and, if eligible, may offer themselves for re-election by shareholders. Retiring non-executive directors who offer themselves for re-election are evaluated by fellow directors before a recommendation on their re-election is made by the Board to shareholders.

The Board recently approved the Gender Diversity policy as required by the JSE Listings Requirements. Although the Gender Diversity policy expresses a commitment to working towards achieving gender parity by no later than 2026, currently seven of the 14 directors are female with different skills, background and qualifications. The Board will revise this policy to include targets for race representation in the Board membership which will be disclosed in the future.

There is no term or age limit imposed in respect of a director's appointment; however, tenure is informed by a regular, formal evaluation of the suitability, contribution and independence of each of the directors. The terms and conditions applicable to the appointment of independent non-executive directors are contained in a letter of engagement which, together with the Board Charter and respective Committees' terms of reference, form the basis of the directors' appointment.

The Nominations Committee plays an important role in the appointment of new and suitable directors as well as the identification and removal of underperforming or unsuitable directors. The Board does not have a formal succession plan in place. However, a skills matrix has been developed to document existing skills and those that are lacking within the Board. When a need arises to fill a vacancy, the Board uses multiple sources to locate the required skills which include, but are not limited to, the use of talent search firms and Board networks. The Board always endeavours to recruit directors with some level of governance experience. The Board determines the number of outside professional commitments based on members' participation and contribution on the Board. The need to determine the number of outside professional positions for the Chairman has not arisen.

BOARD COMMITTEES

The Board has constituted Committees that report to it on their activities. These Committees operate in accordance with the terms of reference adopted by the Board and which are reviewed annually or when there is a need to do so. Delegation to the Committees is recorded in the Committees' terms of reference and in the Limits of Authority Framework. The Board Charter and the Committees' terms of reference are in the process of being reviewed to respond to the recommendations of the King IV report including stipulating the term of office for the Chairman.

Brief *curricula vitae* of each of the directors appear on page 75 of this report.

Corporate governance continued

CHANGES TO DIRECTORS' RESPONSIBILITIES AND STATUS

The following changes to the Board were effected during the year under review:

Effective date	Nature of the change
25 August 2016	• Ms Basadifeela Letsoalo, was appointed Executive Director: Human Capital and Transformation.
24 November 2016	• Dr Claudia Manning was appointed as a non-independent non-executive director of the Company and a member of the Risk and Sustainability Committee. • Mr Lindsay Ralphs was appointed as a non-independent non-executive director of the Company and a member of the Acquisitions Committee. • Mr Roshan Morar retired, after electing not to avail himself for re-election.
24 May 2017	• Ms Lulama Boyce was appointed as an independent non-executive director of the Company and a member of the Audit Committee and the Human Resources, Remuneration and Nominations Committee. • Ms Jenitha John was appointed as an independent non-executive director of the Company and a member of the Audit Committee and Risk & Sustainability Committee. • Mr Andrew Hall and Ms Dorette Neethling, in their respective capacities as Chief Executive Officer (CEO) and Chief Financial Officer (CFO), were appointed as members of the Risk and Sustainability Committee in accordance with the recommendations of the King IV Report on Corporate Governance.
21 August 2017	• Dr Brian Joffe resigned as non-executive director and chairman of the Acquisitions Committee.

The newly appointed directors have all confirmed that they have sufficient time available to fulfil their responsibilities as members of the Board. All of the newly appointed non-executive directors will retire at the AGM but being available and eligible, will offer themselves for re-election by shareholders following a recommendation from the Board on their re-election.

BOARD CHARTER

Issues regarding conflicts of interest are regulated and dealt with regularly in terms of the Board Charter and the Companies Act. In order to ensure that these issues are properly managed and dealt with, the register of directors' interests is circulated at all the scheduled meetings of the Board for directors to confirm its contents and the subject matter together with the declaration of not engaging in anti-competitive behaviour, are standing items on the Board agenda. The Board Charter is in the process of being reviewed to adequately respond to the recommendations of the King IV Report wherever appropriate.

The meetings of the Board and its committees are scheduled annually in advance. In addition to regular consideration of the Group's operational and financial performance at each of its meetings, the Board's annual workplan aims to ensure that the Board deals with each of the matters reserved for its consideration during the course of its meetings. The number of meetings held during the year under review (including meetings of Board constituted committees) and the attendance of each director appear on pages 22, 46, 58,74 and 83 of this report.

Board papers are provided to directors in a timely manner, and directors are afforded ample opportunity to study the material presented and to request additional information from management where necessary. All directors are afforded the opportunity to propose further matters for inclusion on the agenda of Board meetings.

The Board is given unrestricted access to all Group information, records, documents and facilities through the office of the Company Secretary.

The Company Secretary is the secretary to all committees of the Board and ensures that the committees operate within the limits of their respective mandates and in terms of an agreed annual workplan. There is a formal reporting procedure to enable the Board to stay abreast of the activities of each committee. In terms of the Board Charter, the directors may obtain independent professional advice, at the Group's expense, should they deem it necessary for the proper execution of their directorial role. Directors are kept appropriately informed of key developments affecting the Group between Board meetings.

Non-executive directors have full access to management and may meet separately with management, without the attendance of executive directors, where necessary. Arrangements for such meetings are facilitated through the office of the Company Secretary. The Board is satisfied that it has fulfilled its responsibilities in accordance with the Board Charter for the period under review.

In terms of the Board charter of committees' terms of reference there is no one director with unfettered decision-making power.

BOARD EVALUATION

The Board has considered the progress made in addressing the outcome of its performance evaluation that was conducted in 2016. The evaluation covered areas such as:

- Board composition, training, governance of meetings, the relationship between the Board and executive management, governance of Board committees, strategy, risk management and control, reporting, compliance and sustainability, amongst others.

The Board assessed the progress made on the following issues that were identified during the evaluation to assess its effectiveness:

- certain skills were identified as required to enhance the balance of skills on the Board;
- gender representation was also raised as an area that needed to be addressed;
- succession planning matrix for senior management positions should be discussed by the Board; and
- the Board was urged to spend more time discussing and approving the Company's strategy.

The Board recently reviewed the issues raised above and agreed that the recent appointment of the non-executive directors has to a greater extent addressed the identified skills shortage and gender diversity imbalances of the Board. The Board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence. The Board had also spent a day discussing and approving the strategy, as presented by management.

BOARD EDUCATION AND TRAINING

Directors are encouraged to attend external director development and training programmes, at the cost of the Group, to ensure their knowledge of governance remains relevant. In addition, all newly appointed directors are provided with an induction file containing important legislation and the Group's governance framework (including the Board committee governance structure, the Board Charter, terms of reference of all Board committees and key Company policies), and are also offered a tour of the Company's facilities. The Company Secretary also inducts newly appointed directors on their statutory obligations as set out in the Companies Act, the MOI and other related regulations such as the JSE Listings Requirements. In the year under review, the Company Secretary presented amendments to the JSE Listings Requirements to the Board and organised various training sessions on the King IV Report. Recently appointed directors have also been duly inducted.

INFORMATION AND TECHNOLOGY (IT)

The Board concurs with the King IV Report that technology and information should be governed in a way that supports the setting and achieving of the Group's strategic objectives. The Board through the Audit Committee, is responsible for the governance of technology and information but the implementation and execution of effective technology and information management is delegated to management. The Head of Information Technology (IT) presents from time to time to the Risk and Sustainability Committee how related risks are approached and managed within the Company. Management is currently working on a policy that will articulate and give effect to the Board's set direction on the use of technology and information.

Adcock Ingram has implemented a number of arrangements governing and managing technology and information including but not limited to:

- putting in place a validation policy in terms of which technology and systems implementation are validated according to the Good Manufacturing Practices (GMP) and Pharmaceutical Inspection Co-operation Scheme (PICS) principles;
- Internal Audit performs audits on different parts of the Company to test the effectiveness of internal controls;
- Group Quality Assurance audits use industry's best practices to ensure constant and continuous improvement of Adcock Ingram's quality systems, processes, technologies, infrastructure, regulatory compliance and technical support;
- audits conducted by pharmaceutical companies that make use of Adcock Ingram facilities; and
- audits conducted by the External Auditors.

Key areas of focus during the reporting period were as follows:

- the replacement of the last outdated application system;
- the core Oracle system version was upgraded;
- infrastructure upgrades were undertaken;
- cyber security upgraded; and
- new systems implementations started in quality assurance and logistics.

The effectiveness of technology and information management is monitored through a variety of internal systems which including the audit functions. Planned areas of future focus areas will include:

- the optimisation of the implemented process manufacturing systems;
- forecasting and planning systems;
- implementing a laboratory information management system; and
- finalising the quality assurance and transportation management systems.

COMPANY SECRETARY

Mr Ntando Simelane is the Company Secretary of the Group. All directors have unlimited access to the Company Secretary for advice to enable them to properly discharge their responsibilities and duties in the best interests of Adcock Ingram, with particular emphasis on supporting the directors, including the Chairman. The Company Secretary works closely with the Chairman of the Board, but has unfettered access to the Chairmen of the respective Board committees and executive directors, to ensure the proper and effective functioning of the Board and the integrity of the Board governance processes. Notwithstanding the unfettered access the Company Secretary has to the Board, he maintains an arm's length relationship with the Board and its members and is not be a member of the Board. The Company Secretary reports to the Board via the Chairman on all statutory duties and functions performed in connection with the Company and administratively to the CEO.

The Board can confirm that it has considered and satisfied itself with regard to the competence, qualifications and experience of the Company Secretary. In the year under review, the Company Secretary was evaluated by all the directors. The evaluation criteria included the following areas:

- requisite qualifications;
- knowledge of, or experience with, relevant laws;
- ability to provide comprehensive practical support and guidance to the directors; and
- ability to provide the Board collectively and individually with guidance as to their duties, responsibilities and powers.

The evaluation questionnaires were collated and analysed by independent advisors and the results thereof shared with the Board. Based on the results of the evaluation, the Board can confirm that the Company Secretary is competent, suitably qualified for this role and has relevant experience to discharge his duties.

INTERNAL AUDIT

The Internal Audit function forms an integral part of the governance structure of the Group and its key responsibility is to evaluate the Group's governance processes and associated controls, amongst others. The Board is responsible for Internal Audit including the approval, through the Audit Committee, of its annual plan and internal audit charter within which the Internal Audit function operates. The Board has delegated the oversight of Internal Audit to the Audit Committee.

The Head of Internal Audit functions independently from management and has the necessary authority to carry out his duties. In performing its functions, the Internal Audit function provides reasonable assurance to the Board, through the Audit Committee, regarding the effectiveness of the Group's network of governance, risk management and internal control processes and systems. The Head of Internal Audit is not a member of the Executive Committee and reports to the Chairman of the Audit Committee on the performance of duties and functions that relate to internal audit, and reports administratively to the CFO.

Furthermore, there has been co-ordination and sharing of information between the Group's External Auditor and the Internal Audit function.

Corporate governance continued

COMPOSITION

BOARD
Eight independent non-executive directors
Three non-independent non-executive directors
Three executive directors

SPECIAL BOARD
Eight independent non-executive directors
Three non-independent non-executive directors
Three executive directors

ACQUISITIONS
Three independent non-executive directors
One non-independent non-executive director
Two executive directors

MEMBERS AND MEETING ATTENDANCE

BOARD	
C Raphiri (Chairman)	4/4
B Joffe (Deputy Chairman)	3/4
L Boyce	*
J John	*
A Hall	4/4
M Haus	4/4
T Lesoli	4/4
B Letsoalo	3/3
P Makwana	4/4
C Manning	2/2
A Mokgokong	4/4
R Morar	0/1
D Neethling	4/4
L Ralphs	1/2
M Sacks	2/4
R Stewart	4/4

** These directors could only attend Board meetings after their appointment in May 2017.*

SPECIAL BOARD	
C Raphiri (Chairman)	1/1
B Joffe (Deputy Chairman)	1/1
L Boyce	*
J John	*
A Hall	1/1
M Haus	1/1
T Lesoli	1/1
B Letsoalo	1/1
P Makwana	1/1
C Manning	1/1
A Mokgokong	1/1
D Neethling	1/1
L Ralphs	1/1
M Sacks	1/1
R Stewart	1/1

ACQUISITIONS	
B Joffe (Chairman)	4/4
A Hall	4/4
R Morar	1/2
D Neethling	2/4
L Ralphs	2/2
C Raphiri	4/4
M Sacks	4/4

RESPONSIBILITIES

- Ultimately responsible to shareholders for the performance of the Group.
- Broadly gives strategic direction to the Group, approves and regularly reviews business strategy, budgets and policies.
- Appoints the executive directors and ensures that power and authority delegated to management are clearly and comprehensively documented and regularly reviewed.
- Ensures that the governance framework and strategic direction of the Group remain appropriate and relevant.
- The Board retains control over the Group, monitors risk and oversees the implementation of approved strategies through a structured approach i.e. reporting and accountability.

Monitor and strengthen the objectivity and credibility of the Company's acquisition strategy and plans.

Consider and make recommendations to the Board on major acquisition plans and terms applicable to these acquisitions.

BOARD CVS

CLIFFORD RAPHIRI

He is also a non-executive director of Energy Partners (Pty) Limited and of Phetogo Industrial Corporation.

Previous experience

- Lead independent director at Adcock Ingram from 25 February 2014 to 11 November 2015
- Executive director at SABMiller Africa
- Manufacturing and technical director for SAB (Pty) Ltd and board member
- Chairman of Gold Brands Investments.

ANDREW HALL

Joined Adcock Ingram in 2007 as Chief Financial Officer. He is a director of various subsidiaries of Adcock Ingram and a trustee of St David's Marist Foundation Trust.

Previous experience

- Deputy chief executive and financial director of Adcock Ingram
- Partner in charge of health sciences at Ernst & Young
- CFO of another listed pharmaceutical company in South Africa
- Various roles in sales and marketing at Pfizer, and retail pharmacy experience

DORETTE NEETHLING

Joined Adcock Ingram in August 2007 as Group Finance Executive. Currently serves as member of the Financial Reporting Investigation Panel (FRIP) of the Johannesburg Stock Exchange (JSE). She is a director of various subsidiaries of Adcock Ingram.

Previous experience

- Completed articles at PriceWaterhouseCoopers
- Financial director at Quintiles South Africa
- Financial manager in FMCG environment in Namibia

BASADI LETSOALO

Responsible for human capital and strategy implementation including transformation. Joined Adcock Ingram in January 2008 as Group Human Capital Executive. She is a non-executive Director at NMG Consultants and Actuaries; and Ad-Izinyosi Proprietary Limited. She is also a member of the University of KwaZulu-Natal Council and a Trustee of Mpho ea Bophelo.

Previous experience

- Head of transformation at Standard Bank SA
- Head of HR information management at ABSA

LULAMA BOYCE

Head of Department for commercial accounting in the school of accounting at the University of Johannesburg. She is also a non-executive Director at Coronation Fund Managers Limited, Coronation Management Company (RF) Proprietary Limited and Coronation Life Assurance Company Limited.

Previous experience

- Financial and consulting experience in both the private and public sectors
- Account manager of the Industrial Development Corporation
- Senior lecturer and subject head in commercial accounting department at UJ.

MATTHIAS HAUS

Adjunct professor in medicine, University of Cape Town. Extraordinary professor in medicine, University of Pretoria. Partner at Gateways Business Consulting Group. Trustee of the Colleges of Medicine of South Africa. Executive at the Allergy Society of South Africa.

Previous experience

- Executive Vice President, AstraZeneca (sub-Saharan Africa and China)
- Non-executive chairman, Professional Provident Society of South Africa
- Senator, Colleges of Medicine of South Africa
- Editor in chief at Current Allergology and Clinical Immunology

JENITHA JOHN

Currently the Chief audit executive at FirstRand. She serves as a non-executive director of Tongaat Hulett and Nampak Limited and also serves on the Audit/Risk Committees. She is also a Trustee on the FNB Pension Fund and FirstRand Empowerment Fund thereof. Appointed to the Global IIA Executive Committee and Board of directors as vice Chairman: Professional Practices for the internal audit industry worldwide.

Previous experience

- Served on The Global Institute of Internal Auditors' (IIA) Committees of Research and Education Advisors and on the International Professional Practices Framework (IPPF) Re-look Task Force
- Held various financial and audit related roles in both the public and private sectors
- Served on various boards in both the public and private sectors

TLALANE LESOLI

Qualified as a medical doctor at the University of London. Non-executive director of Woman Investment Africa Network and Zawadi Investments. Registered practitioner with the Health Professions Council of South Africa as well as the British General Medical Council. She is a director at Continental Africa Power Supplies.

Previous experience

- Co-founded and managed Mother Earth Distributors and Nature Plan
- Research in Neonatal Paediatrics at John Radcliffe Hospital Oxford UK
- Medical director for Transmed Medical Aid
- Non-executive director: National Nuclear Regulator

MPHO MAKWANA

Chairman of ArcelorMittal SA Limited, JSS Mining Empowerment Fund and Investing in Mining Indaba Africa Advisory Board. Independent non-executive director of Nedbank Group Limited and Nedbank Limited, eNx Group, Sephaku Holdings Limited and Biotherm Energy Proprietary Limited. Director of the Nelson Mandela Children Fund. Trustee of Vodacom Foundation Trust and Brand South Africa Trust.

Previous experience

- Chairman of Eskom Holdings
- Member of the group executive of Edcon
- Chairman of LoveLife Foundation

CLAUDIA MANNING

Non-executive director of Basil Read Holdings, Public Investment Corporation (PIC), Mondi Zimele Proprietary Limited, Sangena Investment Proprietary Limited and MSC Educational Holdings. Obtained a doctorate in development studies from the University of Sussex, UK.

Previous experience

- Project finance role at Development Bank of Southern Africa (DBSA)
- Co-founder of investment and consulting company
- Experience in advising on infrastructure Public Private Partnerships (PPPs)
- Managing Director of Southern African arm of Global Development Consultancy

ANNA MOKGOKONG

Co-founder and executive chairperson of Community Investment Holdings Proprietary Limited. She is also an independent non-executive director of the following companies: Shoprite Holdings, Afrocentric Limited, Jasco Electronics Limited and Chairperson of Rebosis Property Fund Limited. Chairperson for Community Oil and Gas Trading.

Previous experience

- Medical practitioner (9 years).

LINDSAY RALPHS

CEO of The Bidvest Group Limited since May 2016. Director of numerous Bidvest subsidiaries, Chairman of Bidvest South Africa divisions and Chairman of Bidvest Namibia.

Previous experience

- CEO of Bidvest South Africa
- Formed the Bidvest Services division
- Managing director of Bidvest Steiner
- Member of Adcock Ingram HR, Remuneration and Nominations Committee

MICHAEL SACKS

A Chartered Accountant who has been active in the professional and corporate sectors for more than 45 years. He co-founded Netcare Limited, Afrocentric Investment Corporation and Capital Appreciation Limited. He continues to serve as a non-executive director on several Boards of listed institutions.

Previous experience

- Non-Executive Chairman of Advtech Limited, Clinic Holdings Limited
- Co-founder and Chairman of Net 1 (formerly Aplitec Limited)
- Non-Executive director of Fedsure Holdings Limited , Saambou Holdings Limited, the Automobile Association, Federated Employers Mutual and the International Association of Political Consultants

ROGER STEWART

Director and shareholder of Business Sculptors (Pty) Limited.

Previous experience

- Associate professor of physiology at the University of Stellenbosch
- Group executive at the South African Medical Research Council
- Director of New Product and Business Development of SA Druggists International

Annual financial statements


BIOPLUS
SYRUP
NEW LOOK
For physical energy & mental vitality
BIOPLUS
BOOSTER - ORIGINAL
For physical energy & mental vitality
10 ml
Syrup/Stroop
BIOPLUS
EFFERVESCENT TABLETS
0% alcohol & sugar
For physical energy & mental vitality
BIOPLUS
High Caffeine Content
For physical energy & mental vitality
POWERED BY
G - COMPLEX
bionic berry
flavoured energy drink
BIOPLUS
For physical energy & mental vitality

Directors' responsibility for and approval of the annual financial statements

In terms of the Companies Act the directors are required to prepare annual financial statements that fairly present the state of affairs and business of the Company and of the Group at the end of the financial year and the profit for the year then ended.

The directors of Adcock Ingram Holdings Limited are responsible for the integrity of the annual financial statements of the Company and consolidated subsidiaries, joint ventures, associate and special purpose entities, and the objectivity of other information presented in the integrated report.

The fulfilment of this responsibility is discharged through the establishment and maintenance of sound management and accounting systems, the maintenance of an organisational structure which provides for the delegation of authority and clear established responsibility, together with the constant communication and review of operational performance measured against approved plans and budgets.

Management and employees operate in terms of a code of ethics approved by the Board of directors. The code requires compliance with all applicable laws and maintenance of the highest levels of integrity in the conduct of all aspects of the business.

The annual financial statements, prepared in terms of International Financial Reporting Standards and the Companies Act, are examined by the Company's auditors in conformity with International Standards on Auditing.

The Audit Committee of the Board of directors, composed of independent non-executive directors, meets regularly with the Company's auditors and management to discuss internal accounting controls, auditing and financial reporting matters. The auditors have unrestricted access to the Audit Committee.

Ms Dorette Neethling (CA (SA)), Chief Financial Officer, is responsible for this set of financial results and has supervised the preparation thereof.

The annual financial statements for the year ended 30 June 2017, which appear on pages 85 to 167, which are in agreement with the books of account at that date, and the related Group annual financial statements, were approved by the Board of directors on 24 August 2017 and signed on its behalf by:

CD Raphiri
Chairman

AG Hall
Chief Executive Officer

D Neethling
Chief Financial Officer

24 August 2017

Certificate by Company Secretary

I, the undersigned, NE Simelane, in my capacity as Company Secretary, certify that the Company has lodged with the Companies and Intellectual Property Commission all such returns as are required to be lodged by a public company in terms of the Companies Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

NE Simelane
Company Secretary
24 August 2017

Independent auditor's report

TO THE SHAREHOLDERS OF ADCOCK INGRAM HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate annual financial statements of Adcock Ingram Holdings Limited (the "Group") set out on pages 87 to 167, which comprise the statements of financial position as at 30 June 2017, the statements of comprehensive income, the statement of changes in equity and the statements of cash flows for the year then ended, and the notes to the consolidated and separate annual financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 30 June 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended 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 Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Federation of Accountants' Code of Ethics for Professional Accountants (IFAC Code) and other independence requirements applicable to performing audits of Adcock Ingram Holdings Limited. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IFAC Code, and in accordance with other ethical requirements applicable to performing the audit of Adcock Ingram Holdings 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 consolidated and separate financial statements of the current year. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the Audit of the Consolidated and Separate Financial Statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Independent auditor's report continued

KEY AUDIT MATTERS IDENTIFIED

Key audit matter	How our audit addressed the key matter
Intangibles assessment	

(CONSOLIDATED FINANCIAL STATEMENTS ONLY)

Intangible assets arising from various acquisitions made by the Group comprise 6% of total assets of Adcock.

Management performs an impairment test on the recoverability of the intangibles as required by International Financial Reporting Standards which is subjective in nature due to judgements having to be made of future performance.

As disclosed in note 11 (Intangible Assets) to the annual consolidated financial statements, the Group uses a discounted cash flow model to determine the value in use for each cash generating unit, on the basis of the following key assumptions:

- gross margin;
- discount rates;
- raw materials price inflation;
- market share during the budget period; and
- growth rate used to extrapolate cash flows beyond the budget period.

During the year management acquired further intangibles to the value of R75 million. The value of these intangibles was based on valuations performed by management resulting from their due diligence exercises performed. As there is no history with regards to these intangibles, a greater audit emphasis regarding the possible impairment of the intangibles was required.

Accordingly, the impairment testing of intangible assets is considered to be a key audit matter due to the fact that the calculation of the recoverable amount requires the use of estimates and assumptions concerning the future cash flows which at this time are inherently uncertain and could change over time. The current economic climate also increases the complexity of forecasting.

Refer to note 11 – Intangible Assets.

We focused our testing on the key assumptions made by management and our procedures included:

- We evaluated the determination of the cash generating units;
- We assessed management's key assumptions used in the impairment calculations;
- For the intangibles acquired during the year we involved an EY internal valuation specialists to assist in evaluating management's key assumptions used in the impairment calculations;
- We performed sensitivity analyses around the key assumptions used in the models;
- We compared the cash flow forecasts to approved budgets and other relevant market and economic information, as well testing the underlying calculations; and
- We assessed the completeness and accuracy of the disclosures relating to intangibles to assess compliance with disclosure requirements included in International Financial Reporting Standards.

The results of our procedures were considered in reaching the opinion on the financial statements taken as a whole.

Key audit matter	How our audit addressed the key matter
Uncertain Tax Position – Tax query affecting disposal price of India	
(CONSOLIDATE FINANCIAL STATEMENTS ONLY) Subsequent to the conclusion of the sale of Adcock Ingram Healthcare Private Limited (India) to Samara Capital, the Company received a tax assessment for the year ended March 2013 in which it claimed tax deductions of amortisation on certain intangibles were disallowed. Given the inherent uncertainty over the outcome of pending tax assessment, significant judgement is applied by the directors in estimating the final outcome of such tax assessment. We focused on this area due to the inherent complexity and judgement in estimating the amount of provision required.	**OUR PROCEDURES INCLUDED AMONGST OTHER:** • We discussed with management the uncertain tax position and read the correspondence from the taxation authority. • We considered the implication of the tax query with respect to the agreement of sale. • We assessed the value of the tax accrual by comparing it to the tax computations obtained. • We utilised the services of a tax specialist to assist in the evaluation of management's assessment for the accounting of this uncertain tax position. The results of our procedures were considered in reaching the opinion on the financial statements taken as a whole.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Report, Financial Review Report, Corporate Governance Report, Sustainability Report and Remuneration Report which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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. When we read the Integrated Report, Financial Review Report, Corporate Governance Report, Sustainability Report and Remuneration Report if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

Independent auditor's report continued

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 consolidated and separate 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 Group'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 Group'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 consolidated and separate 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.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group 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 consolidated and separate financial statements of the current year 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 Adcock Ingram Holdings Limited for nine years.

ERNST & YOUNG INC.
Director: Dave Cathrall

102 Rivonia Road
Johannesburg
Gauteng
South Africa
2146

24 August 2017

Audit Committee report

This report is presented by the Board Audit Committee (the Committee), appointed by the Board of directors and endorsed by shareholders in respect of the year ended 30 June 2017. The report is prepared in accordance with the requirements of the Companies Act and the recommendations of King IV and describes *inter alia*, how the Committee discharged its obligations in terms thereof, including the fulfilment of those duties assigned to the Committee by the Board during the subject reporting period.

COMPOSITION AND MEETINGS

The Committee consists of independent non-executive directors all of whom are suitably skilled and experienced. Three Committee meetings were held during the year. The attendance at the Committee meetings were as follows:

Committee members	Meeting attendance
Chairman	
M Sacks	3/3
Committee members	
L Boyce**	
M Haus	3/3
J John**	
R Morar*	0/1
R Stewart	3/3
Invitees	
A Hall	3/3
D Neethling	3/3
D Cathrall (EY)	2/3
S Naidoo (EY)	3/3
S Pietropaolo (Head of Internal Audit)	3/3
C Raphiri	1/1

* *See changes to the Board on page 72.*

ROLE AND FUNCTION OF THE COMMITTEE

The role and responsibilities of the Committee are governed by a formal Charter which is reviewed annually or when the need arises and approved by the Board. A formal evaluation of the Committee is also carried out annually and the Board is satisfied that the Committee has fulfilled all its statutory duties, including those duties assigned to the Committee by the Board during the year under review, the relevant information in each case, detailed below.

EXTERNAL AUDIT

At the AGM for 2016, shareholders confirmed the re-appointment of Ernst and Young Inc. (EY), as independent external auditors until the 2017 AGM, the Committee and the Board approving and endorsing their terms of engagement and their fee structures.

EY has been the external auditors since the Group's listing in 2008. The designated registered audit partner presently responsible for and who undertook the Group's audit is Mr Dave Cathrall, who has served in this role for two years. EY will be required to rotate the present designated registered lead audit partner prior to any audit appointment for the financial year ending 30 June 2021.

The overall audit process includes a private open dialogue discussion between the external auditor and the Committee. Matters typically discussed, include the external auditor's assessment of their audit interactions with management, whether any limitations were placed by management on the scope and execution of the audit, including any special matters that need to be brought to the Committee's attention. The Committee can report that its working relationship with the EY designated partner is professional and functional.

The Committee received the detailed external audit report for the year ended 30 June 2017 and were satisfied with their conclusions that both the consolidated and separate annual financial statements were fairly presented in all material respects.

Furthermore, the Committee is satisfied that the external auditors can be regarded as independent and are able to conduct their audit functions without any conflict or influence. The Committee is also responsible for determining the nature and extent of non-audit services that the external auditors may provide and in such circumstances, the Committee pre-approves proposals for such non-audit services.

Audit Committee report continued

INTERNAL FINANCIAL AND ACCOUNTING CONTROL

The Committee is responsible for reporting on the Group's systems of internal, financial and accounting controls. The Committee has accordingly considered the reports from both internal and external audit on such matters and is satisfied that both reports confirm the adequacy and effectiveness of the Group's systems of internal control.

The Committee, after a formal review remains satisfied that the Chief Financial Officer is suitably experienced, diligent and has the qualifications and expertise to meet the responsibilities of her position. The Committee also concluded that the finance function is effectual and appropriately resourced with competent personnel.

INTERNAL AUDIT

The Committee concluded that the planning, processes and application of internal audit, including the quality of their reporting on internal audit outcomes and related matters was inclusive and comprehensive. Having regard to the reports and assessments presented by internal audit, the Committee is satisfied that the internal financial controls are effective and that there were no material breakdowns in the Group's systems and internal controls. The Committee is similarly satisfied that the Head of Internal Audit, possesses the appropriate expertise and experience to meet the responsibilities of his position and that the internal audit department is effectual and adequately resourced with technically competent personnel.

TECHNOLOGY AND INFORMATION GOVERNANCE

The Committee and the Board recognise the advances and economic value of technology and that failure to maintain the Group's accounting and administrative IT applications, is potentially disruptive and a significant operational risk. Accordingly, technology and information systems form an essential part of the Group's strategic and business processes and is intentionally managed by an Information Technology Executive team.

A key focus during the current reporting period included an independent assurance of the Group's IT applications and efficiencies, the protection of personal information, technology security in general and cybersecurity in particular. The Committee are also mindful of King IV's emphasis on IT matters, with nominative reference to periodic assessments, independent assurances and cybersecurity.

COMBINED ASSURANCE

The Committee, in conjunction with the Board Risk and Sustainability Committee, have formulated a broad risk matrix for appropriate risk assessment and deduction. All risks are ranked and rated by category and importance. Internal Audit substantially coordinates this discipline in parallel with its internal audit function, the assessment and management of the more material risks being reported on where relevant and appropriate in each case. The aim is to provide management, the Committee and the Board with a clear understanding of all business risks, how each are managed, controlled and/or mitigated and the consequences and cogency of such actions. No factors have been brought to our attention which could be contrary to the approach already adopted by the Committee in such matters.

COMPLIANCE

The Committee is obliged to report any material breach of a relevant legal and/or regulatory requirement in the conduct of the Group enterprise. No evidence or indication of any such breach or material non-compliance has been brought to the attention of the Committee by either the internal or external auditors or any other party. The Committee meets annually with both the internal and external auditors with the exclusion of management.

ANNOUNCEMENTS

The Committee is also responsible for reviewing any annual financial publication for distribution to shareholders or any annual publication prescribed by any regulatory or statutory authority. The 2017 Integrated Report of the Group was reviewed by the Committee and recommended to the Board for approval and distribution.

The Committee is satisfied that it has complied with all its legal, regulatory and other responsibilities for the year under review.

MI Sacks
Chairman

24 August 2017

Directors' report

The directors have pleasure in submitting their report to shareholders, together with the audited annual financial statements for the year ended 30 June 2017 which are set out from page 87.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Adcock Ingram is a leading South African healthcare group, operating in three geographical areas, namely Southern Africa, Rest of Africa and India.

The Southern African business consists of four principal divisions:

- a Consumer division selling a range of products mainly through FMCG retailers and wholesalers;
- an Over the Counter (OTC) division selling a range of OTC products that can be purchased without a prescription mainly through pharmacies;
- a Prescription division selling a range of branded and generic prescription products; and
- a Hospital products and services division.

BUSINESS COMBINATIONS

Acquisitions

During the 2017 financial year, the Group acquired Virtual Logistics Proprietary Limited, a national fine distribution company in April 2017 (Note 1) as well as various trademarks to complement the existing product portfolios (Note 11).

No material acquisitions were concluded in the prior year under review.

Discontinued operations

During the year ended 30 June 2016, the Board had resolved to dispose of:

- Adcock Ingram Private Limited (India); and
- Ayrton Drug Manufacturing Limited (Ayrton) in Ghana.

This resulted in the above businesses being classified and accounted for as a disposal group held-for-sale during the previous financial year. India was disposed of on 14 October 2016 and 53.47% of Ayrton on 7 December 2016, with the Group retaining a 25.1% minority share in Ayrton. The loss of control on disposal resulted in the foreign currency translation reserve relating to both entities being recycled to profit and loss.

SHARE CAPITAL

Details of the authorised and issued share capital are set out in note 18 to the annual financial statements and in the statement of changes in equity. The number of ordinary shares in issue have not increased during the year (increased by 6 700 in the prior year) to meet the obligations of the Adcock Ingram Holdings Employee Share Trust (2008).

Details of ordinary treasury shares held by Group entities are as follows:

	June 2017	June 2016
Adcock Ingram Limited	**4 285 163**	4 285 163
Mpho ea Bophelo Trust*	**5 168 592**	5 168 592

** Held indirectly.*

DIVIDENDS TO SHAREHOLDERS

Policy

The Board intends to declare a distribution on at least an annual basis, which it currently envisages will be covered between two to three times by headline earnings.

Interim and final

2017

An interim dividend of 63 cents per share was declared and paid in relation to the six-month period ended 31 December 2016. A final dividend of 76 cents per share was declared following the results of the year ended 30 June 2017.

2016

An interim dividend of 50 cents per share was declared and paid in relation to the six-month period ended 31 December 2015. A final dividend of 54 cents per share was declared following the results of the year ended 30 June 2016 by the directors.

Directors' report continued

SHAREHOLDERS

Please refer to the Shareholder analysis on pages 170 of the Integrated Report.

EVENTS AFTER 30 JUNE 2017

There were no significant events after year-end.

GOING CONCERN

Page 78 sets out the directors' responsibilities for preparing the consolidated financial statements. The directors have considered the status of the Company and Group, including the sustainability of their business models, available financial resources at 30 June 2017, the current regulatory environment and potential changes thereto and are satisfied that the Group will be able to continue as a going concern in the foreseeable future.

SUBSIDIARIES AND JOINT VENTURES

Information concerning the names and holdings of subsidiaries and joint ventures of Adcock Ingram Holdings Limited is set out in Annexure H to the annual financial statements.

Details regarding the financial performance of joint ventures are given in Annexure F.

DIRECTORS

The names of the directors who presently hold office are set out on pages 4 and 5 of the Integrated Report. Changes to the composition and directors' responsibilities are detailed on page 72.

No director (or his/her associates) holds 1% or more of the ordinary shares of the Company. The directors beneficially hold, directly and indirectly 19 200 (2016: 20 700) ordinary shares in the Company. There has been no change in the holdings since the end of the financial year and up to the date of approval of the integrated report. Details of ordinary shares held by directors are as follows:

Director	June 2017	June 2016
B Joffe	**19 200**	19 200
A Mokgokong (note 2)	**3 445 642**	3 445 642
R Morar	**Note 1**	1 500

Note 1: R Morar retired as a director on 24 November 2016.

Note 2: Dr. Mokgokong holds a 50% share in CIH Projects (Pty) Ltd, which in turn holds a 26.67% share in Ad-izinyosi (the BEE shareholder of the Group), within the revised BEE scheme described in Annexure B, section D.

RETIREMENT FUNDS

Details in respect of the retirement funds of the Group are set out in Annexure C.

DIRECTORS' AND KEY MANAGEMENT REMUNERATION

Full details regarding non-executive and executive directors' and key management remuneration are set out on pages 62 to 67 of the integrated report, as part of the Remuneration report.

Consolidated statements of comprehensive income

Continuing operations	Notes	2017 R'000	2016 R'000
REVENUE	3	**5 957 700**	5 559 896
Turnover	3	**5 936 056**	5 545 610
Cost of sales		**(3 693 773)**	(3 516 089)
Gross profit		**2 242 283**	2 029 521
Selling, distribution and marketing expenses		**(1 068 585)**	(1 004 534)
Fixed and administrative expenses		**(449 275)**	(419 293)
Trading profit	6	**724 423**	605 694
Non-trading expenses	4	**(47 128)**	(52 449)
Operating profit		**677 295**	553 245
Finance income	5.1	**15 665**	5 107
Finance costs	5.2	**(38 239)**	(76 888)
Dividend income	3	**5 979**	9 179
Equity-accounted earnings		**64 144**	59 288
Profit before taxation		**724 844**	549 931
Taxation	7	**(204 856)**	(170 547)
Profit for the year from continuing operations		**519 988**	379 384
Profit/(Loss) after taxation for the period/year from discontinued operations	2.1	**41 132**	(200 242)
Profit for the year		**561 120**	179 142
Other comprehensive income which will subsequently be recycled to profit or loss		**(24 832)**	107 129
Exchange differences on translation of foreign operations:			
– Continuing operations		**(5 732)**	8 121
– Joint venture and associate		**(17 486)**	23 372
– Discontinued operations		**(21 353)**	89 071
Fair value profit/(loss) on available-for-sale asset, net of tax	20	**7**	(588)
Profit on sale of shares	20	**–**	1 067
Movement in cash flow hedge accounting reserve, net of tax	20	**19 732**	(13 914)
Other comprehensive income transferred to profit or loss	20	**(125 784)**	–
Other comprehensive income which will not be recycled to profit or loss			
Actuarial profit on post-retirement medical liability	20	**511**	6 079
Total comprehensive income for the year, net of tax		**411 015**	292 350
Profit attributable to:			
Owners of the parent		**553 534**	168 801
Non-controlling interests		**7 586**	10 341
		561 120	179 142
Total comprehensive income attributable to:			
Owners of the parent		**405 568**	279 736
Non-controlling interests		**5 447**	12 614
		411 015	292 350
Continuing operations:			
Basic earnings per ordinary share (cents)	8.1	**308.9**	223.6
Diluted basic earnings per ordinary share (cents)	8.1	**308.9**	223.6
Headline earnings per ordinary share (cents)	8.1	**308.9**	226.1
Diluted headline earnings per ordinary share (cents)	8.1	**308.9**	226.1
Discontinued operations:			
Basic earnings/(loss) per ordinary share (cents)	8.2	**24.0**	(122.2)
Diluted earnings/(loss) per ordinary share (cents)	8.2	**24.0**	(122.2)
Headline earnings per ordinary share (cents)	8.2	**3.7**	2.6
Diluted headline earnings per ordinary share (cents)	8.2	**3.7**	2.6
Total operations:			
Basic earnings per ordinary share (cents)	8.3	**332.9**	101.4
Diluted basic earnings per ordinary share (cents)	8.3	**332.9**	101.4
Headline earnings per ordinary share (cents)	8.3	**312.6**	228.7
Diluted headline earnings per ordinary share (cents)	8.3	**312.6**	228.7

Consolidated statement of changes in equity

		Attributable to holders of the parent							
				Non-distributable reserves					
	Notes	Issued share capital R'000	Share premium R'000	Continuing operations R'000	Discontinued operations R'000	Retained income R'000	Total attributable to ordinary shareholders R'000	Non-controlling interests R'000	Total R'000
As at 1 July 2015		16 888	512 938	505 000		1 982 589	3 017 415	99 509	3 116 924
Share issue	18, 19	1	189				190		190
Movement in share-based payment reserve	20			12 578			12 578		12 578
Transfer to discontinued operations				(58 200)	58 200				
Implementation of BEE scheme		258	153 746			(44 587)	109 417	(79 883)	29 534
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited						(1)	(1)	(1)	(2)
Total comprehensive income				24 137	86 798	168 801	279 736	12 614	292 350
Profit for the year						168 801	168 801	10 341	179 142
Other comprehensive income				24 137	86 798		110 935	2 273	113 208
Dividends	9.1					(190 762)	(190 762)	(6 215)	(196 977)
Balance at 30 June 2016		**17 147**	**666 873**	**483 515**	**144 998**	**1 916 040**	**3 228 573**	**26 024**	**3 254 597**
Movement in share-based payment reserve	20			**23 710**			**23 710**		**23 710**
Disposal of business								**(18 465)**	**(18 465)**
Share-based expenses transferred from non-distributable reserves	20			**(303 885)**		**303 885**			
Total comprehensive income				**(2 968)**	**(144 998)**	**553 534**	**405 568**	**5 447**	**411 015**
Profit for the year						**553 534**	**553 534**	**7 586**	**561 120**
Other comprehensive income				**(2 968)**	**(144 998)**		**(147 966)**	**(2 139)**	**(150 105)**
Dividends	9.1					**(170 369)**	**(170 369)**	**(5 484)**	**(175 853)**
Balance at 30 June 2017		**17 147**	**666 873**	**200 372**	**–**	**2 603 090**	**3 487 482**	**7 522**	**3 495 004**

Consolidated statements of financial position

	Notes	2017 R'000	2016 R'000
ASSETS			
Property, plant and equipment	10	**1 445 095**	1 423 173
Intangible assets	11	**349 997**	276 070
Deferred tax	12	**1 588**	8 129
Other financial assets	13	**41 746**	74 310
Investment in joint ventures	14.1	**392 013**	354 139
Investment in associate	14.2	**6 071**	
Non-current assets		**2 236 510**	2 135 821
Inventories	15	**1 156 949**	1 167 005
Trade and other receivables	16	**1 567 802**	1 398 501
Cash and cash equivalents	17	**592 070**	200 555
Taxation receivable	26.4	**9 642**	84 087
Current assets		**3 326 463**	2 850 148
Assets classified as held-for-sale	2.2	**–**	610 638
Total current assets		**3 326 463**	3 460 786
Total assets		**5 562 973**	5 596 607
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital	18	**17 147**	17 147
Share premium	19	**666 873**	666 873
Non-distributable reserves: Continuing operations	20	**200 372**	483 515
Discontinued operations held-for-sale	20	**–**	144 998
Retained income		**2 603 090**	1 916 040
Total shareholders' funds		**3 487 482**	3 228 573
Non-controlling interests		**7 522**	26 024
Total equity		**3 495 004**	3 254 597
Long-term borrowings	21	**251 492**	500 000
Post-retirement medical liability	22	**16 793**	16 994
Deferred tax	12	**73 138**	75 868
Non-current liabilities		**341 423**	592 862
Trade and other payables	23	**1 637 197**	1 564 265
Bank overdraft	17	**5 619**	11 755
Short-term borrowings	21	**416**	–
Cash-settled options	24	**7 384**	3 117
Provisions	25	**75 930**	69 906
Current liabilities		**1 726 546**	1 649 043
Liabilities classified as held-for-sale	2.2	**–**	100 105
Total current liabilities		**1 726 546**	1 749 148
Total equity and liabilities		**5 562 973**	5 596 607

Consolidated statements of cash flows

	Notes	2017 R'000	2016 R'000
Cash flows from operating activities			
Operating profit before working capital changes	26.1	**1 001 808**	827 372
Working capital changes	26.2	**(233 935)**	113 752
Cash generated from operations		**767 873**	941 124
Finance income received	26.6	**16 938**	17 249
Finance costs paid	26.7	**(41 612)**	(86 689)
Dividend income received		**21 368**	23 835
Dividends paid	26.3	**(175 853)**	(196 977)
Taxation paid	26.4	**(133 281)**	(176 421)
Net cash inflow from operating activities		**455 433**	522 121
Cash flows from investing activities			
Decrease in other financial assets	26.9	**32 356**	11 961
Acquisition of business	26.5	**(9 875)**	–
Disposal of businesses	2.3	**291 096**	–
Purchase of property, plant and equipment – Expansion		**(75 930)**	(34 650)
– Replacement		**(87 308)**	(60 792)
Purchase of intangible assets		**(70 821)**	–
Proceeds on disposal of property, plant and equipment		**2 298**	486
Proceeds on disposal of intangibles		**–**	2 009
Disposal of non-controlling interest in Blue Falcon Trading Proprietary Limited		**–**	(11 616)
Net cash inflow/(outflow) from investing activities		**81 816**	(92 602)
Cash flows from financing activities			
Acquisition of non-controlling interests in Ayrton Drug Manufacturing Limited		**–**	(2)
Proceeds from issue of share capital		**–**	190
Proceeds from sale of shares		**–**	30 410
Increase in borrowings	26.8	**9 917**	–
Repayment of borrowings	26.8	**(252 223)**	(19 816)
Net cash (outflow)/inflow from financing activities		**(242 306)**	10 782
Net increase in cash and cash equivalents		**294 943**	440 301
Net foreign exchange difference on cash and cash equivalents		**(2 954)**	10 992
Cash and cash equivalents at beginning of year		**294 462**	(156 831)
Cash and cash equivalents at end of year	17	**586 451**	294 462

Accounting policy elections

CORPORATE INFORMATION

The consolidated financial statements of Adcock Ingram Holdings Limited (the "Company") and Adcock Ingram Holdings Limited and its subsidiaries, joint ventures, associate and structured entities (the "Group") for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 24 August 2017. Adcock Ingram Holdings Limited is incorporated and domiciled in South Africa, where its ordinary shares are publicly traded on the Securities Exchange of the JSE Limited.

BASIS OF PREPARATION

The consolidated and separate annual financial statements (annual financial statements) are presented in South African Rands and all values are rounded to the nearest thousand (R'000), except where otherwise indicated.

The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), its interpretations adopted by the Accounting Standards Board (IASB), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and the Companies Act. The annual financial statements have been prepared on the historical cost basis, except for the following items in the statements of financial position:

- available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, and liabilities for cash-settled share-based payments that are measured at fair value; and
- post-employment benefit obligations are measured in terms of the projected unit credit method.

THE GROUP[(1)] HAS MADE THE FOLLOWING ACCOUNTING POLICY ELECTION IN TERMS OF IFRS:

- Cumulative gains and losses recognised in other comprehensive income (OCI) in terms of a cash flow hedge relationship are transferred from OCI and included in the initial measurement of the non-financial asset or liability.

[(1)] *All references to Group hereafter include the separate annual financial statements, where applicable.*

CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except where the Group has adopted IFRS and IFRIC interpretations and amendments that became effective during the year. The following amendments had no material impact on the reported results:

IAS 1: Presentation of Financial Statements – Disclosure Initiative Amendments

IFRS 11: Joint arrangements – Accounting for acquisition of Interests in Joint Operations

Notes to the Group annual financial statements

1 ACQUISITION OF BUSINESS

On 1 April 2017, Adcock Ingram Healthcare Proprietary Limited acquired 100% of the shareholding of Virtual Logistics Proprietary Limited (Virtual), a national fine distribution company. The Group acquired Virtual as it complements the Company's reach and capacity, allowing for improved service levels to customers.

The fair value of the identifiable assets as at the date of acquisition was:	2017 R'000
Assets	
Trade and other receivables	**16 485**
Property, plant and equipment	**5 288**
Intangible assets	**2 880**
Taxation receivable	**462**
Deferred tax	**204**
Inventories	**94**
	25 413
Liabilities	
Trade and other payables	**11 015**
Bank overdraft	**2 275**
Short-term borrowings	**1 198**
Long-term borrowings	**920**
	15 408
Total identifiable net assets at fair value	**10 005**
Goodwill arising on acquisition	**5 595**
Purchase consideration	**15 600**
Deferred consideration	**(8 000)**
Net bank overdraft acquired with the business	**2 275**
Net cash consideration	**9 875**

The fair value of the trade receivables equals the gross amount of trade receivables and amounts to R16.1 million. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

Goodwill represents the difference between the purchase consideration and the fair value of the net assets acquired as there are no further separately identifiable intangible assets. The significant factors that contributed to the recognition of goodwill include, but are not limited to, the establishment of a fine distribution network, expanding the Group's national footprint.

From the date of acquisition, Virtual contributed R21.7 million towards revenue and reported a profit before income tax of R0.9 million.

If the Virtual acquisition had taken place at the beginning of the reporting period, the revenue would have been R84.9 million and profit before income tax would have been R3.1 million.

	2017 R'000
Analysis of cash flows on acquisition	
Transaction costs of the acquisition (included in cash flows from operating activities)	**(1 467)**
Net bank overdraft acquired with the business (included in cash flows from investing activities)	**(2 275)**
Net cash flows from acquisition	**(3 742)**

Transaction costs of R1.5 million have been expensed and are included in non-trading expenses.

A payment of R8.0 million of the purchase price, which is fully provided for, has been deferred. The deferred payment is subject to the achievement of profit targets.

2 DISCONTINUED OPERATIONS

During the year ended 30 June 2016, the Board had resolved to dispose of:
- Adcock Ingram Private Limited (India); and
- Ayrton Drug Manufacturing Limited (Ayrton) in Ghana.

This resulted in the above businesses being classified and accounted for as a disposal group held-for-sale during the previous financial year. India was disposed of on 14 October 2016 and 53.47% of Ayrton on 7 December 2016, with the Group retaining a 25.1% minority share in Ayrton. The loss of control on disposal resulted in the foreign currency translation reserve relating to both entities being recycled to profit and loss.

2.1 Statement of comprehensive income

		2017 R'000	2016 R'000
REVENUE		**120 174**	412 289
TURNOVER		**118 901**	403 892
Cost of sales		**(47 191)**	(175 204)
Gross profit		**71 710**	228 688
Selling, distribution and marketing expenses		**(39 077)**	(143 210)
Fixed and administrative expenses		**(17 384)**	(53 883)
Trading profit	(refer b)	**15 249**	31 595
Non-trading expenses	(refer a)	**(6 833)**	(230 307)
Operating profit/(loss)		**8 416**	(198 712)
Finance income		**1 273**	8 397
Finance costs		**(2 014)**	(8 574)
Profit/(Loss) before taxation		**7 675**	(198 889)
Taxation		**(1 301)**	(1 353)
Profit/(Loss) for the period/year from discontinued operations		**6 374**	(200 242)
Profit on disposal of the discontinued operations		**34 758**	–
Profit/(Loss) for the period/year from discontinued operations		**41 132**	(200 242)
Profit/(Loss) attributable to:			
India		**46 638**	(139 583)
Ayrton		**(5 506)**	(60 659)
		41 132	(200 242)
Profit/(Loss) attributable to:			
Owners of the parent		**39 903**	(203 403)
Non-controlling interests		**1 229**	3 161
		41 132	(200 242)

a) **Non-trading expenses**

	2017 R'000	2016 R'000
Impairment of assets transferred to held-for-sale	**–**	207 971
India	**–**	135 012
Ayrton	**–**	72 959
Transaction costs	**6 833**	22 656
Profit on sale of intangible asset	**–**	(320)
	6 833	230 307

Notes to the Group annual financial statements continued

2 DISCONTINUED OPERATIONS (continued)

2.1 Statement of comprehensive income (continued)

		2017 R'000	2016 R'000
b)	**Trading profit**		
	Trading profit has been arrived at after charging/(crediting) the following expenses/(income):		
	Depreciation		
	– Freehold land and buildings	**–**	347
	– Leasehold improvements	**–**	32
	– Plant, equipment and vehicles	**–**	1 084
	– Computers	**–**	20
	– Furniture and fittings	**–**	30
	Amortisation of intangible assets	**–**	111
	Inventories written off	**–**	4 616
	Foreign exchange profit	**(139)**	(3 790)
	Bad debts written off	**–**	–
	Loss on disposal of property, plant and equipment	**975**	70
	Total staff cost	**25 590**	93 119
	Included in cost of sales	**3 723**	9 721
	Included in operating expenses	**21 867**	83 398

2.2 Statement of financial position

Details of assets and liabilities transferred to held-for-sale:

ASSETS	
Property, plant and equipment	19 234
Cost	72 313
Accumulated depreciation	(53 079)
Intangible assets	381 109
Inventories	32 757
Trade and other receivables	56 660
Taxation receivable	2 114
Cash and cash equivalents	118 764
Total assets	610 638
LIABILITIES	
Long-term borrowings	5 464
Short-term borrowings	5 971
Bank overdraft	13 102
Trade and other payables	71 733
Provisions	3 835
Total liabilities	100 105
Net assets/(liabilities) classified as held-for-sale	
India	527 174
Ayrton	(16 641)
Net assets	510 533
Foreign currency translation reserve related to assets classified as held-for-sale:	(148 667)
India	(203 991)
Ayrton	55 324
Share issue expenses related to assets classified as held-for-sale (India)	3 669
Net assets	365 535

	2017 R'000	2016 R'000
Reconciliation of net assets transferred to held-for-sale:		
Balance at the beginning of the year	**510 533**	
Fair value of 25.1% share in Ayrton retained	**(5 133)**	
Foreign currency translation movement	**(21 353)**	
Transfer from categories (movement subsequent to June 2016)	**(35 955)**	
Property, plant and equipment	**(1 832)**	
Inventories	**(1 435)**	
Trade and other receivables	**951**	
Taxation receivable	**(898)**	
Cash and cash equivalents	**(65 517)**	
Long-term borrowings	**105**	
Short-term borrowings	**(7 927)**	
Bank overdraft	**9 499**	
Trade and other payables	**31 044**	
Provisions	**55**	
Non-controlling interest	**(18 465)**	
Net assets	**429 627**	
Consideration received	**338 601**	
Net Assets	**(429 627)**	
Other comprehensive income recycled to profit or loss	**125 784**	
Profit on disposal of the discontinued operations	**34 758**	

2.3 Cash inflow on disposal

	2017 R'000	2016 R'000
Consideration received	**338 601**	
India	**327 565**	
Ayrton	**11 036**	
Net cash disposed of with the discontinued operations	**(47 505)**	
India	**(48 807)**	
Ayrton	**1 302**	
Net cash inflow	**291 096**	

2.4 Cash flow statement

Included in the Group's consolidated statement of cash flows are cash flows from the Indian and Ayrton discontinued operations. These cash flows are included in operating, investing and financing activities as follows:

	2017 R'000	2016 R'000
Cash inflow/(outflow) from operating activities	**19 487**	(6 061)
Cash inflow/(outflow) from investing activities	**744**	(1 962)
Cash outflow from financing activities	**(78 388)**	(8 419)
Net cash outflow	**(58 157)**	(16 442)

Notes to the Group annual financial statements continued

		2017 R'000	2016 R'000
3	**REVENUE**		
	Turnover	**5 936 056**	5 545 610
	Finance income	**15 665**	5 107
	Dividend income – Black Managers Share Trust	**5 979**	9 179
		5 957 700	5 559 896
4	**NON-TRADING EXPENSES**		
	Impairments (Refer Annexure G)	**217**	8 638
	Intangible assets	**–**	3 149
	Long-term receivable and investment	**217**	5 489
	Transaction costs	**6 251**	3 892
	Share-based payment expenses (Refer Annexure B)	**40 660**	39 919
	Cash-settled	**5 358**	(3 131)
	Equity-settled	**20 971**	12 556
	Black Managers Share Trust – equity-settled	**2 739**	(1 724)
	Black Managers Share Trust – cash-settled	**11 592**	3 961
	Once-off call option charge	**–**	20 821
	Mpho ea Bophelo Trust – equity-settled	**–**	7 436
		47 128	52 449
5	**FINANCE INCOME AND FINANCE COSTS**		
5.1	Finance income		
	Bank	**14 731**	3 070
	Receiver of Revenue	**934**	2 009
	Other	**–**	28
		15 665	5 107
5.2	Finance costs		
	Bank	**4 014**	32 654
	Borrowings	**29 619**	41 745
	Commitment fees	**4 263**	2 447
	Receiver of Revenue	**229**	–
	Creditors	**114**	42
		38 239	76 888

		2017 R'000	2016 R'000
6	**TRADING PROFIT**		
6.1	Trading profit has been arrived at after charging/(crediting) the following expenses/(income):		
	External auditors' remuneration		
	– Audit fees current year	**8 391**	8 265
	– Audit fees overprovision prior year	**(185)**	(1 264)
	– Taxation services	**245**	–
	– Other services	**338**	1 135
	Internal auditors' remuneration	**442**	363
	Depreciation		
	– Freehold land and buildings	**19 483**	20 863
	– Leasehold improvements	**9 540**	9 215
	– Plant, equipment and vehicles	**83 800**	78 128
	– Computer equipment	**22 837**	24 105
	– Furniture and fittings	**4 730**	5 080
	Amortisation of intangible assets	**9 682**	9 050
	Inventories written off	**66 215**	63 986
	Royalties paid	**37 194**	37 824
	Operating lease charges		
	– Equipment	**2 506**	2 748
	– Property	**38 451**	40 717
	Foreign exchange loss/(gain)	**13 199**	(2 454)
	Fees paid to related parties (refer note 29)	**42 481**	31 215
	(Profit)/loss on disposal of property, plant and equipment	**(194)**	888
6.2	Total staff cost*	**1 069 216**	987 720
	Included in cost of sales	**486 755**	451 993
	Salaries and wages	**423 077**	388 877
	Employers' contribution to:	**63 678**	63 116
	Medical	**17 035**	18 054
	Retirement	**46 643**	45 062
	Included in operating expenses	**582 461**	535 727
	Salaries and wages	**502 128**	464 369
	Employers' contribution to:	**80 333**	71 358
	Medical	**15 482**	13 951
	Retirement	**64 851**	57 407

** Total staff costs include costs for executive directors and key management.*

		2017 R'000	2016 R'000
6.3	Directors' emoluments		
	Executive directors	**16 659**	10 819
	Non-executive directors	**4 793**	4 518
	Total	**21 452**	15 337

For more details, please refer to pages 64 to 69.

		2017 R'000	2016 R'000
6.4	Key management		
	Salaries and bonuses	**28 353**	34 290
	Retirement, medical and other benefits	**3 216**	3 830
	Total	**31 569**	38 120

Key management comprises the Group Executive Committee, other than the executive directors. For more details, please refer to pages 62 and 63.

		2017 R'000	2016 R'000
7	**TAXATION**		
	South African taxation		
	Current income tax		
	– current year	**202 882**	152 522
	– prior year under provision	**933**	14 359
	Deferred tax		
	– current year	**(27 348)**	(100)
	– prior year over provision	**(54)**	(3 480)
	– utilisation of tax loss	**22 920**	4 679
		199 333	167 980
	Foreign taxation		
	Current income tax		
	– current year	**3 094**	1 137
	– prior year under provision	**783**	–
	Deferred tax		
	– current year	**1 308**	1 430
	– prior year over provision	**338**	–
		5 523	2 567
	Total tax charge	**204 856**	170 547
	In addition to the above, deferred tax amounting to R7.7 million has been charged to other comprehensive income (2016: R5.5 million). Refer note 20.		
		%	%
	Reconciliation of the taxation rate:		
	Effective rate	**28.3**	31.0
	Adjusted for:		
	Exempt income (dividend income)	**0.2**	1.9
	Non-realisation of deferred tax	**–**	0.1
	Non-deductible expenses*	**(2.7)**	(6.2)
	Prior year under provision **	**(0.3)**	(2.0)
	Equity accounted earnings	**2.5**	3.0
	Utilisation of tax loss not previously recognised	**–**	0.4
	Other	**–**	(0.2)
	South African normal tax rate	**28.0**	28.0
	The Group has tax losses of R26.7 million (2016: R108.7 million) for offsetting against future taxable profits of the Company in which the loss arose. All unutilised assessed losses from continuing operations has been recognised as a deferred tax asset in the current year and the prior year.		
	South Africa (Indefinite expiry)	**26 734**	108 698

* *Includes amortisation/impairment of intangibles, share-based payment expenses, professional fees, impairment of investments amongst others.*

** *Current tax and deferred tax.*

8 EARNINGS PER SHARE

	2017 R'000	2016 R'000
Headline earnings is determined as follows:		
Continuing operations		
Earnings attributable to owners of Adcock Ingram from total operations	**553 534**	168 801
Adjusted for:		
(Profit)/Loss attributable to Adcock Ingram from discontinued operations (note 2.1)	**(39 903)**	203 403
Earnings attributable to owners of Adcock Ingram from continuing operations	**513 631**	372 204
Adjusted for:		
Impairment of intangible assets	**–**	3 149
(Profit)/Loss on disposal/scrapping of property, plant and equipment	**(194)**	888
Tax effect on (profit)/loss on disposal of property, plant and equipment	**76**	(23)
Adjustments relating to equity accounted joint ventures		
Loss on disposal of property, plant and equipment	**199**	211
Headline earnings from continuing operations	**513 712**	376 429
Discontinued operations		
Profit/(Loss) attributable to owners of Adcock Ingram from discontinued operations	**39 903**	(203 403)
Adjusted for:		
Impairment of held-for sale assets (note 2.1(a))	**–**	207 971
Profit on sale of discontinued operations (note 2.1)	**(34 758)**	–
Profit on sale of intangible asset	**–**	(320)
Loss on disposal/scrapping of property, plant and equipment	**975**	70
Headline earnings from discontinued operations	**6 120**	4 318

	Number of shares	
Reconciliation of diluted weighted average number of shares:		
Weighted average number of ordinary shares in issue:		
– Issued shares at the beginning of the year	**175 748 048**	175 741 348
– Effect of ordinary shares issued during the year	**–**	5 528
– Effect of ordinary treasury shares held within the Group	**(9 453 755)**	(9 262 130)
Weighted average number of ordinary shares outstanding	**166 294 293**	166 484 746
Potential dilutive effect of outstanding share options	**641**	–
Diluted weighted average number of shares outstanding	**166 294 934**	166 484 746

Basic earnings per share is derived by dividing earnings attributable from continuing operations to owners of Adcock Ingram for the year by the weighted average number of shares in issue.

Diluted earnings per share is derived by dividing earnings attributable from continuing operations to owners of Adcock Ingram for the year by the diluted weighted average number of shares in issue. Diluted earnings per share reflect the potential dilution that could occur after taking into account all of the Group's outstanding options which are potentially exercisable and the effects of all dilutive potential shares resulting from the empowerment share transaction are accounted for.

Headline earnings per share is derived by dividing earnings attributable from continuing operations to owners of Adcock Ingram for the year, after appropriate adjustments are made, by the weighted average number of shares in issue.

Notes to the Group annual financial statements continued

		2017 cents	2016 cents
8	**EARNINGS PER SHARE (continued)**		
8.1	Continuing operations		
	Earnings		
	Basic earnings per share	**308.9**	223.6
	Diluted basic earnings per share	**308.9**	223.6
	Headline earnings		
	Headline earnings per share	**308.9**	226.1
	Diluted headline earnings per share	**308.9**	226.1
8.2	Discontinued operations		
	Earnings/(Loss)		
	Basic earnings/(loss) per share	**24.0**	(122.2)
	Diluted basic earnings/(loss) per share	**24.0**	(122.2)
	Headline earnings		
	Headline earnings per share	**3.7**	2.6
	Diluted headline earnings per share	**3.7**	2.6
8.3	Total operations		
	Earnings		
	Basic earnings per share	**332.9**	101.4
	Diluted basic earnings per share	**332.9**	101.4
	Headline earnings		
	Headline earnings per share	**312.6**	228.7
	Diluted headline earnings per share	**312.6**	228.7
8.4	Distribution per share		
	Interim	**63.0**	50.0
	Final [(1)]	**76.0**	54.0

[(1)] Declared subsequent to 30 June and has been presented for information purposes only. No liability regarding the final distribution has thus been recognised at 30 June.

		R'000	R'000
9	**DISTRIBUTIONS PAID AND PROPOSED**		
9.1	Declared and paid during the year		
	Distribution on ordinary shares		
	Final dividend for 2016: 54 cents (2015: 81 cents)	**78 635**	117 952
	Interim dividend for 2017:63 cents (2016: 50 cents)	**91 734**	72 810
	Total paid to equity holders of parent company	**170 369**	190 762
	Dividends paid to non-controlling shareholders	**5 484**	6 215
	Total dividend declared and paid to the public	**175 853**	196 977
9.2	Proposed subsequent to 30 June 2017		
	Final dividend for 2017: 76 cents per share	**110 671**	

10 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings R'000	Leasehold improvements R'000	Plant, equipment and vehicles R'000	Computer equipment R'000	Furniture and fittings R'000	Work in progress R'000	Total R'000
2017							
Carrying value at beginning of year							
Cost	897 456	95 896	934 603	191 308	41 959	32 399	2 193 621
Accumulated depreciation	(115 101)	(56 149)	(408 128)	(162 539)	(28 531)	–	(770 448)
Net book value at beginning of year	782 355	39 747	526 475	28 769	13 428	32 399	1 423 173
Current year movements – cost							
Additions	1 224	1 813	22 731	1 261	2 288	133 921	163 238
Transfer	4 199	1 210	19 855	34 171	1 610	(61 045)	–
Exchange rate adjustments	(3 897)	(11)	(4 362)	(322)	(360)	–	(8 952)
Reclassification to assets held-for-sale (note 2.2)	(1 150)	2 233	177	2 491	1 868	–	5 619
Additions through business combination (note 1)	–	400	4 617	43	228	–	5 288
Disposals	(880)	(2 250)	(27 617)	(64 739)	(2 067)	–	(97 553)
Cost movement for current year	(504)	3 395	15 401	(27 095)	3 567	72 876	67 640
Current year movements - accumulated depreciation							
Depreciation	(19 483)	(9 540)	(83 800)	(22 837)	(4 730)	–	(140 390)
Exchange rate adjustments	677	1	2 847	294	166	–	3 985
Reclassification to assets held-for-sale (note 2.2)	–	(83)	(189)	(2 337)	(1 178)	–	(3 787)
Disposals	880	83	27 442	64 699	1 370	–	94 474
Accumulated depreciation movement for current year	(17 926)	(9 539)	(53 700)	39 819	(4 372)	–	(45 718)
Carrying value at end of year							
Cost	896 952	99 291	950 004	164 213	45 526	105 275	2 261 261
Accumulated depreciation	(133 027)	(65 688)	(461 828)	(122 720)	(32 903)	–	(816 166)
Net book value at end of year	763 925	33 603	488 176	41 493	12 623	105 275	1 445 095

Property, plant and equipment with a carrying value of R37.2 million in Zimbabwe have been pledged as security for the bank overdraft and long term borrowings of the Zimbabwean operation. Refer to notes 17 and 21.

Notes to the Group annual financial statements continued

10 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land and buildings R'000	Leasehold improvements R'000	Plant, equipment and vehicles R'000	Computer equipment R'000	Furniture and fittings R'000	Work in progress R'000	Total R'000
2016							
Carrying value at beginning of the year							
Cost	885 616	99 728	893 411	196 587	55 833	34 138	2 165 313
Accumulated depreciation	(93 360)	(48 454)	(343 411)	(157 853)	(31 407)	–	(674 485)
Net book value at beginning of the year	792 256	51 274	550 000	38 734	24 426	34 138	1 490 828
Current year movements - cost							
Additions	2 852	461	22 262	355	608	68 904	95 442
Transfer	19 077	1 446	31 894	16 262	1 914	(70 593)	–
Exchange rate adjustments	11 094	971	10 137	2 762	2 204	(50)	27 118
Reclassification to assets held-for-sale (note 2.2)	(20 988)	(6 710)	(9 529)	(17 336)	(17 750)	–	(72 313)
Disposals	(195)	–	(13 572)	(7 322)	(850)	–	(21 939)
Cost movement for current year	11 840	(3 832)	41 192	(5 279)	(13 874)	(1 739)	28 308
Current year movements - accumulated depreciation							
Depreciation*	(21 210)	(9 247)	(79 212)	(24 125)	(5 110)	–	(138 904)
Exchange rate adjustments	(1 191)	(241)	(7 209)	(2 296)	(914)	–	(11 851)
Impairment[1]	(15 892)	(1 086)	(1 248)	(89)	(467)	–	(18 782)
Reclassification to assets held-for-sale (note 2.2)	16 391	2 879	10 309	14 729	8 771	–	53 079
Disposals	161	–	12 643	7 095	596	–	20 495
Accumulated depreciation movement for current year	(21 741)	(7 695)	(64 717)	(4 686)	2 876	–	(95 963)
Carrying value at end of year							
Cost	897 456	95 896	934 603	191 308	41 959	32 399	2 193 621
Accumulated depreciation	(115 101)	(56 149)	(408 128)	(162 539)	(28 531)	–	(770 448)
Net book value at end of year	782 355	39 747	526 475	28 769	13 428	32 399	1 423 173
*Depreciation split as follows:	21 210	9 247	79 212	24 125	5 110	–	138 904
Continuing operations	20 863	9 215	78 128	24 105	5 080		137 391
Discontinued operations	347	32	1 084	20	30		1 513

(1) Refer to Annexure G.

Property, plant and equipment with a carrying value of R40.5 million in Datlabs has been pledged as security for the bank overdraft of the Zimbabwean operation. Refer note 17.

11 INTANGIBLE ASSETS

	Goodwill R'000	Trademarks and market-related intangibles R'000	Customer-related intangibles and licence agreements R'000	Total R'000
2017				
Carrying value at beginning of year				
Cost	12 580	234 971	109 904	357 455
Accumulated amortisation	–	(73 478)	(7 907)	(81 385)
Net balance at beginning of year	**12 580**	**161 493**	**101 997**	**276 070**
Current year movements - cost				
Additions *	–	75 135	–	75 135
Additions through business combination (note 1)	5 595	–	2 880	8 475
Exchange rate adjustments	–	(6)	–	(6)
Cost movement for the year	**5 595**	**75 129**	**2 880**	**83 604**
Current year movements - accumulated amortisation				
Charge for the year	–	(8 962)	(720)	(9 682)
Exchange rate adjustments	–	5	–	5
Accumulated amortisation movement for the year	**–**	**(8 957)**	**(720)**	**(9 677)**
Carrying value at end of year				
Cost	18 175	310 100	112 784	441 059
Accumulated amortisation	–	(82 435)	(8 627)	(91 062)
Net balance at end of year	**18 175**	**227 665**	**104 157**	**349 997**

** A payment of R4.3 million has been deferred and is included in Other payables. (Note 23)*

Notes to the Group annual financial statements continued

11 INTANGIBLE ASSETS (continued)

	Goodwill R'000	Trademarks and market-related intangibles R'000	Customer-related intangibles and licence agreements R'000	Manufacturing-related intangibles R'000	Total R'000
2016					
Carrying value at beginning of year					
Cost	12 580	756 652	263 572	1 605	1 034 409
Accumulated amortisation	–	(145 553)	(144 095)	(1 605)	(291 253)
Net balance at beginning of year	12 580	611 099	119 477	–	743 156
Current year movements - cost					
Reclassification to assets held-for-sale (note 2.2)	–	(596 734)	(158 414)	(1 605)	(756 753)
Disposals	–	(2 018)	–	–	(2 018)
Exchange rate adjustments	–	77 071	4 746	–	81 817
Cost movement for the year	–	(521 681)	(153 668)	(1 605)	(676 954)
Current year movements - accumulated amortisation					
*Charge for the year	–	(9 167)	6	–	(9 161)
Reclassification to assets held-for-sale (note 2.2)	–	231 561	142 478	1 605	375 644
Disposals	–	330	–	–	330
Impairment of assets transferred to held-for-sale(1)	–	(135 180)	–	–	(135 180)
Impairment(1)	–	(3 149)			(3 149)
Exchange rate adjustments	–	(12 320)	(6 296)	–	(18 616)
Accumulated amortisation movement for the year	–	72 075	136 188	1 605	209 868
Carrying value at end of year					
Cost	12 580	234 971	109 904	–	357 455
Accumulated amortisation	–	(73 478)	(7 907)	–	(81 385)
Net balance at end of year	12 580	161 493	101 997	–	276 070

(1) Refer to Annexure G on impairments.

*Amortisation split as follows:	–	9 167	(6)	–	9 161
Continuing operations	–	9 050	–	–	9 050
Discontinued operations	–	117	(6)	–	111

Amortisation is included in fixed and administrative expenses and impairments in non-trading expenses in the statement of comprehensive income.

Goodwill acquired through business combinations and other intangible assets have been allocated to the following individual reportable segments for impairment testing. These segments represent the lowest level within the entity at which intangible assets are monitored for internal management purposes.

	OTC R'000	Consumer R'000	Prescription R'000	Hospital R'000	Other - Shared Services R'000	Southern Africa R'000	India and Rest of Africa R'000	Total R'000
2017								
Carrying amount of goodwill				**12 580**	**5 595**	**18 175**		**18 175**
Carrying amount of other intangibles	**129 290**	**107 344**	**90 592**	**–**	**2 160**	**329 386**	**2 436**	**331 822**
Indefinite useful lives	**123 434**	**30 400**	**90 592**		**2 160**	**246 586**	**2 347**	**248 933**
Finite useful lives	**5 856**	**76 944**				**82 800**	**89**	**82 889**
Total	**129 290**	**107 344**	**90 592**	**12 580**	**7 755**	**347 561**	**2 436**	**349 997**
2016								
Carrying amount of goodwill				12 580		12 580		12 580
Carrying amount of other intangibles	85 289	85 262	90 592	–	–	261 143	2 347	263 490
Indefinite useful lives	78 807		90 592			169 399	2 347	171 746
Finite useful lives	6 482	85 262				91 744		91 744
Total	85 289	85 262	90 592	12 580	–	273 723	2 347	276 070

IMPAIRMENT TESTING OF OTHER INTANGIBLE ASSETS

The average remaining useful life for intangible assets with finite useful lives ranges between 2 to 9 years.

The recoverable amount of the indefinite life intangible assets has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a 10-year period when management believes that products have a value-in-use of 10 years or more and that these projections, based on past experience, are reliable.

The discount rate applied to cash flow projections, before adjusting for risk, is 12.36% (2016: 12.92%) for the intangible assets in the continuing operations. The cash flows beyond the 10-year period are discounted using a 0.5% long term growth rate (2016: 0.5%).

Key assumptions used in value-in-use calculations:

The calculation of value-in-use for all segments is sensitive to the following assumptions:
– gross margin;
– discount rates;
– raw materials price inflation;
– market share during the budget period; and
– growth rate used to extrapolate cash flows beyond the budget period.

Gross margin
Gross margins are based on average values of between 27% to 50% in the three years preceding the start of the budget period. These are changed over the budget period for anticipated efficiency improvements, estimated changes to cost of production and raw materials, and selling prices.

Discount rates
Discount rates reflect management's estimate of the risks. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates, regard has been given to the yield on a 10-year government bond at the beginning of the budgeted period.

Raw materials price inflation
Estimates are obtained from published indices for the countries from which materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is publicly available, otherwise past actual raw materials price movements of 5% have been used as an indicator of the future price movements.

Notes to the Group annual financial statements continued

11 INTANGIBLE ASSETS (continued)

Market share assumptions
These assumptions are important because, as well as using industry data for growth rates, management assesses how the Group's position, relative to its competitors, might change over the budget period. Market share is considered separately for each asset to determine the impact on the future cash flows.

Growth rate estimates
The growth rate used beyond the next 10-year period is management's best estimate taking market conditions into account.

Sensitivity to change in assumptions

The implications of the key assumptions for the recoverable amount are discussed below:

Gross margin
A decreased demand and cost input inflation in excess of selling price increases can lead to a decline in the gross margin which could result in an impairment of intangibles.

Discount rates
A material increase in excess of 4% in the discount rate would result in impairment.

Raw materials price inflation
Management has considered the possibility of greater than forecast increases in raw material price inflation. If prices of raw materials increase greater than the forecast price inflation and the Group is unable to pass on, or absorb these increases through efficiency improvements, then the Group will have an impairment.

Market share assumptions
Although management expects the Group's market share to be stable over the forecast period, a material decline in the market share would result in an impairment.

Growth rate estimates
Management acknowledges that new entrants into the market could have a significant impact on growth rate assumptions. This is not expected to have a material adverse impact on forecasts, but could yield a reasonably possible alternative to the estimated long-term growth rate which could result in impairment.

	2017 R'000	2016 R'000
12 DEFERRED TAX		
Balance at beginning of year	**(67 739)**	(69 763)
Acquisition of business (refer note 1)	**204**	–
Movement through profit or loss – continuing operations	**2 836**	(2 529)
– discontinued operations	**–**	(172)
Exchange rate adjustments	**825**	(798)
Revaluations of foreign currency contracts (cash flow hedges) to fair value	**(7 674)**	5 411
Revaluation of available-for-sale asset to fair value	**(2)**	112
Balance at end of year	**(71 550)**	(67 739)
Analysis of deferred tax		
This balance comprises the following temporary differences:		
Trademarks	**(17 477)**	(30 099)
Property, plant and equipment	**(142 117)**	(133 327)
Pre-payments	**(2 782)**	(2 520)
Income received in advance	**6 350**	4 125
Provisions	**77 432**	54 371
Revaluations of foreign currency contracts (cash flow hedges) to fair value	**(2 221)**	5 452
Tax loss available for future use	**10 514**	33 453
Other	**(1 249)**	806
	(71 550)	(67 739)
Disclosed as follows:		
Deferred tax asset	**1 588**	8 129
Deferred tax liability	**(73 138)**	(75 868)
13 OTHER FINANCIAL ASSETS		
13.1 Long-term receivable (at amortised cost)		
Black Managers Share Trust (BMT)		
Balance at beginning of year	**72 095**	88 191
Proceeds from sale	**(32 038)**	(11 961)
Impairment (Refer Annexure G)	**(217)**	(4 135)
	39 840	72 095

The maturity of the receivable from the BMT depends on how beneficiaries exercise their options until 30 September 2024 when the scheme is due to end or when a beneficiary dies. The proceeds on sale during the year is as a result of the capital contribution payments upon units being excercised after the lock-in period of R32.0 million (2016: R12.0 million). The impairment charge was as a result of the cost of the capital contribution exceeding the terminal amount (original capital contribution, increased by a notional return on the capital contribution and reduced by dividends distributed to the beneficiaries). Refer to Annexure B for further details.

	2017 R'000	2016 R'000
13.2 Investments		
Group Risk Holdings Proprietary Limited		
Balance at beginning of year	**2 215**	2 915
Disposal of shares	**(318)**	
Revaluation of investment through other comprehensive income	**9**	(700)
	1 906	2 215
	41 746	74 310

Notes to the Group annual financial statements continued

		2017 R'000	2016 R'000
14	**INVESTMENT IN JOINT VENTURES AND ASSOCIATE**		
14.1	Investment in joint ventures		
	The Group has a 49.9% share in Adcock Ingram Limited (India) and a 50% share in National Renal Care Proprietary Limited. The Group's interests in Adcock Ingram Limited (India) and National Renal Care Proprietary Limited are accounted for using the equity method in the consolidated financial statements. The carrying value of the investment is set out below.		
	Adcock Ingram Limited (India)	**246 019**	230 955
	National Renal Care (Pty) Limited	**145 994**	123 184
		392 013	354 139
14.2	Investment in associate		
	The Group has a 25.1% share in Ayrton Drug Manufacturing Limited (Ghana), which is accounted for using the equity method in the consolidated financial statements. The carrying value of the investment is set out below:		
	Cost of investment	**5 133**	
	Share of post acquisition profit	**1 548**	
	Exchange rate adjustments	**(610)**	
		6 071	
	Refer to Annexure F.		
15	**INVENTORIES**		
	Raw materials	**316 194**	317 876
	Work-in-progress	**22 891**	24 756
	Finished goods	**817 864**	824 373
	Inventory value, net of provisions	**1 156 949**	1 167 005
	Inventories written down and recognised as an expense in profit or loss:		
	Cost of sales	**66 215**	68 602
	Continuing operations	**66 215**	63 986
	Discontinued operations (note 2)	**–**	4 616

Inventories are written off if aged, damaged, stolen or the likelihood of being sold is remote. Inventories are written down to the lower of cost and net realisable value.

	2017 R'000	2016 R'000
16 TRADE AND OTHER RECEIVABLES		
Trade receivables	**1 495 169**	1 366 829
Less: Provision for credit notes	**(40 047)**	(35 271)
Provision for impairment	**(28 370)**	(11 067)
	1 426 752	1 320 491
Derivative asset at fair value[1]	**8 957**	576
Sundry receivables	**59 280**	44 793
The maximum exposure to credit risk in relation to trade and other receivables	**1 494 989**	1 365 860
Pre-payments	**55 292**	21 574
VAT recoverable[2]	**17 521**	11 067
	1 567 802	1 398 501

[1] It is expected that the derivative asset will be realised within the next 90 days.
[2] VAT recoverable will be received within one month.

59% (2016: 65%) of pre-payments will be recycled to other assets in the statement of financial position and the balance to profit or loss over the next 12 months.

Movements in the provisions for impairment and credit notes were as follows:

	Individually impaired R'000	Credit notes R'000	Total R'000
Balance at 1 July 2015	(14 255)	(21 195)	(35 450)
Charge for the year	(7 424)	(17 326)	(24 750)
Utilised during the year	–	3 250	3 250
Transfer to assets held-for-sale	4 384	–	4 384
Unused amounts reversed	6 228	–	6 228
At 30 June 2016	**(11 067)**	**(35 271)**	**(46 338)**
Charge for the year	**(17 203)**	**(9 180)**	**(26 383)**
Utilised during the year	**–**	**4 404**	**4 404**
Acquisition of business	**(100)**	**–**	**(100)**
At 30 June 2017	**(28 370)**	**(40 047)**	**(68 417)**

No provisions for individually impaired receivables were utilised in both the current and prior years. Trade debtors are impaired when the event of recoverability is highly unlikely, or there is an expected decrease in future inflows.

Notes to the Group annual financial statements continued

		2017 R'000	2016 R'000
16	**TRADE AND OTHER RECEIVABLES (continued)**		
	The maturity analysis of trade and other receivables is as follows:		
	Trade receivables		
	Neither past due nor impaired		
	<30 days	**704 867**	723 313
	31 - 60 days	**485 693**	448 237
	61 - 90 days	**153 037**	95 293
	Past due after impairments		
	91-180 days	**72 819**	40 982
	>180 days	**10 336**	12 666
	Total	**1 426 752**	1 320 491
	Sundry receivables		
	Neither past due nor impaired		
	<30 days	**33 285**	17 067
	31 - 60 days	**7 541**	8 241
	61 - 90 days	**613**	2 788
	>90 days	**17 841**	16 697
	Total	**59 280**	44 793

Details in respect of the Group's credit risk management policies are set out in Annexure E. The directors consider that the carrying amount of the trade and other receivables approximates their fair value due to the short period to maturity.

		2017 R'000	2016 R'000
17	**CASH AND CASH EQUIVALENTS / OVERDRAFT**		
	Cash at banks	**592 070**	200 555
	Bank overdraft	**(5 619)**	(11 755)
		586 451	188 800

Cash at banks earns interest at floating rates based on daily bank deposit rates. Overdraft balances in South Africa incur interest at 8.0% (2016: 8.0%).

The fair value of the net cash approximates R586.4 million (2016: R188.8 million).

There are no restrictions over the cash balances and all balances are available for use.

Property, plant and equipment to the value of R37.2 million (2016: R40.5 million) in Datlabs have been pledged as security for the bank overdraft of R5.6 million (2016: R11.8 million). Refer note 10.

For the purposes of the statement of cash flows, the Group's cash and cash equivalents at the end of the year includes the following:

	2017 R'000	2016 R'000
Adcock Ingram Private Limited (India)		117 618
Ayrton Drug Manufacturing Limited (Ayrton)		(11 956)
Cash at banks and short-term deposits attributable to the discontinued operations		105 662

	2017 R'000	2016 R'000
18 SHARE CAPITAL		
18.1 Authorised		
Ordinary Share Capital		
250 000 000 ordinary shares of 10 cents each	**25 000**	25 000
18.2 Issued		
Ordinary Share Capital		
Opening balance of 171 462 885 ordinary shares (2016: 168 885 185) of 10 cents each	**17 147**	16 888
Issue of 6 700 ordinary shares of 10 cents each	**–**	1
Movement of treasury shares	**–**	258
	17 147	17 147

6 700 ordinary shares were issued during the prior year, to meet the obligations of the Adcock Ingram Holdings Limited Employees Share Trust (2008).

	Number of shares	
18.3 Treasury Shares		
Shares held by Group company		
– number of ordinary shares	**4 285 163**	4 285 163

Shares bought back and held by a Group company are regarded as treasury shares.

18.4 Reconciliation of issued shares		
Number of shares in issue	**175 748 048**	175 748 048
Number of ordinary shares held by the Group company	**(4 285 163)**	(4 285 163)
Net shares in issue	**171 462 885**	171 462 885

Unissued shares

In terms of the Companies Act, the unissued shares are under the control of the directors. Accordingly, the directors are authorised to allot and issue them on such terms and conditions and at such times as they deem fit but subject to the provisions of the Companies Act.

The Group has a share incentive trust in terms of which shares were issued and share options were granted. Refer to Annexure B. As required by IFRS and the JSE Limited, the share incentive trust is consolidated into the Group's annual financial statements.

	R'000	R'000
19 SHARE PREMIUM		
Balance at the beginning of the year	**666 873**	512 938
Issue of 6 700 ordinary shares	**–**	189
Movement on treasury shares	**–**	153 746
	666 873	666 873

Notes to the Group annual financial statements continued

20 NON-DISTRIBUTABLE RESERVES

	Share-based payment reserve R'000	Cash flow hedge accounting reserve R'000	Capital redemption reserve R'000	Foreign currency translation reserve R'000	Legal reserves and other R'000	Total R'000
Balance at 1 July 2015	392 954	(106)	3 919	91 851	16 382	505 000
Movement during the year, net of tax	12 578	(13 914)	–	118 291	6 558	123 513
Movement for the year	39 089	(19 325)		118 291	(700)	137 355
Tax effect of net movement on cash flow hedge and investment		5 411			112	5 523
Accelerated Mpho ea Bophelo Trust payment	(26 511)					(26 511)
Actuarial profit on post-retirement medical liability					6 079	6 079
Profit on sale of shares					1 067	1 067
Balance at 30 June 2016	**405 532**	**(14 020)**	**3 919**	**210 142**	**22 940**	**628 513**
Movement during the year, net of tax	**(280 175)**	**19 732**	**–**	**(171 885)**	**4 187**	**(428 141)**
Movement for the year	**23 710**	**27 406**	**–**	**(42 432)**	**9**	**8 693**
Share-based expenses transferred to retained earnings	**(303 885)**					**(303 885)**
Tax effect of net movement on cash flow hedge and investment		**(7 674)**			**(2)**	**(7 676)**
Actuarial profit on post-retirement medical liability					**511**	**511**
Other comprehensive income recycled to profit or loss				**(129 453)**	**3 669**	**(125 784)**
Balance at 30 June 2017	**125 357**	**5 712**	**3 919**	**38 257**	**27 127**	**200 372**

Share-based payment reserve
The share-based payment reserve represents the accumulated charge for share options in terms of IFRS 2. The share option plans are equity-settled and include an ordinary equity scheme and the BEE scheme. During the prior year there was an accelerated payment made to employees in terms of the Bophelo scheme. Refer Annexure B.

Cash flow hedge accounting reserve
The cash flow hedge accounting reserve comprises the portion of the cumulative net change in the fair value of derivatives designated as effective cash flow hedging relationships where the hedged item has not yet affected inventory and ultimately cost of sales in the statement of comprehensive income.

Capital redemption reserve
The capital redemption reserve was created as a result of revaluation of shares in subsidiaries.

Foreign currency translation reserve
The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Legal reserves and other
This represents:
- an unutilised merger reserve when Premier Pharmaceuticals and Adcock Ingram merged;
- share issue expenses incurred by Adcock Ingram Healthcare Private Limited (India), which was recycled to profit or loss during the current year (refer note 2);
- actuarial profits on the Group's post-retirement medical liability; and
- a fair value adjustment on the Group's investment in Group Risk Holdings Proprietary Limited (refer to note 13.2).

	2017 R'000	2016 R'000
21 LONG-TERM BORROWINGS		
Secured		
Nedbank[1]	**250 000**	500 000
Central Africa Building Society - Zimbabwe[2]	**1 908**	–
	251 908	500 000
Less: Current portion included in short-term borrowings	**(416)**	–
	251 492	500 000

[1] *A secured loan, bearing interest at JIBAR* plus 176 basis points. Interest is payable quarterly in arrears and the capital is due for repayment in December 2018. During the current year voluntary repayments of R250 million were made out of surplus cash resources. The shares in wholly-owned South African companies in the Group are pledged as security for this loan. Financial covenants, including a Net debt: EBITDA ratio and interest cover ratio are applicable over this loan and have been complied with during the year.*

[2] *This secured loan bears interest at 12% and is repayable over a period of 55 months. Property, plant and equipment have been pledged as security over this loan. Refer to note 10.*

* *JIBAR - Johannesburg Interbank Agreed Rate. On 30 June 2017: 7.32% (2016: 7.30%).*

The undiscounted maturity profile of the Group's borrowings is as follows:

	Secured loan at fixed interest rates R'000	Secured loan at variable interest rates R'000	Total R'000
2017			
Capital repayment on loans			
– payable within 12 months	**416**	**–**	**416**
– payable within 12-24 months	**416**	**250 000**	**250 416**
– payable thereafter	**1 076**	**–**	**1 076**
	1 908	**250 000**	**251 908**
Interest payment on loans*			
– payable within 12 months	**229**	**22 693**	**22 922**
– payable within 12-24 months	**179**	**11 346**	**11 525**
– payable thereafter	**238**	**–**	**238**
	646	**34 039**	**34 685**

Notes to the Group annual financial statements continued

21 LONG-TERM BORROWINGS (continued)

	Secured loan at fixed interest rates R'000	Secured loan at variable interest rates R'000	Total R'000
2016			
Capital repayment on loans	–		
– payable after 24 months	–	500 000	500 000
	–	500 000	500 000
Interest payment on loans*			
– payable within 12 months	–	45 300	45 300
– payable within 12-24 months	–	45 300	45 300
– payable thereafter	–	22 650	22 650
	–	113 250	113 250

** Interest payments have been calculated using the interest rates at the reporting dates.*

	2017 R'000	2016 R'000
22 POST-RETIREMENT MEDICAL LIABILITY		
Balance at beginning of the year	**16 994**	22 796
Charged to operating profit	**1 651**	1 942
Benefits paid	**(1 341)**	(1 665)
Actuarial profit on post-employment medical liability released to other comprehensive income	**(511)**	(6 079)
Balance at the end of the year	**16 793**	16 994
Refer to Annexure D.		
23 TRADE AND OTHER PAYABLES		
Trade accounts payable	**748 919**	726 919
Derivative liability at fair value (1)	**752**	23 552
Other payables	**873 980**	806 060
Accrued expenses	**633 715**	616 772
Deferred portion of purchase price of business combination (Note 1)	**8 000**	–
Deferred portion of intangible asset purchase (Note 11)	**4 314**	–
Sundry payables	**227 951**	189 288
VAT payable (2)	**12 423**	5 252
Interest accrued	**1 123**	2 482
	1 637 197	1 564 265

(1) It is expected that the derivative liability will be settled within the next 90 days.

(2) VAT payable will be paid within one month.

The maturity analysis of trade and other payables is as follows:

	2017 R'000	2016 R'000
Trade payables		
<30 days	**562 108**	414 413
31-60 days	**78 734**	157 200
61-90 days	**33 589**	48 339
>90 days	**74 488**	106 967
Total	**748 919**	726 919

	2017 R'000	2016 R'000
Other payables		
<30 days	**303 855**	313 362
31-60 days	**75 182**	92 336
61-90 days	**252 699**	211 218
>90 days	**242 244**	189 144
Total	**873 980**	806 060

The directors consider that the carrying amount of the trade and other payables approximates their fair value due to the short term maturity.

24 CASH-SETTLED OPTIONS

	2017 R'000	2016 R'000
Opening balance	**3 117**	6 519
Charged to/(released) from operating profit	**5 358**	(3 131)
Payments made	**(1 091)**	(271)
	7 384	3 117

Refer to Annexure B

25 PROVISIONS

	2017 R'000	2016 R'000
Leave pay	**44 373**	40 378
Bonus and incentive scheme	**31 557**	29 528
	75 930	69 906
Made up as follows:		
Leave pay		
Balance at beginning of year	**40 378**	42 254
Arising during the year	**64 765**	56 914
Utilised during the year	**(55 123)**	(51 348)
Unused amounts reversed	**(5 335)**	(4 675)
Reclassification to disposal group held-for-sale (note 2.2)	**–**	(3 835)
Exchange rate adjustments	**(312)**	1 068
Balance at end of year	**44 373**	40 378
Bonus and incentive scheme		
Balance at beginning of year	**29 528**	27 938
Arising during the year	**31 557**	32 228
Utilised during the year	**(26 647)**	(21 788)
Unused amounts reversed	**(2 881)**	(8 850)
Balance at end of year	**31 557**	29 528

Leave pay provision

In excess of 95% of the balance represents the liability for employees in South Africa. In terms of the Group policy, employees in South Africa are entitled to accumulate leave benefits not taken within a leave cycle, up to a maximum of three times the employee's annual leave allocation, limited to a maximum of 30 days. The obligation is reviewed annually.

Bonus and incentive provision

Certain employees participate in a performance-based incentive scheme and provision is made for the estimated liability in terms of set performance criteria. These incentives are expected to be paid in September 2017.

Notes to the Group annual financial statements continued

		2017 R'000	2016 R'000
26	**NOTES TO THE STATEMENTS OF CASH FLOWS**		
26.1	Operating profit before working capital changes		
	Profit before taxation from continuing operations	**724 844**	549 931
	Profit/(Loss) before taxation from discontinued operations	**7 675**	(198 889)
	Profit before taxation	**732 519**	351 042
	Adjusted for:		
	– amortisation of intangibles	**9 682**	9 161
	– depreciation	**140 390**	138 904
	– loss on disposal/scrapping of property, plant and equipment	**781**	958
	– dividend income	**(5 979)**	(9 179)
	– finance income	**(16 938)**	(13 504)
	– finance costs	**40 253**	85 462
	– equity accounted earnings	**(64 144)**	(59 288)
	– share-based payment expenses	**40 660**	39 919
	– accelerated Mpho ea Bophelo settlement	**–**	(26 511)
	– provision for accounts receivable impairment and credit notes	**22 079**	10 888
	– increase in provisions and post-retirement medical liability	**6 592**	2 760
	– profit on disposal intangible assets	**–**	(320)
	– impairment in discontinued operations	**–**	207 971
	– straight-lining of leases	**999**	3 555
	– impairment of intangible assets	**–**	3 149
	– impairment of long-term receivable and investment	**217**	5 489
	– inventories written off	**66 215**	68 602
	– increase in inventory provisions	**15 422**	14 558
	– foreign exchange loss/(gain)	**13 060**	(6 244)
		1 001 808	827 372
26.2	Working capital changes		
	Increase in inventories	**(81 429)**	(89 656)
	Increase in trade and other receivables	**(183 547)**	(56 006)
	Increase in trade and other payables	**31 041**	259 414
		(233 935)	113 752
26.3	Dividends paid		
	Dividends paid to equity holders of the parent	**(170 369)**	(190 762)
	Dividends paid to non-controlling shareholders	**(5 484)**	(6 215)
		(175 853)	(196 977)

		2017 R'000	2016 R'000
26.4	**Taxation paid**		
	Amounts overpaid at beginning of year	**84 087**	77 948
	Amounts charged to profit or loss	**(206 157)**	(171 900)
	Continuing operations	**(204 856)**	(170 547)
	Discontinued operations	**(1 301)**	(1 353)
	Movement in deferred tax	**(2 836)**	2 648
	Acquisition of business	**462**	–
	Exchange rate adjustments	**(93)**	965
	Deconsolidation of Blue Falcon Trading Proprietary Limited	**–**	119
	Reclassification to disposal group held-for-sale (note 2.2)	**898**	(2 114)
	Amounts overpaid at end of year	**(9 642)**	(84 087)
		(133 281)	(176 421)
26.5	**Net cashflow on aquisition of business**		
	Trade and other receivables	**16 485**	
	Property, plant and equipment	**5 288**	
	Intangible assets	**2 880**	
	Taxation receivable	**462**	
	Deferred tax	**204**	
	Inventories	**94**	
	Trade and other payables	**(11 015)**	
	Bank overdraft	**(2 275)**	
	Short-term borrowings	**(1 198)**	
	Long-term borrowings	**(920)**	
	Fair value of net assets	**10 005**	
	Goodwill arising on acquisition	**5 595**	
	Deferred consideration	**(8 000)**	
	Consideration paid	**7 600**	
	Net bank overdraft acquired with the business	**2 275**	
	Cash outflow on business combination	**9 875**	
26.6	**Finance Income received**		
	Finance income – continuing operations	**15 665**	5 107
	– discontinued operations	**1 273**	8 397
		16 938	13 504
	Add movement in receivable	**–**	10 785
	Less current year receivable transferred to assets held-for-sale	**–**	(7 040)
		16 938	17 249
26.7	**Finance costs paid**		
	Finance costs – continuing operations	**(38 239)**	(76 888)
	– discontinued operations	**(2 014)**	(8 574)
		(40 253)	(85 462)
	Less movement in accrual	**(1 359)**	(1 227)
		(41 612)	(86 689)

Notes to the Group annual financial statements continued

		2017 R'000	2016 R'000
26	**NOTES TO THE STATEMENTS OF CASH FLOWS** (continued)		
26.8	Movement in borrowings		
	Balance at beginning of year	**500 000**	527 026
	Acquisition of business (note 1)	**2 118**	–
	Exchange rate adjustments	**(82)**	4 225
	Reclassification to disposal group held-for-sale (note 2.2)	**(7 822)**	(11 435)
	Balance at end of year	**(251 908)**	(500 000)
		242 306	19 816
	Disclosed as:		
	Increase in borrowings	**9 917**	–
	Repayment of borrowings	**(252 223)**	(19 816)
		(242 306)	(19 816)
26.9	Decrease in other financial assets		
	Proceeds from sale of interest in Group Risk Holdings Proprietary Limited	**318**	–
	Decrease in Black Managers Share Trust	**32 038**	11 961
		32 356	11 961

27 CONTINGENT LIABILITIES

The wholly-owned South African companies in the Group provide cross-sureties for the debt obligations (refer note 21) and overdraft facilities (refer note 17) in South Africa.

28 COMMITMENTS AND CONTINGENCIES

28.1 Operating lease commitments

The Group has entered into the following material lease agreements in South Africa for premises used as offices and distribution centres for pharmaceutical products. These leases represent more than 95% of the lease commitments of the Group.

	Lease 1 New Road	Lease 2 Durban	Lease 3 Cape Town
Initial lease period (years)	10	12	10
Ending	30 November 2021	31 October 2022	31 August 2023
Renewal option period (years)	10	10	5
Ending	30 November 2031	31 October 2032	31 August 2027
Escalation %	7.3%	8.5%	7.0%

	2017 R'000	2016 R'000
Future minimum rentals payable under all non-cancellable operating leases are as follows:		
Within one year	**38 780**	36 028
After one year but not more than five years	**164 783**	170 620
More than five years	**6 572**	39 516
	210 135	246 164

		2017 R'000	2016 R'000
28.2	**Capital commitments**		
	Commitments contracted for		
	Within one year	**72 202**	11 362
	Approved but not contracted for	**128 281**	38 577
	Within one year	**89 853**	38 577
	Between one and two years	**38 428**	–
		200 483	49 939
	These commitments relate to property, plant and equipment		
28.3	**Guarantees**		
	The Group has provided guarantees to the amount of R2.8 million at 30 June 2017 (June 2016: R6.2 million)		

29 RELATED PARTIES

Related party transactions exist between the Company, subsidiaries, joint ventures, associate and key management. All purchasing and selling transactions with related parties are concluded at arm's length and are eliminated for Group purposes, where applicable.

The following entities are considered to be related parties in the current and prior year due to their individual shareholding exceeding 20% and they have representation on the Adcock Ingram Holdings Limited Board of directors, and therefore are considered to have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the Group.

	2017 R'000	2016 R'000
The Bidvest Group Limited		
Purchase of services	**42 481**	31 215
Balance owing at reporting date	**4 891**	4 681

Payments to directors and key management are disclosed in notes 6.3 and 6.4

Company statements of comprehensive income

	Notes	2017 R'000	2016 R'000
REVENUE	A	**266 121**	354 146
Operating expenses		**(377)**	(354)
Share-based payment expenses		**–**	(20 821)
Finance income	B.1	**15 734**	49 490
Finance costs	B.2	**(14 636)**	(41 444)
Dividend income	A	**250 387**	304 656
Profit before taxation		**251 108**	291 527
Taxation	C	**(207)**	(2 154)
Profit for the year		**250 901**	289 373
Other comprehensive income which will subsequently be recycled to profit or loss	I	**7**	(588)
Revaluation of available-for-sale asset		**9**	(700)
Tax effect of revaluation		**(2)**	112
Total comprehensive income for the year, net of tax		**250 908**	288 785

Company statement of changes in equity

	Notes	Issued share capital R'000	Share premium R'000	Non-distributable reserves R'000	(Accumulated loss)/Retained income R'000	Total R'000
Balance at 1 July 2015		20 168	949 881	270 286	(157 239)	1 083 096
Share issue	G.2/H	1	189			190
Repurchase and cancellation of A&B shares	G.2/H	(2 595)	(55 417)	58 012		–
Movement in share-based payment reserve				20 821		20 821
Total comprehensive income				(588)	289 373	288 785
Profit for the year					289 373	289 373
Other comprehensive income				(588)	–	(588)
Dividends	M.1				(196 377)	(196 377)
Balance at 30 June 2016		17 574	894 653	348 531	(64 243)	1 196 515
Share-based expenses transferred from non-distributable reserves				**(269 000)**	**269 000**	**–**
Total comprehensive income				**7**	**250 901**	**250 908**
Profit for the year					**250 901**	**250 901**
Other comprehensive income				**7**		**7**
Dividends	M.1				**(175 389)**	**(175 389)**
Balance at 30 June 2017		**17 574**	**894 653**	**79 538**	**280 269**	**1 272 034**

Company statements of financial position

	Notes	2017 R'000	2016 R'000
ASSETS			
Investments	D	**3 368 792**	3 369 101
Non-current assets		**3 368 792**	3 369 101
Cash and cash equivalents	E	**26 121**	2 367
Amounts owing by Group companies	F.1	**327 742**	327 154
Taxation receivable	L.2	**1 652**	600
Current assets		**355 515**	330 121
Total assets		**3 724 307**	3 699 222
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital	G.2	**17 574**	17 574
Share premium	H	**894 653**	894 653
Non-distributable reserves	I	**79 538**	348 531
Retained income/(accumulated loss)		**280 269**	(64 243)
Total equity		**1 272 034**	1 196 515
Amounts owing to Group companies	F.2	**2 155 994**	2 155 994
Deferred tax	J	**103**	118
Non-current liabilities		**2 156 097**	2 156 112
Other payables	K	**842**	783
Amounts owing to Group companies	F.2	**295 334**	345 812
Current liabilities		**296 176**	346 595
Total equity and liabilities		**3 724 307**	3 699 222

Company statements of cash flows

	Notes	2017 R'000	2016 R'000
Cash flows from operating activities			
Operating loss before working capital changes	L.1	**(377)**	(354)
Cash utilised in operations		**(377)**	(354)
Finance income		**15 734**	49 490
Finance costs, excluding accrual		**(14 636)**	(42 420)
Dividend income	A	**250 387**	304 656
Dividends paid, excluding accrual		**(175 330)**	(196 291)
Taxation paid	L.2	**(1 276)**	(2 651)
Net cash inflow from operating activities		**74 502**	112 430
Cash flows from investing activities			
Decrease in investments	L.3	**318**	–
Net cash inflow from investing activities		**318**	–
Cash flows from financing activities			
Proceeds from issue of share capital		**–**	190
Net (decrease)/increase in amounts owing to Group companies		**(51 066)**	287 976
Net cash (outflow)/inflow from financing activities		**(51 066)**	288 166
Net increase in cash and cash equivalents		**23 754**	400 596
Cash and cash equivalents at beginning of year		**2 367**	(398 229)
Cash and cash equivalents at end of year	E	**26 121**	2 367

Notes to the Company annual financial statements

		2017 R'000	2016 R'000
A	**REVENUE**		
	Finance income	**15 734**	49 490
	Dividend income	**250 387**	304 656
		266 121	354 146
B	**FINANCE INCOME AND FINANCE COSTS**		
B.1	Finance income		
	Bank	**13 882**	22 416
	Inter-Group interest	**1 852**	27 074
		15 734	49 490
B.2	Finance costs		
	Borrowings	**14 636**	41 444
C	**TAXATION**		
	South African taxation		
	Current income tax		
	– current year	**224**	2 154
	Deferred tax		
	– current year	**(17)**	–
		207	2 154
	Reconciliation of the taxation rate	**%**	%
	Effective rate	**0.1**	0.7
	Adjusted for:		
	Exempt income (dividend income)	**27.9**	29.3
	Non-deductible expenses	**–**	(2.0)
	South African normal tax rate	**28.0**	28.0

	2017 effective holding %	2016 effective holding %	2017 R'000	2016 R'000
D INVESTMENTS				
Adcock Ingram Limited	**100**	100	**2 130 587**	2 130 587
Adcock Ingram Healthcare Proprietary Limited	**100**	100	**815 390**	815 390
Adcock Ingram Intellectual Property Proprietary Limited	**100**	100	**104 000**	104 000
Adcock Ingram Critical Care Proprietary Limited	**100**	100	**284 979**	284 979
Adcock Ingram International Proprietary Limited	**100**	100	*****	*
Tender Loving Care Hygienic, Cosmetic and Baby Products Proprietary Limited	**100**	100	*****	*
Thembalami Pharmaceuticals Proprietary Limited	**50**	50	*****	*
Adcock Ingram Limited India	**49.9**	49.9	**31 930**	31 930
Group Risk Holdings Proprietary Limited[1]	**5.3**	6.2	**1 906**	2 215
			3 368 792	3 369 101

** Less than R1 000.*

	2017 R'000	2016 R'000
[1] Group Risk Holdings Proprietary Limited		
Balance at 1 July	**2 215**	2 915
Disposal of 0.9% interest	**(318)**	–
Revaluation of investment to fair value	**9**	(700)
	1 906	2 215

E CASH AND CASH EQUIVALENTS

	2017 R'000	2016 R'000
Cash at banks	**26 121**	2 367

Balances attract interest at 5.75%.

F AMOUNTS OWING BY/TO GROUP COMPANIES

F.1 Amounts owing by Group companies

	2017 R'000	2016 R'000
Included in current assets		
Adcock Ingram Healthcare Proprietary Limited	**585**	–
Adcock Ingram International Proprietary Limited	**167 154**	167 154
Adcock Ingram Critical Care Proprietary Limited	**160 000**	160 000
Adcock Ingram Holdings Limited Employee Share Trust (2008)	**3**	–
	327 742	327 154

The loans are unsecured, interest-free, and have no fixed terms of repayment.

F.2 Amounts owing to Group companies

	2017 R'000	2016 R'000
Included in non-current liabilities		
Adcock Ingram Limited	**2 155 994**	2 155 994
Included in current liabilities		
Adcock Ingram Healthcare Proprietary Limited	**295 334**	345 812
	2 451 328	2 501 806

The loans are unsecured, interest-free, and have no fixed term of repayment.

It is not expected that the subsidiaries would call for payment within the next 12 months.

The fair value approximates the carrying value.

Notes to the Company annual financial statements continued

		2017 R'000	2016 R'000
G	**SHARE CAPITAL**		
G.1	Authorised		
	Ordinary share capital		
	250 000 000 ordinary shares of 10 cents each	**25 000**	25 000
G.2	Issued		
	Ordinary share capital		
	Opening balance of 175 748 048 ordinary shares (2016: 201 685 609) of 10 cents each	**17 574**	20 168
	Repurchase and cancellation of 19 458 196 A shares of 10 cents each	**–**	(1 946)
	Repurchase and cancellation of 6 486 065 B shares of 10 cents each	**–**	(649)
	Issue of 6 700 ordinary shares of 10 cents each	**–**	1
		17 574	17 574

In 2016, 6 700 ordinary shares were issued to meet the obligations of the Adcock Ingram Holdings Limited Employee Share Trust (2008).

The modified BEE structure was implemented in July 2015. As part of the modification of the old BEE scheme, the A and B shares were repurchased by the Company for a nominal amount of R100 and cancelled.

G.3 Unissued shares

In terms of the Companies Act, the unissued shares are under the control of the directors. Accordingly, the directors are authorised to allot and issue them on such terms and conditions and at such times as they deem fit but subject to the provisions of the Companies Act.

		2017 R'000	2016 R'000
H	**SHARE PREMIUM**		
	Balance at beginning of the year	**894 653**	949 881
	Reversal of share premium on repurchase and cancellation of A shares	**–**	(55 417)
	Issue of 6 700 ordinary shares	**–**	189
		894 653	894 653

I NON-DISTRIBUTABLE RESERVES

	Share-based payment reserve R'000	Other reserves R'000	Total R'000
Balance at 1 July 2015	269 000	1 286	270 286
Movement in share-based payment reserve	20 821	–	20 821
Revaluation of available-for-sale asset	–	(700)	(700)
Tax effect of revaluation	–	112	112
Repurchase and cancellation of the A&B shares	–	58 012	58 012
Balance at 30 June 2016	**289 821**	**58 710**	**348 531**
Revaluation of available-for-sale asset	**–**	**9**	**9**
Tax effect of revaluation	**–**	**(2)**	**(2)**
Share-based expenses transferred from non-distributable reserves	**(269 000)**	**–**	**(269 000)**
Balance at 30 June 2017	**20 821**	**58 717**	**79 538**

Other reserves represents a fair value adjustment on the Company's investment in Group Risk Holdings Proprietary Limited and a reserve created on the repurchase and cancellation of the A&B shares in the prior year.

		2017 R'000	2016 R'000
J	**DEFERRED TAX**		
	Balance at beginning of year	**(118)**	(230)
	Movement through profit or loss	**17**	–
	Revaluation of available-for-sale asset to fair value	**(2)**	112
	Balance at end of year	**(103)**	(118)
	This balance comprises the temporary difference relating to the revaluation of the available-for-sale financial asset.		
K	**OTHER PAYABLES**		
	Shareholders for dividends	**842**	783
L	**NOTES TO THE STATEMENTS OF CASH FLOWS**		
L.1	Operating loss before working capital changes		
	Profit before taxation	**251 108**	291 527
	Adjusted for:		
	– dividend income	**(250 387)**	(304 656)
	– finance income	**(15 734)**	(49 490)
	– finance costs	**14 636**	41 444
	– share-based payment expenses	**–**	20 821
		(377)	(354)
L.2	Taxation paid		
	Amounts overpaid at beginning of year	**600**	103
	Amounts charged to profit or loss	**(224)**	(2 154)
	Amount overpaid at end of year	**(1 652)**	(600)
		(1 276)	(2 651)
L.3	Decrease in investments		
	Proceeds on sale of 0.885% interest in Group Risk Holdings Proprietary Limited	**318**	–
		318	–

Notes to the Company annual financial statements continued

		2017 R'000	2016 R'000
M	**DISTRIBUTIONS**		
M.1	Paid during the year		
	Dividends on ordinary shares		
	Final dividend for 2016: 54 cents per share (2015: 81 cents per share)	**80 949**	121 424
	Interim dividend for 2017: 63 cents per share (2016: 50 cents per share)	**94 440**	74 953
	Total declared and paid	**175 389**	196 377
M.2	Proposed subsequent to the reporting date		
	Distribution on ordinary shares		
	Final dividend for 2017: 76 cents per share (2016: 54 cents per share)	**110 671**	80 949
N	**RELATED PARTIES**		
	Related party transactions exist between the Company and other subsidiaries within the Adcock Ingram Group. All transactions with related parties are concluded at arm's length. The following related party transactions occurred:		
	Interest received		
	Adcock Ingram Healthcare Proprietary Limited	**1 852**	27 074
	Dividends received		
	Adcock Ingram Intellectual Property Proprietary Limited	**245 000**	300 000
	Adcock Ingram Limited India	**5 387**	4 656
		250 387	304 656
	Dividends paid		
	Adcock Ingram Limited	**5 014**	5 614

The related balances (where applicable) are shown in note F. Refer to Annexure H for the nature of the relationships of related parties.

O FINANCIAL INSTRUMENTS

Fair value hierarchy

The classification of financial instruments and the fair value hierarchy are as follows:

Financial instruments	Classification per IAS 39	2017 R'000	2016 R'000
Investment in Group Risk Holdings Proprietary Limited[1]	Available-for-sale	**1 906**	2 215
Amounts owing by Group companies[2]	Loans and receivables	**327 742**	327 154
Amounts owing to Group companies[2]	Loans and borrowings	**2 451 328**	2 501 806
Bank[2]	Loans and receivables	**26 121**	2 367

[1] Level 3: The value of the investment in Group Risk Holdings is based on Adcock Ingram's proportionate share of the net asset value of this company.

[2] The carrying value approximates fair value.

Financial risk management objectives and policies

The Company's principal financial liabilities comprise borrowings. The main purpose of these financial liabilities is to raise finance for the Group's operations.

The Company's financial assets comprise investments and receivables.

The main risks arising from the Company's financial instruments are interest rate, credit and liquidity. The Board of directors reviews and agrees policies for managing each of these risks, which are summarised in Annexure E.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on balances subject to floating rates):

	Change in rate	Increase in profit before tax	
	%	2017 R'000	2016 R'000
Cash and cash equivalents			
Cash at banks	+1	**261**	24

Annexure A – Segment report

Geographical segments are reported as the Group operates in Southern Africa, Rest of Africa and India.

The Group's reportable segments in Southern Africa are as follows:

- Consumer – competes in the Fast Moving Consumer Goods (FMCG) space;
- Over the Counter (OTC) – focuses primarily on brands sold predominantly in the pharmacy market, where the pharmacist plays a role in the product choice;
- Prescription – markets products prescribed by medical practitioners;
- Hospital – supplier of hospital and critical care products, including intravenous solutions, blood collection products and renal dialysis systems; and
- Other – shared services – other support services, including cash and bank overdraft balances which are managed on a central basis in Southern Africa.

The financial information of the Group's reportable segments is reported to key management for purposes of making decisions about allocating resources to the segment and assessing its performance. Segment figures for management purposes equal the disclosures made in the segment report and agree with the IFRS amounts in the annual financial statements.

No operating segments have been aggregated to form the above reportable operating segments.

STATEMENT OF COMPREHENSIVE INCOME

	2017 R'000	2016 R'000
Turnover		
Continuing operations		
Southern Africa	**5 754 241**	5 388 857
Consumer	**688 807**	662 981
OTC	**1 849 038**	1 668 438
Prescription	**1 937 925**	1 830 669
Hospital	**1 256 753**	1 226 769
Other – shared services	**21 718**	–
Rest of Africa	**207 052**	178 594
Research and development services in India	**18 396**	15 099
	5 979 689	5 582 550
Less: Intercompany sales	**(43 633)**	(36 940)
	5 936 056	5 545 610
Discontinued operations		
India	**67 206**	258 936
Rest of Africa (Ghana)	**51 695**	144 956
	118 901	403 892
The South African Government represents more than 10% of the Group's turnover, arising in the following segments:		
Consumer	**98**	431
OTC	**88 696**	67 700
Prescription	**258 081**	284 570
Hospital	**397 193**	412 972
	744 068	765 673

	2017 R'000	2016 R'000
TRADING AND OPERATING PROFIT		
Continuing operations		
Southern Africa	**719 103**	607 043
Consumer	**110 038**	90 476
OTC	**342 322**	310 022
Prescription	**207 787**	171 453
Hospital	**58 475**	35 092
Other – shared services	**481**	–
Rest of Africa	**2 712**	(3 522)
Research and development services in India	**2 608**	2 173
Trading profit	**724 423**	605 694
Less: Non-trading expenses	**(47 128)**	(52 449)
Operating profit	**677 295**	553 245
Discontinued operations		
India	**6 300**	7 269
Rest of Africa (Ghana)	**8 949**	24 326
Trading profit	**15 249**	31 595
Less: Non-trading expenses	**(6 833)**	(230 307)
Operating profit/(loss)	**8 416**	(198 712)
STATEMENT OF FINANCIAL POSITION		
Total assets		
Continuing operations		
Southern Africa	**5 161 098**	4 611 160
Consumer	**354 965**	325 800
OTC	**1 667 220**	1 556 402
Prescription	**1 239 248**	1 216 989
Hospital	**1 125 158**	1 099 499
Other – shared services	**774 507**	412 470
Rest of Africa	**146 661**	143 854
India	**255 214**	230 955
	5 562 973	4 985 969
Discontinued operations		
India	**–**	584 844
Rest of Africa (Ghana)	**–**	25 794
	–	610 638

Annexure A – Segment report continued

	2017 R'000	2016 R'000
Current liabilities		
Continuing operations		
Southern Africa	**1 622 630**	1 557 349
Consumer	**137 463**	152 377
OTC	**541 262**	519 701
Prescription	**476 378**	521 124
Hospital	**310 264**	273 969
Other – shared services	**157 263**	90 178
Rest of Africa	**101 493**	91 694
India	**2 423**	–
	1 726 546	1 649 043
Discontinued operations		
India	**–**	57 671
Rest of Africa (Ghana)	**–**	42 434
	–	100 105
Capital expenditure[1]		
Continuing operations		
Southern Africa	**153 656**	89 394
Consumer	**21**	274
OTC	**60 575**	17 427
Prescription	**37 189**	8 369
Hospital	**5 432**	30 182
Other – shared services	**50 439**	33 142
Rest of Africa	**5 165**	1 700
India	**3 237**	–
	162 058	91 094
Discontinued operations		
India	**18**	777
Rest of Africa (Ghana)	**1 162**	3 571
	1 180	4 348

[1] *Capital expenditure consists of additions to property, plant and equipment, and excludes additions to intangible assets.*

	2017 R'000	2016 R'000
OTHER		
Impairments[(2)]		
Continuing operations		
Southern Africa	**217**	8 638
Prescription	**–**	3 149
Hospital	**217**	288
Other – shared services	**–**	5 201
	217	8 638
Discontinued operations		
India	**–**	135 012
Rest of Africa (Ghana)	**–**	72 959
	–	207 971
Depreciation and amortisation		
Continuing operations		
Southern Africa	**145 153**	140 934
Consumer	**8 418**	8 439
OTC	**40 891**	39 629
Prescription	**16 165**	15 860
Hospital	**29 452**	28 224
Other – shared services	**50 227**	48 782
Rest of Africa	**4 415**	4 589
Research and development services in India	**504**	918
	150 072	146 441
Discontinued operations		
India	**–**	–
Rest of Africa (Ghana)	**–**	1 624
	–	1 624

(2) *Include impairments of long-term receivables.*

Annexure B – Share-based payments plans

A GENERAL EMPLOYEE SHARE OPTION PLAN

Certain employees were entitled to join the general employee share option plan, based on merit. The offer price was determined in accordance with the rules of the scheme.

Options vest as follows:

- a third after three years;
- a third after four years; and
- a third after five years.

From January 2006, the option plan rules were changed from being an equity-settled scheme to a cash-settled scheme. Options under the cash-settled scheme have been issued at least annually at cost by the Adcock Ingram Board of directors up to June 2014 when the equity-settled scheme was re-introduced, and certain senior employees were granted options.

The following tables illustrates the number and weighted average offer prices (WAOP) of and movements in Adcock Ingram share options during the year:

	2017		2016	
Adcock Ingram equity-settled	**Number**	**WAOP**	Number	WAOP
Outstanding at the beginning of the year	**3 066 000**	**46.64**	1 602 200	52.20
Granted during the year	**1 919 000**	**42.29**	1 899 800	41.94
Forfeited	**(125 000)**	**44.81**	(436 000)	41.94
Outstanding at the end of the year	**4 860 000**	**44.97**	3 066 000	46.64
Exercisable at the end of the year	**401 333**	**52.20**	–	–

	2017	2016
Weighted average remaining contractual life for the share options outstanding at reporting date:	**8.24 years**	8.67 years
Offer price for options outstanding at the end of the year:	**R41.94 – R52.20**	R41.94 – R52.20
Average fair value of options granted during the year:	**R17.80**	R18.80
Expense recognised for employee services received during the year (R million):	**20.97**	12.56

Share options are fair valued using a Black-Scholes model. The expected dividend yield was estimated using a two-year moving average of the dividend yield at the grant date. An annualised standard deviation of the continuously compounded rates of return of the share was used to determine volatility. The risk-free rate was based on a SA zero-coupon government bond with the appropriate expected lifetime of the options.

	2017		2016	
Cash-settled	**Number**	**WAOP**	Number	WAOP
Outstanding at the beginning of the year	**1 615 893**	**57.85**	1 885 559	57.05
Forfeited	**(356 142)**	**61.35**	(152 865)	51.12
Exercised	**(243 558)**	**57.75**	(116 801)	53.16
Outstanding at the end of the year	**1 016 193**	**57.85**	1 615 893	57.85
Vested and exercisable at the end of the year	**757 113**	**57.24**	931 539	59.29

	2017	2016
Weighted average share price of exercised options:	**61.14**	53.59
Weighted average remaining contractual life for the share options outstanding at reporting date:	**1.27 years**	1.82 years
Range of offer prices for options outstanding at the end of the year:	**R53.52 – R60.70**	R53.52 – R62.29
Carrying amount of the liability relating to the cash-settled options at reporting date (R million):	**7.38**	3.12
Expense/(Income) recognised for employee services received during the year (R million):	**5.36**	(3.13)

Share price volatility is based on the historical volatility of the Adcock Ingram share price matching the remaining life of each option. The valuation is measured at fair value (excluding any non-market vesting conditions) and is the sum of the intrinsic value plus optionality. The fair value of each option is estimated using an actuarial binomial option pricing model. All options are valued with a single exercise date at maturity.

Original equity-settled (issued whilst part of Tiger Brands)

The scheme ended in 2016 as the remaining 6 700 options with an WAOP of R28.33 were exercised and fully paid. The weighted average share price at the date the options were exercised was R50.10.

B BLACK MANAGERS SHARE TRUST

In terms of the Tiger Brands Limited BEE transaction implemented on 17 October 2005, 4 381 831 Tiger Brands shares were acquired by the Tiger Brands Black Managers Share Trust. Allocation of vested rights to these shares was made to black managers. The allocation of vested rights entitles beneficiaries to receive Tiger Brands and Adcock Ingram shares (after making capital contributions to the Black Managers Share Trust) at any time after the defined lock-in period, i.e. from 1 January 2015. These vested rights are non-transferable.

	2017		2016	
Number of shares	**Adcock Ingram**	**Tiger Brands**	Adcock Ingram	Tiger Brands
Outstanding at the beginning of the year	**533 318**	**503 687**	709 963	622 963
Forfeited	**(2 739)**	**(4 534)**	(27 604)	(14 335)
Exercised	**(70 004)**	**(103 768)**	(149 041)	(104 941)
Outstanding at the end of the year	**460 575**	**395 385**	533 318	503 687
Vested and exercisable at the end of the year	**426 197**	**354 855**	456 792	413 648
Weighted average exercise price	**R50.89**	**R390.71**	R47.12	R314.55

	2017	2016
Weighted average remaining contractual life for the share options outstanding at reporting date:	**10.25 years**	11.25 years
Expense recognised for employee services received during the year (R million):	**14.33**	2.23

Participation rights were valued using the Monte-Carlo simulation approach to estimate the average, optimal pay-off of the participation rights using 5 000 permutations. The pay-off of each random path was based on:

- the projected Tiger Brands/Adcock Ingram share price;
- outstanding debt projections; and
- optimal early exercise conditions.

Annexure B – Share-based payments plans continued

C ORIGINAL BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTION

Adcock Ingram entered into a BEE transaction on 9 April 2010 as part of its efforts to achieve the objectives set out in the Broad-based Black Economic Empowerment Codes of Good Practice with the intention to embrace broad-based equity participation as a key transformation initiative.

The entities which participated in the transaction were:

- the strategic partners, who collectively participated through a single investment vehicle, namely Blue Falcon Trading 69 (Pty) Limited (Blue Falcon); and
- qualifying employees, who participated through the Mpho-ea Bophelo Trust (Bophelo Trust).

Both of these entities held Adcock ordinary shares that were acquired via dividend distributions on their A and B ordinary shares.

The following table illustrates the movement in units, issued to employees, during the prior year:

Equity-settled	2016 Number
Outstanding at the beginning of the year	4 359 600
Sold	(2 985 635)
Cancelled	(1 335 465)
Paid out[(1)]	(38 500)
Outstanding at the end of the year	–
Expense recognised for employee services received during the year (R million)	7.43

[(1)] *Paid out options that became exercisable as a result of death, disability, retirement or retrenchment.*

Modification of the BEE scheme

On 10 July 2015, shareholders approved the following:

- the release of the dividend acquired ordinary shares held by Blue Falcon and the Bophelo Trust;
- the repurchase at a nominal value, and the cancellation, of each of the A ordinary and B ordinary shares in their entirety; and
- the modification of the existing BEE scheme.

Following the modification of the BEE scheme and subsequent release of the restrictions over the dividend acquired ordinary shares, The Bidvest Group Limited (Bidvest), a shareholder of Adcock Ingram, agreed to acquire 688 000 Adcock Ingram ordinary shares from the Bophelo Trust and 1 883 000 Adcock Ingram ordinary shares from Blue Falcon at the market value of R52.00 per share.

Adcock Ingram Holdings Limited entered into a share repurchase agreement with Blue Falcon and the Bophelo Trust, in terms of which the entirety of the A ordinary shares and B ordinary shares were repurchased from Blue Falcon and the Bophelo Trust respectively, at nominal value.

D REVISED BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTION

The scheme was revised, with the intention to form a more meaningful participation for BEE participants and to provide Adcock Ingram with increased BEE ownership credentials, as part of its continued efforts to embrace broad-based equity participation.

Adcock Ingram shareholders sold approximately 15% (25 843 million) of their shares (scheme shares) in proportion to their shareholding, to Ad-Izinyosi (RF) Proprietary Limited (Ad-I) in exchange for 25 843 securities in AdBEE (RF) Limited (AdBEE) on 17 July 2015. Thus, for every one share contributed to the scheme, a shareholder received one security in AdBee, entitling the holder to a *pro rata* portion of the Ad-I indebtness (the obligation to pay the value of an Adcock Ingram share on the JSE calculated on a rolling 30-day traded VWAP immediately preceding the end of the transaction.

The Bophelo Trust and Blue Falcon invested 15% (R5.4 million and R14.7 million respectively) of the proceeds received from Bidvest in Ad-I.

BEE participants

The shareholders of Ad-I, the entity which participates on behalf of strategic partners and holds the shares on behalf of the BEE beneficiaries, are as follows:

- CIH Projects (Pty) Limited (26.67%)
- Dzembe Investments (Pty) Limited (26.67%)
- BDH Group Proprietary Limited (26.67%)
- Bophelo Trust (20.00%)

The following table illustrates the movement in units issued to employees:

Equity-settled	2017 Number	2016 Number
Outstanding at the beginning of the year	**4 024 200**	–
Granted during the year	**285 570**	4 024 200
Forfeited	**(214 890)**	–
Outstanding at the end of the year	**4 094 880**	4 024 200
Vested but not exercisable at the end of the year	**1 078 440**	–
Available for future distribution to qualifying employees	**1 073 712**	1 144 392

Key terms and contractual obligations

The key terms and contractual obligations of the scheme shares and securities are as follows:

- the scheme shares will not be entitled to participate in any dividend distributions during the transaction period;
- AdBEE securities are listed on the main board of the JSE in the "Specialist Securities – Other Securities" sector as an Asset Based Security under the share code "ADE";
- whatever Ad-I may be entitled to receive from Adcock Ingram (other than dividend distributions), as the holder of the scheme shares, is deemed to be renounced to AdBEE and onward renounced by AdBEE to the securities holders;
- Ad-I issued one A redeemable preference share and one B redeemable preference share with no par value respectively to Adcock Ingram Holdings Limited and AdBEE;
- preference shares are not entitled to vote unless a resolution is proposed for a distribution of any nature to Ad-I shareholders;
- if the Adcock Ingram share price is below R36.00 per share during the empowerment period of four years, the directors of AdBEE can convene a meeting of the AdBEE securities holders to decide whether they should waive the AdBEE resolutive condition or not;
- if the Adcock Ingram share price is below R72.00 per share at the 4th anniversary, the Ad-I indebtedness to the holders of the securities will be calculated using the 30-day VWAP of the Adcock Ingram share price before this date, but not less than a minimum price of R52,00 per share and not more than R72.00 per share;
- If the Adcock Ingram share price is above R72.00 per share at the 4th anniversary, the Ad-I indebtedness shall be settled and the remaining Adcock Ingram shares in Ad-I released from the pledge;
- If the Adcock Ingram share price is below R52.00 per share at the 4th anniversary, the scheme will be cancelled and the shares in Ad-I released from the pledge; and
- AdBEE will assume the obligation of Ad-I to the securities holders to settle the scheme consideration.

Share call options

- 8 000 000 share call options in Adcock Ingram Holdings Limited were allocated to shareholders in proportion to the scheme shares tendered, entitling the holders thereof to subscribe for Adcock Ingram shares;
- call options may be exercised at the strike price of R72.00 per Adcock Ingram share, at any time within the 30-day period prior to the transaction end date; and
- R20.8 million (2016) was incurred as a once-off cost for the call options. The call options are fair valued using a Black-Scholes-Merton model taking into account the expected volatility, expected dividend yield, spot and strike price of the option, the exercise date and the risk-free interest rate of the call option.

Annexure C – Defined contribution and defined benefit plan

DEFINED CONTRIBUTION PLAN

The Company and its subsidiaries contribute to a defined contribution plan for all employees in South Africa.

These contributions are expensed.

Contributions to the defined contribution plan expected in the following year are R105.9 million (2016: R98.2 million).

DEFINED BENEFIT PLAN

In addition, the Company and its subsidiaries contributed to a retirement benefit fund in respect of certain retirees. The assets of the funds are held in independent trustee administered funds, administered in terms of the Pension Funds Act No 24 of 1956, as amended. Funds must, in terms of the Pension Fund Act, be valued at least every three years. The latest full acturial valuation was performed on 30 September 2016.

For purposes of production of these disclosures, and in order to comply with the requirements of IAS 19, valuations have been performed by independent actuaries, using the Projected Credit Unit method. Where valuations were not possible due to the limited availability of complete data, roll forward projections of prior completed actuarial valuations were used, taking account of actual subsequent experience. The timing of benefit payments are uncertain.

The disclosure of the funded status is for accounting purposes only, and does not necessarily indicate any assets available to the Group.

	2017 R'000	2016 R'000
Net benefit expense		
Interest cost on defined benefit obligation	**111**	104
Interest income on assets	**(164)**	(136)
Effect of paragraph 64	**53**	32
Net benefit expense	**–**	–
Benefit liability		
Defined benefit obligation	**(1 495)**	(1 168)
Fair value of plan assets	**1 820**	1 710
	325	542
Unrecognised due to Paragraph 64 limit	**(325)**	(542)
	–	–
Changes in the present value of the defined benefit obligation are as follows:		
Defined benefit obligation at 1 July	**(1 168)**	(1 318)
Interest cost	**(111)**	(104)
Benefits paid	**42**	123
Actuarial (loss)/gain on obligation	**(258)**	131
Defined benefit obligation at 30 June	**(1 495)**	(1 168)
Changes in the fair value of the defined benefit plan assets are as follows:		
Fair value of plan assets at 1 July	**1 710**	1 701
Return	**164**	136
Benefits paid	**(42)**	(123)
Actuarial loss	**(12)**	(4)
Fair value of plan assets at 30 June	**1 820**	1 710
Asset coverage over liabilities (times)	**1.2**	1.5

Assumptions	2017 %	2016 %
The assumptions used in the valuations are as follows:		
Discount rate	**8.90**	9.70
Future pension increases	**6.00**	7.40
Estimated asset composition		
Cash	**62.26**	74.44
Bonds	**37.74**	25.56

Sensitivity analysis	Valuation R'000	+1% R'000	-1% R'000
The liability was recalculated to show the effect of:			
2017			
A one percentage point increase variance in the discount rate assumption	**(1 495)**	**(1 430)**	**(1 562)**
A one percentage point variance in the pension increase rate	**(1 495)**	**(1 563)**	**(1 428)**
2016			
A one percentage point increase variance in the discount rate assumption	(1 168)	(1 094)	(1 255)
A one percentage point variance in the pension increase rate	(1 168)	(1 256)	(1 091)

Annexure D – Post-retirement medical liability

The Company and its subsidiaries operate a post-employment medical benefit scheme that covers certain retirees and one employee still in service. The liabilities are valued annually using the Projected Unit Credit method prescribed by IAS 19. The latest full actuarial valuation was performed on 30 June 2017.

The following table summarises the components of net benefit expense recognised in the statement of comprehensive income, the funded status and amounts recognised in the statement of financial position.

	2017 R'000	2016 R'000
Net benefit expense		
Current service cost	**39**	36
Interest cost on benefit obligation	**1 612**	1 906
	1 651	1 942
Expected contributions within the next 12 months	**42**	39
Defined benefit obligation at 1 July	**(16 994)**	(22 796)
Interest cost	**(1 612)**	(1 906)
Current service cost	**(39)**	(36)
Benefits paid	**1 341**	1 665
Actuarial gains on obligation	**511**	6 079
Defined benefit obligation at 30 June	**(16 793)**	(16 994)

Assumptions	**%**	%
The assumptions used in the valuations are as follows:		
Discount rate	**9.40**	9.90
CPI increase	**6.50**	7.60
Healthcare cost inflation	**8.50**	9.60
Expected retirement age	**63**	63
Post-retirement mortality table	**PA(90) ultimate table**	PA(90) ultimate table

Sensitivity analysis	**Value R'000**	**+1%/ year R'000**	**-1%/ year R'000**
The liability was recalculated to show the effect of:			
2017			
A one percentage point variance in the assumed rate of healthcare costs inflation	**(16 793)**	**(18 564)**	**(15 282)**
A one percentage point variance in the discount rate	**(16 793)**	**(15 333)**	**(18 531)**
A one year variance in the expected retirement age	**(16 793)**	**(16 710)**	**(16 881)**
2016			
A one percentage point variance in the assumed rate of healthcare cost inflation	(16 994)	(18 790)	(15 462)
A one percentage point variance in the discount rate	(16 994)	(15 506)	(18 767)
A one year variance in the expected retirement age	(16 994)	(16 918)	(17 074)

Annexure E – Financial instruments

FAIR VALUE HIERARCHY

The Group classifies all financial instruments and its fair value hierarchy as follows:

Financial instruments	Classification per IAS 39	Statement of financial position line item	2017 R'000	2016 R'000
Investments[(1)]	Available-for-sale	Other financial assets	**1 906**	2 215
Black Managers Share Trust[(3)]	Loans and receivables	Other financial assets	**39 840**	72 095
Trade and sundry receivables[(3)]	Loans and receivables	Trade and other receivables	**1 485 705**	1 365 284
Foreign exchange contracts – derivative asset[(2)]	Fair value cash flow hedge	Trade and other receivables	**8 957**	576
Cash and cash equivalents[(3)]	Loans and receivables	Cash and cash equivalents	**592 070**	200 555
Long-term borrowings[(3)]	Loans and borrowings	Long-term borrowings	**251 492**	500 000
Trade and other payables[(3)]	Loans and borrowings	Trade and other payables	**1 622 899**	1 532 979
Foreign exchange contracts – derivative liability[(2)]	Fair value cash flow hedge	Trade and other payables	**752**	23 552
Short-term borrowings[(3)]	Loans and borrowings	Short-term borrowings	**416**	–
Bank overdraft[(3)]	Loans and borrowings	Bank overdraft	**5 619**	11 755

(1) *Level 3. The value of the investment in Group Risk Holdings is based on Adcock Ingram's proportionate share of the net asset value of the Company.*

(2) *Level 2. Fair value based on the ruling market rate at year-end. The fair value of the forward exchange contract is calculated as the difference in the forward exchange rate as per the contract and forward exchange rate of a similar contract with similar terms and maturities concluded as at the valuation date multiplied by the foreign currency monetary units as per the FEC contract.*

(3) *The carrying value approximates fair value.*

The Group's principal financial liabilities comprise borrowings and trade payables. The main purpose of these financial liabilities is to raise finance for the Group's operations.

The Group has various financial assets such as trade and other receivables, loans receivable and cash which arise directly from its operations.

The Group also enters into derivative transactions via forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations.

It is, and has been throughout 2017, the Group's policy that no trading in derivatives shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate, credit, liquidity and foreign currency. The Board of directors reviews and agrees policies for managing each of these risks which are summarised below:

INTEREST RATE RISK

The Group is exposed to interest rate risk as the following assets and liabilities carry interest at rates that vary in response to the lending rates in the specific country.

- cash balances which are subject to movements in the bank deposit rates; and
- long-term and short-term debt obligations with floating interest rates linked to the Johannesburg Interbank Agreed Rate and the South African prime rate.

The Group's policy is to manage its interest rate risk through both fixed and variable, long-term and short-term instruments at various approved financial institutions.

No financial instruments are entered into to mitigate the risk of interest rates.

Annexure E – Financial instruments continued

INTEREST RATE RISK (CONTINUED)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on balances subject to floating rates) in its continuing and discontinued operations:

	Change in rate %	(Decrease)/Increase in profit before tax 2017 R'000	2016 R'000
Liabilities			
Indian Rupee loans*	+1	–	(55)
Ghanaian Cedis*	+1	–	(60)
South African loans at variable rates	+1	**(2 500)**	(5 000)
Cash balances			
Cash and cash equivalents	+1	**5 921**	2 006
Bank overdraft	+1	**(56)**	(118)

** Discontinued operations in the prior year and disposed of in the current year.*

The secured long-term loan of our Zimbabwean operation is at a fixed rate of 12% and as such, no sensitivity has been included.

CREDIT RISK

Financial assets of the Group which are subject to credit risk consist mainly of cash resources, loans receivables and trade receivables. The maximum exposure to credit risk is set out in the respective cash, loans receivable and accounts receivable notes. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Cash resources are placed with various approved financial institutions subject to approved limits. All these institutions are creditworthy.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Individual credit limits are defined in accordance with an independent assessment. In addition, 91% (2016: 90%) of all debtors' balances are covered by credit insurance, decreasing the risk of loss due to non-payment. Receivable balances are monitored on an ongoing basis with the result that the Group's historical exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Corporate office. Apart from the South African Government, which comprises 14.2% (2016: 11.7%) or R201.9 million (2016: R154.9 million) of trade receivables, there are no significant concentrations of credit risk within the Group arising from the financial assets of the Group.

Substantially all debtors are non-interest-bearing and repayable within 30 to 90 days.

Debtors are disclosed net of a provision for impairment and credit notes.

LIQUIDITY RISK

The Group manages its risk to a shortage of funds using planning mechanisms. This considers the maturity of both its financial liabilities and financial assets and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The facilities in place in South Africa are R520 million of working capital and R1 billion of long-term loans.

The maturity profile of the Group's long-term financial liabilities at 30 June 2017, based on contractual undiscounted payments, is shown in note 21 and the maturity profile of the trade and other payables in note 23.

The Group has provided guarantees to various regulatory authorities to the amount of R2.8 million at 30 June 2017 (2016: R6.2 million).

FOREIGN CURRENCY RISK

As the Group operates in various countries and undertakes transactions denominated in foreign currencies, exposures to foreign currency fluctuations arise. Exchange rate exposures on transactions are managed within approved policy parameters utilising forward exchange contracts in conjunction with external consultants who provide financial services to Group companies as well as contributing to the management of the financial risks relating to the Group's operations.

FOREIGN OPERATIONS

In translating the foreign operations, the following exchange rates were used:

	2017 Income/Expenses Average Rand	2017 Assets/Liabilities Spot Rand	2016 Income/Expenses Average Rand	2016 Assets/Liabilities Spot Rand
Kenyan Shilling	**0.1323**	**0.1261**	0.1409	0.1456
Ghanaian Cedi	**3.2055**	**2.9718**	3.7135	3.7230
United States Dollar	**13.6114**	**13.0551**	14.5184	14.7168
Indian Rupee	**0.2049**	**0.2024**	0.2188	0.2179

FOREIGN ASSETS/LIABILITIES

In converting foreign denominated assets and liabilities, the following exchange rates were used:

	Assets Rand	Liabilities Rand
2017		
US Dollar	**13.05**	**13.06**
Euro	**14.90**	**14.93**
2016		
US Dollar	14.71	14.72
Euro	16.35	16.37

Cash flow hedges

The Group's current policy for the management of foreign exchange is to cover 100% of foreign currency commitments with forward exchange contracts when a firm commitment for the order of inventory is in place. As a result, all material foreign liabilities were covered by forward exchange contracts at year-end.

The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy to fix the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. Forward exchange contracts are entered into to cover import exposures. The fair value is determined using the applicable foreign exchange spot rates at reporting dates.

At 30 June 2017, the Group held no foreign exchange contracts designated as hedges of expected future sales to customers outside South Africa for which the Group has firm commitments. The Group had foreign exchange contracts outstanding at 30 June 2017 designated as hedges of expected future purchases from suppliers outside South Africa for which the Group has firm commitments. All foreign exchange contracts will mature within 12 months. The cash flow hedges of expected future purchases were assessed to be effective.

A summary of the material contracts, comprising at least 98% of the total contracts outstanding at:

	Foreign currency '000	Average forward rate '000	R'000
2017			
US Dollar	**12 751**	**13.22**	**168 592**
Euro	**21 524**	**14.78**	**318 208**
2016			
US Dollar	14 845	15.62	231 904
Euro	11 302	17.70	200 100

Annexure E – Financial instruments continued

Cash flow hedges (continued)

The maturity analysis for the material outstanding contracts at:

	US Dollar '000	Rands '000	Euro '000	Rands '000
2017				
Within 30 days	**7 621**	**100 026**	**3 416**	**50 503**
31 to 60 days	**2 775**	**36 772**	**2 729**	**39 190**
61 to 90 days	**879**	**11 773**	**4 326**	**63 344**
> 90 days	**1 476**	**20 021**	**11 053**	**165 171**
	12 751	**168 592**	**21 524**	**318 208**
2016				
Within 30 days	5 639	87 158	4 007	70 129
31 to 60 days	3 386	51 220	2 484	44 197
61 to 90 days	1 107	17 689	1 454	25 606
> 90 days	4 713	75 837	3 357	60 168
	14 845	231 904	11 302	200 100

A summary of the material contracts settled during the year:

	Foreign currency '000	Average forward rate	R'000
2017			
US Dollar	**55 548**	**14.32**	**795 240**
Euro	**32 864**	**16.08**	**528 514**
Swedish Krona	**4 379**	**1.73**	**7 586**
2016			
US Dollar	51 420	14.17	728 681
Euro	34 190	14.91	509 805
Swedish Krona	61 229	1.68	103 025

The following table demonstrates the sensitivity to change in foreign currencies, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of open forward exchange contracts and net investment hedges):

	Change foreign currency exchange rate %	Increase/ (Decrease) in profit before tax R'000	Increase/ (Decrease) in other comprehensive income R'000
2017			
US Dollar	**+10**	**(8 986)**	**12 068**
	-10	**8 986**	**(12 068)**
Euro	**+10**	**(10 703)**	**23 579**
	-10	**10 703**	**(23 579)**
2016			
US Dollar	+10	(7 300)	15 932
	-10	7 300	(15 932)
Euro	+10	(5 372)	13 488
	-10	5 372	(13 488)
Swedish Krona	+10	(497)	338
	-10	497	(338)

CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios, in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or repurchase shares.

The Group monitors its capital using gearing and interest cover ratios. The primary methods of measurement used are interest-bearing debt to total equity and interest cover.

CONTINUING OPERATIONS	2017 R'000	2016 R'000
Interest-bearing loans and borrowings	**257 527**	511 755
Less: Cash and short-term deposits	**(592 070)**	(200 555)
Net (cash)/debt	**(334 543)**	311 200
Equity	**3 495 004**	3 252 597
Gearing ratio (%)	**N/A**	10

Annexure F – Interest in joint ventures and associate

The Group has a 49.9% share in Adcock Ingram Limited (India), a 50% share in National Renal Care Proprietary Limited and a 25.1% minority share in Ayrton Manufacturing Limited (Ghana), the remaining shareholding after the disposal of the 53.47% share on 7 December 2016. The Group's interests in these entities are accounted for in the consolidated financial statements using the equity method. Summarised financial information of these joint ventures and associate, based on IFRS and the reconciliation with the carrying amount of the investments in the Group are set out below:

1. ADCOCK INGRAM LIMITED (INDIA)

Statement of financial position	2017 R'000	2016 R'000
Property, plant and equipment	**168 038**	183 796
Other financial assets	**81 390**	–
Non-current assets	**249 428**	183 796
Inventories	**81 814**	67 025
Trade and other receivables	**450 662**	374 087
Cash and cash equivalents	**80 213**	116 743
Current assets	**612 689**	557 855
Total assets	**862 117**	741 651
Post-retirement medical liability	**4 502**	3 659
Deferred tax	**21 072**	22 526
Non-current liabilities	**25 574**	26 185
Trade and other payables	**84 380**	40 663
Provisions	**1 829**	1 205
Taxation payable	**257 309**	210 763
Current liabilities	**343 518**	252 631
Total liabilities	**369 092**	278 816
Equity	**493 025**	462 835
Proportion of Group's ownership	**49.9%**	49.9%
Carrying amount of the investment	**246 019**	230 955

Statement of comprehensive income	2017 R'000	2016 R'000
Turnover	**534 212**	504 722
Cost of sales	**(402 575)**	(380 372)
Gross profit	**131 637**	124 350
Selling, distribution and marketing expenses	**(287)**	(365)
Fixed and administrative income	**3 070**	2 069
Operating profit	**134 420**	126 054
Finance income	**3 006**	2 071
Finance costs	**(666)**	(992)
Dividend income	**2 689**	–
Profit before taxation	**139 449**	127 133
Taxation	**(64 643)**	(46 067)
Profit for the year	**74 806**	81 066
Group's share of profit for the year	**37 328**	40 452
Unearned income on inventory	**(7 543)**	(7 000)
Group's share of profit for the year	**29 785**	33 452

2. NATIONAL RENAL CARE PROPRIETARY LIMITED

Statement of financial position	2017 R'000	2016 R'000
Property, plant and equipment	**167 435**	122 492
Intangible assets	**62 759**	–
Loans receivable	**32 837**	33 266
Investment in associate	**4 152**	15 407
Deferred tax	**21 177**	14 658
Non-current assets	**288 360**	185 823
Inventories	**22 954**	20 265
Trade and other receivables	**92 424**	52 856
Cash and cash equivalents	**93 817**	160 700
Current assets	**209 195**	233 821
Total assets	**497 555**	419 644
Long-term borrowings	**2 408**	–
Non-current liabilities	**2 408**	–
Trade and other payables	**109 512**	96 524
Provisions	**13 815**	11 897
Taxation payable	**5 663**	2 952
Current liabilities	**128 990**	111 373
Total liabilities	**131 398**	111 373
Non-controlling interests	**74 168**	61 903
Equity	**291 989**	246 368
Proportion of Group's ownership	**50.0%**	50.0%
Carrying amount of the investment	**145 994**	123 184

Statement of comprehensive income	2017 R'000	2016 R'000
Turnover	**909 176**	831 281
Cost of sales	**(699 773)**	(658 650)
Gross profit	**209 403**	172 631
Selling, distribution and marketing expenses	**(112 178)**	(100 277)
Fixed and administrative expenses	**(3 476)**	(3 103)
Operating profit	**93 749**	69 251
Finance income	**9 146**	8 763
Finance costs	**(508)**	(144)
Equity accounted earnings	**3 939**	4 925
Profit before taxation	**106 326**	82 795
Taxation	**(28 441)**	(22 088)
Profit for the year	**77 885**	60 707
Less:		
Non-controlling interests	**(12 265)**	(9 035)
Profit attributable to owners of the parent	**65 620**	51 672
Group's share of profit for the year	**32 810**	25 836

Annexure F – Interest in joint ventures and associate continued

3. AYRTON DRUG MANUFACTURING LIMITED (GHANA)

Statement of financial position	2017 R'000
Property, plant and equipment	21 269
Intangible assets	45
Non-current assets	**21 314**
Inventories	33 557
Trade and other receivables	34 005
Current assets	**67 562**
Total assets	**88 876**
Deferred tax	459
Non-current liabilities	**459**
Trade and other payables	12 270
Short-term borrowings	7 730
Provisions	1 029
Bank overdraft	10 446
Taxation payable	1 036
Current liabilities	**32 511**
Total liabilities	**32 970**
Equity	**55 906**
Proportion of Group's ownership	25.1%
Group's share of net assets	**14 032**
Fair value adjustment	(7 961)
Carrying amount of the investment	**6 071**

Statement of comprehensive income for the seven months ended 30 June	
Turnover	**60 880**
Cost of sales	(28 115)
Gross profit	**32 765**
Selling, distribution and marketing expenses	(6 867)
Fixed and administrative expenses	(15 861)
Operating profit	**10 037**
Finance costs	(1 986)
Profit before taxation	**8 051**
Taxation	(1 884)
Profit for the year	**6 167**
Group's share of profit for the year	**1 549**

Annexure G – Impairments

		2017 R'000	2016 R'000
1. CONTINUING OPERATIONS			
A. Other intangibles			
The trademark impaired in the prior year related to the following brand:			
Reportable segment	**Brand**		
Prescription	Prelone	–	3 149
Volumes and pricing for this product were under pressure and forecast profitability was reduced, resulting in the impairment in the prior year.			
B. Other			
Reportable segment	**Asset**		
Southern Africa	Other financial assets – Black Managers Share Trust (BMT)	**217**	4 135
Southern Africa	Other debtors	–	1 354
		217	5 489
As a result of the on-distribution of dividend income, in the accounts of the corporate beneficiaries of the BMT share option scheme, the cost of the capital contributions exceeded the terminal amount. This required an impairment of this asset in the current and prior year.			
The Bophelo Trust's investment in Ad-izinyosi was higher than its 20% share of the assets, leading to R1.4 million an impairment of the investment in the Bophelo accounts in the prior year.			
Total		**217**	8 638
2. DISCONTINUED OPERATIONS			
A. Ayrton Drug Manufacturing Limited (Ghana)			
Impairment of assets transferred to held for sale		–	72 959
In the prior year, assets held for sale were impaired, after comparing the pre-impairment carrying value of the business' net assets against the fair value less cost to sell, based on the estimated proceeds on the sale of the Group's controlling interest in this business.			
The controlling interest in the business was sold on 7 December 2016, with the Group retaining a 25.1% minority share. For the financial impacts of the transaction refer to note 2.			
B. Adcock Ingram Healthcare Private Limited (India)			
Impairment of assets transferred to held for sale		–	135 012
In the prior year, assets held for sale were impaired, after comparing the pre-impairment carrying value of the business' net assets against the fair value less cost to sell, based on the estimated proceeds on the sale of the Group's interest in this business.			
The Group's full interest in the business was sold on 14 October 2016. For the financial impacts of the transaction refer to note 2.			
Total		–	207 971

Annexure H – Interest in subsidiary companies, associate and joint ventures

	Shareholding	
	2017	2016
Subsidiaries	**%**	%
Adcock Ingram Critical Care Proprietary Limited	**100**	100
Adcock Ingram Healthcare Proprietary Limited	**100**	100
Adcock Ingram Intellectual Property Proprietary Limited	**100**	100
Adcock Ingram International Proprietary Limited	**100**	100
Adcock Ingram Limited	**100**	100
Tender Loving Care – Hygienic, Cosmetic and Baby Products Proprietary Limited	**100**	100
Joint ventures		
Adcock Ingram Limited (India)	**49.9**	49.9
Thembalami Pharmaceuticals Proprietary Limited	**50**	50
Indirect holdings		
Adcock Ingram East Africa Limited (Kenya)	**100**	100
Adcock Ingram Healthcare Private Limited (India)	**–**	100
Adcock Ingram Intellectual Property No 1 Proprietary Limited	**100**	100
Adcock Ingram Pharmaceuticals Proprietary Limited	**100**	100
Addclin Research Proprietary Limited	**100**	100
Ayrton Drug Manufacturing Limited (Ghana)	**25.1**	78.57
Datlabs (Private) Limited (Zimbabwe)	**100**	100
Dilwed Investments Proprietary Limited	**100**	100
Menarini SA Proprietary Limited*	**49**	49
Metamorphosa Proprietary Limited	**50**	50
National Renal Care Proprietary Limited	**50**	50
Novartis Ophthalmics Proprietary Limited*	**49**	49
Pharmalabs (Jersey) Limited	**100**	100
Premier Pharmaceutical Company Proprietary Limited	**100**	100
Relicare Tech Services Private Limited (India)	**100**	–
Virtual Logistics Proprietary Limited	**100**	–

Trusts and structured entities

AdBEE (RF) Limited**
Adcock Ingram Holdings Limited Employee Share Trust (2008)
Ad-Izinyosi (RF) Proprietary Limited**
Mpho ea Bophelo Trust
28 Owner-driver companies (2016: 19 companies)

* *Regarded as subsidiaries.*

** *Not consolidated – refer to accounting policies.*

Annexure I – Accounting policies

The principal accounting policies applied in the preparation and presentation of the annual financial statements are set out below:

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries, joint ventures, associate and structured entities deemed to be controlled by the Group.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement in the entity and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an entity if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote-holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The financial results of the subsidiaries are prepared for the same reporting period using consistent accounting policies.

Investments in subsidiaries in the Company's financial statements are accounted for at cost less any impairment.

The results of subsidiaries acquired are included in the consolidated financial statements from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly, to the parent. These interests are presented separately in the consolidated statement of comprehensive income, and in the consolidated statement of financial position, separately from own shareholders' equity.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to any relevant non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss, or retained earnings, as appropriate.

Subsidiaries acquired with the intention of disposal within 12 months are consolidated in line with the principles of IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations* and disclosed as held for sale.

Annexure I – Accounting policies continued

An item or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probably and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets classified as held for sale are not subsequently depreciated or amortised and are held at the lower of their carrying value or fair value less costs to sell (incremental costs directly attributable to the sale, excluding the finance costs and income tax expense). A discontinued operation is a separate major line of business or geographical area of operation that has been disposed of, or classified as held for sale, as part of a single coordinated plan.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period, income and expenses from discontinued operations are reported separately from the income and expenses from continuing activities, down to the level of profit after taxes, even when the parent retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in profit or loss and other comprehensive income.

In the statement of financial position, assets and liabilities classified as held for sale are presented separately from other assets and liabilities as current items.

UNDERLYING CONCEPTS

The financial statements are prepared on the going-concern basis, which assumes that the Group will continue in operation for the foreseeable future.

The financial statements are prepared using the accrual basis of accounting whereby the effects of transactions and other events are recognised when they occur, rather than when the cash is received or paid.

Assets and liabilities and income and expenses are not offset unless specifically permitted by an accounting standard. Financial assets and financial liabilities are only offset when there is a legally enforceable right to offset, and the intention is either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Accounting policies are the specific principles, bases, conventions, rules and practices applied in preparing and presenting financial statements.

Changes in accounting policies are accounted for in accordance with the transitional provisions in the standard. If no such guidance is given, they are applied retrospectively.

If after making every reasonable effort to do so, it is impracticable to apply the change retrospectively, it is applied prospectively from the beginning of the earliest period practicable.

Changes in accounting estimates are adjustments to assets or liabilities or the amounts of periodic consumption of assets that result from new information or new developments. Such changes are recognised in profit or loss in the period they occur.

Prior period errors are omissions or misstatements in the financial statements of one or more prior periods. They may arise from a failure to use, or misuse of reliable information that was available at the time or could reasonably be expected to have been obtained. Where prior period errors are material, they are retrospectively restated. If it is impracticable to do so, they are corrected prospectively from the beginning of the earliest period practicable.

FOREIGN CURRENCIES

The consolidated financial statements are presented in South African Rands (Rands), which is the Group's presentational currency and the Company's functional currency.

Each foreign entity in the Group determines its own functional currency.

Foreign currency transactions

Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction date.

Foreign currency balances

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. Exchange differences are taken to profit or loss, except for differences arising on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to other comprehensive income until the disposal of the net investment, at which time they are recognised in profit or loss. Tax charges and credits attributable to such exchange differences are also accounted for in other comprehensive income.

If non-monetary items measured in a foreign currency are carried at historical cost, the exchange rate used is the rate applicable at the initial transaction date. If they are carried at fair value, the rate used is the rate at the date when the fair value was determined.

The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Foreign operations

At the reporting date, the assets and liabilities of the foreign operations are translated into the presentation currency of the Group (Rands) at the exchange rate ruling at the reporting date. Items of profit or loss are translated at the weighted average exchange rate for the year. Exchange differences are taken directly to a separate component of other comprehensive income. On disposal of a foreign operation, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments relating to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of that foreign operation, and are translated at the closing rate. The functional currencies of the foreign operations are as follows:

- joint venture, Adcock Ingram Limited in India, the Indian Rupee;
- subsidiary, Adcock Ingram Healthcare Private Limited in India (discontinued operation), the Indian Rupee;
- subsidiary, Relicare Tech Services Private Limited in India, the Indian Rupee;
- subsidiary, Datlabs (Private) Limited in Zimbabwe, the United States Dollar;
- subsidiary, Adcock Ingram East Africa Limited in Kenya, the Kenyan Shilling;
- subsidiary, Ayrton Drug Manufacturing Limited in Ghana (discontinued operation); the Ghanaian Cedi; and
- associate, Ayrton Drug Manufacturing Limited in Ghana (remaining 25.1% minority share), the Ghanaian Cedi.

INTEREST IN GROUP COMPANIES

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a charge to other comprehensive income, as appropriate. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

Equity-accounted investments

The equity-accounted investments are the Group's investments in joint ventures.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement. The Group has the following joint ventures:

- Adcock Ingram Holdings Limited has a 49.9% interest in Adcock Ingram Limited, a company incorporated in India, which is involved in the manufacturing of pharmaceutical products; and
- Adcock Ingram Critical Care (Pty) Limited has a 50% indirect interest in National Renal Care (Pty) Limited, a company incorporated in South Africa, which provides renal healthcare services.

Annexure I – Accounting policies continued

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not in control or joint control over those policies. The Group has the following associate:

- Adcock Ingram International (Pty) Limited has a 25.1% interest in Ayrton Drug Manufacturing Limited, a company incorporated in Ghana, which is involved in the manufacturing of pharmaceutical products.

Under the equity method, investments are carried in the statement of financial position at cost, plus post-acquisition changes in the Group's share of the profit or loss of these investments. Goodwill relating to equity-accounted investments is included in the carrying amount of the investment and is not tested separately for impairment.

Joint ventures and associates are accounted for from the date that joint control or significant influence is obtained to the date that the Group ceases to have joint control or significant influence.

The statement of comprehensive income reflects the Group's share of these investments' profit or loss. However, losses in excess of the Group's interest are not recognised. Additional losses are provided for and a liability is recognised, only to the extent that a legal or constructive obligation exists. Where a joint venture or associate recognises an entry directly in other comprehensive income, the Group in turn recognises its share as other comprehensive income in the consolidated statement of comprehensive income. Profits and losses resulting from transactions between the Group and equity-accounted investments are eliminated to the extent of the interest in the underlying investment.

After application of the equity method, each investment is assessed for indicators of impairment. If applicable, the impairment is calculated as the difference between the carrying value and the higher of its value-in-use or fair value less costs to dispose. Impairment losses are recognised in profit or loss, as part of equity accounted earnings.

In the Company financial statements, joint ventures and associates are initially accounted for at cost when joint control or significant influence is obtained and subsequently at cost less accumulated impairment losses.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an equity accounted investment is classified as held for sale in terms of IFRS 5, equity accounting is discontinued, and the investment is held at the lower of its carrying value and fair value less costs to sell.

Where an equity accounted investment's reporting date differs from the Group's, the joint venture or associate prepares financial results for the same period as the Group. Where the equity accounted investment's accounting policies differ from those of the Group, appropriate adjustments are made to conform to the accounting policies of the Group.

The year-end of the joint venture, Adcock Ingram Limited (India) is March whilst the year-end of National Renal Care (Pty) Limited is September. The year-end of the associate, Ayrton Drug Manufacturing Limited is June.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate assets. Expenditure incurred on major inspection and overhaul, or to replace an item is also accounted for separately if the recognition criteria are met. All other repairs and maintenance expenditures are charged to profit or loss during the financial period in which they are incurred.

Each part of an item of property, plant and equipment with a cost that is significant is depreciated separately.

Depreciation is calculated on a straight-line basis, on the difference between the cost and residual value of an asset, over its useful life. Depreciation starts when the asset is available for use. An asset's residual value, useful life and depreciation method are reviewed at least at each financial year-end.

Any adjustments to residual value, useful life or depreciation method applied are changes in accounting estimate and accounted for prospectively.

The following useful lives have been estimated:

Freehold land		Not depreciated
Freehold buildings	– general purpose	40 years
	– specialised	20 – 50 years
Leasehold improvements		The lease term or useful life, whichever is the shorter period
Plant, equipment and vehicles		3 – 15 years
Furniture and fittings		3 – 15 years
Computer equipment		3 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in profit or loss in the year the asset is derecognised.

GOODWILL AND INTANGIBLE ASSETS

Goodwill

Goodwill is initially measured at cost, being the excess of the consideration transferred, the amount of any non-controlling interest and in a business combination achieved in stages, the acquisition date fair value of any previously held equity interest in the acquiree, over the fair value of the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. Goodwill relating to subsidiaries is recognised as an asset and is subsequently measured at cost less accumulated impairment losses.

A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is the fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged to the statement of comprehensive income in profit or loss in the year in which the expense is incurred.

The useful lives of intangible assets are either finite or indefinite.

Intangible assets with finite lives are amortised over their useful life and assessed for impairment when there is an indication that the asset may be impaired. The amortisation period and the amortisation method are reviewed at each year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. These changes in accounting estimates are accounted for prospectively.

The following useful lives have been estimated:

Trademarks	15 years or indefinite
Customer, supplier and licence- related intangibles	1 – 15 years

Amortisation is recognised in the statement of comprehensive income in profit or loss in fixed and administrative expenses. Intangible assets with indefinite useful lives are not amortised but are tested bi-annually for impairment. The useful lives are also reviewed in each period to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment to a finite life is accounted for prospectively.

Certain trademarks have been assessed to have indefinite useful lives, as presently there is no foreseeable limit to the period over which the assets can be expected to generate cash flows for the Group.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Annexure I – Accounting policies continued

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income in profit or loss when the asset is derecognised.

Research and development costs

Research costs, being costs from the investigation undertaken with the prospect of gaining new knowledge and understanding, are recognised in profit or loss as they are incurred.

Development costs arise on the application of research findings to a plan or design for the production of new or substantially improved materials, products or services, before the start of commercial production.

Development costs are only capitalised when the Group can demonstrate the technical feasibility of completing the project, its intention and ability to complete the project and use or sell the materials, products or services flowing from the project, how the project will generate future economic benefits, the availability of sufficient resources and the ability to measure reliably the expenditure during development. Otherwise development costs are recognised in profit or loss.

During the period of development, the asset is tested annually for impairment. Following the initial recognition of the development costs, the asset is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation begins when development is complete and the asset is available for use. The capitalised development costs are amortised over the useful life of the intangible asset.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If such an indication exists, or when impairment testing is required, as is the case with goodwill and intangible assets with indefinite useful lives, the Group estimates the recoverable amount. An asset's recoverable amount is the higher of the fair value less costs of disposal and its value in use. The recoverable amount is determined for individual assets, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying value exceeds the recoverable amount, the asset is considered impaired and is written down to the recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of ten years. Ten years are used in instances where the Group believes that assets have a value in use of 10 or more years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the tenth year.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment:

- annually at the reporting date; and
- when circumstances indicate that the carrying value may be impaired.

Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment:

- bi-annually as at 31 December and 30 June; and
- when circumstances indicate that the carrying value may be impaired on an individual basis or at the CGU level.

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, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

The Group's classification of financial assets is as follows:

Description of asset	Classification
Amounts owing by Group companies*	Loans and receivables
Trade and other receivables	Loans and receivables
Cash and cash equivalents	Loans and receivables
Investments	Available-for-sale
Other financial assets	Loans and receivables/Available-for-sale

** Relates to Adcock Ingram Holdings Limited.*

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification, as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in fixed and administrative expenses.

Available-for-sale financial assets

Available-for-sale financial assets could include equity investments. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated as fair value through profit or loss.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealised gains and losses recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in fixed and administrative expenses.

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired by a significant amount or for a prolonged period of time, the cumulative impairment loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss even though the financial asset has not been derecognised.

Derecognition

Financial assets or parts thereof are derecognised when:

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

When the Group has transferred its rights to receive cash flows from an asset 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 Group's continuing involvement in the asset. In that case, the Group 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 Group 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 Group could be required to repay.

Annexure I – Accounting policies continued

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and the loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

The Group assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the assets is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is to be evaluated against the original costs of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less an impairment loss on that investment previously recognised in the statement of comprehensive income – is reclassified from other comprehensive income to profit or loss. Increases in fair value after impairment are recognised directly in other comprehensive income. Impairment losses on available-for-sale equity instruments are not reversed through profit or loss.

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, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The Group has classified financial liabilities, as follows:

Description of liability	Classification
Loans payable and borrowings	Loans and borrowings
Trade and other payables	Loans and borrowings
Loans from subsidiaries	Loans and borrowings
Bank overdraft	Loans and borrowings
Amounts owing to Group companies*	Loans and borrowings

** Relates to Adcock Ingram Holdings Limited.*

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of comprehensive income.

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 Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Group 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 Group has determined classes of assets and liabilities on the basis of the nature, characteristics, risks and the fair value hierarchy.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of cash on hand and at banks, short-term deposits with an original maturity of three months or less and highly liquid investments.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as detailed above, net of outstanding bank overdrafts.

DERIVATIVE INSTRUMENTS

Derivatives are financial instruments whose value changes in response to an underlying factor, require no initial or little net investment and are settled at a future date. Derivatives, other than those arising on designated hedges, are measured at fair value with changes in fair value being recognised in profit or loss.

Hedge accounting

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges

Cash flow hedges cover the exposure to variability in cash flows that are attributable to a particular risk associated with:

- a recognised asset or liability; or
- a highly probable forecast transaction; or
- the foreign currency risk in an unrecognised firm commitment.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income, while any ineffective portion is recognised in profit or loss.

Annexure I – Accounting policies continued

Amounts taken to other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged income or financial asset or liability is recognised or when the forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amount deferred in other comprehensive income is transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials	Purchase cost on a first-in, first-out basis
Finished goods and work in progress	Cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity.

Consumables are written down with regard to their age, condition and utility.

Costs of inventories include the transfer from other comprehensive income of gains and losses on qualifying cash flow hedges in respect of the purchases of inventories.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated completion and selling costs.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income through profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current discount rate that reflects the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

LEASES

At inception date an arrangement is assessed to determine whether it is, or contains, a lease. An arrangement is accounted for as a lease where it is dependent on the use of a specific asset and it conveys the right to use that asset.

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred from the lessor to the Group as lessee. Finance lease assets and liabilities are recognised at the lower of the fair value of the leased property or the present value of the minimum lease payments. Finance lease payments are allocated, using the effective interest rate method, between the lease finance cost, which is included in finance costs, and the capital repayment, which reduces the liability to the lessor.

Capitalised lease assets are depreciated in line with the Group's stated depreciation policy. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of its estimated useful life and lease term.

Operating leases are those leases which do not fall within the scope of the above definition.

Operating lease rentals are charged against trading profit on a straight-line basis over the lease term.

REVENUE

Revenue comprises turnover, dividend income and finance income. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received/receivable excluding value-added tax, normal discounts, rebates, settlement discounts, promotional allowances, and internal revenue which is eliminated on consolidation.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Turnover from the sale of goods (including notional interest on those sales) is recognised when the significant risks and rewards of ownership have passed to the buyer.

Dividend income is recognised when the Group's right to receive payment is established.

Finance income is accrued on a time basis recognising the effective rate applicable on the underlying assets.

BORROWING COSTS

All borrowing costs are expensed in the period they occur, as none of the borrowing costs were directly attributable to the acquisition, construction or production of an asset which qualify for capitalisation. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

TAXES

Current income tax

Current income tax 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.

Current tax relating to items recognised outside profit or loss is recognised in other comprehensive income. Current tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The Group's liability or receivable for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date in the countries where the Group operates.

Deferred tax

Deferred tax is provided using the liability method on all temporary differences at the reporting date. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

Deferred tax liabilities are recognised for taxable temporary differences, except:

- where the liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, where it is probable that the asset will be utilised in the foreseeable future, except:

- where the asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and interests in associates and joint ventures, only to the extent that it is probable that the differences will reverse in the foreseeable future, and taxable profit will be available against which these differences can be utilised.

The carrying amount of deferred tax assets 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. Unrecognised deferred tax assets are re-assessed at each reporting date and recognised to the extent it has become probable that future taxable profit will allow the asset to be utilised.

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 based on tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is charged to profit or loss, except to the extent that it relates to a transaction that is recognised outside profit or loss or a business combination that results from an acquisition. In this case, the deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and they relate to income taxes levied by the same taxation authority.

Annexure I – Accounting Policies continued

Dividends tax
A dividends tax of 20% (previously 15%) on dividend distributions declared after the 22nd February 2017 is withheld from shareholders and paid to the South African Revenue Service, where applicable.

Value-added tax (VAT)
Revenues, expenses and assets are recognised net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

EMPLOYEE BENEFITS

Short-term employee benefits
All short-term benefits, including leave pay, are fully provided in the period in which the related service is rendered by the employees.

A liability is recognised when an employee has rendered services for benefits to be paid in the future, and an expense when the entity utilises the economic benefit arising from the service provided by the employee.

Defined contribution plans
In respect of defined contribution plans, the contribution paid by the Group is recognised as an expense. If the employee has rendered the service, but the contribution has not yet been paid, the amount payable is recognised as a liability.

Defined benefit plans
The present value of the defined benefit obligation, the related current service costs and, where applicable, past service costs, are calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on quality government bonds.

Re-measurements, comprising of actuarial gains and losses and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Current service costs are recognised in the statement of comprehensive income in profit or loss in those expense categories consistent with the function of the employee cost.

Past service costs are expensed on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately following the introduction of, or changes to, a defined benefit plan, the past service cost is recognised immediately.

POST-RETIREMENT MEDICAL OBLIGATIONS
The Group provides post-retirement healthcare benefits to certain of its retirees and one employee still in service. The expected costs of these benefits are accrued over the period of employment, using the projected unit credit method. Valuations are based on assumptions which include employee turnover, mortality rates, a discount rate based on current bond yields of appropriate terms and healthcare inflation costs. Valuations of these obligations are carried out by independent qualified actuaries.

Actuarial gains or losses are recognised in the same manner as those of the defined benefit obligation.

SHARE-BASED PAYMENTS
Certain employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions") or share appreciation rights ("cash-settled transactions").

Equity-settled transactions
The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external appraiser using a modified version of the Black-Scholes model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge in the statement of comprehensive income in profit or loss for a period represents the movement in the cumulative expense between the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. If at the date of modification, the total fair value of the share-based payment is increased, or is otherwise beneficial to the employee, the difference is recognised as an additional expense.

Where an equity-settled award is cancelled (other than forfeiture), it is treated as if it had vested on the date of cancellation (acceleration of vesting), and any unrecognised expense recognised immediately. Any payment made to the employee on the cancellation or settlement of the grant shall be accounted for as the repurchase of an equity interest, i.e. as a deduction from equity, except to the extent that the payment exceeds the fair value of the equity instruments granted, measured at the repurchase date. Any such excess shall be recognised as an expense. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted and designated as a replacement for the cancelled award, the cancelled and new awards are treated as if they were a modification of the original award, as described above. The dilutive effect of outstanding equity-settled options is reflected as additional share dilution in the computation of diluted earnings and diluted headline earnings per share.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using a modified version of the Black-Scholes model, taking into account the terms and conditions upon which the instruments were granted. Service vesting conditions are not included in the fair value but used to determine the number of instruments that will ultimately vest. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured to its fair value at each reporting date up to and including the settlement date with changes in fair value recognised in profit or loss.

Accounting for BEE transactions

Where equity instruments are issued to a Black Economic Empowerment (BEE) party at less than fair value, the instruments are accounted for as share-based payments in terms of the stated accounting policy.

Any difference between the fair value of the equity instrument issued and the consideration received is accounted for as an expense in the statement of comprehensive income through profit or loss.

A restriction on the BEE party to transfer the equity instrument subsequent to its vesting is not treated as a vesting condition, but is factored into the fair value determination of the instrument.

BEE transactions are accounted for as equity-settled share-based payments and are treated the same as equity-settled transactions.

TREASURY SHARES

Shares in Adcock Ingram Holdings Limited held by the Group, including shares held by structured entities deemed to be controlled by the Group, are classified within total equity as treasury shares. Treasury shares are treated as a deduction from the issued and weighted average number of shares for earnings per share and headline earnings per share purposes and the cost price of the shares is reflected as a reduction in capital and reserves in the statement of financial position. Dividends received on treasury shares are eliminated on consolidation. No gain or loss is recognised in the statement of comprehensive income through profit or loss on the purchase, sale, issue or cancellation of treasury shares. The consideration paid or received with regard to treasury shares is recognised in equity.

CONTINGENT ASSETS AND CONTINGENT LIABILITIES

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognised as assets.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Alternatively it may be a present obligation that arises from past events but is not recognised because an outflow of economic benefits to settle the obligation is not probable, or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities unless they are acquired as part of a business combination.

Recognised amounts in the financial statements are adjusted to reflect significant events arising after the date of the statement of financial position, but before the financial statements are authorised for issue, provided there is evidence of the conditions existing at the reporting date. Events after the reporting date that are indicative of conditions that arose after this date are dealt with by way of a note.

Annexure I – Accounting policies continued

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made certain judgements, estimates and assumptions, apart from those involving estimations, which have a significant effect on the amounts recognised in the financial statements.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Listed investment in associate

The Group has deemed the unit of account when measuring the fair value of the listed investments in associate, as the entire holding and not the individual share. In light of this, the Group estimates the fair value of the investment in Ayrton Drug Manufacturing Limited (Ghana), as the quoted price for the individual share and the quantity held, adjusted with premiums or discounts that reflect the characteristics of the investment and that market participants, acting in their economic best interest, would consider when determining the exit price of the investment.

Carrying value of goodwill, plant and equipment and intangible assets

Indefinite life intangible assets are tested for impairment bi-annually, while property, plant and equipment, goodwill and finite life intangible assets are tested at least annually or when there is an indicator of impairment. The calculation of the recoverable amount requires the use of estimates and assumptions concerning the future cash flows which are inherently uncertain and could change over time. In addition, changes in economic factors such as discount rates could also impact this calculation.

Residual values and useful lives of property, plant and equipment and intangible assets

Residual values and useful lives of property, plant and equipment, and intangible assets are assessed on an annual basis. Estimates and judgements in this regard are based on historical experience and expectations of the manner in which assets are to be used, together with expected proceeds likely to be realised when assets are disposed of at the end of their useful lives. Such expectations could change over time and therefore impact both depreciation and amortisation charges and carrying values of property, plant and equipment, and intangible assets in the future.

Fair value of BEE share allocations

In calculating the amount to be expensed as a share-based payment, the Group is required to calculate the judgemental fair value of the equity instruments granted to the BEE participants in terms of the staff empowerment transactions.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them.

Cash-settled share options granted to employees for services rendered or to be rendered are raised as a liability and recognised in profit or loss over the vesting period. The liability is remeasured to its fair value annually until settled and any changes in value are recognised in profit or loss. Fair value is estimated using a Black-Scholes option pricing model, as the employee share options are not traded on an active market, and the inputs used for the option pricing model require significant judgement and estimation.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

Pension and other post-employment benefits

The cost of defined benefit pension plans and post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Provisions

The establishment and review of provisions requires significant judgement by management as to whether or not a reliable estimate can be made of the amount of the obligation. Best estimates, being the amount that the Group would rationally pay to settle the obligation, are recognised as provisions at the reporting date.

Structured entities

Owner-driver companies

Various owner-driver companies exist in the Group. These entities were incorporated to support the distribution network of the Group and are consolidated into the Group in accordance IFRS 10.

Based on the contractual terms, the activities of these entities are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from these entities' operations. In addition, it was assessed that the Group controls each of these entities as there are insufficient assets within these entities to allow each entity to finance its own activities without the support of the Group.

Ad-izinyosi (RF) Proprietary Limited and AdBEE (RF) Limited

The Group restructured their BEE vehicle, which was performed in line with the circular dated 28 May 2015. This has led to the formation of Ad-Izinyosi (RF) Proprietary Limited and AdBEE (RF) Limited, a company with instruments listed on the JSE.

Adcock Ingram considered the relevant activities of both entities, the Company's involvement in facilitating the restructuring, the Company's protective rights in respect of the companies acting in accordance with their Memorandum of Incorporation; and the Company's lack of future financial exposure to the overall scheme. The conclusions were that in the Company's judgement the Group does not have power over the relevant activities of these two entities, nor benefits from the variable returns that would emanate from such entities. These entities are therefore not consolidated into the Group.

Mpho-ea Bophelo Trust

The Mpho ea Bophelo Trust is an entity incorporated for the purpose of representing Adcock Ingram employees in the Group's BEE transaction and is consolidated in accordance with IFRS 10. The activities of this entity are conducted in accordance with the Group's specific business needs in that the Group obtains benefits from this operation. The Group retains the majority of the residual or ownership risks and rewards related to this entity or its assets and it was therefore considered that the Group controls this entity.

Consolidation of entities in which the Group holds less than the majority of voting rights

The Group considers that it controls Menarini SA (Pty) Limited and Novartis Ophthalmics (Pty) Limited even though it owns less than 50% of the voting rights as it controls the daily management and decision making of these entities.

Annexure I – Accounting policies continued

STANDARDS AND INTERPRETATIONS ISSUED THAT ARE NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations that are applicable to the Group with an effective date after the date of these financial statements, have not been applied in preparing these consolidated financial statements. The Group intends to adopt these standards when they become effective.

IFRS 9: Financial instruments – recognition and measurement

IFRS 9 replaces existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment losses on financial assets measured at amortised cost and at fair value through other comprehensive income. IFRS 9 also includes new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial liabilities from IAS 39, with small amendments. The Group elects to continue to apply the hedge accounting requirements of IAS 39, however the Group anticipates a possible change in the classification and measurement of the loan receivable from the Black Managers Share Trust (refer to note 13). However, it is currently estimated that this will not have a material impact on trading profit. The Group has embarked an active project to assess the potential impact on its Group financial statements, which includes an assessment of the credit impairment model regarding the application of IFRS 9.

IFRS 9 will be effective for the Group from 1 July 2018.

IFRS 15: Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework detailing the principles an entity must apply when measuring and recognising revenue. The standard requires retrospective application. There are more disclosure requirements than the current IAS 18 standard with the aim to enable users of financial statements to understand the nature, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Group is still in the process of assessing the potential impact on its Group financial statements regarding the application of IFRS 15. However, it is currently estimated that the main impact will be the additional disclosure compared with IAS 18.

IFRS 15 will be effective for the Group from 1 July 2018.

IFRS 16: Leases

IFRS 16 introduces significant changes to lessee accounting: it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

If a lessee elects not to apply the general requirements of IFRS 16 to short-term leases (i.e. one that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets, the lessee should recognise the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis, similar to the current accounting for operating leases.

IFRS 16 will be effective for the Group from 1 July 2019.

IAS 7: Statement of cash flows – disclosure initiative amendments

The amendments to IAS 7 are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. These amendments will be effective from 1 July 2017 and are not expected to have a significant impact on the Group's disclosure.

IAS 12: Income taxes – recognition of deferred tax assets for unrealised loss – amendments

The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

These amendments will be effective from 1 July 2017 and are not expected to have a significant impact on the Group's disclosure.

IFRS 2: Classification and measurement of share-based payment transactions – amendments

The amendments address three main areas:

- The effects of vesting conditions on a cash-settled share-based payment transaction;
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

The amendments, effective from 1 July 2018, are narrow in scope and address specific areas of classification and measurement and are not expected to have a significant impact on the Group's disclosure.

IFRS 10 AND IAS 28: Sale or contribution of assets between an investor and its associate or joint venture – amendments

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in IFRS 3: *Business Combinations.* Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted. The amendments are not expected to have a significant impact on the Group's disclosure.

IFRIC 22: Foreign currency transactions and advance consideration – interpretation

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

This interpretation is effective for the Group from 1 July 2018 and is not expected to have a significant impact on the Group's disclosure.

Shareholder information

Shareholder analysis

1. REGISTERED SHAREHOLDER SPREAD

In accordance with the JSE Listings Requirements, the following table confirms the spread of registered shareholders as detailed in the Integrated Report and Annual Financial Statements dated 30 June 2017:

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	4 471	71.3	1 356 866	0.8
1 001 – 10 000 shares	1 534	24.5	4 443 346	2.5
10 001 – 100 000 shares	199	3.2	5 584 758	3.2
100 001 – 1 000 000 shares	52	0.8	15 670 911	8.9
1 000 001 shares and above	13	0.2	148 692 167	84.6
Total	**6 269**	**100**	**175 748 048**	**100.0**

2. PUBLIC AND NON-PUBLIC SHAREHOLDINGS

Within the shareholder base, we are able to confirm the split between public shareholdings and directors/company related schemes as being:

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders*	3	0.06	30 147 322	17.1
Adcock Ingram Limited	1	0.02	4 285 163	2.4
Ad-Izinyosi (RF) Limited	1	0.02	25 842 959	14.7
Directors	1	0.02	19 200	0.0
Public shareholders	6 266	99.94	145 600 726	82.9
Total	**6 269**	**100.00**	**175 748 048**	**100.0**

** Associates of directors do not hold any shares.*

3. SUBSTANTIAL INVESTMENT MANAGEMENT EQUAL TO OR IN EXCESS OF 5%

Through regular analysis of STRATE registered holdings, and pursuant to the provisions of section 56(b) of the Companies Act, 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	65 832 569	37.5
Public Investment Corp. of South Africa	38 844 541	22.1
Ad-Izinyosi (RF) Limited	25 842 959	14.7
Total	**130 520 069**	**74.3**

4. GEOGRAPHICAL SPLIT OF BENEFICIAL SHAREHOLDERS

Country	Total shareholding	% of issued share capital
South Africa	160 573 801	91.37
United States of America and Canada	4 748 180	2.70
United Kingdom	9 839 739	5.60
Rest of Europe	299 977	0.17
Rest of the World[1]	286 351	0.16
Total	**175 748 048**	**100.0**

[1] *Represents all shareholdings except those in the above regions*

Beneficial interest and beneficial shareholder categories are not shown in this report, as agreed with JSE.

5. MONTHLY TRADING HISTORY

The high, low and closing price of ordinary shares on the JSE and the aggregated monthly value during the year are set out below:

Month	Total volume	Total value (R'm)	High (R)	Low (R)	Closing price (R)
2016 – July	2 381 933	108	50.00	42.95	47.86
2016 – August	2 228 292	104	49.74	44.55	46.45
2016 – September	4 418 273	206	48.70	44.00	46.10
2016 – October	2 168 955	101	48.44	45.10	46.85
2016 – November	2 270 791	104	48.00	43.01	46.50
2016 – December	1 712 512	79	48.27	43.50	48.25
2017 – January	2 609 147	131	53.40	46.20	51.43
2017 – February	3 290 423	180	62.00	49.80	58.84
2017 – March	2 697 596	165	65.00	58.27	62.25
2017 – April	1 553 042	92	62.22	55.50	59.88
2017 – May	3 396 855	207	63.34	58.01	61.80
2017 – June	4 197 518	250	61.15	56.52	59.10

Notice of Annual General Meeting

ADCOCK INGRAM HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
Registration number 2007/016236/06
ISIN: ZAE000123436
JSE Share Code: AIP
("Adcock Ingram" or "the Company")

Board of directors ("Board"): Ms L Boyce; Mr A Hall (CEO), Prof M Haus, Ms J John, Dr T Lesoli, Ms B Letsoalo; Mr M Makwana, Dr C Manning, Dr A Mokgokong, Ms D Neethling, Mr L Ralphs, Mr C Raphiri (Chairman), Mr M Sacks and Dr R Stewart.

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Annual General Meeting of shareholders of Adcock Ingram will be held at the Company's premises, 1 New Road, Midrand, Gauteng on Thursday, 23 November 2017 at 09:00 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 **"AGM"**).

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 AGM. 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 the AGM or the explanatory notes hereto, we recommend that you consult appropriate professional advisers. For purposes of this notice of the AGM 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 the AGM as being Friday, 20 October 2017; and

(b) participate in and vote at the AGM as being Friday, 17 November 2017.

The last day to trade in the Company's shares, in order to participate in and vote at the AGM is Tuesday, 14 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 and special 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 175 for the explanations which accompany the below ordinary and special Resolutions.

1. Presentation of annual financial statements and reports

To present the audited annual financial statements of the Company and its subsidiaries (the **"Group"**) 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, Audit Committee and the directors for the financial year ended 30 June 2017.

2. Presentation of the Social, Ethics and Transformation Committee report

To present the report of the Social, Ethics and Transformation Committee for the financial year ended 30 June 2017, as required in terms of Regulation 43(5)(c) of the Companies Regulations, 2011 ("**Companies Regulations**").

3. Re-election of non-executive directors

Ordinary Resolution 1

3.1. To elect Dr C Manning, who is retiring by rotation in accordance with clause 15.5 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. Dr Manning, being eligible and available, offers herself for re-election (as *Ordinary Resolution number 1.1*).

3.2. To elect Mr L Ralphs, who is retiring by rotation in accordance with clause 15.5 of the Company's MOI, as a non-executive director of the Company as contemplated in section 68(2)(a) of the Companies Act. Mr Ralphs, being eligible and available, offers himself for re-election (as *Ordinary Resolution number 1.2*).

3.3. To elect Ms L Boyce, who is retiring by rotation in accordance with clause 15.5 of the Company's MOI, as a non-executive director of the Company as contemplated in section 68(2)(a) of the Companies Act. Ms Boyce, being eligible and available, offers herself for re-election (as *Ordinary Resolution number 1.3*).

3.4. To elect Ms J John, who is retiring by rotation in accordance with clause 15.5 of the Company's MOI, as a non-executive director of the Company as contemplated in section 68(2)(a) of the Companies Act. Ms John, being eligible and available, offers herself for re-election (as *Ordinary Resolution number 1.4*).

4. Election of Audit Committee members

Ordinary Resolution 2

4.1. To elect by way of separate divisible Resolutions the following non-executive directors as the Audit Committee members for the ensuing year in accordance with section 94 of the Companies Act. The Audit Committee members listed below currently serve on the Committee and, accordingly, offer themselves for re-election:

4.1.1. Mr M Sacks (Chairman) (as *Ordinary Resolution 2.1*);

4.1.2. Prof M Haus (as *Ordinary Resolution 2.2*);

4.1.3. Dr R Stewart (as *Ordinary Resolution 2.3*);

4.1.4. Ms L Boyce (as *Ordinary Resolution 2.4*) subject to being re-elected as a director in terms of Resolution 1.3 above; and

4.1.5. Ms J John (as *Ordinary Resolution 2.5*) subject to being re-elected as a director in terms of Resolution 1.4 above.

5. 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) and to note the remuneration of the independent external Auditors as determined by the Audit Committee of the Board for the past year's audit as reflected in note 6.1 to the annual financial statements.

6. 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 and special Resolutions which have been (or will be) duly passed as set out in the notice convening the AGM.

7. Approval of the remuneration policy

Ordinary Resolution 5

To endorse, by way of a non-binding advisory vote, the Company and the Group's remuneration policy (excluding the remuneration of the non-executive directors for their services as directors and members of committees), as set out on pages 58 to 69 of the Integrated Report.

8. Non-binding advisory vote on the implementation of the remuneration policy of the Company

Ordinary Resolution 6

To endorse, by way of a non-binding advisory vote, the Company and Group's remuneration implementation report as set out on pages 58 to 69 of the Integrated Report.

9. Financial assistance to related and inter-related parties

Special Resolution 1

To approve, subject to compliance with the provisions of the MOI and Companies Act (including but not limited to the Board being satisfied that immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in section 4 of the Companies Act and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company), the provision by the Company, at any time and from time to time during the period of 2 (two) years commencing from the date of approval of this special Resolution, of such direct or indirect financial assistance, by way of a loan, guarantee of a loan or other obligation or securing of a debt or other obligation or otherwise as the Board may authorise, (i) to any 1 (one) or more related or inter-related company(ies) or corporation(s), or (ii) to any 1 (one) or more member(s) of a related or inter-related company or corporation, or (iii) to any 1 (one) or more person(s) related to any such company(ies), corporation(s) or member(s) (as such relations and inter-relationships are outlined in section 2 of the Companies Act), on such other terms and conditions as the Board may deem fit, subject to the Companies Act.

10. Proposed remuneration of non-executive directors payable with effect from 1 December 2017

Special Resolution 2

To approve the proposed fees and remuneration payable to non-executive directors, for their services as directors with effect from 1 December 2017 until the next AGM in accordance with the proposed remuneration as set out in the explanatory notes.

11. Proposed remuneration of the Acquisitions Committee payable with effect from its inception – 2015

Special Resolution 3

To approve the proposed fees and remuneration to be paid to non-executive directors who were/are members of the Acquisitions Committee, for their services as members of this Committee with effect from April 2015 until 30 November 2017 in accordance with the proposed remuneration as set out in the explanatory notes.

Notice of Annual General Meeting

continued

12. Material change

Other than the facts and developments reported on in the Integrated Report, there have been no material changes in the financial position of the Group since the date of signature of the audit report and the date of this notice.

13. Any other business

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

14. Electronic communication and participation

Shareholders or their proxies may participate in the AGM 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.

15. Proxies and voting

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. Note that equity securities held by a share trust or scheme and unlisted securities will not have their votes taken into account at the Annual General Meeting for the purposes of Resolutions proposed in terms of the JSE Listings Requirements. Shares held as treasury shares in terms of the Companies Act may not vote on any Resolutions.

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.

On a show of hands, every shareholder of the Company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the Company shall have one vote for every share held in the Company by such shareholder.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own name" registration, must contact their CSDP or broker in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions; and
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

Forms of proxy should be lodged in person or posted to the Company's transfer secretaries, Computershare Investor Services Proprietary Limited (70 Marshall Street, corner Sauer Street, Johannesburg, 2001; PO Box 61051, Marshalltown, 2107), to be received for the orderly arrangement of matters on the date of the AGM (but not required) by no later than 09h00, on Tuesday, 21 November 2017 (for administrative purposes), 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.

All beneficial owners whose shares have been dematerialised through a Central Securities Depository Participant (**"CSDP"**) or broker, other than with "own name" registration, must provide the CSDP or broker with their voting instructions in terms of their custody agreement should they wish to vote at the AGM. Alternatively, they may request the CSDP or broker to provide them with a letter of representation, in terms of their custody agreements, should they wish to attend the AGM.

By order of the Board

Ntando Simelane
Company Secretary

Midrand

26 October 2017

Annual General Meeting – explanatory notes

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

Section 61(8) of the Companies Act requires directors to present the annual financial statements for the year ended 30 June 2017 to shareholders, together with the reports of the directors, external Auditors and the Audit Committee at the Annual General Meeting. These are contained within the Integrated Report.

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, and electronic copies are available on the Adcock Ingram website (www.adcock.com).

PRESENTATION OF THE SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

Regulation 43(5)(c) of the Companies Regulations requires the Social and Ethics Committee, through 1 (one) of its members, to report to the shareholders on matters within its mandate at the Annual General Meeting. The Social, Ethics and Transformation Committee's report will be visually presented during the Annual General Meeting.

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 also provides that non-executive directors who were appointed by the Board to fill a vacancy or as an addition to the Board shall retire in terms of clause 15.5.

The following non-executive directors accordingly retire by rotation as required by the MOI:

1.1 Dr C Manning (as Ordinary Resolution number 1.1);

1.2 Mr L Ralphs (as Ordinary Resolution number 1.2);

1.3 Ms L Boyce (as Ordinary Resolution number 1.3); and

1.4 Ms J John (as Ordinary Resolution number 1.4).

Dr Manning, Mr Ralphs, Ms Boyce and Ms John have offered themselves for re-election and, having been evaluated and had their suitability for re-appointment confirmed by the Nominations Committee, are eligible for re-election.

A brief *curriculum vitae* in respect of each of the retiring directors, is set out on page 75 of the Integrated Report.

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

If each of the Resolutions set out under Ordinary Resolution 1 is approved, the effect would be to elect the retiring directors (i.e. Dr Manning, Mr Ralphs, Ms Boyce and Ms John) as a non-executive director to the Board of the Company until such time as they resign or are 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 AGM. In order to comply with this provision of the Companies Act, the Board, following a recommendation of the Nominations Committee, hereby nominates the following non-executive directors to be elected as members of the Audit Committee:

2.1 Mr M Sacks (Chairman) (as Ordinary Resolution 2.1);

2.2 Prof M Haus (as Ordinary Resolution 2.2);

2.3 Dr R Stewart (as Ordinary Resolution 2.3);

2.4 Ms L Boyce (as Ordinary Resolution 2.4) subject to being re-elected as a director in terms of Resolution 1.3 above; and

2.5 Ms J John (as Ordinary Resolution 2.5) subject to being re-elected as a director in terms of Resolution 1.4 above.

A brief *curriculum vitae* in respect of each of the above non-executive directors offering themselves for re-election as a member of the Audit Committee, is set out on page 75 of the Integrated Report.

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 AGM of the Company.

Annual General Meeting – explanatory notes continued

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 AGM 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 Audit Committee 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 EY, namely Mr Dave Cathrall, can be regarded as independent and are thereby able to conduct their audit functions without any conflict or influence. The relevant section of the Audit Committee Report relating to the Audit Committee's nomination of EY as the Auditors of the Company is contained on pages 83 and 84 of the Integrated Report.

EY 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 effect from 1 December 2017 until the next AGM. As contemplated in section 90(3) of the Companies Act, the name of the designated Auditor, Mr Dave Cathrall, forms part of the Resolution. The Resolution also notes the remuneration of the independent external Auditors as determined by the Audit Committee of the Board.

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 AGM of the Company.

Ordinary Resolution 4 – Delegation of authority

The 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.

Ordinary Resolution 5 – Approval of the Remuneration policy

Principle 14 of King IV requires companies to ensure that they remunerate fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term and requires companies to table their remuneration policy to shareholders every year for a non-binding advisory vote at the AGM. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation. The Company's and the Group's remuneration report is contained on pages 58 to 69 of the Integrated Report. Ordinary Resolution 5 is of an advisory nature only and failure to pass this Resolution will therefore not have any legal consequences relating to existing arrangements. However, the Board will as required in terms King IV, disclose in the background statement of the remuneration report succeeding the voting: with whom the Company engaged, and the manner and form of engagement to ascertain the reasons for dissenting votes; and the nature of steps taken to address legitimate and reasonable objections and concerns, in the event that either the remuneration policy or implementation report, or both, were voted against by 25% (twenty-five percent), or more, of the voting rights exercised.

To be approved, Ordinary Resolution 5 requires the support of more than 50% (fifty percent) of the voting rights exercised on the Resolution.

Ordinary Resolution 6 – Non-Binding advisory vote on the implementation of the remuneration policy of the Company

Principle 14 of King IV further recommends that the implementation of a company's remuneration policy be tabled for a non-binding advisory vote by shareholders at each AGM. This resolution is of advisory nature only to enable shareholders to express their views on the implementation of the Company's remuneration policy.

Special Resolution 1 – Financial Assistance to related and inter-related parties

It is important for the Group to be able to administer its cash resources efficiently. From time to time it is advisable for the Company to borrow from its subsidiaries, and to on-lend or provide loans to its subsidiaries and other potential recipients envisaged in Special Resolution 1 in accordance with the provisions of section 45 of the Companies Act. It is not possible to detail in advance all instances where such financial assistance could be required, and approval is accordingly sought as contemplated in section 45(3)(a)(ii) of the Companies Act generally for the provision of financial assistance to certain categories of potential recipients. If approved, this general authority will expire at the end of 2 (two) years from the date on which Special Resolution 1 is approved. In addition, it would be impractical and difficult to obtain shareholder approval every time the Company wishes to provide financial assistance as contemplated above. Accordingly, the Company requires flexibility and the authority to act promptly as the need arises, and the authority of this special Resolution is sought in advance to obviate the need for shareholder approval in each instance.

To be approved, Special Resolution 1 requires the support of more than 75% (seventy-five percent) of the voting rights exercised on the Resolution.

If Special Resolution 1 is approved, the effect would be to authorise the Company to grant the aforementioned financial assistance to the relevant persons, subject to compliance with the MOI and the Companies Act (including but not limited to the Board being satisfied that immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in section 4 of the Companies Act and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company).

Special Resolution 2 – Proposed remuneration of non-executive directors' payable with effect from 1 December 2017

Shareholders are requested to consider and if deemed appropriate, approve the proposed annual market-related fees and remuneration payable monthly or quarterly (as may be arranged with individual directors) in arrears to non-executive directors for their services as directors (which for clarity includes their participation in sub-committees of the Board) with effect from 1 December 2017 until the next AGM as set out in the table hereunder. Full particulars of all fees and remuneration for the past financial year are contained on page 69 the Integrated Report. Since the coming into effect of the Companies Act, in particular sections 65(11), 66(8) and (9), remuneration may only be paid to directors for their services as directors in accordance with a special Resolution approved by the shareholders (i.e. a Resolution passed with the support of at least 75% (seventy-five percent) of the voting rights exercised on the Resolution) within the previous 2 (two) years.

To be approved, Special Resolution 2 requires the support of at least 75% (seventy-five percent) of the voting rights exercised on the Resolution.

Category	Current annual remuneration	Proposed annual remuneration payable with effect from 1 December 2017
Board		
Chairman	1 083 920	1 148 950
Board member	248 000	262 900
Audit Committee		
Chairman	235 370	249 500
Audit Committee member	117 680	124 740
Risk and Sustainability Committee		
Chairman	235 370	235 370
Committee member	117 680	117 680
Human Resources, Remuneration and Nominations Committee		
Chairman	118 075	180 000
Committee member	61 270	82 700
Social, Ethics and Transformation Committee		
Chairman	118 075	165 900
Committee member	58 500	71 230
Acquisitions Committee		
Chairman		249 500
Committee member		124 740

Non-executive directors are paid an additional R13 000 (thirteen thousand Rand) each when they attend special meetings of the Board and/or sub-committees of the Board which last more than 3 (three) hours. The Chairman of the Board does not get paid any additional amount for attending meetings of committees of the Board.

If Special Resolution 2 is approved, the effect would be to authorise the Company to pay the remuneration contemplated in the above table to the non-executive directors of the Company for their services as directors, with effect from 1 December 2017 until the next AGM.

Special Resolution 3 – Proposed remuneration of the Acquisitions Committee payable with effect from April 2015 to 30 November 2017

The Acquisitions Committee of the Board was established on 21 November 2014 and the first meeting was held on 2 April 2015. Members of the Acquisitions Committee have not been paid by the Company for their services as members of the Committee in accordance with sections 66(8) and (9) of the Companies Act. Shareholders are requested to consider and if deemed appropriate, approve the proposed fees and remuneration payable to members of the Acquisitions Committee who are non-executive directors for their services as directors with effect from its inception in April 2015 until 30 June 2017 as set out in the table hereunder in accordance with sections 66(8) and (9) of the Companies Act. It was an oversight that this Resolution was not included in the Annual General Meeting convened on 24 November 2016.

Annual General Meeting – explanatory notes continued

The following table sets out the meetings attended by the members of the Acquisitions Committee from its first meeting (2015):

No. of meetings	Meeting date	B Joffe	R Morar	L Ralphs	C Raphiri	M Sacks
1	2 April 2015	x				x
2	13 April 2016	x		n/a	x	x
3	30 August 2016	x		n/a	x	x
4	18 October 2016	x	x	n/a	x	x
5	7 December 2016	x	n/a	x	x	x
6	3 May 2017	x	n/a	x	x	x
Total		**6/6**	**1/4**	**2/3**	**5/6**	**6/6**

The following table sets out the fees proposed to be paid to the members of the Acquisitions Committee for meeting attendance from its first meeting (2015) to 30 November 2017, inclusive; and which, if approved, will become due and payable to such members.

Members of the Committee	Position in Committee	1 Dec 2014 – 30 Nov 2015 Fee	1 Dec 2015– 30 Nov 2016 Fee	1 Dec 2016 – 30 Nov 2017 Fee	Total Payment
Dr Brian Joffe	Chairman	None - Chairman of the Board	R222 045 Three meetings	R235 400	R457 445
Clifford Raphiri	Member	No attendance	Chairman of the Board	Chairman of the Board	Nil
Roshan Morar (Retired: 24 Nov 2016)	Member	No attendance	R37 006 One meeting	Not applicable	R37 006
Motty Sacks	Member	R35 245 One meeting	R111 020 Three meetings	R117 680	R263 945
Lindsay Ralphs (Re-appointed: 24 Nov 2016)	Member	No attendance	Not applicable	R117 680	R117 680
Total		**R35 245**	**R370 071**	**R470 760**	**R870 076**

To be approved, Special Resolution 3 requires the support of at least 75% (seventy-five 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, as the Company has 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

Adcock Ingram Holdings Limited
(Incorporated in the Republic of South Africa)
Registration number 2007/016236/06
ISIN: ZAE000123436 JSE Share Code: AIP
("Adcock Ingram" or "the Company")

For use only by certificated shareholders and "own name" dematerialised shareholders of Adcock Ingram in respect of the Annual General Meeting of shareholders to be held at 1 New Road, Midrand, Gauteng, on Thursday, 23 November 2017 at 09:00 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, at any time, to appoint an individual as a proxy (who need not to be a shareholder of Adcock Ingram) 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 26 October 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 Adcock Ingram who hold ordinary shares in certificated form or who are recorded on sub-registered electronic form in "own name". Shareholders who hold dematerialised ordinary shares are referred to paragraphs 3 and 4 of the "Notes" overleaf for further instructions.

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

of (address) ____

(contact details). ____

being a shareholder of the Company, and entitled to (insert number) ____________________

votes, do hereby appoint: or failing him/her, 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, 23 November 2017 at 09:00 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.)*

Form of Proxy continued

	Number of votes		
	In favour of the resolution	Against the resolution	Abstain from voting on the resolution
Ordinary Resolution 1 1.1 To re-elect Dr C Manning as a non-executive director of the Company, who is retiring by rotation in terms of the MOI and makes herself available for re-election.			
1.2 To re-elect Mr L Ralphs 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.			
1.3 To re-elect Ms L Boyce as a non-executive director of the Company, who is retiring by rotation in terms of the MOI and makes herself available for re-election.			
1.4 To re-elect Ms J John as a non-executive director of the Company, who is retiring by rotation in terms of the MOI and makes herself available for re-election.			
Ordinary Resolution 2 To re-elect the following non-executive directors as Audit Committee members by way of separate resolutions.			
2.1 Mr M Sacks (Chairman)			
2.2 Prof M Haus			
2.3 Dr R Stewart			
2.4 Ms L Boyce			
2.5 Ms J John			
Ordinary Resolution 3 To re-appoint EY as the independent external auditors of the Company for the ensuing year (the designated auditor being Mr Dave Cathrall) and to note the remuneration of the independent external auditors as determined by the Audit Committee.			
Ordinary Resolution 4 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.			
Ordinary Resolution 5 To endorse by way of a non-binding vote the Company's remuneration policy (excluding the remuneration of the non-executive directors for their services as directors and members of committees).			
Ordinary Resolution 6 To endorse, by way of a non-binding advisory vote, the Company and Group's remuneration implementation report.			
Special Resolution 1 To approve the Company to provide financial assistance to related and inter-related parties as contemplated in section 45 of the Companies Act to any of the recipients falling within those identified in the notice of this Annual General Meeting.			
Special Resolution 2 To approve the proposed fees and remuneration payable to non-executive directors for their services as directors with effect from 1 December 2017 until the next AGM as set out in the notice of this Annual General Meeting.			
Special Resolution 3 To approve the proposed fees and remuneration payable to non-executive directors who were/are members of the Acquisitions Committee, for their services as members of this Committee with effect from April 2015 until 30 November 2017 in accordance with the proposed remuneration as set out in the explanatory notes.			

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 next page.

Notes to completion of form of proxy

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, Central Securities Depository Participant ("**CSDP"**), 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, CSDP, 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 CSDP or broker.
3. A form of proxy is only to be completed by those ordinary shareholders who are:
   3.1. holding ordinary shares in certificated form; or
   3.2. recorded on sub-register electronic form in "own name".
4. If you have already dematerialised your ordinary shares through a CSDP or broker and wish to attend the Annual General Meeting, you must request your CSDP or broker to provide you with a letter of representation or you must instruct your CSDP or broker to vote by proxy on your behalf in terms of the agreement entered into between yourself and your CSDP or broker.
5. 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 12 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.
6. 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.
7. 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.
8. 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 aforegoing 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.
9. To be effective, completed forms of proxy:
   (i) should be lodged with or mailed to Computershare Investor Services Proprietary Limited

   Hand deliveries to:
   Rosebank Towers, 15 Biermann Avenue
   Rosebank, Johannesburg, 2196

   Postal deliveries to:
   PO Box 61051
   Marshalltown, 2107

   to be received, for administrative purposes only, by 09h00 on 21 November 2017 or not less than 48 hours before any adjourned or postponed meeting); or

   (ii) should be lodged with or mailed to Adcock Ingram, 1 New Road, Midrand, Gauteng (marked for the attention of the Company Secretary) to be received after the time last specified in (i) above but up to at least 10 minutes before the commencement of the Annual General Meeting (including any adjourned or postponed meeting); or

   (iii) 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 (ii) 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).

Notes to completion of form of proxy continued

10. 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.
11. 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 Adcock Ingram.
12. Any alteration or correction made to this form or proxy must be initialled by the signatory/ies.
13. Notwithstanding the aforegoing, the Chairman of the Annual General Meeting may waive any formalities that would otherwise be a pre-requisite for a valid proxy.
14. 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.
15. 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.
16. 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

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).

Glossary

The following terms and abbreviations used in this Integrated Report, mean:

Adcock Ingram	Adcock Ingram Holdings Limited
API	Active Pharmaceutical Ingredient(s) used in the manufacturing of products
ARV	Anti-retrovirals, used in the treatment of HIV/AIDS
B-BBEE	Broad-based black economic empowerment, as defined by the codes of BEE good practice
BEE	Black Economic Empowerment, as envisaged in the BBBEE Act, 2003
BEE-Co	Blue Falcon 69 Trading (Proprietary) Limited (Registration number 2009/016091/07), a private company through which the Strategic Partners hold their equity interests in Adcock Ingram
BEE Participants	BEE-Co and the Employee Trust
CAMs	Complementary alternative medicines
tCO_2e	Tonnes carbon dioxide equivalent
Companies Act	The Companies Act (Act 71 of 2008)
CSI	Corporate Social Investment
DOH	Department of Health
Dti	Department of Trade and Industry
Employee Trust	The Mpho ea Bophelo Trust (Master's reference number IT330/2010)
FMCG	Fast moving consumer goods
GLP	Good laboratory practices
GMP	Good manufacturing practice
Group	Adcock Ingram and its direct and indirect subsidiaries, associate and joint ventures from time to time
HEPS	Headline earnings per share
HVL	High-volume liquids, used in the context of plant operated by Adcock Ingram in Clayville
IFRS	International Financial Reporting standards
IT	Information Technology
JIBAR	Johannesburg Interbank Agreed Rate
JSE	JSE Limited, the securities exchange on which the shares of Adcock Ingram are listed
MCC	Medicines Control Council, the regulatory body responsible for evaluation of and monitoring the quality, safety and efficacy of medicines on the South African market
MNC	Multi-national companies/partners
OTC	Over the counter
PVC	Polyvinyl chloride
R&D	Research and Development
Rofe	Return on funds employed
SAHPRA	The South African Health Products Regulatory Authority (the regulatory body replacing the MCC)
SENS	Johannesburg Stock Exchange News Service
SEP	Single exit price, the price determined by regulation, at which medicines may be offered for sale on the South African private market
SOC	State Owned Company
VMS	Vitamins, minerals and supplements
WHO	World Health Organisation
ZAR	South African Rand

Company information

Adcock Ingram Holdings Limited

Incorporated in the Republic of South Africa
(Registration number 2007/016236/06)
Income tax number 9528/919/15/3
Share code: AIP ISIN: ZAE000123436
("Adcock Ingram" or "the Company" or "the Group")

Directors

Ms L Boyce (Independent Non-executive Director)
Mr A Hall (Chief Executive Officer)
Prof M Haus (Independent Non-executive Director)
Ms J John (Independent Non-executive Director)
Dr T Lesoli (Independent Non-executive Director)
Ms B Letsoalo (Executive Director)
Mr M Makwana (Independent Non-executive Director)
Dr C Manning (Non-executive Director)
Dr A Mokgokong (Non-executive Director)
Ms D Neethling (Chief Financial Officer)
Mr L Ralphs (Non-executive Director)
Mr C Raphiri (Independent Non-executive Chairman)
Mr M Sacks (Independent Non-executive Director)
Dr R Stewart (Independent Non-executive Director)

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
Rosebank Towers, 15 Biermann Avenue, Rosebank
Johannesburg, 2196
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

Bankers

Nedbank Limited
135 Rivonia Road, Sandown
Sandton, 2146

Rand Merchant Bank
1 Merchant Place, corner Fredman Drive and Rivonia Road
Sandton, 2196

Forward-looking statements

Adcock Ingram may, in this document, make certain statements that are not historical facts and relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements may also relate to our future prospects, developments and business strategies. Examples of such forward-looking statements include, but are not limited to, statements regarding exchange rate fluctuations, volume growth, increases in market share, total shareholder return and cost reductions. Words such as "believe", "anticipate", "expect", "intend", "seek", "will", "plan", "could", "may", "endeavour" and "project" and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and there are risks that the predictions, forecasts, projections and other forward-looking statements will not be achieved. If one or more of these risks materialise, or should underlying assumptions prove incorrect, our actual results may differ materially from those anticipated. Forward-looking statements apply only as of the date on which they are made, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.